

NORTH SANTA CLARA RESOURCE CONSERVATION DISTRICT
(Formerly Known as Guadalupe-Coyote Resource Conservation District)

AUDITED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2022 AND 2021



NORTH SANTA CLARA RESOURCE CONSERVATION DISTRICT
(Formerly Known as Guadalupe-Coyote Resource Conservation District)
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
North Santa Clara Resource Conservation District
(Formerly Known as Guadalupe-Coyote Resource Conservation District)
San Jose, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the North Santa Clara Resource Conservation District (Formerly Known as Guadalupe-Coyote Resource Conservation District) (the "District"), as of and for the years ended June 30, 2022 and 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of June 30, 2022 and 2021, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 July 01, 2026, 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 solely 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 effectiveness of the District's 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.

Harshmal & Company LLP

San Diego, California
July 01, 2026

NORTH SANTA CLARA RESOURCE CONSERVATION DISTRICT
(Formerly Known as Guadalupe-Coyote Resource Conservation District)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

This section of North Santa Clara Resource Conservation District (Formerly Known as Guadalupe-Coyote Resource Conservation District) (the "District") financial report presents a discussion and analysis of the District's financial performance for the year ended June 30, 2022 and 2021. The District's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section.

FINANCIAL HIGHLIGHTS

The District's total net position of \$602,246 as of June 30, 2022, represents an increase of \$55,744 from the fiscal year 2021 total of \$546,502. The District's total net position of \$546,502 as of June 30, 2021, represents an increase of \$59,514 from the fiscal year 2020 total of \$486,988. Changes to net position resulted from the changes in the following items shown in the table of *Change in Net Position*.

- Operating revenues totaled \$342,211 in fiscal year 2022, increased by \$22,677 over fiscal year 2021's amount of \$319,534. This increase was primarily driven by an \$8,664 or 31.64% increase in revenue from grants and contracts and a \$17,532 or 6.07% increase in property taxes and assessments revenue.

Operating revenues totaled \$319,534 in fiscal year 2021, increased by \$5,163 over fiscal year 2020's amount of \$314,371. This increase was primarily driven by an \$15,158 or 5.54% increase in property taxes and assessments revenue.

- Operating expenses totaled \$273,482 in fiscal year 2022. The two most significant categories are Salaries and benefits and Services and supplies comprising 49.18% and 26.72%. The operating expenses represent an increase of \$6,994 from the fiscal year 2021 total of \$266,488.

Operating expenses totaled \$266,488 in fiscal year 2021. The two most significant categories are Salaries and benefits and Services and supplies comprising 53.73% and 36.73%. The operating expenses represent an increase of \$35,640 from the fiscal year 2020 total of \$230,848.

- For fiscal year 2022 and 2021, nonoperating revenues include interest income and Fair value gain/(loss). Nonoperating revenues represents a decrease of \$19,453 in year 2022 compared to year 2021.

For fiscal year 2021 and 2020, nonoperating revenues include interest income and Fair value gain/(loss). Nonoperating revenues represents a decrease of \$1,118 in year 2021 compared to year 2020.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise two components: (1) Basic financial statements and (2) Notes to basic financial statements.

Basic financial statements

The statement of net position provides information about the financial position of the District as a whole, including all of the District's assets and liabilities with the difference between the two, reported as net position and reported on the full accrual basis, similar to that used by corporations. Over time, increases or decreases in net position may serve as a useful indicator of whether or not the financial position of the District is improving or deteriorating.

NORTH SANTA CLARA RESOURCE CONSERVATION DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

The statements of revenues, expenses, and changes in net position, which is on the full accrual basis, provides information about all the District's revenues and all its expenses, with the emphasis on measuring net revenues or expenses of the District's programs. The statements of revenues, expenses, and changes in net position explains in detail, the change in net position for the year.

All of the District's activities are grouped into business-type activities. These services are supported by the grants and contracts, property taxes and assessments revenue and other revenues.

