

**SOUTHERN CALIFORNIA INTERGOVERNMENTAL
TRAINING AND DEVELOPMENT CENTER**

FINANCIAL STATEMENTS

JUNE 30, 2015

**Southern California Intergovernmental Training and Development Center
Financial Statements
June 30, 2015**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2015, and the related notes to the financial statements, which collectively comprise ITDC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Emphasis of Matter

Change in Accounting Principles

As discussed in note 1 to the basic financial statements effective July 1, 2014, ITDC adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

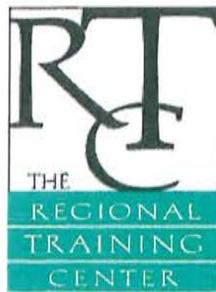
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on pages 3 to 7, the Budgetary Comparison Schedule of the General Fund on page 31, the Schedule of Plan's Proportionate Share of Net Pension Liability and Related Ratios as of Measurement Date – Miscellaneous Plan on page 32, and the Schedule of Pension Contributions - Miscellaneous Plan on page 33 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2015, on our consideration of 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* in considering the ITDC's internal control over financial reporting and compliance.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
December 15, 2015



**SOUTHERN CALIFORNIA INTERGOVERNMENTAL TRAINING & DEVELOPMENT CENTER
(DBA: REGIONAL TRAINING CENTER)**

Management's Discussion & Analysis
For the Year Ended June 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the RTC's basic financial statements. The RTC's basic financial statements are comprised of three components: (1) Government-wide financial statements, (2) Fund financial statements, and (3) Notes to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

The RTC basic financial statements present fairly, in all material respects, the respective financial position of the government activities and the major fund of RTC as of June 30, 2015. The respective changes in financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Government-wide Financial Statements

The government-wide financial statements are prepared using the full accrual basis of accounting for all RTC activities. The statement of net position presents information on all RTC assets and liabilities, with the difference between the two reported as net position. Net position may serve over time as a useful indicator of a government's financial position. The net position on June 30, 2015 is \$503,904, with a decrease of \$772,362 over the prior year due to GASB Statement Nos. 68 and 71 adjustments.

The statement of activities presents information showing how the RTC's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods such as revenues pertaining to uncollected cash and expenses pertaining to earned but unused vacation and sick leave.

Fund Financial Statements

The fund financial statements are prepared using 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 measurable and available to finance RTC's operations at the normal time of receipt.

The fund financial statements consist of the following: the governmental funds balance sheet and the statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental funds and governmental activities.

Fund balances are presented in the following categories: non-spendable, restricted, committed, assigned and unassigned. When there is an expenditure incurred for purposes for which both restricted and unrestricted fund balance is available, RTC considers restricted funds to have been spent first. When there is an expenditure incurred for purposes for which committed, assigned, or unassigned fund balance is available, RTC spends first out of committed funds, then assigned funds, and finally unassigned funds. As of June 30, 2015, all funds in RTC are unassigned general funds. The unassigned general fund balance as of June 30, 2015 is \$1,204,960.

As of June 30, 2015, RTC has deferred revenue of \$54,288. The balance related to the revenue that has not been received within 60 days following fiscal year end.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information (other than MD&A)

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the RTC’s general fund budgetary comparison schedule, the proportionate share of net pension liability and related ratio schedule, and the pension contribution schedule.

FINANCIAL ANALYSIS OF THE RTC’S GOVERNMENT-WIDE FINANCIAL STATEMENTS

Analysis of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. For the RTC, assets exceed liabilities by \$503,904 at the close of the current fiscal year.

The portion of the RTC’s net investment in capital assets is minimal. The total amount is \$3,059. The majority of RTC net position is comprised of accounts receivable in the amount of \$697,609.

