

**SOUTHERN CALIFORNIA INTERGOVERNMENTAL  
TRAINING AND DEVELOPMENT CENTER**

**FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**Southern California Intergovernmental Training and Development Center  
Financial Statements  
June 30, 2014**

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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, 2014, 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, 2014 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, 2013, ITDC adopted Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, Statement No. 66, *Technical Correction-2012*, Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 70, *Accounting and Financial Reporting for Non-exchange Financial Guarantees*. 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 and the Budgetary Comparison Schedule of the General Fund on page 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 January 12, 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  
January 12, 2015



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

**Management's Discussion & Analysis  
For the Year Ended June 30, 2014**

**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, 2014 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.

**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, 2014 is \$1,175,355, with the increase of \$153,497 over the prior year.

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 restricted, committed, assigned, or unassigned fund balance is available, RTC considers expenditures first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds. As of June 30, 2014, all funds in RTC are unassigned general fund. The unassigned general fund balance as of June 30, 2014 is \$1,053,864.

As of June 30, 2014, RTC has unearned revenue of \$205,464. 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.

**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 \$1,175,355 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 \$5,219. The majority of RTC net position is comprised of accounts receivable, \$899,316.

**Accounts Receivable**

<u>Agency</u>	<u>Total</u>
CITY	\$ 45,250
COUNTY	10,977
HHS	70,463
PAC	11,029
POST	545,385
PROBATION	(6,957)
RCS	17,083
STC	1,048
VAWA	<u>205,038</u>
<b>Grand Total</b>	<b><u>\$ 899,316</u></b>

### Change in Net Position

	2013	2014
Cash in Treasury	\$ 334,329	\$ 568,571
Cash in bank WF	68,065	157,330
Accounts receivable	924,506	899,316
Due from County - Interset		498
Due from County of SD		
Long term capital assets	69,954	69,954
Accumulated depreciations	(62,575)	(64,735)
<b>Total Assets</b>	<b>1,334,279</b>	<b>1,630,934</b>
Accounts payable	166,272	361,669
Accrued payroll	5,921	4,718
ST PERS side fund		50,107
ST Liab. on compensated absences payable	12,209	
LT Liab. on compensated absences payable	31,411	39,085
<b>Total Liabilities</b>	<b>215,813</b>	<b>455,579</b>
Invested in capital assets	7,379	5,219
Unrestricted	1,111,088	1,170,136
<b>Total Net Position</b>	<b>1,118,467</b>	<b>1,175,355</b>
Prior period Adj- Side Fund	(96,609)	
<b>Total Net Position</b>	<b>\$ 1,021,858</b>	<b>\$ 1,175,355</b>

#### Analysis of Change in Net Position

The RTC'S net position is increased by \$153,497 during the current fiscal year. It has 15% increase in net position of the RTC.

### 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, unreserved 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, 2014, the RTC's governmental funds reported combined ending fund balances of \$1,053,864, an increase of \$658,067 in comparison with the prior fiscal year. The fund balances are all unreserved fund, which is 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 unearned revenue of \$553,447 over the prior fiscal year.

**Revenues: Governmental Funds**

	<u>2013</u>	<u>% of Total</u>	<u>2014</u>	<u>% of Total</u>	<u>Change</u>
POST class	\$ 2,199,080	50%	\$ 2,369,969	47%	\$ 170,889
Admin contracts	2,336,584	54%	1,753,412	35%	(583,172)
Other contracts	301,462	7%	380,795	8%	79,333
Interest	899	0%	2,016	0%	1,117
Change in deferred revenue	<u>(479,847)</u>	<u>-11%</u>	<u>541,238</u>	<u>11%</u>	<u>1,021,085</u>
<b>Total Revenues</b>	<b><u>\$ 4,358,178</u></b>	<b><u>100%</u></b>	<b><u>\$ 5,047,430</u></b>	<b><u>100%</u></b>	<b><u>\$ 689,252</u></b>

Revenues for governmental functions totaled \$5,047,430 for the fiscal year 2013-2014, which represents an increase of \$689,252, or 16% from fiscal year 2012-2013. The changes are primarily due to positive changes in unearned revenue of over one million.

