

**SOUTH SANTA CLARA VALLEY
MEMORIAL DISTRICT**

**Financial Statements
& Required Supplementary Information
With Independent Auditors' Report**

**For the Fiscal Year Ended
June 30, 2021**

SOUTH SANTA CLARA VALLEY MEMORIAL DISTRICT

For the Fiscal Year Ended June 30, 2021

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet.....	10
Reconciliation of the Governmental Funds Balance Sheet to Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balances	12
Reconciliation of the Statement Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities	13
Notes to Financial Statements	14

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule – General Fund – June 30, 2021	23
Notes to the Required Supplementary Information.....	24

OTHER INDEPENDENT AUDITORS' REPORTS

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	25
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
South Santa Clara Valley Memorial District
Gilroy, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of South Santa Clara Valley Memorial District (the District) as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District'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.

Auditors' 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of South Santa Clara Valley Memorial District , as of June 30, 2021, and the respective changes in financial position thereof for the fiscal 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, budgetary comparison information and the notes to the required supplementary information 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 a separate report dated December 23, 2021, on our consideration of the District'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 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 District's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Karen Bagwell CPA". The signature is fluid and cursive, with "Karen" and "Bagwell" being more distinct and "CPA" being written in a smaller circle at the end.

December 23, 2021

SOUTH SANTA CLARA VALLEY MEMORIAL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2021

Management's Discussion and Analysis (MD&A) offers readers of South Santa Clara Valley Memorial District's financial statements a narrative overview of the District's financial activities for the fiscal year ended June 30, 2021. This MD&A presents financial highlights, an overview of the accompanying financial statements, an analysis of net position and results of operations, a current-to prior year analysis, a discussion on restrictions, commitments and limitations, and a discussion of significant activity involving capital assets and long-term debt. Please read in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- District's net position increased by approximately 9.3% compared to the prior fiscal year.
- The District had an operating gain of \$53,201.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's financial statements. The District's basic financial statements reflect the combined results of the Operating and Capital Programs and include three components: (1) Statement of Net Position; (2) Statements of Revenues, Expenses, and Changes in Net Position; and (3) Notes to the Financial Statements.

The financial statements accompanying this MD&A present the net position and results of operations during the fiscal year ending June 30, 2021. These financial statements have been prepared using the accrual basis of accounting, which is similar to the accounting basis used by for-profit entities. Each financial statement is identified and defined in this section, and analyzed in subsequent sections of this MD&A.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's operating results. Since the governing board's responsibility is to provide services to our veterans and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the services and the safety of our facilities will likely be an important component in this evaluation.

SOUTH SANTA CLARA VALLEY MEMORIAL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2021

REQUIRED FINANCIAL STATEMENTS (continued)

Fund Financial Statements

The fund financial statements provide detailed information about the District's General Fund. The District's basic services are reported in this fund, which focuses on how money flows into and out of the fund and the balances left at year-end that are available for spending. This fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. The fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION

Analysis of Net Position

Table A-1: Condensed Statement of Net Position

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Change</u>
ASSETS			
Current assets	\$ 347,017	\$ 499,801	\$ (152,784)
Capital assets, net	<u>281,294</u>	<u>70,326</u>	<u>210,968</u>
Total assets	<u>628,311</u>	<u>570,127</u>	<u>58,184</u>
LIABILITIES			
Current liabilities	<u>5,822</u>	<u>839</u>	<u>4,983</u>
Total liabilities	<u>5,822</u>	<u>839</u>	<u>4,983</u>
NET POSITION			
Net investment in capital assets	281,294	70,326	210,968
Unrestricted	<u>341,195</u>	<u>498,962</u>	<u>(157,767)</u>
Total net position	<u>\$ 622,489</u>	<u>\$ 569,288</u>	<u>\$ 53,201</u>

At the end of fiscal year 2021, the District shows a balance in its unrestricted net position of \$341,195. This amount represents the accumulated results of all past years' operations.