Accounts Receivable

<u>Agency</u>	<u>Total</u>
HHS A	\$ 34,040
HT	12,154
PAC	28,485
POST	283,653
PROBATION	(921)
RCS	16,621
STC	7,075
VAWA	316,502
Grand Total	\$ 697,609

Net Position

	2014 restated	2015
Cash in Treasury	\$ 568,571	\$ 633,614
Cash in bank WF	157,330	99,345
Accounts receivable	899,316	697,609
Due from County - Interest	498	516
Due from County of SD		52,655
Long term capital assets	69,954	69,954
Accumulated depreciation	(64,735)	(66,895)
Total Assets	1,630,934	1,486,798
Pensions		106,328
Total Deferred Outflows of Resources		106,328
Accounts payable	361,669	218,104
Accrued payroll	4,718	6,387
ST PERS side fund	50,107	
LT Pension Liability		625,459
LT Liab. on compensated absences payable	39,085	45,875
Total Liabilities	455,579	895,825
Pensions		193,397
Total Deferred Inflows of Resources		193,397
Net investment in capital assets	5,219	3,059
Unrestricted	1,170,136	500,845
Total Net Position	1,175,355	503,904
Prior period adjustment	(772,362)	
Total Net Position	\$ 402,993	\$ 503,904

Analysis of Change in Net Position

The RTC'S net position is decreased by \$772,362 during the current fiscal year.

FINANCIAL ANALYSIS OF THE RTC'S FUNDS

Governmental Funds

The focus of the RTC's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the RTC's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

On June 30, 2015, the RTC's governmental funds reported combined ending fund balances of \$1,204,960, an increase of \$151,096 in comparison with the prior year. The fund balances are all unassigned funds, which are available to meet the RTC's current and future needs. The reason for the increase of the fund balance was the increase in collection of the billing invoices within 60 days. There is a deduction of deferred revenue of \$151,176 over the prior year.

Revenues: Governmental Fund

	<u>2014 audited</u>	<u>% of Total</u>	<u>2015</u>	<u>% of Total</u>	<u>Change</u>
POST class	\$ 2,369,969	47%	\$ 2,400,758	53%	\$ 30,789
Admin contracts	1,753,412	35%	1,600,898	35%	(152,514)
Other contracts	380,795	7%	363,828	8%	(16,967)
Interest	2,016	0%	2,626	0%	610
Change in deferred revenue	541,238	11%	151,176	4%	(390,062)
Total Revenues	\$ 5,047,430	100%	\$ 4,519,286	100%	\$ (528,144)

Revenues for governmental functions totaled \$4,519,286 in fiscal year 2014-2015, which represents a decrease of \$528,144, or 10% from fiscal year 2013-2014. The changes are primarily due to negative changes in deferred revenue.

The following table presents expenditures by types compared to prior year amounts for the governmental fund. The decrease in expenditures is largely in the program services and salaries and benefits.

Expenditures: Governmental Fund

	<u>2014 audited</u>	<u>% of Total</u>	<u>2015</u>	<u>% of Total</u>	<u>Change</u>
Salaries & benefits	\$ 651,270	15%	\$ 660,179	15%	\$ 8,909
Professional services	3,699,959	84%	3,680,593	84%	(19,366)
Other expenses	38,134	1%	27,418	1%	(10,716)
Expenditures	\$ 4,389,363	100%	\$ 4,368,190	100%	\$ (21,174)

	<u>2014 audited</u>	<u>% of Total</u>	<u>2015</u>	<u>% of Total</u>	<u>Change</u>
Salaries & benefits	651,270	15%	660,179	15%	8,909
Professional services	3,699,959	84%	3,680,593	84%	(19,366)
Other expenses	38,133	1%	27,418	1%	(10,715)
Total Expenditures	4,389,363	100%	4,368,190	100%	(21,173)

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund**

Net change in fund balance - governmental fund		\$ 151,096
Long term capital assets	\$ -	
CY depreciation expense	(2,160)	
Net		(2,160)
Current year deferred liabilities -	54,288	
Prior year deferred liabilities	(205,464)	(151,176)
Variance of compensation absence pay from prior year		(6,790)
Repayment of PERS side fund		50,107
Variance of pension costs between accrual and cash basis		59,834
Change in net position of governmental activities		<u>\$ 100,911</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

There is an increase on the budgetary financials of \$140,941 due to the change in deferred revenues. The deferred revenue is the revenue that has not been received within 60 days following the fiscal year end.

