

**COUNTY OF SACRAMENTO
CALIFORNIA**

For the Agenda of:
February 28, 2017
“*Communications Received and Filed*”

To: Board of Supervisors
From: Department of Finance
Subject: Reports For Northern California Regional Public Safety Training Authority For
The Fiscal Year Ended June 30, 2016
Supervisorial
District(s): All
Contact: Joyce Renison, Assistant Auditor-Controller, 874-7248

RECOMMENDATION

Receive and file the attached audit report, *Reports for Northern California Regional Public Safety Training Authority For The Fiscal Year Ended June 30, 2016*

Respectively submitted,

Ben Lamera
Director of Finance

Attachments

ATT 1 - Reports for Northern California Regional Public Safety Training Authority for the
Fiscal Year ended June 30, 2016



COUNTY OF SACRAMENTO
DEPARTMENT OF FINANCE
AUDITOR - CONTROLLER

**NORTHERN CALIFORNIA REGIONAL
PUBLIC SAFETY TRAINING AUTHORITY**
Audited Financial Statements and Other Reports
As of and for the Fiscal Year Ended
June 30, 2016

**NORTHERN CALIFORNIA REGIONAL
PUBLIC SAFETY TRAINING AUTHORITY**
Audited Financial Statements and Other Reports
As of and for the Fiscal Year Ended
June 30, 2016

Audit Staff:

Hong Lun (Andy) Yu
Poonam Aujla

Audit Manager
Senior Auditor

**NORTHERN CALIFORNIA REGIONAL
PUBLIC SAFETY TRAINING AUTHORITY**
Audited Financial Statements and Other Reports
As of and for the Fiscal Year Ended
June 30, 2016

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Internal Services
Department of Finance
Auditor-Controller Division

Joyce Renison,
Assistant Auditor-Controller



Navdeep S. Gill,
County Executive

David Villanueva,
Chief Deputy County Executive

Ben Lamera,
Director of Finance

County of Sacramento

January 13, 2017

Board of Directors
Northern California Regional Public Safety Training Authority
2409 Dean Street, Room 119 (Bldg 686)
McClellan, CA 95652

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying Financial Statements of the Northern California Regional Public Safety Training Authority (Authority), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority'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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Authority as of June 30, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 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 13, 2017, on our consideration of the Authority'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 Authority's internal control over financial reporting and compliance.

Sincerely,

BEN LAMERA
DIRECTOR OF FINANCE



By: Hong Lun (Andy) Yu, C.P.A.
Audit Manager

**NORTHERN CALIFORNIA REGIONAL
PUBLIC SAFETY TRAINING AUTHORITY**
Required Supplementary Information
Management's Discussion and Analysis
As of and for the Fiscal Year Ended June 30, 2016

The Management's Discussion and Analysis (MD&A) of the Northern California Regional Public Safety Training Authority (Authority)'s financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2016.

The intent of this discussion and analysis is to look at the Authority's financial performance as a whole. To provide a complete understanding of the Authority's financial performance, please read it in conjunction with the Independent Auditor's Report on page 1, notes to the basic financial statements and the Authority's financial statements.

FINANCIAL HIGHLIGHTS

- The assets of this Authority exceeded liabilities at the close of the fiscal year (FY) 2015-16 by \$6.3 million (net position). \$2 million of this amount is unrestricted and may be used for ongoing operations and to meet other obligations. The total net position of the Authority increased by \$8 thousand, or .1% since July 1, 2015.
- The increase of net position in the amount of \$8 thousand was a result from various factors including the receipt of revenue from the Internal Revenue Services.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority's financial statements are comprised of MD&A and Basic Financial Statements. The Financial Statements include the notes to the financial statements that provide additional information that is essential to a full understanding of data provided in the Authority's financial statements. The notes are included immediately following the financial statements within this report.

BASIC FINANCIAL STATEMENTS

The Financial Statements of the Authority report information utilizing the full accrual basis of accounting. The Financial Statements conform to accounting principles, which are generally accepted in the United States of America.

The Statement of Net Position includes information on the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations with the Authority's creditors (liabilities). Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

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Required Supplementary Information
Management's Discussion and Analysis
As of and for the Fiscal Year Ended June 30, 2016

The Statement of Revenues, Expenses, and Changes in Net Position identifies the Authority's total revenues and expenses and the resulting effect on net position. Revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods, such as increased attendance in Authority-sponsored classes.