SOUTH SANTA CLARA VALLEY MEMORIAL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2021

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION (continued)

Analysis of Revenues and Expenses

Table A-2: Condensed Statements of Activities

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Change</u>
Program revenue	\$ 13,671	\$ 99,779	\$ (86,108)
Expenses	<u>134,493</u>	<u>135,724</u>	<u>(1,231)</u>
Net program expense	(120,822)	(35,945)	(84,877)
General revenues	<u>174,023</u>	<u>153,930</u>	<u>20,093</u>
Change in net position	53,201	117,985	(64,784)
Net position			
Beginning of year	569,288	451,303	117,985
End of year	<u>\$ 622,489</u>	<u>\$ 569,288</u>	<u>\$ 53,201</u>

While the Statement of Net Position shows the change in financial position, the Statements of Revenues, Expenses and Changes in Net Position provides answers to the nature and source of these changes. The main factors in the change in net position is increased revenue from service fees, charges, and property taxes which surpassed its expenses.

Table A-3: Total Revenues

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Increase (Decrease)</u>
Program revenues:			
Charges for services	\$ 13,671	\$ 99,779	\$ (86,108)
Total program revenues	<u>13,671</u>	<u>99,779</u>	<u>(86,108)</u>
General revenues:			
Property taxes	173,816	153,181	20,635
Investment earnings	<u>207</u>	<u>749</u>	<u>(542)</u>
Total general revenues	<u>174,023</u>	<u>153,930</u>	<u>20,093</u>
Total revenues	<u>\$ 187,694</u>	<u>\$ 253,709</u>	<u>\$ (66,015)</u>

Total revenue from all sources decreased by 26.0%, or \$66,015, from the prior year due to increases in property tax assessments, which offset decrease in charges for services from rental revenue.

SOUTH SANTA CLARA VALLEY MEMORIAL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2021

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION (continued)

Analysis of Revenues and Expenses

Table A-4: Total Expenses

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	Increase (Decrease)
Expenses:			
Salaries and benefits	\$ 60,935	\$ -	\$ 60,935
Insurance	7,210	12,726	(5,516)
Janitorial	1,758	17,068	(15,310)
Supplies and materials	3,779	2,880	899
Professional services	24,609	43,258	(18,649)
Repairs and maintenance	5,357	15,841	(10,484)
Utilities	9,128	18,504	(9,376)
Other	7,557	22,418	(14,861)
Depreciation	<u>14,160</u>	<u>3,029</u>	<u>11,131</u>
Total expenses	<u>\$ 134,493</u>	<u>\$ 135,724</u>	<u>\$ (1,231)</u>

Total expenses for the District's operations decreased by 0.9%, or (\$1,231), from the prior year due to decreases in cost due the pandemic reducing rental revenue.

CAPITAL ASSETS

Net capital assets increased by \$210,968 from the prior year due to current year completion of the bathroom renovations project offset by depreciation during the fiscal year.

Table A-5: Capital Assets at Year-End, Net of Depreciation

	Balance	Balance
	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Capital assets:		
Land	\$ 8,020	\$ 8,020
Depreciable assets	735,870	510,742
Accumulated depreciation	<u>(462,596)</u>	<u>(448,436)</u>
Total capital assets, net	<u>\$ 281,294</u>	<u>\$ 70,326</u>

ANALYSIS OF INDIVIDUAL DISTRICT FUNDS

General Operating Fund

Total budgeted revenues for the fiscal year show revenues falling short of expenditures by \$47,643. The actual results for the year show expenditures exceeding revenues by \$157,767. Lower than anticipated revenues and higher than projected spending on capital asset acquisitions lead to an ending fund balance of \$341,195.

SOUTH SANTA CLARA VALLEY MEMORIAL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2021

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2020-21

Obviously the COVID pandemic is the major headline impacting businesses for FY20-21. For the District, this meant the Vets Hall remained closed for most of the year and suffered a significant loss in rental revenue, estimated at \$50,000 to \$70,000. However, the District took advantage of this downtime to focus on capital improvements.