NOTES TO FINANCIAL STATEMENTS

Capital Assets

The RTC's capital assets for its governmental activities as of June 30, 2015 totaled \$3,059 (net of accumulated depreciation of \$66,895). There are no additional capital asset purchases this fiscal year.

For government-wide financial statement presentation, all depreciable capital assets are depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures.

Deferred revenue

As of June 30, 2015, RTC has deferred revenue of \$54,288. The balance related to the revenue that has not been received within 60 days following fiscal year end. This deferred revenue included HHSA, POST and Public Agency Class billings.

Long-term Debt

As of June 30, 2015, RTC has adjustments for compensated absences in the amount of \$45,875 and pension liability as a result of implementation of GASB Statement Nos. 68 and 71, in the amount of \$625,459.

CONTACTING MANAGEMENT

This financial report is designed to provide a general overview of the RTC's finances and to show RTC's accountability for the money it receives. If you have questions about this report or need any additional financial information, please contact Michael Gray, Executive Director, at the San Diego Regional Training Center, 6155 Cornerstone Court, Suite 130, San Diego, CA 92121.

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BASIC FINANCIAL STATEMENTS

**SOUTHERN CALIFORNIA
INTERGOVERNMENTAL TRAINING AND DEVELOPMENT CENTER
STATEMENT OF NET POSITION
June 30, 2015**

	<u>Governmental Activities</u>
ASSETS	
Cash and investments with County Treasury	\$ 633,614
Cash in bank	152,000
Accounts receivable	697,609
Interest receivable	516
Capital assets, being depreciated	69,954
Accumulated depreciation	<u>(66,895)</u>
Total Assets	<u>1,486,798</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	<u>106,328</u>
Total Deferred Outflows of Resources	<u>106,328</u>
LIABILITIES	
Accounts payable	218,104
Accrued payroll	6,387
Long-term liabilities:	
Due in more than one year	<u>671,334</u>
Total Liabilities	<u>895,825</u>
DEFERRED INFLOWS OF RESOURCES	
Pensions	<u>193,397</u>
Total Deferred Inflows of Resources	<u>193,397</u>
NET POSITION	
Net investment in capital assets	3,059
Unrestricted	<u>500,845</u>
Total Net Position	<u><u>\$ 503,904</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, 2015**

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Change in Net Position
		Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:				
General government	\$ 4,267,199	\$ 4,365,484	\$ -	\$ 98,285
Total Governmental Activities	<u>\$ 4,267,199</u>	<u>\$ 4,365,484</u>	<u>\$ -</u>	<u>98,285</u>
General Revenues:				
				2,626
				<u>2,626</u>
				100,911
				1,175,355
				<u>(772,362)</u>
				<u>402,993</u>
				<u>\$ 503,904</u>

See accompanying notes to basic financial statements

**SOUTHERN CALIFORNIA
INTERGOVERNMENTAL TRAINING AND DEVELOPMENT CENTER
BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2015**

	<u>General Fund</u>
ASSETS	
Cash and investments with County Treasury	\$ 633,614
Cash in bank	152,000
Accounts receivable	697,609
Interest receivable	<u>516</u>
Total Assets	<u><u>\$ 1,483,739</u></u>
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	
Liabilities	
Accounts payable	\$ 218,104
Accrued payroll	<u>6,387</u>
Total Liabilities	<u>224,491</u>
Deferred Inflow of Resources	
Deferred revenue - unavailable grant revenue	<u>54,288</u>
Total Deferred Inflow of Resources	<u>54,288</u>
Fund Balance	
Unassigned	<u>1,204,960</u>
Total Fund Balance	<u>1,204,960</u>
Total Liabilities, Deferred Inflow of Resources, and Fund Balance	<u><u>\$ 1,483,739</u></u>

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 POSITION
June 30, 2015**

Total fund balance - governmental funds \$ 1,204,960

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.