The Statement of Cash Flows presents information about cash receipts and cash payments of the Authority during the years. When used with related disclosures and information in the other financial statements, the information provided in these statements should help financial report users assess the Authority's ability to generate future net cash flow, its ability to meet its obligations as they come due, and its need for external financing. It also provides insight into the reasons for differences between operating income and associated cash receipts and payments; and the effects on the Authority's financial position of its cash and its non-cash investing, capital and related financing transactions during the years.

FINANCIAL ANALYSIS

As of June 30, 2016, the Authority had assets of \$6.4 million, liabilities of \$101 thousand, and net position of \$6.3 million.

The Authority's total net position has increased by \$8 thousand, and total assets have increased \$57 thousand and liabilities have increased by \$49 thousand, respectively from FY 2014-15 to FY 2015-16.

A comparative analysis of the changes between assets, liabilities, and net position is presented in Table 1 on page 5.

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Required Supplementary Information
Management's Discussion and Analysis
As of and for the Fiscal Year Ended June 30, 2016

Table 1
Condensed Comparative Statement of Net Position
As of June 30, 2015 and 2016 (in thousands)

	<u>2015</u>	<u>2016</u>
Assets		
Cash	\$ 1,556	1,429
Receivables (net)	282	647
Prepaid Expenses	39	37
Capital Assets (net)	<u>4,485</u>	<u>4,306</u>
 Total Assets	 <u>6,362</u>	 <u>6,419</u>
Liabilities		
Accounts Payable	38	97
Unearned Revenues	<u>14</u>	<u>4</u>
 Total Liabilities	 <u>52</u>	 <u>101</u>
Net Position		
Net Investment in		
Capital Assets	4,485	4,306
Unrestricted	<u>1,825</u>	<u>2,012</u>
 Total Net Position	 <u>\$ 6,310</u>	 <u>6,318</u>

**NORTHERN CALIFORNIA REGIONAL
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Required Supplementary Information
Management's Discussion and Analysis
As of and for the Fiscal Year Ended June 30, 2016

Table 2
Condensed Comparative Statement of Revenues, Expenses, and Changes in Net Position
For Fiscal Years Ended June 30, 2015 and 2016 (in thousands):

	<u>2015</u>	<u>2016</u>
Operating:		
Revenues		
Member contributions	\$ 677	677
In-Kind contributions	59	67
Grants	55	
Charges for services	47	912
Rental and leases	117	144
Miscellaneous	<u>50</u>	<u> </u>
Total Revenues	1,005	1,800
Expenses	<u>1,178</u>	<u>1,796</u>
Operating Income (Loss)	<u>(173)</u>	<u>4</u>
Non-operating Income (expenses)	2	4
Capital Contributions	<u>941</u>	<u> </u>
Increase/(Decrease) in Net Position	<u>\$ 770</u>	<u>8</u>

As presented in Table 2 above, the Authority's total operating income changed from an operating loss of \$173 thousand in FY 2014-15 to an operating income of \$4 thousand in FY 2015-16. Capital contributions decreased \$941 thousand respectively from FY 2014-15 to FY 2015-16.

FINANCIAL ANALYSIS OF THE FUND STATEMENTS

The Authority's fund statements provide information on inflows and outflows and balances of spendable resources. The Authority uses only one fund, an enterprise fund, a proprietary fund type, to account for all financial resources.

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Management's Discussion and Analysis
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BUDGETARY HIGHLIGHTS

The Board of Directors oversees the dedicated fiscal resources of the Authority when approving the member agencies' annual budgets, usually listed under Training. As required by the Authority's Joint Powers Agreement, the Authority's annual budget is forwarded to each of the member agencies for final approval prior to adoption. Detail reports of budget-to-actual comparisons are provided to the Authority's Board of Directors at the Board's regular monthly meetings.

The Authority prepared annual operating budgets based on the following assumptions:

- ◆ The continued operational cost of the main campus including Building 684, 685, 686, and the modular classrooms.
- ◆ The firing range

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Asset

By the end of the FY 2015-16, the Authority had invested \$6.5 million in a broad range of capital assets, including a modular training facility, a locker/shower facility, shooting ranges, certain leasehold improvements, and equipment.