Notes to Basic Financial Statements

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

FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a financial position. In the case of the District, assets exceeded liabilities by \$602,246 & \$546,502 respectively at the close of the fiscal year 2022 & 2021.

**Statements of Net Position
(Condensed)**

	<u>Business-Type Activities</u>			
	<u>2022</u>	<u>2021</u>	<u>Change</u>	<u>% Change</u>
Assets				
Current assets	\$ 641,406	\$ 592,741	\$ 48,665	8.21 %
Noncurrent assets	<u>24,222</u>	<u>-</u>	<u>24,222</u>	<u>100.00 %</u>
Total assets	<u>665,628</u>	<u>592,741</u>	<u>72,887</u>	<u>12.30 %</u>
Liabilities				
Current liabilities	51,902	46,239	5,663	12.25 %
Noncurrent liabilities	<u>11,480</u>	<u>-</u>	<u>11,480</u>	<u>100.00 %</u>
Total liabilities	<u>63,382</u>	<u>46,239</u>	<u>17,143</u>	<u>37.07 %</u>
Net Position	<u>\$ 602,246</u>	<u>\$ 546,502</u>	<u>\$ 55,744</u>	<u>10.20 %</u>

NORTH SANTA CLARA RESOURCE CONSERVATION DISTRICT
(Formerly Known as Guadalupe-Coyote Resource Conservation District)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

Statements of Net Position
(Condensed)

	Business-Type Activities			
	2021	2020	Change	% Change
Assets				
Current assets	\$ 592,741	\$ 516,900	\$ 75,841	14.67 %
Total assets	<u>592,741</u>	<u>516,900</u>	<u>75,841</u>	<u>14.67 %</u>
Liabilities				
Current liabilities	<u>46,239</u>	<u>29,912</u>	<u>16,327</u>	<u>54.58 %</u>
Total liabilities	<u>46,239</u>	<u>29,912</u>	<u>16,327</u>	<u>54.58 %</u>
Net Position	<u>\$ 546,502</u>	<u>\$ 486,988</u>	<u>\$ 59,514</u>	<u>12.22 %</u>

This schedule is prepared from the District's Statements of Net Position, which is presented on the accrual basis of accounting whereby capital assets are capitalized and depreciated. Currently, the District reports right-to-use lease assets of \$24,222 at June 30, 2022 and no owned capital assets.

Statements of Revenues, Expenses, and Change in Net Position
(Condensed)

	Business-Type Activities			
	2022	2021	Change	% Change
<i>OPERATING REVENUES</i>				
Grants and contracts	\$ 36,043	\$ 27,379	\$ 8,664	31.64 %
Property taxes and assessments	306,168	288,636	17,532	6.07 %
Other revenue	<u>-</u>	<u>3,519</u>	<u>(3,519)</u>	<u>(100.00)%</u>
Total operating revenues	<u>342,211</u>	<u>319,534</u>	<u>22,677</u>	<u>7.10 %</u>
<i>OPERATING EXPENSES</i>				
Salaries and benefits	134,487	143,177	(8,690)	(6.07)%
Services and supplies	73,063	97,887	(24,824)	(25.36)%
Programs and projects	<u>65,932</u>	<u>25,424</u>	<u>40,508</u>	<u>159.33 %</u>
Total operating expenses	<u>273,482</u>	<u>266,488</u>	<u>6,994</u>	<u>2.62 %</u>
Operating income/(loss)	<u>68,729</u>	<u>53,046</u>	<u>15,683</u>	<u>29.56 %</u>
<i>NONOPERATING REVENUES (EXPENSES)</i>				
Interest income	4,395	4,706	(311)	(6.61)%
Fair value gain/(loss)	<u>(17,380)</u>	<u>1,762</u>	<u>(19,142)</u>	<u>(1,086.38)%</u>
Total nonoperating revenues (expenses)	<u>(12,985)</u>	<u>6,468</u>	<u>(19,453)</u>	<u>(300.76)%</u>
Change in net position	55,744	59,514	(3,770)	(6.33)%
Net position, beginning of year	<u>546,502</u>	<u>486,988</u>	<u>59,514</u>	<u>12.22 %</u>
Net position, end of year	<u>\$ 602,246</u>	<u>\$ 546,502</u>	<u>\$ 55,744</u>	<u>10.20 %</u>