After more than two years of fundraising for capital improvements, the District raised enough to begin and complete the restroom remodel in FY20-21. The cost, though significant at about \$225,000, was paid for with donations and reserves. The remodel was well worth the effort, time and expense because now the Vets Hall has a handicap-accessible restroom without the constant plumbing problems of a typical 70-year-old building.

In addition to this major capital improvement, the District also transitioned its three contract workers - executive director and two janitors/staff - into employees near year's end. California Assembly Bill 5, which regulates the use of independent contractors, required the District to make this transition. This added payroll costs (taxes, workers comp and software expenses), but were budgeted for appropriately.

The State, County and OSHA began lifting the COVID restrictions in May 2021 and the Hall fully opened beginning in July 2021. This meant annual tenants resumed paying rent and daily rentals also started booking dates.

The District enters FY21-22 with the hopes of remaining open and eventually booking rentals at a pre-pandemic levels. The District is also taking a conservative view of tax revenue. Pre-pandemic, Gilroy was projected to reach its highest population at nearly 60,000 in 2021. However, California in general, is currently experiencing a migration out of the state. Time will tell if Gilroy is to follow this trend or not. The population growth is important because it translates into more property tax dollars for the District.

In the meantime, the District will begin planning and fundraising for its next capital improvement project - a full kitchen remodel. This is needed to comply with current health and safety standards. This will not only improve renter's ability to prepare meals for their guests, it will also allow the District to rent the kitchen to local chefs for their catering jobs. However, the reserves dedicated to capital improvements was depleted for the restroom remodel, so fundraising will begin again. It will likely take another two years to raise the necessary funds for such a major project. Therefore, FY20-21 will focus on continuing to make the Gilroy Veterans Memorial Building a vital part of the community. The District will continue to find ways to service its mission to provide a quality, first-class facility for all residents in the District's service area, including members of the armed services, non-profit organizations and the general public.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Executive Director at South Santa Clara Valley Memorial District, 74 West Sixth Street, Gilroy, California, 95020, or e-mail at sscvmd@gmail.com.

SOUTH SANTA CLARA VALLEY MEMORIAL DISTRICT
Statement of Net Position
June 30, 2021

	Governmental Activities
ASSETS	
Deposits and investments	\$ 345,148
Accounts receivable	1,869
Capital assets, net of accumulated depreciation	<u>281,294</u>
Total assets	<u>628,311</u>
LIABILITIES	
Accounts payable	<u>5,822</u>
Total liabilities	<u>5,822</u>
NET POSITION	
Net investment in capital assets	281,294
Unrestricted	<u>341,195</u>
Net position	<u>\$ 622,489</u>

SOUTH SANTA CLARA VALLEY MEMORIAL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2021

	Governmental Activities
EXPENSES	
Community services:	
Salaries and benefits	\$ 60,935
Insurance	7,210
Janitorial	1,758
Supplies and materials	3,779
Professional services	24,609
Repairs and maintenance	5,357
Utilities	9,128
Other	7,557
Depreciation	<u>14,160</u>
Total expenses	<u>134,493</u>
PROGRAM REVENUES	
Charges for current services	<u>13,671</u>
Net program revenues (expenses)	<u>(120,822)</u>
GENERAL REVENUES	
Property taxes	173,816
Interest income	<u>207</u>
Total genral revenues	<u>174,023</u>
Change in net position	53,201
Net position, July 1, 2020	<u>569,288</u>
Net position, June 30, 2021	<u>\$ 622,489</u>

SOUTH SANTA CLARA VALLEY MEMORIAL DISTRICT

Balance Sheet – Governmental Funds

June 30, 2021

	General Fund
ASSETS	
Deposits and investments	\$ 345,148
Accounts receivable	<u>1,869</u>
Total assets	<u>\$ 347,017</u>
LIABILITIES AND FUND BALANCES	
Liabilities	
Accounts payable	\$ 5,822
Total liabilities	<u>5,822</u>
Fund balance	
Unassigned	<u>341,195</u>
Total fund balances	<u>341,195</u>
Total liabilities and fund balances	<u>\$ 347,017</u>