Table 3
Condensed Comparative Statement of Capital Assets (Net of Depreciation)
For Fiscal Years Ended June 30, 2015 and 2016 (in thousands)

	<u>2015</u>	<u>2016</u>
Non depreciable:		
Construction in Progress	\$1,575	31
Depreciable:		
Buildings	1,744	1,725
Leased Improvement	1,072	2,478
Equipment	<u>94</u>	<u>72</u>
Totals	<u>\$ 4,485</u>	<u>4,306</u>

Long-term Debt

From FY 2014-15 to FY 2015-16, the Authority did not have any long-term debt outstanding.

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Management's Discussion and Analysis
As of and for the Fiscal Year Ended June 30, 2016

FACTORS BEARING ON THE AUTHORITY'S FUTURE/ECONOMIC STATUS

The Authority's primary funding sources for ongoing operations are contributions made by the member agencies and facility use fees.

The State of California's economic condition has improved greatly over the past couple years and the member agencies budgets have strengthened. Locally, the public safety sector is booming, hiring personnel and filling the academies with a record number of employees. Accordingly, the Authority's facility use revenue hit an all-time high in FY 2015-16 and we are currently on pace to exceed that figure in this current fiscal year.

ADDITIONAL FINANCIAL INFORMATION

This financial report is designed to provide the Authority's customers and other interested parties with an overview of the Authority's financial operations and financial condition. Should the reader have questions regarding information included in this report, or wish to request additional financial information, please contact the Executive Director, Northern California Regional Public Safety Training Authority at 2409 Dean Street, Room 119 (Bldg 686), McClellan, CA 95652.

NORTHERN CALIFORNIA REGIONAL PUBLIC SAFETY TRAINING AUTHORITY
 STATEMENT OF NET POSITION
 AS OF JUNE 30, 2016

Assets:	
Current assets:	
Cash and investments	\$ 1,429,679
Accounts receivable	
net of allowance for uncollectibles	646,827
Prepaid expenses	36,785
Total current assets	<u>2,113,291</u>
Capital assets:	
Facilities and equipment,	
net of depreciation	4,306,400
Total assets	<u>6,419,691</u>
Liabilities and Net position	
Liabilities:	
Current liabilities:	
Accounts payable	
and accrued expenses	96,703
Unearned Revenue	4,315
Total current liabilities	<u>101,018</u>
Total liabilities	<u>101,018</u>
Net position:	
Net Investment in capital assets	4,306,400
Unrestricted	2,012,273
Total net position	<u>\$ 6,318,673</u>

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

NORTHERN CALIFORNIA REGIONAL PUBLIC SAFETY TRAINING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Operating revenues:	
Member contributions	\$ 677,180
In-Kind contributions	66,862
Charges for services	912,178
Rental and leases	144,467
Total revenues	1,800,687
Operating expenses:	
Salaries and benefits	404,506
Supplies and materials	99,313
Other operating and services	936,901
Depreciation	355,155
Total expenses	1,795,875
Operating income	4,812
Non-operating revenues	
Interest income	3,598
Total non-operating income	3,598
Changes in net position	8,410
Net position, beginning	6,310,263
Net position, ending	\$ 6,318,673

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

NORTHERN CALIFORNIA REGIONAL PUBLIC SAFETY TRAINING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Cash flows from operating activities:	
Receipts from member agencies	\$ 846,475
Receipts from rental activities	159,414
Receipts from other operating activities	352,946
Payments for salaries and benefits	(337,644)
Payments for supplies and materials	(99,313)
Payments for other operating expenses and services	(875,390)
Net cash provided by (used for) operating activities	<u>46,488</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	<u>(176,480)</u>
Net cash provided by (used for) capital and related financing activities	<u>(176,480)</u>
Cash flows from investing activities:	
Interest received	<u>3,598</u>
Net cash provided by investing activities	<u>3,598</u>
Net Increase in cash and cash equivalents	(126,394)
Cash and cash equivalents, beginning	<u>1,556,073</u>
Cash and cash equivalents, ending	<u>\$ 1,429,679</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating Income	\$ <u>4,812</u>
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation	355,155
Decrease (increase) in:	
Accounts receivable	(365,034)
Prepaid expenses	2,640
Increase (decrease) in:	
Accounts payable	58,871
Deferred revenues	(9,955)
Total adjustments	41,677
Net cash provided by (used for) operating activities	<u>\$ 46,489</u>