NORTH SANTA CLARA RESOURCE CONSERVATION DISTRICT
(Formerly Known as Guadalupe-Coyote Resource Conservation District)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

Statements of Revenues, Expenses, and Change in Net Position
(Condensed)

	Business-Type Activities			
	2021	2020	Change	% Change
<i>OPERATING REVENUES</i>				
Grants and contracts	\$ 27,379	\$ 39,944	\$ (12,565)	(31.46)%
Property taxes and assessments	288,636	273,478	15,158	5.54 %
Other revenue	3,519	949	2,570	270.81 %
Total operating revenues	<u>319,534</u>	<u>314,371</u>	<u>5,163</u>	<u>1.64 %</u>
<i>OPERATING EXPENSES</i>				
Salaries and benefits	143,177	142,851	326	0.23 %
Services and supplies	97,887	31,812	66,075	207.70 %
Programs and projects	25,424	56,185	(30,761)	(54.75)%
Total operating expenses	<u>266,488</u>	<u>230,848</u>	<u>35,640</u>	<u>15.44 %</u>
Operating income/(loss)	<u>53,046</u>	<u>83,523</u>	<u>(30,477)</u>	<u>(36.49)%</u>
<i>NONOPERATING REVENUES (EXPENSES)</i>				
Interest income	4,706	7,586	(2,880)	(37.96)%
Fair value gain/(loss)	1,762	-	1,762	100.00 %
Total nonoperating revenues (expenses)	<u>6,468</u>	<u>7,586</u>	<u>(1,118)</u>	<u>(14.74)%</u>
Change in net position	59,514	91,109	(31,595)	(34.68)%
Net position, beginning of year	<u>486,988</u>	<u>395,879</u>	<u>91,109</u>	<u>23.01 %</u>
Net position, end of year	<u>\$ 546,502</u>	<u>\$ 486,988</u>	<u>\$ 59,514</u>	<u>12.22 %</u>

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to North Santa Clara Resource Conservation District (Formerly Known as Guadalupe-Coyote Resource Conservation District) - 888 North First Street, Suite 204, San Jose, CA 95112, or by sending an email to gcrccd@gcrccd.org.

BASIC FINANCIAL STATEMENTS

NORTH SANTA CLARA RESOURCE CONSERVATION DISTRICT
(Formerly Known as Guadalupe-Coyote Resource Conservation District)
STATEMENTS OF NET POSITION
JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 603,901	\$ 563,472
Accounts receivable	<u>37,505</u>	<u>29,269</u>
Total current assets	<u>641,406</u>	<u>592,741</u>
Noncurrent assets		
Right-to-use assets, net	<u>24,222</u>	<u>-</u>
Total noncurrent assets	<u>24,222</u>	<u>-</u>
Total assets	<u>665,628</u>	<u>592,741</u>
LIABILITIES AND NET POSITION		
LIABILITIES		
Current liabilities		
Accounts payable	17,481	21,531
Compensated absences payable	21,288	24,708
Lease liabilities	<u>13,133</u>	<u>-</u>
Total current liabilities	<u>51,902</u>	<u>46,239</u>
Noncurrent liabilities		
Lease liabilities, net of current portion	<u>11,480</u>	<u>-</u>
Total noncurrent liabilities	<u>11,480</u>	<u>-</u>
Total liabilities	<u>63,382</u>	<u>46,239</u>
NET POSITION		
Unrestricted net position	<u>602,246</u>	<u>546,502</u>
Total net position	<u>602,246</u>	<u>546,502</u>
Total liabilities and net position	<u>\$ 665,628</u>	<u>\$ 592,741</u>

The accompanying notes are an integral part of these financial statements.