SOUTH SANTA CLARA VALLEY MEMORIAL DISTRICT

*Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position
June 30, 2021*

Total fund balances - governmental funds	\$ 341,195
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets net of accumulated depreciation, used in governmental activities are not financial resources and therefore, are not reported as assets in

Cost of capital assets:	743,890
Accumulated depreciation:	<u>(462,596)</u>
Capital assets, net of depreciation	<u>281,294</u>

Total net position - governmental activities	<u>\$ 622,489</u>
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SOUTH SANTA CLARA VALLEY MEMORIAL DISTRICT*Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds**For the Fiscal Year Ended June 30, 2021*

	General Fund
REVENUES	
Property taxes	\$ 173,816
Rental income	8,345
Interest income	207
Other local sources	<u>5,326</u>
Total revenues	<u>187,694</u>
EXPENDITURES	
Current - community services	
Salaries and benefits	60,935
Insurance	7,210
Janitorial	1,758
Supplies and materials	3,779
Professional services	24,609
Repairs and maintenance	5,357
Utilities	9,128
Other	7,557
Capital Outlay	<u>225,128</u>
Total expenditures	<u>345,461</u>
Net change in fund balances	(157,767)
FUND BALANCE	
Balance, July 1, 2020	<u>498,962</u>
Balance, June 30, 2021	<u>\$ 341,195</u>

SOUTH SANTA CLARA VALLEY MEMORIAL DISTRICT

*Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2021*

Net change in fund balances - total governmental funds	\$ (157,767)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures, however, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay	225,128
Depreciation expense	<u>(14,160)</u>
Net:	<u>210,968</u>
Change in net position - governmental activities	\$ 53,201

SOUTH SANTA CLARA VALLEY MEMORIAL DISTRICT

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The South Santa Clara Valley Memorial District (the District) was formed on August 26, 1946 and operated under Division 6, Chapter 1, commencing at Section 1170 of the Military and Veterans' Code of the State of California. The District owns and maintains a building at 74 West Sixth Street, Gilroy, for the use of veterans in the District. Local posts of the American Legion, Veterans of Foreign Wars and auxiliaries of these groups use the building. These organizations have formed a Bar Council, which operates the bar and clubroom in the building. The District area is generally bounded on the North by an Easterly prolongation of Church Avenue and on the East, South and West by the Santa Clara County line.

Reporting EntityBasis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Funds are grouped into three broad fund categories: governmental, proprietary, and fiduciary. The District has only a governmental fund category.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The District operates only one general fund.

General Fund The General Fund is the chief and only operating fund for the District. It is used to account for the ordinary operations of the District. All transactions are accounted for in this fund.

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, of the District and for each governmental function. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District combined its depreciation indirect expenses to its only function, community services, in the Statement of Activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

SOUTH SANTA CLARA VALLEY MEMORIAL DISTRICT

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-Wide and Fund Financial Statements (continued)

Net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Fund Financial Statements Fund financial statements report detailed information about the District.

Governmental Fund The District operates only one governmental fund, the General Fund. The fund is accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 90 days.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, such as property taxes. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental fund as expenditures. Allocations of costs, such as depreciation, are not recognized in the governmental fund but are recognized in the entity-wide statements.

Investments

Investments held at June 30, 2021, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county are determined by the program sponsor.

SOUTH SANTA CLARA VALLEY MEMORIAL DISTRICT

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Prepaid Expenditures (Expenses)

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when incurred.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental fund and capitalized in the government-wide statement of net position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements, 5 to 50 years; equipment, 2 to 15 years.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full of current financial resources are reported as obligations of the governmental fund.

However, long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

Spending Order Policy

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

Minimum Fund Balance Policy

In fiscal year 2013-14, the governing board adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted on-time expenditures. The policy requires a reserve for emergency, capital improvement and election costs of unassigned amounts equal to no less than 50 percent of General Fund expenditures.