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

**NORTHERN CALIFORNIA REGIONAL
PUBLIC SAFETY TRAINING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Northern California Regional Public Safety Training Authority (Authority) have been prepared in conformity with the U.S. Generally Accepted Accounting Principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

Organization

The Authority was established through a Joint Powers Authority Agreement (JPA Agreement) pursuant to the Joint Exercise of Power Act, Government Code section 6500 et seq. on September 27, 2001. The purposes of the establishment of the Authority are to develop, build, operate, and maintain a regional public safety training college that use consolidated budgeted training dollars available to the member agencies to reduce the duplication of training efforts, provide an effective loss control measure for the member agencies by providing additional comprehensive training opportunities to safety personnel and students, and focus on developing and implementing a public safety officer education and training program of the highest order to protect life and property and enhance the quality of life.

Membership

The Authority's original members were Sacramento County Sheriff's Department (Sheriff), City of Sacramento Police Department, California Regional Fire and Rescue Training Authority (CRFRTA), and Los Rios Community College District.

The Sheriff and CRFRTA withdrew from the Authority on July 1, 2009 and July 1, 2010, respectively. On August 27, 2010, the City of Sacramento, Fire Department was admitted to be a member agency of the Authority.

On November 5, 2009, the Sheriff was admitted as an associate member of the Authority. As an associate member, the Sheriff is entitled to use certain Authority facilities at reduced rates but does not confer a seat on the governing board of the Authority and does not share revenues and costs from the Authority's operation. The Sheriff had renewed its associate membership each fiscal year until Fiscal Year (FY) 2013-14. Accordingly, the Sheriff is not an associate member of the Authority since July 1, 2013.

Withdrawal - Any member agency may withdraw at the end of any fiscal year upon no less than one year written notice to the Authority and each of other member agencies. The Authority shall transfer to the withdrawing member agency all property and assets contributed to the Authority by the member agency and property and assets acquired by the Authority with financial contribution of the withdrawing member agency prior to the effective date of the withdrawal; provided, however, that when any part of the contribution of the withdrawing member agency has been commingled with the contribution(s) of any other member agency or member agencies for the purpose of acquiring an asset from which the proportionate share of withdrawing member agency is not readily extricable without causing financial hardship to the Authority or injury to the asset or its functionality, there

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shall be no transfer to the withdrawing member agency in consideration of the contribution of that member agency to the acquisition of that asset.

Withdrawal by all but one of the member agencies constitutes termination of the Authority as of the end of the then current fiscal year.

Scope of Reporting Entity

The Authority's reporting entity includes all activities as they related to the Authority. This includes financial activities relating to all of the membership years.

The Authority has developed criteria to determine whether other entities with activities that benefit the Authority should be included within its financial reporting entity. The criteria include, but are not limited to, whether the entity exercises oversight responsibility, scope of public services, and special financial relationships.

The Authority has determined that no other outside entities meets the above criteria, and therefore, no agency has been included as a component unit in these financial statements. In addition, the Authority is not aware of any entity that would exercise such oversight responsibility that would result in the Authority being considered a component unit of that entity.

In determining its reporting entity, the Authority considered all governmental units that were members since inception. The criteria did not require the inclusion of these entities in the financial statements principally because the Authority does not exercise oversight responsibility over any members.

Measurement Focus and Basis of Accounting

The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place.

The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Authority's operation. The principal operating revenues are annual membership contributions, grant revenues, charges for training classes, and rental revenues. The principal operating expenses are services and supplies for operating training facilities. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing activities and result from non-exchange transactions or ancillary activities.

Accounts and Records

The Authority's administration office processed the Authority's financial transactions and maintained copies of source documents. Revenues are deposited and claims and expenditures are paid through the Authority's commercial bank accounts.

**NORTHERN CALIFORNIA REGIONAL
PUBLIC SAFETY TRAINING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Budgetary Principles

As required by the JPA Agreement, the Authority prepares and legally adopts final operating budgets prior to the commencement of each fiscal year. Significant budget amendments, appropriation transfers between objects and transfers from contingencies must be approved by the Authority.

Cash and Investments

Cash and investments are deposited in the Authority's commercial bank accounts and a security investment account.

For the purpose of the statement of cash flows, the Authority considers all short-term highly liquid investments with original maturity of three months or less to be cash and cash equivalents.