NORTH SANTA CLARA RESOURCE CONSERVATION DISTRICT
(Formerly Known as Guadalupe-Coyote Resource Conservation District)
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<i>OPERATING REVENUES</i>		
Grants and contracts	\$ 36,043	\$ 27,379
Property taxes and assessments	306,168	288,636
Other revenue	<u>-</u>	<u>3,519</u>
Total operating revenues	<u>342,211</u>	<u>319,534</u>
<i>OPERATING EXPENSES</i>		
Salaries	128,487	132,160
Payroll taxes	8,903	9,533
Vacation leave	(3,420)	918
Worker's compensation	517	566
Project expenses	65,932	25,424
Professional and contractual services	40,828	30,519
Communications	3,582	2,403
Grants - Special Districts	-	39,889
Insurance	2,373	2,359
Office supplies	525	2,007
Lease - Building and improvements	1,695	15,600
Membership dues	4,202	1,350
Food and refreshments	658	408
Amortization expenses	17,523	-
Lease interest	598	-
Miscellaneous	<u>1,079</u>	<u>3,352</u>
Total operating expenses	<u>273,482</u>	<u>266,488</u>
Operating income	<u>68,729</u>	<u>53,046</u>
<i>NONOPERATING REVENUES (EXPENSES)</i>		
Interest income	4,395	4,706
Fair value gain/(loss)	<u>(17,380)</u>	<u>1,762</u>
Total nonoperating revenues (expenses)	<u>(12,985)</u>	<u>6,468</u>
Change in net position	55,744	59,514
Net position, beginning of year	<u>546,502</u>	<u>486,988</u>
Net position, end of year	<u>\$ 602,246</u>	<u>\$ 546,502</u>

The accompanying notes are an integral part of these financial statements.

NORTH SANTA CLARA RESOURCE CONSERVATION DISTRICT
(Formerly Known as Guadalupe-Coyote Resource Conservation District)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Grants and contracts	\$ 28,337	\$ 28,938
Property taxes and assessments	306,168	288,636
Other operating revenue	-	3,519
Payment to contractors/suppliers for goods and services	(125,522)	(107,902)
Payment to employees	<u>(137,907)</u>	<u>(142,259)</u>
Net cash provided by operating activities	<u>71,076</u>	<u>70,932</u>
Cash flows from capital and related financing activities		
Principal repayment of lease liabilities	<u>(17,132)</u>	<u>-</u>
Net cash used in capital and related financing activities	<u>(17,132)</u>	<u>-</u>
Cash flows from investing activities		
Fair value (loss)/gain	(17,380)	1,762
Interest income	<u>3,865</u>	<u>5,537</u>
Net cash provided by/(used in) investing activities	<u>(13,515)</u>	<u>7,299</u>
Net change in cash and cash equivalents	40,429	78,231
Cash and cash equivalents - beginning of year	<u>563,472</u>	<u>485,241</u>
Cash and cash equivalents - end of year	<u>\$ 603,901</u>	<u>\$ 563,472</u>
Reconciliation of net operating revenues (expenses) to net cash provided by/(used in) operating activities		
Operating income/(loss)	\$ 68,729	\$ 53,046
Adjustments to reconcile operating income/(loss) to net cash provided by/ (used in) operating activities:		
Amortization expenses	17,523	-
Accounts receivable:		
Grants and contracts receivable	(7,706)	1,559
Accounts payable	(4,050)	15,409
Compensated absences payable	<u>(3,420)</u>	<u>918</u>
Net cash provided by operating activities	<u>\$ 71,076</u>	<u>\$ 70,932</u>

The accompanying notes are an integral part of these financial statements.