Capital assets at historical cost	\$	69,954	
Accumulated depreciation		<u>(66,895)</u>	
Net			3,059

Under the 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 position and statement of activities, however, revenues and assets are reported regardless of when financial resources are available.

Deferred revenue - unavailable grant revenues 54,288

Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred inflows of resources relating to pensions		(193,397)	
Deferred outflows of resources relating to pensions		<u>106,328</u>	
Net			(87,069)

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported.

The long-term liability relating to governmental activities consists of:

Net Pension Liability		(625,459)	
Compensated absences payable		<u>(45,875)</u>	
			<u>(671,334)</u>

Net position of governmental activities \$ 503,904

**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, 2015**

	<u>General Fund</u>
Revenues	
Intergovernmental	\$ 4,516,660
Use of money and property	<u>2,626</u>
Total Revenues	<u>4,519,286</u>
Expenditures	
Current:	
Salaries and benefits	660,178
Services and supplies	3,680,594
Other expenditures	<u>27,418</u>
Total Expenditures	<u>4,368,190</u>
Net Change in Fund Balance	151,096
Fund Balance, July 1, 2014	<u>1,053,864</u>
Fund Balance, June 30, 2015	<u><u>\$ 1,204,960</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, 2015**

Net change in fund balance - governmental fund	\$	151,096
Amounts reported for governmental activities in the statement of activities differ because:		
Funds report capital outlays 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 capital outlay is less than depreciation expense in the current period:		(2,160)
Certain revenues are offset by deferred revenue in the governmental fund because they are not available to pay for current period expenditures. This amount represents the amount by which prior year's deferred revenue exceeded current year's deferred revenue.		(151,176)
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 earned exceeded the amounts used.		(6,790)
Repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. The repayment reduces long-term liabilities in the statement of net position.		50,107
In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:		59,834
Change in net position of governmental activities	\$	100,911

See accompanying notes to basic financial statements

NOTES TO BASIC FINANCIAL STATEMENTS

Southern California Intergovernmental Training and Development Center
Notes to Basic Financial Statements
June 30, 2015

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

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 fiscal year end.

C. Basis of Presentation

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34. GASB Statement No. 34 establishes requirements and a 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 – Accounting principles generally accepted in the United States of America and GASB require that financial statements be accompanied by a narrative introduction and analytical overview of 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.

Government-wide Financial Statements – This reporting model includes financial statements prepared using the full accrual basis of accounting for all of 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 Position – The statement of net position is designed to display the financial position of the government. The net position of ITDC is broken down into three categories – net investment in capital assets, 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, 2015

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 position, and has reported all revenues and the cost of providing services using the full accrual basis of accounting in the statement of activities.

The government-wide financial statements (i.e., the statement of net position 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 fiscal year of the commitment to purchase. For purposes of budgetary presentation, actual expenditures are adjusted to include encumbrances outstanding at fiscal year-end. There were no encumbrances outstanding at June 30, 2015. 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 fiscal 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 fiscal year-end are reported as assignment of fund balance and do not constitute expenditures or liabilities, because the commitments will be honored during the subsequent fiscal year. There were no assignments for encumbrances at June 30, 2015.

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 and discounts 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. Amortization of premiums and deferred amounts on refunding are included as interest expense, if any.

Southern California Intergovernmental Training and Development Center
Notes to Basic Financial Statements
June 30, 2015

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

In the fund financial statements, governmental fund types recognize these changes during the period issued. The face amount of debt issued is reported as other financing sources. Premiums or discounts received are reported as other financing sources or uses respectively.

Net Position

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

Fund Balances

As of June 30, 2015, fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the governing board is the highest level of decision-making authority for ITDC. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the governing board.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under ITDC's adopted policy, only the governing board or director may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which restricted, committed, assigned, or unassigned fund balance are available, ITDC considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

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 the 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, 2015

Note 1 – Summary of Significant Accounting Policies (Continued)

D. Major Funds

GASB Statement No. 34 requires that ITDC's major governmental type funds 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 fiduciary fund types.