Deposits and Investment Risk Disclosures - In accordance with GASB Statement No. 40, Deposit and Investment Disclosures (Amendment of GASB No. 3), certain disclosure requirements, if applicable, for Deposits and Investment Risks are specified in the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentrations of Credit Risk
- Foreign Currency Risk

In addition, other disclosures are specified including the use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end, and others.

Capital Assets

Capital assets, which include buildings, leasehold improvements, and equipment, are defined as assets with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital outlay expenses are recorded as assets in the financial statements to the extent the Authority's capitalization threshold is met. Amortization of assets acquired under capital lease is included in depreciation and amortization. Structures and improvements, and equipment are depreciated using the straight-line method over the estimated used lives below:

<u>Assets</u>	<u>Years</u>
Buildings	10-75
Leasehold Improvements	10-50
Equipment	2-25

**NORTHERN CALIFORNIA REGIONAL
PUBLIC SAFETY TRAINING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Payroll and other personnel costs

The Authority has four different types of personnel to carry out its operation.

Personnel with personal service agreements

These personnel have personal service agreements with the Authority. The Authority recognizes these personnel as contractors rather than regular employees. Accordingly, the Authority only compensates these personnel based on contracted fees from the personal service agreements, but does not provide any employee benefits such as vacation and sick leave, insurances, and payroll taxes to these personnel. These personnel are responsible for their own payroll taxes as self-employed contractors and have performed management, administration, and other functions for the Authority.

Personnel from member agencies

These personnel are permanent employees of the member agencies and have received their wages and benefits directly from the member agencies. These personnel have performed management, administration, and other functions for the Authority and include the Authority's business services manager. The Authority reimbursed a member agency for the business services manager's wages and benefits from July 2015 to June 2016 based on written agreements.

Full time employees

These personnel are considered as permanent employees by the Authority. The Authority provides wages and statutory federal and state payroll taxes for these personnel. The Authority does not provide health insurance benefits. The Authority provided eight paid annual holidays, flexible spending accounts, and additional six paid days off to be used for vacation, sick, or personal reasons, each fiscal year for those personnel who worked 32 hours or more per week. These personnel include fiscal staff and the executive director.

Part-time employees

These personnel are part-time employees and are not considered as permanent employees by the Authority. The Authority provides wages and statutory federal and state payroll taxes for these personnel only but does not provide other benefits such as vacation leave, sick leave, and health insurances. These personnel are part-time training class instructors or performing other functions for the Authority.

Compensated Absences

As described in the above, regular, full-time employees are granted six paid days off each fiscal year. The employees are allowed to carry forward unused paid day off balances to next fiscal year. The Authority determines that the unused paid day off balances as of June 30, 2016 is immaterial to the financial statements. Accordingly, the Authority did not include these unused paid day off balances as a liability in the financial statements.

**NORTHERN CALIFORNIA REGIONAL
PUBLIC SAFETY TRAINING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Retirement Plan, and Other Post Employment Benefits (OPEB)

The Authority does not provide a retirement plan or OPEB benefits to its personnel.

Revenues/Contributions from Member Agencies

One of the major sources of revenues for the Authority is contributions from member agencies. Each member agency is required to pay annual contributions to the Authority. The annual contributions are based on anticipated annual costs incurred by the Authority and have to be approved by each member agency as part of the Authority's annual budgets. After the Authority adopts its annual budget, the Authority sends invoices to each member agency to collect the contributions. In addition to annual contributions, member agencies have been providing several voluntarily cash and in-kind contributions to the Authority since the Authority was created.

Net Position

In the financial statements, net position is classified in the following categories:

Net Investment in Capital Assets - This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debts that are attributable to the acquisition, construction, or improvement of these assets reduced the balance in this category.

Restricted Net Position - This category presents external restrictions imposed by creditors, grantors, contributors, laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - This category presents net position, not restricted for any project or other purpose.

The Authority did not have restricted net positions as of June 30, 2016.

Use of Restricted/Unrestricted Net Position

When restricted position become available, for their restricted purposes, they are used first, and then unrestricted position are used as they are needed.

Management Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported amounts of assets and liabilities at the reporting dates and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Authority's income is exempt from federal income taxes under Internal Revenue Service section 115, which excludes income derived from the exercise of any essential governmental function and accruing to a state political subdivision.