SOUTH SANTA CLARA VALLEY MEMORIAL DISTRICT

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balances - Governmental Fund

As of June 30, 2021, fund balances of the governmental fund is 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. The District currently has restricted funds for capital improvements and emergencies in the reserve fund.

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board. The District currently does not have any committed funds.

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 the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes. The District currently does not have any assigned funds.

Unassigned - all other spendable amounts.

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. The District has no related debt outstanding as of June 30, 2021. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. All of the District's net positions are unrestricted as of June 30, 2021.

Estimates

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

SOUTH SANTA CLARA VALLEY MEMORIAL DISTRICT

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents the consumption of net position that applies to a future period and so will not be recognized as an outflow of resources until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflow of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until that time.

Budgetary Data

The District's governing board approves each year's budget prior to the beginning of the new fiscal year. Public hearings are conducted prior to its adoption by the governing board. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Santa Clara bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

SOUTH SANTA CLARA VALLEY MEMORIAL DISTRICT

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits and investments at June 30, 2021, are reported at fair value and consisted of the following:

Cash on hand and in banks	\$ 284,710
Investments in the County Treasury	<u>60,438</u>
Total cash	<u>\$ 345,148</u>

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Authorized Investment Type	Maximum Maturity
U.S. Treasury Obligations	5 years
U.S. Agency Securities	5 years
Insured or Collateralized Certificates of Deposit	5 years
State of California Local Agency Investment Fund	N/A
Local Government Investment Pools	N/A
Money Market Funds	N/A
Passbook Savings and Money Market Accounts	N/A

SOUTH SANTA CLARA VALLEY MEMORIAL DISTRICT

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer. The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury Pool. The fair value of the deposits with the County Treasury at June 30, 2021, was \$60,438 and the weighted average of the pool was 615 days.

Credit Risk

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. The District's investments in the County Pool are not rated as of June 30, 2021.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, 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 governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. As of June 30, 2021, \$34,710 of the District's bank balance was exposed to custodial credit risk.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments that are in possession of an outside party. As of June 30, 2021, the District's investment portfolio is not exposed to custodial credit risk because the portfolio consists exclusively of investments in the Santa Clara County Investment Pool. Investments in governmental external investment pools are not considered to have exposure to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Fair Value Measurements

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. Investments in the Santa Clara County Treasury Investment Pool are uncategorized because transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value.

SOUTH SANTA CLARA VALLEY MEMORIAL DISTRICT
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2021

NOTE 3 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following at June 30, 2021:

Accounts payable and accrued liabilities	\$ 3,922
Accrued payroll	<u>1,900</u>
	<u><u>\$ 5,822</u></u>

NOTE 4 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2021, was as follows:

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021
Capital assets not being depreciated:				
Land	\$ 8,020	\$ -	\$ -	\$ 8,020
Total capital assets not being depreciated	<u>8,020</u>	<u>-</u>	<u>-</u>	<u>8,020</u>
Capital assets being depreciated:				
Building & improvements	465,859	225,128	-	690,987
Furniture & equipment	<u>44,883</u>	<u>-</u>	<u>-</u>	<u>44,883</u>
Total capital assets being depreciated	<u>510,742</u>	<u>225,128</u>	<u>-</u>	<u>735,870</u>
Accumulated depreciation for:				
Building & improvements	(403,553)	(14,160)	-	(417,713)
Furniture & equipment	<u>(44,883)</u>	<u>-</u>	<u>-</u>	<u>(44,883)</u>
Total accumulated depreciation	<u>(448,436)</u>	<u>(14,160)</u>	<u>-</u>	<u>(462,596)</u>
Total capital assets being depreciated, net	<u>62,306</u>	<u>210,968</u>	<u>-</u>	<u>273,274</u>
Governmental activity capital assets, net	\$ 70,326	\$ 210,968	\$ -	\$ 281,294

Depreciation expense amounted to 14,160 for the fiscal year ended June 30, 2021 and was charged to the community services function.