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 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.

ITDC's financial transactions are included in the County's accounting system. The fund is identified in the County's accounting records as 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 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 a legally separate, economically independent, local governmental entity. The amounts presented in 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. 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, 2015

Note 1 – Summary of Significant Accounting Policies (Continued)

F. Financial Statement Elements (Continued)

Deferred Outflow/Inflow of Resources – A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period. A deferred inflow of resources represents an acquisition of net position that is applicable to a future period.

Under the modified accrual basis of accounting, it is not enough that revenue has been earned if it is to be recognized as revenue of the current period. Revenue must also be susceptible to accrual; it must be both measurable and available to finance expenditures of the current fiscal period. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding deferred inflow of resources. This type of deferred inflow is unique to governmental funds, since it is tied to the modified accrual basis of accounting, which is used only in connection with governmental funds.

Pensions - For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the ITDC's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Governmental Accounting Standards Board Statement No. 68

For the fiscal year ended June 30, 2015, ITDC implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement is effective for periods beginning after June 15, 2014. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* as well as the requirements of Statement No. 50, *Pension Disclosures*. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense related to pensions. Implementation of GASB Statement No. 68 did have an impact on the financial statements for the fiscal year ended June 30, 2015. See Note 7 – Defined Benefit Pension Plan and Note 11 – Prior Period Adjustment.

Southern California Intergovernmental Training and Development Center
Notes to Basic Financial Statements
June 30, 2015

Note 1 – Summary of Significant Accounting Policies (Continued)

G. New Accounting Pronouncements (Continued)

Governmental Accounting Standards Board Statement No. 71

For the fiscal year ended June 30, 2015, ITDC implemented Governmental Accounting Standards Board (GASB) Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. This Statement is effective for periods beginning after June 15, 2014. The objective of this Statement is to address an issue regarding application of the transition of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This statement will eliminate the source of potential significant understatement of restated beginning net position and expense in the first year of implementation of GASB Statement No. 68 in the accrual-basis financial statements of employers and nonemployer contributing entities. Implementation of the GASB Statement No. 71 did have an impact on the financial statements for the fiscal year ended June 30, 2015. See Note 7 – Defined Benefit Pension Plan and Note 11 – Prior Period Adjustment.

H. Future Accounting Pronouncements

GASB Statements Nos. 72-76 listed below will be implemented in future financial statements:

Statement No. 72	"Fair Value Measurement and Application"	The provisions of this statement are effective for financial statements for reporting periods beginning after June 15, 2015.
Statement No. 73	"Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68"	The provisions of this statement are effective for fiscal years beginning after June 15, 2015 - except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for fiscal years beginning after June 15, 2016.
Statement No. 74	"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans"	The provisions of this statement are effective for fiscal years beginning after June 15, 2016.
Statement No. 75	"Accounting and Financial Reporting Postemployment Benefit Plans Other Than Pension Plans"	The provisions of this statement are effective for fiscal years beginning after June 15, 2016.
Statement No. 76	"The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments"	The provisions of this statement are effective for fiscal years beginning after June 15, 2015.

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 position 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, 2015

Note 2 – Cash and Investments (Continued)

Cash and investments as of June 30, 2015 are classified in the accompanying financial statements as follows:

Cash and investments with County Treasury	\$ 633,614	
Cash in bank	152,000	
Total cash and investments	\$ 785,614	

Cash and investments are presented on the accompanying basic financial statements, as follows:

Cash and investments with County Treasury, statement of net position	\$ 633,614	
Cash in bank, statement of net position	152,000	
Total cash and investments	\$ 785,614	

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, 2015.

Investments Authorized by the California Government Code

ITDC does not have its own investment policy and it follows the investment policy of the County of San Diego. The table below identifies the investment types that are authorized for ITDC by the California Government Code (or the County of San Diego's investment policy, where more restrictive).