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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 2 - CASH AND INVESTMENTS

Cash and investments maintained at June 30 were as follows:

Cash in Bank	\$ 1,073,664
Securities Investment Account	<u>356,015</u>
Total	<u>\$ 1,429,679</u>

The Authority adopted its formal investment policy on April 1, 2011.

All Cash in bank was held by the Bank of the West. The cash in bank was insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The deposits exceeded the insured limit was covered by collateral held by the bank in accordance with California law requiring the depository bank to hold collateral equal to 100% of the excess government funds on deposit. This collateral must be in the form of government-backed securities.

The securities investment account included only cash and fixed rate certificates of deposits were managed by UBS Financial Services, Inc.. All cash and certificates of deposits in the securities investment account were insured by the FDIC up to \$250,000 per depository institution. The portfolio of the securities investment account at June 30, 2016 was as follows:

Cash:		
USB Bank US	\$ 4,015	
Certificates of Deposits:		
		<u>Maturity Date</u>
Goldman Sachs Bank US	20,000	August 1, 2016
Bank of India US	50,000	October 26, 2016
GE Capital Retail Bank US	20,000	July 27, 2017
Ally Bank US	50,000	October 31, 2017
Capital One Bank US	50,000	October 29, 2018
GE Capital Retail Bank US	20,000	January 31, 2019
Barclay Bank US	21,000	August 13, 2019
American Express US	50,000	October 28, 2019
Goldman Sachs Bank US	21,000	August 12, 2020
American Express US	<u>50,000</u>	October 28, 2020
Total	<u>\$ 356,015</u>	

**NORTHERN CALIFORNIA REGIONAL
PUBLIC SAFETY TRAINING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30 consist of the following:

Member Contributions	\$ 56,432
Rent and Operating	<u>590,395</u>
Total	<u>\$ 646,827</u>

The Authority's receivable balance is from member contributions and rent and operating receivables. Rent and Operating receivables is largely made up of Peace Officer Safety Training (POST) reimbursements for Institute of Criminal Investigation (ICI) courses administered by the Authority. They total an amount of \$328,389, of which 100% were received subsequent to year end.

NOTE 4 - CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended June 30, 2016, is as follows:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
Capital assets, not being depreciated:				
Construction in progress	\$ 1,574,754	31,314	1,574,754	31,314
Total capital assets, not being Depreciated	<u>1,574,754</u>	<u>31,314</u>	<u>1,574,754</u>	<u>31,314</u>
Capital assets, being depreciated:				
Building	2,160,323	25,760		2,186,083
Leasehold improvement	2,452,148	1,694,160		4,146,308
Equipment	204,026			204,026
Total capital assets, being Depreciated	<u>4,816,497</u>	<u>1,719,920</u>	<u>1,574,754</u>	<u>6,536,417</u>
Less accumulated depreciation for:				
Buildings	416,527	44,494		461,021
Leasehold Improvements	1,379,967	288,292		1,668,259
Equipment	109,683	22,368		132,051
Total accumulated depreciation	<u>1,906,177</u>	<u>355,154</u>	<u>1,574,754</u>	<u>2,261,331</u>
Total	<u>\$ 4,485,074</u>	<u>1,396,080</u>	<u>1,574,754</u>	<u>4,306,400</u>

**NORTHERN CALIFORNIA REGIONAL
PUBLIC SAFETY TRAINING AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 5 - LEASES

Operating Leases

Ground Lease

On June 22, 2004, the Authority entered a ground lease agreement with the County for certain real property at McClellan Park (formerly known as McClellan Air Force Base). The leased premises include Buildings 603, 683, 684, 685, 686, 710, 712, and the Firing Range at McClellan Park. The Authority is required to use the leased premises solely for the purpose of offering public safety training and education programs necessary for the operation of a regional public safety training facility. The term of the ground lease agreement is for the term remaining in the Economic Development Conveyance Lease in Furtherance of Conveyance between the County as lessee and the United States Air Force as lessor, dated August 13, 1998. The Authority is required to pay the County one dollar (\$1) each year as annual rent during the term of the ground lease. The Authority is responsible for all expenses associated with maintaining and operating the leased premises during the term of the lease.