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

**Expenditures: Governmental Funds**

	<u>2013 audited</u>	<u>% of Total</u>	<u>2014</u>	<u>% of Total</u>	<u>Change</u>
Salaries & benefits	\$ 718,042	15%	\$ 651,270	15%	\$ (66,772)
Professional services	4,045,038	85%	3,699,959	84%	(345,079)
Other expenses	8,366	0%	38,133	1%	29,767
<b>Expenditures</b>	<b><u>\$ 4,771,446</u></b>	<b><u>100%</u></b>	<b><u>\$ 4,389,363</u></b>	<b><u>100%</u></b>	<b><u>\$ (382,083)</u></b>

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

Net change in fund balance - governmental fund	\$ 658,067
Long term capital assets	\$ -
CY depreciation expense	<u>(2,160)</u>
Net	(2,160)
Current year deferred liabilities -	
Prior year deferred liabilities	(553,447)
Variance of compensation absence pay from prior year	4,535
Repayment of PERS side fund	<u>46,502</u>
<b>Change in net position of gov't activities</b>	<b><u>\$ 153,497</u></b>

## GENERAL FUND BUDGETARY HIGHLIGHTS

There is an increase on the budgetary revenue due to the change in unearned revenues by \$553,447 than fiscal prior year. The unearned revenue is the revenue that has not been received within 60 days following the fiscal year end.

Actual expenditures in the general fund are \$330,818 lower than the original budget, largely due to lower expenditures on program services and salaries and benefits.

## NOTES TO FINANCIAL STATEMENTS

### Capital Assets

The RTC's capital assets for its governmental activities as of June 30, 2014 totaled \$5,219 (net of accumulated depreciation of \$64,735). There is no additional purchase on capital assets 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.

### Unearned revenue

As of June 30, 2014, RTC has unearned revenue of \$205,464. The balance related to the revenue that has not been received within 60 days following fiscal year end. It is caused by the delay in POST and VAWA grant checks issued to our agency, which total more than 90% of the unearned revenues.

### Long-term Debt

As of June 30, 2014, RTC has long-term debt balance of \$89,192. This amount is the Side Fund resulting from risk pool valued at \$50,107 and accrued vacation balance of \$39,085.

## BASIC FINANCIAL STATEMENTS

**SOUTHERN CALIFORNIA  
INTERGOVERNMENTAL TRAINING AND DEVELOPMENT CENTER  
STATEMENT OF NET POSITION  
June 30, 2014**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments with County Treasury	\$ 568,571
Cash in bank	157,330
Accounts receivable	899,316
Interest receivable	498
Capital assets, being depreciated	69,954
Accumulated depreciation	<u>(64,735)</u>
Total Assets	<u>1,630,934</u>
<b>LIABILITIES</b>	
Accounts payable	361,669
Accrued payroll	4,718
Long-term liabilities:	
Due within one year	50,107
Due in more than one year	<u>39,085</u>
Total Liabilities	<u>455,579</u>
<b>NET POSITION</b>	
Net investment in capital assets	5,219
Unrestricted	<u>1,170,136</u>
Total Net Position	<u><u>\$ 1,175,355</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, 2014**

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	\$ 4,340,486	\$ 4,491,967	\$ -	\$ 151,481
Total Governmental Activities	<u>\$ 4,340,486</u>	<u>\$ 4,491,967</u>	<u>\$ -</u>	<u>151,481</u>
General Revenues:				
Investment income				<u>2,016</u>
Total General Revenues				<u>2,016</u>
Change in Net Position				<u>153,497</u>
Net Position - July 1, 2013				1,118,467
Prior period adjustment				<u>(96,609)</u>
Net Assets - July 1, 2013, restated				<u>1,021,858</u>
Net Position - June 30, 2014				<u>\$ 1,175,355</u>

See accompanying notes to basic financial statements

SOUTHERN CALIFORNIA  
INTERGOVERNMENTAL TRAINING AND DEVELOPMENT CENTER  
BALANCE SHEET  
GOVERNMENTAL FUND  
June 30, 2014

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and investments with County Treasury	\$ 568,571
Cash in bank	157,330
Accounts receivable	899,316
Interest receivable	498
	<hr/>
Total Assets	\$ 1,625,715
	<hr/> <hr/>
<b>LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE</b>	
<b>Liabilities</b>	
Accounts payable	\$ 361,669
Accrued payroll	4,718
	<hr/>
Total Liabilities	366,387
	<hr/>
<b>Deferred Inflow of Resources</b>	
Unearned revenues - unavailable grant revenues	205,464
	<hr/>
Total Deferred Inflow of Resources	205,464
	<hr/>
<b>Fund Balance</b>	
Unassigned	1,053,864
	<hr/>
Total Fund Balance	1,053,864
	<hr/>
Total Liabilities, Deferred Inflow of Resources, and Fund Balance	\$ 1,625,715
	<hr/> <hr/>

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, 2014**

Total fund balance - governmental funds	\$	1,053,864
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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>(64,735)</u>	
Net			5,219

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

Unearned revenue - unavailable grant revenues		205,464
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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:

Compensated absences payable	\$	(39,085)	
PERS side fund		<u>(50,107)</u>	<u>(89,192)</u>