SOUTH SANTA CLARA VALLEY MEMORIAL DISTRICT

Notes to Financial Statements

For the Fiscal Year Ended June 30, 2021

NOTE 5 – COMMITMENTS, CONTINGENCIES AND OTHER UNCERTAINTIES

The District is involved in routine litigation incidental to its business and may be subject to claims and litigation from outside parties. After consultation with legal counsel, management believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

Investment securities are exposed to various risks such as interest rate, market and credit. Due to the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the various risk factors, in the near term could materially affect investment balances and the amounts reported in the financial statements. Additionally, many mutual funds invest in the securities of foreign companies, which involve special risks and considerations not typically associated with investing in U.S. companies.

NOTE 6 – FUND BALANCE

At June 30, 2021, the District's General Fund ended the year with an unassigned fund balance of \$341,195. Of the unassigned amount, \$76,224 is earmarked for emergency based on board's reserve policy which requires 50% of the subsequent years budgeted general fund expenditures to be held in reserve.

NOTE 7 – SUBSEQUENT EVENTS

Events subsequent to June 30, 2021 have been evaluated through December 23, 2021, the date at which the District's audited financial statements were available to be issued. No events requiring disclosures other than the one described above have occurred through this date.

Required Supplementary Information

SOUTH SANTA CLARA VALLEY MEMORIAL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Property taxes	\$ 150,000	\$ 150,000	\$ 173,816	\$ 23,816
Rental income	35,000	35,000	8,345	(26,655)
Interest income	400	400	207	(193)
Other local sources	50,000	50,000	5,326	(44,674)
Total revenues	<u>235,400</u>	<u>235,400</u>	<u>187,694</u>	<u>(47,706)</u>
EXPENDITURES				
Current:				
Salaries and benefits	59,360	59,360	60,935	(1,575)
Insurance	13,387	13,387	7,210	6,177
Janitorial	4,000	4,000	1,758	2,242
Supplies and materials	3,500	3,500	3,779	(279)
Professional services	16,480	16,480	24,609	(8,129)
Repairs and maintenance	2,375	2,375	5,357	(2,982)
Utilities	17,584	17,584	9,128	8,456
Other	86,357	86,357	7,557	78,800
Capital Outlay	<u>80,000</u>	<u>80,000</u>	<u>225,128</u>	<u>(145,128)</u>
Total expenditures	<u>283,043</u>	<u>283,043</u>	<u>345,461</u>	<u>(62,418)</u>
Net change in fund balances	(47,643)	(47,643)	(157,767)	(110,124)
	-			
FUND BALANCE				
Balances, July 1, 2020	<u>498,962</u>	<u>498,962</u>	<u>498,962</u>	
Balances, June 30, 2021	<u>\$ 451,319</u>	<u>\$ 451,319</u>	<u>\$ 341,195</u>	

SOUTH SANTA CLARA VALLEY MEMORIAL DISTRICT

*Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2021*

NOTES TO SCHEDULE

Budgetary Comparison Schedule

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

Excess of Expenditures Over Appropriations

At June 30, 2021, the District incurred excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule as follows:

<u>Appropriations Category</u>	<u>Amount</u>
Current:	
Salaries and benefits	\$ 1,575
Supplies and materials	279
Professional services	8,129
Repairs and maintenance	2,982
Capital Outlay	145,128

Other Independent Auditors' Report



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**INDEPENDENT AUDITORS' 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**

Governing Board
South Santa Clara Valley Memorial District
Gilroy, California

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 South Santa Clara Valley Memorial District as of and for fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise South Santa Clara Valley Memorial District's basic financial statements, and have issued our report thereon dated December 23, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered South Santa Clara Valley Memorial District'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the South Santa Clara Valley Memorial District's internal control. Accordingly, we do not express an opinion on the effectiveness of the South Santa Clara Valley Memorial District'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 District's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Karen Fagot CPA".

December 23, 2021