NOTE 6 - RELATED PARTY TRANSACTIONS

Member Agencies - Voluntary Contributions

Since the Authority was established, the member agencies have been providing various voluntary cash and in-kind contributions for the Authority. These contributions included cash contributions, service provided, and on-behalf payments for certain personnel costs of the Authority. The Authority has not had any agreements with the member agencies regarding these voluntary contributions and has not tracked and determined the amounts of contributions of service provided and on-behalf payments from member agencies prior to FY 2009-10.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

Government Allowances, Awards and Grants

The Authority has received government funds for specific purposes that are subject to review and audit by the grantor agencies. If the review or audit discloses exceptions, the Authority may incur a liability to those grantor agencies.

Member Agencies

As described at Note 6, the Authority has received several contributions from member agencies since it was established. Although there are no written agreements between the Authority and the member agencies about terms of the contributions prior to FY 2009-10, the Authority does not consider having obligations to repay the member agencies for any contributions received. However, if the member agencies request the Authority to repay them for all or part of the contribution, the Authority may incur liabilities to the current or past member agencies.

Internal Services
Department of Finance
Auditor-Controller Division

Joyce Renison,
Assistant Auditor-Controller



Navdeep S. Gill,
County Executive

David Villanueva,
Chief Deputy County Executive

Ben Lamera,
Director of Finance

County of Sacramento

January 13, 2017

Board of Directors
Northern California Regional Public Safety Training Authority
2409 Dean Street, Room 119 (Bldg 686)
McClellan, CA 95652

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Northern California Regional Public Safety Training Authority (Authority), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated January 13, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

in internal control, described in Finding #1 of the accompanying Schedule of Current Findings that we consider to be a significant deficiency.

Compliance and Other Matters

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

The Authority’s Response to Finding

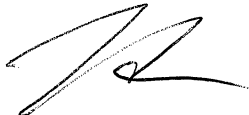
The Authority’s response to the finding identified in our audit is described in the accompanying Schedule of Current Audit Findings. The Authority’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,

BEN LAMERA
DIRECTOR OF FINANCE



By: Hong Lun (Andy) Yu, C.P.A.
Audit Manager

**NORTHERN CALIFORNIA REGIONAL
PUBLIC SAFETY TRAINING AUTHORITY
SCHEDULE OF CURRENT AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

1. SAFEGUARDING OF SENSITIVE INFORMATION

During our review of internal controls and interview with management, we noted that the course registration binder is kept in an unsecure location. It was noted that the binder holds sensitive information including the names of attendees and credit card numbers. There is the potential that the Authority's funds could be subject to theft or misappropriation of money.

Recommendation

We recommend the Authority keep the registration binder locked in a secure location to better safeguard assets and prevent any theft or misappropriation of money.

Management's Response

The Authority understands the importance of protecting personal/financial information to safeguard against theft or misappropriation. It will be the procedure of the Authority to keep all documents with personal/financial information in a secure location within the JPA office. Additionally, the Authority offices are locked after hours and only Authority employees have access to the office which serves as a second layer of security for personal/financial information.

**NORTHERN CALIFORNIA REGIONAL
PUBLIC SAFETY TRAINING AUTHORITY
STATUS OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**STATUS OF PRIOR YEAR FINDINGS REPORTED IN AUDIT REPORT FOR THE
FISCAL YEAR ENDED JUNE 30, 2015 DATED DECEMBER 15, 2015**

Prior Audit Findings

1. REPORTING OF SIGNATORY OF CHECKS

During our review of internal controls and interview with management, we noted only one signatory is required for the disbursement of the Authority's bank and investment accounts. As such, there is the potential that the Authority's funds could be subject to theft or misappropriation of money. However, it was noted the signors of the accounts are not in custodian of the checks and the bank account is reconciled monthly by the Business Services Manager who is not an authorized check signor.

Prior Recommendation

We recommend the Authority require two signors on all bank and investment accounts' disbursements to better safeguard assets and prevent any theft or misappropriation of funds.

Prior Management's Response

The Authority Management understands the importance of risk management with the assets of the Authority. Currently, each member agency has a signatory which can be reduced thus reducing the Authority's risk.

Action Plan:

- Reduce the signatories to the Executive Director and one planning team member.
- Require two signors on all disbursements exceeding \$25,000 dollars.

Current Status:

The Agency has lowered the disbursement amount required for 2 signors from \$25,000 to \$15,000. We noted that the Authority Management has ordered new checks with two signatory lines.