Net position of governmental activities	\$	<u><u>1,175,355</u></u>
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**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, 2014**

	<u>General Fund</u>
<b>Revenues</b>	
Intergovernmental	\$ 5,045,414
Use of money and property	<u>2,016</u>
Total Revenues	<u>5,047,430</u>
<b>Expenditures</b>	
Current:	
Salaries and benefits	651,270
Services and supplies	3,699,960
Other expenditures	<u>38,133</u>
Total Expenditures	<u>4,389,363</u>
Net Change in Fund Balance	658,067
Fund Balance, July 1, 2013	<u>395,797</u>
Fund Balance, June 30, 2014	<u><u>\$ 1,053,864</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, 2014**

Net change in fund balance - governmental fund	\$	658,067
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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)
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Certain revenues are offset by unearned 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's unearned revenue exceeded prior year's unearned revenue.		(553,447)
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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.		4,535
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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.		46,502
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Change in net position of governmental activities	\$	<u>153,497</u>
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NOTES TO BASIC FINANCIAL STATEMENTS

**Southern California Intergovernmental Training and Development Center**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

**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** – GASB requires 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, 2014**

**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.

**Government-wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all 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, 2014. 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, 2014.

**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, 2014**

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

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

**Long-Term Obligations (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, 2014, 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.

**Southern California Intergovernmental Training and Development Center**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

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

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

**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.

**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 of San Diego (County) 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.

**Southern California Intergovernmental Training and Development Center**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

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

**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.

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

**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.

**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.

**Southern California Intergovernmental Training and Development Center**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

**G. New Accounting Pronouncements**

Governmental Accounting Standards Board Statement No. 65

For the fiscal year ended June 30, 2014, ITDC implemented Governmental Accounting Standards Board (GASB) Statement No. 65, "Items Previously Reported as Assets and Liabilities." This Statement is effective for periods beginning after December 15, 2012. The objective of this Statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. Implementation of the statement and the impact on ITDC's financial statements are explained in Note 1F. Items previously reported as a liability are now reported as a deferred inflow of resources.

Governmental Accounting Standards Board Statement No. 66

For the fiscal year ended June 30, 2014, ITDC implemented Governmental Accounting Standards Board (GASB) Statement No. 66, "Technical Correction - 2012." This Statement is effective for periods beginning after December 15, 2012. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions," and GASB Statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." Since the release of these Statements, questions have arisen concerning differences between the provisions in Statement No. 54 and Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, regarding the reporting of risk financing activities. Questions also have arisen about differences between Statement No. 62 and Statements No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, regarding the reporting of certain operating lease transactions, and No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Equity Transfers of Assets and Future Revenues*, concerning the reporting of the acquisition of a loan or a group of loans and the recognition of servicing fees related to mortgage loans that are sold. Implementation of GASB Statement No. 66 did not have an impact on ITDC's financial statements for the fiscal year ended June 30, 2014.

Governmental Accounting Standards Board Statement No. 67

For the fiscal year ended June 30, 2014, ITDC implemented Governmental Accounting Standards Board (GASB) Statement No. 67, "Financial Reporting for Pension Plans." This Statement is effective for periods beginning after June 15, 2013. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement replaces the requirements of Statements No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans" and No. 50 "Pension Disclosures" as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. Implementation of GASB Statement No. 67 did not have an impact on ITDC's financial statements for the fiscal year ended June 30, 2014.

**Southern California Intergovernmental Training and Development Center**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

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

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

Governmental Accounting Standards Board Statement No. 70

For the fiscal year ended June 30, 2014, ITDC implemented Governmental Accounting Standards Board (GASB) Statement No. 70, "Accounting and Financial Reporting for Non-exchange Financial Guarantees." This Statement is effective for periods beginning after June 15, 2013. The objective of this Statement is to improve the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are non-exchange transactions. Implementation of GASB Statement No. 70 did not have an impact on ITDC's financial statements for the fiscal year ended June 30, 2014.

**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.

Cash and investments as of June 30, 2014 are classified in the accompanying financial statements as follows:

Cash and investments with the county treasury	\$ 568,571
Cash in banks	<u>157,330</u>
Total cash and investments	<u>\$ 725,901</u>

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

Cash in county treasury, statement of net position	\$ 157,330
Cash in banks, statement of net position	<u>568,571</u>
Total cash and investments	<u>\$ 725,901</u>

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, 2014.