The table also identifies certain provisions of the California Government Code (or the County of San Diego's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	None	None
Agency Obligations	5 years	None	35%
Local Agency Obligations	5 years	15%	10%
Bankers' Acceptances	180 days	40%	5%
Commercial Paper	270 days	40%	5%
Negotiable Certificates of Deposit	5 years	30%	5%
Repurchase Agreements	1 year	40%	10-15%
Reverse Repurchase Agreements	92 days	20%	10%
Corporate Medium-Term Notes	5 years	30%	5%
Money Market Mutual Funds	N/A	15%	10%
Bond Funds	N/A	2.5%	2.5%
Pass-Through Securities	5 years	20%	5%

Southern California Intergovernmental Training and Development Center
Notes to Basic Financial Statements
June 30, 2015

Note 2 – Cash and Investments (Continued)

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 is, 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)					More Than 60 Months
		12 Months Or Less	13 to 24 Months	25-36 Months	37-48 Months	49-60 Months	
County investment pool	\$ 633,614	\$ 633,614	\$ -	\$ -	\$ -	\$ -	\$ -
Total	<u>\$ 633,614</u>	<u>\$ 633,614</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, County’s investment policy, or debt agreements, and the actual rating, as of fiscal year end, for each investment type.

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
County investment pool	\$ 633,614	N/A	\$ -	\$ -	\$ -	\$ -	\$ 633,614
Total	<u>\$ 633,614</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 633,614</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, 2015.

Concentration of Credit Risk

As of June 30, 2015, ITDC has not invested more than 5% of its total investments in any one issuer. Investments in external investment pools are excluded from this requirement.

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

Southern California Intergovernmental Training and Development Center
Notes to Basic Financial Statements
June 30, 2015

Note 2 – Cash and Investments (Continued)

Custodial Credit Risk (Continued)

securities that are in the possession of another party. The California Government Code and County'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 ITDC deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2015, none of ITDC's deposits with financial institutions were in excess of federal depository insurance limits.

Investment in San Diego Investment Pool

ITDC is a voluntary participant in the pool regulated by the California Government Code Sections 53601 and 53635, under the oversight of the Treasurer of the County of San Diego. The fair value of ITDC's investment in the pool is reported in the accompanying financial statements at amounts based upon the ITDC's pro-rata share of the fair value provided by the County of San Diego for the entire pool portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the pool, which are recorded on a cash basis.

Note 3 – Accounts Receivable

Accounts receivable consisted of contract receivables from various agencies.

Note 4 – Capital Assets

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Capital assets, being depreciated				
Furniture and equipment	\$ 69,954	\$ -	\$ -	\$ 69,954
Total capital assets being depreciated	69,954			69,954
Less accumulated depreciation for:				
Furniture and equipment	(64,735)	(2,160)		(66,895)
Total accumulated depreciation	(64,735)	(2,160)		(66,895)
Total capital assets being depreciated, net	\$ 5,219	\$ (2,160)	\$ -	\$ 3,059

Southern California Intergovernmental Training and Development Center
Notes to Basic Financial Statements
June 30, 2015

Note 5 – Deferred Revenue

As of June 30, 2015, ITDC had deferred revenue of \$54,288 in the Balance Sheet of the Governmental Fund. The balance relates to the revenue that has not been received within 60 days following fiscal year end.

Note 6 – Long-term Debt

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

	Balance July 1, 2014	Prior period adjustment	Additions	Deletions	Balance June 30, 2015	Due in one year
Compensated Absences	\$ 39,085	\$ -	\$ 25,254	\$ 18,464	\$ 45,875	\$ -
PERS Side Fund	50,107			50,107		
Net Pension Liability		867,389	321,983	563,913	625,459	
	<u>\$ 89,192</u>	<u>\$ 867,389</u>	<u>\$ 347,237</u>	<u>\$ 632,484</u>	<u>\$ 671,334</u>	<u>\$ -</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. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information. Specific details for retirement, disability or death benefit calculations for each of the pension plans are also available in the CalPERS' Comprehensive Annual Financial Report (CAFR). The CalPERS' CAFR is available online at <https://www.calpers.ca.gov/page/forms-publications>.