**Southern California Intergovernmental Training and Development Center**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

**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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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%

**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:

<u>Investment Type</u>	<u>Totals</u>	<u>Remaining Maturity (in Months)</u>					
		<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25-36 Months</u>	<u>37-48 Months</u>	<u>49-60 Months</u>	<u>More Than 60 Months</u>
County investment pool	\$ 568,571	\$ 568,571	\$ -	\$ -	\$ -	\$ -	\$ -
Total	<u>\$ 568,571</u>	<u>\$ 568,571</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Southern California Intergovernmental Training and Development Center**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

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

**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	\$ 568,571	N/A	\$ -	\$ 568,571	\$ -	\$ -	\$ -
Total	\$ 568,571		\$ -	\$ 568,571	\$ -	\$ -	\$ -

**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, 2014.

**Concentration of Credit Risk**

As of June 30, 2014, 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 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, 2014, none of ITDC's deposits with financial institutions were in excess of federal depository insurance limits.

**Southern California Intergovernmental Training and Development Center**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

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

**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, 2013	Additions	Deletions	Balance June 30, 2014
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	(62,575)	(2,160)		(64,735)
Total accumulated depreciation	(62,575)	(2,160)		(64,735)
Total capital assets being depreciated, net	\$ 7,379	\$ (2,160)	\$ -	\$ 5,219

**Note 5 – Unearned Revenue**

As of June 30, 2014, ITDC had unearned revenue of \$205,464 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, 2014, is shown below:

	Balance July 1, 2013	Prior period adjustment	Additions	Deletions	Balance June 30, 2014	Due in one year
Compensated Absences	\$ 43,620	\$ -	\$ 20,008	\$ 24,543	\$ 39,085	\$ -
PERS Side Fund		96,609		46,502	50,107	50,107
	\$ 43,620	\$ 96,609	\$ 20,008	\$ 71,045	\$ 89,192	\$ 50,107

**Southern California Intergovernmental Training and Development Center**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

**Note 7 – Public Employees Retirement System Side Fund**

During the 2002-2003 fiscal year, ITDC was required to participate in the Public Employees Retirement System (PERS) risk pool. As a result, a side fund was created to account for the difference between the funded status of the pool and funded status of ITDC’s plan, in addition to the existing unfunded liability. The liability at June 30, 2014 was \$50,107.

**Note 8 – 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. Copies of PERS’ annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

**B. Funding Policy**

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

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 2013-2014 was 12.825%. 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 2013-2014, ITDC’s annual pension cost was \$54,027. The \$54,027 contributed for the fiscal year ending June 30, 2014 was equal to 100% of the required contribution for that fiscal year. ITDC’s annual pension costs for fiscal years ending June 30, 2014, 2013, and 2012, were \$54,027, \$72,775, and \$68,125, respectively, and equal 100% of the required contributions for each fiscal year.

**Note 9 – 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:			
Salaries and benefits	\$ 651,270	\$ 650,400	\$ (870)
Services and supplies	3,699,960	3,534,492	(165,468)

**Southern California Intergovernmental Training and Development Center**  
**Notes to Basic Financial Statements**  
**June 30, 2014**

**Note 10 – 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 11 – 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.

**Note 12 – Management Review of Subsequent Events**

ITDC's management has evaluated subsequent events through January 12, 2015, the date these financial statements were available to be issued, and has determined there were no other material events requiring disclosure.

**Note 13 – Prior Period Adjustment**

Prior period adjustment of \$96,906 made to the Government-wide statements was due to an understatement of the PERS Side Fund obligation.

REQUIRED SUPPLEMENTARY INFORMATION

**SOUTHERN CALIFORNIA  
INTERGOVERNMENTAL TRAINING AND DEVELOPMENT CENTER  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
For the Fiscal Year Ended June 30, 2014**

	Original Budgeted Amount	Final Budgeted Amount	Actual Amount	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Intergovernmental	\$ 4,581,402	\$ 4,250,130	\$ 5,045,414	\$ 795,284
Use of money and property	1,000	1,300	2,016	716
Total Revenues	<u>4,582,402</u>	<u>4,251,430</u>	<u>5,047,430</u>	<u>796,000</u>
<b>Expenditures</b>				
Current:				
Salaries and benefits	783,512	650,400	651,270	(870)
Services and supplies	3,910,791	3,534,492	3,699,960	(165,468)
Other expenditure	25,878	39,225	38,133	1,092
Total Expenditures	<u>4,720,181</u>	<u>4,224,117</u>	<u>4,389,363</u>	<u>(165,246)</u>
Net Change in Fund Balance	(137,779)	27,313	658,067	630,754
Fund Balance, July 1, 2013	<u>395,797</u>	<u>395,797</u>	<u>395,797</u>	
Fund Balance, June 30, 2014	<u>\$ 258,018</u>	<u>\$ 423,110</u>	<u>\$ 1,053,864</u>	<u>\$ 630,754</u>