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

Section 20814 (c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by the Miscellaneous risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the fiscal year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Active participants are required to contribute 7% of their annual covered salary. Effective July 1, 2012, all active participants contribute the full 7% of the required employee contribution.

For the fiscal year ended June 30, 2015, the contributions recognized as part of pension expense were as follows:

Contribution – employer \$115,633

Southern California Intergovernmental Training and Development Center
Notes to Basic Financial Statements
June 30, 2015

Note 7 – Defined Benefit Pension Plan (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

As of June 30, 2015, ITDC reported net pension liability for its proportionate shares of the net pension liability in the amount of \$625,459.

ITDC's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The proportion of the net pension liability was based on a projection of ITDC's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2014, ITDC's proportion was 0.01005%, which was the same as its proportion measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, ITDC recognized pension expense of \$115,633. At June 30, 2015, ITDC reported deferred outflow of resources and deferred inflow of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions		
Net difference between projected and actual earnings on pension plan investments		(189,576)
Changes in proportion and differences between ITDC contributions and proportionate share of contributions		(3,821)
ITDC contributions subsequent to the measurement date	106,328	
	<u>\$ 106,328</u>	<u>\$ (193,397)</u>

\$106,328 reported as deferred outflow of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2016. Other amounts reported as deferred inflow of resources related to pensions will be recognized as future pension expense as follows:

Fiscal Year Ended June 30	Amount
2016	\$ (48,759)
2017	(48,759)
2018	(48,485)
2019	(47,394)

Southern California Intergovernmental Training and Development Center
Notes to Basic Financial Statements
June 30, 2015

Note 7 – Defined Benefit Pension Plan (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Actuarial Assumptions – The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2013
Experience Study	July 1, 1997 through June 30, 2011
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.50%
Consumer Price Inflation	2.75%
Wage Growth	Varies
Post-retirement Benefit Increases	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of the January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount rate – The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed February 2018. Any changes to the discount rate will require Board action and proper stockholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimated ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

Southern California Intergovernmental Training and Development Center
Notes to Basic Financial Statements
June 30, 2015

Note 7 – Defined Benefit Pension Plan (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates are net of administrative expenses.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Expected Real Rate of Return Years 1-10 (a)</u>	<u>Expected Real Rate of Return Years 11+ (b)</u>
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	<u>100%</u>		

(a) An expected inflation of 2.5% was used for this period

(b) An expected inflation of 3.0% was used for this period

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Authority's proportionate share of the net pension liability, calculated using the discount rate, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

1% Decrease	6.50%
Net Pension Liability	\$ 1,080,015
Current Discount Rate	7.50%
Net Pension Liability	\$ 625,459
1% Increase	8.50%
Net Pension Liability	\$ 248,221

Southern California Intergovernmental Training and Development Center
Notes to Basic Financial Statements
June 30, 2015

Note 7 – Defined Benefit Pension Plan (Continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Pension Plan Fiduciary Net Position –Detailed information about pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

C. Payable to the Pension Plan

At June 30, 2015, ITDC had no amount outstanding for contributions to the pension plan required for the fiscal year ended June 30, 2015.

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	\$ 3,680,594	\$ 3,570,490	\$ (110,104)
Other expenditures	27,418	26,460	(958)

Note 9 – Net Position

A. Net Position

Net position is the excess of all ITDC's assets over all its liabilities, regardless of fund. Net position is divided into three captions under GASB Statement No. 34. These captions apply only to net position, which is determined only at the government-wide level, proprietary funds, and fiduciary funds and are described below.

Net investment in capital assets describes the portion of net position which is represented by the current net book value of ITDC's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of net position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which ITDC cannot unilaterally alter. These principally include developer fees received for use on capital projects or debt service requirements.

Unrestricted describes the portion of net position which is not restricted as to use.

Note 10 – Commitments and Contingencies

General Litigation

In the normal course of operations, ITDC has been subjected to certain routine litigation matters which are relevant to ITDC. The ultimate outcome of these lawsuits is not presently determinable; however, in the opinion of management, the amount of losses that might be sustained, if any, would not materially affect the financial position of ITDC.

Southern California Intergovernmental Training and Development Center
Notes to Basic Financial Statements
June 30, 2015

Note 11 – Prior Period Adjustment

Due to implementation of GASB Statement Nos. 68 and 71, the deferred outflows relating to pensions and pension liability at June 30, 2014 are not part of net position in the government-wide statement of net position. The following summarizes the effect of the prior period adjustment to beginning net position as of July 1, 2014:

	Governmental Activities
Statement of Net Position - beginning of fiscal year	\$ 1,175,355
Restatement, per GASB Statement No. 68 and No. 71	(772,362)
Statement of Net Position - beginning of fiscal year, restated	\$ 402,993

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**SOUTHERN CALIFORNIA
INTERGOVERNMENTAL TRAINING AND DEVELOPMENT CENTER
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2015**

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 4,313,305	\$ 4,313,305	\$ 4,516,660	\$ 203,355
Use of money and property	1,300	1,300	2,626	1,326
Total Revenues	<u>4,314,605</u>	<u>4,314,605</u>	<u>4,519,286</u>	<u>204,681</u>
Expenditures				
Current:				
Salaries and benefits	707,500	707,500	660,178	47,322
Services and supplies	3,570,490	3,570,490	3,680,594	(110,104)
Other expenditures	26,460	26,460	27,418	(958)
Total Expenditures	<u>4,304,450</u>	<u>4,304,450</u>	<u>4,368,190</u>	<u>(63,740)</u>
Net Change in Fund Balance	10,155	10,155	151,096	140,941
Fund Balance, July 1, 2014	<u>1,053,864</u>	<u>1,053,864</u>	<u>1,053,864</u>	
Fund Balance, June 30, 2015	<u><u>\$ 1,064,019</u></u>	<u><u>\$ 1,064,019</u></u>	<u><u>\$ 1,204,960</u></u>	<u><u>\$ 140,941</u></u>

**Southern California Intergovernmental Training and Development Center
 Cost-Sharing Multiple-Employer Defined Pension Plan – Last 10 Years*
 Schedule of Plan’s Proportionate Share of Net Pension Liability
 And Related Ratios as of Measurement Date
 June 30, 2015**

The following table provides required supplementary information regarding ITDC's CalPERS Pension Plan.

	<u>2015</u>
Plan's proportion of the Net Pension Liability (Asset)	0.01005%
Plan's proportionate share of the Net Pension Liability (Asset)	\$ 625,459
Covered employee payroll	\$ 512,698
Plan's proportionate share of the Net Pension Liability (Asset) as percentage of covered employee payroll	121.99%
Plan's fiduciary net position	\$ 2,800,941
Plan fiduciary net position as a percentage of the total pension liability	81.75%

* - Fiscal year 2015 was the 1st year of implementation; therefore only one year is shown.

**Southern California Intergovernmental Training and Development Center
 Cost-Sharing Multiple-Employer Defined Pension Plan – Last 10 Years*
 Schedule of Pension Contributions
 June 30, 2015**

The following table provides required supplementary information regarding ITDC's CalPERS Pension Plan.

		2015
Contractually required contribution (actuarially determined)	\$	54,027
Contribution in relation to the actuarially determined contribution		106,328
Contribution deficiency (excess)	\$	(52,301)
Covered employee payroll	\$	460,482
Contributions as a percentage of covered employee payroll		23.09%

Notes to Schedule

Valuation Date June 30, 2013

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.5% net of pension plan investment expenses, including inflation
Retirement age	59 years - Miscellaneous plan
Mortality	The probabilities of mortality are derived from CalPERS' Membership Data for all funds based on CalPERS' sepcific data from a 2014 CalPERS Experience Study. The table includes 20 years of mortality improvement using the Society of Actuaries Scale BB.

* - Fiscal year 2015 was the 1st year of implementation; therefore only one year is shown.