NORTH SANTA CLARA RESOURCE CONSERVATION DISTRICT
(Formerly Known as Guadalupe-Coyote Resource Conservation District)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 - GENERAL INFORMATION

North Santa Clara Resource Conservation District (Formerly Known as Guadalupe-Coyote Resource Conservation District) (the "District") was originally established as the Evergreen Resource Conservation District under the authority of Section 35100 of the California Public Resources Code. In May of 1977, it annexed the Black Mountain Resource Conservation District, and in February 1, 1993 it adopted the name Guadalupe-Coyote Resource Conservation District. Subsequent to June 30, 2022, the District legally changed its name to North Santa Clara Resource Conservation District, effective December 06, 2022. The area of the District includes, partially or wholly, the cities of San Jose, Campbell, Los Gatos, Milpitas, Los Altos, New Almaden, Coyote and Saratoga.

The purpose of the District is to preserve the basic resources of the state, soil, water and air through the establishment of programs of soil and water conservation and related natural resource conservation; including, but not limited to, wildlife areas, watershed management, water quality, woodland, urban, agricultural and recreation areas.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The District's resources are allocated to and accounted for in these basic financial statements as an enterprise fund type of the proprietary fund. A fund is a self-balancing set of accounts. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other policies. Net position for the enterprise fund represents the amount available for future operations.

B. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The enterprise fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of this fund are included on the statement of net position. Net position is segregated into the net investment in capital assets, amounts restricted and amounts unrestricted. Enterprise fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position.

The District uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange include revenues from grants, entitlements, and donations. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. When such funds are received, they are reported as unearned revenue until the earnings process is complete. Operating revenues and expenses consists of those revenues and expenses that result from the ongoing principal operations of the District. Operating revenues consist primarily of property taxes and assessments and grants and contracts. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from nonexchange transactions or ancillary activities.

NORTH SANTA CLARA RESOURCE CONSERVATION DISTRICT
(Formerly Known as Guadalupe-Coyote Resource Conservation District)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONT'D)

B. Basis of Accounting - (Cont'd)

Operating expenses include the cost of resource conservation activities, administrative expenses, and depreciation of capital assets (Currently, the District does not have any own capital assets). When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, cash held in a bank checking account, and cash pooled in the County of Santa Clara (County) Treasurer's pool. Investment in the County pool is available on demand.

For purposes of the statement of cash flows, the District considers all highly liquid investments with an original maturity of three months or less and amounts held in the County pool to be cash and cash equivalents.

D. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables consist mainly of amounts of grants and contracts receivable.

E. Compensated Absences

An employee's accrual of vacation and sick leave benefits (Temporary employees are not eligible for sick leave benefits) during any given pay period shall be pro-rated based upon his or her actual work rate (which includes the utilization of previously accrued leave) for that period for employees working more than 40 hours per week. Work rate is a percentage of the equivalent to fulltime employment and may not exceed 100%.

Accrued vacation hours may be taken from the date of hire, with the dates approved in advance by the immediate supervisor. Earned vacation time may be accrued up to 400 hours of vacation. Time beyond 400 hours may be accrued only at the approval of the Board. Upon termination, an employee will be compensated for vacation time accrued through his or her last day on the payroll.

Vacation leave is earned based on years of employment. Accrual rates are as follows:

<u>Length of Service</u>	<u>Yearly Rate</u>
0-5 years	15 days
5+ years	21 days

F. Budgets and Budgetary Accounting

The preliminary budget for the District is adopted by the Board of Directors for the District on or before June 30 for the ensuing year, and the final budget is adopted after notice and public hearing. The Board of Directors may amend the budget during the fiscal year. All appropriations lapse at the end of the fiscal year.

The budget is prepared on a cash and expenses basis. Revenues are budgeted in the year receipt is expected; and expenses are budgeted in the year that the applicable purchase orders are expected to be issued.

NORTH SANTA CLARA RESOURCE CONSERVATION DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONT'D)

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

H. Revenue Recognition

A major source of funding for the District is provided through taxes and assessments that are levied on parcels of land both developed and undeveloped. The taxes and assessments are due November 1 and February 1, and are delinquent if not paid by December 10 and April 10. The County bills and collects the charges, and deposits these into a common pool maintained by the County. The District then transfers funds to its bank account for operations.

I. Current Accounting Pronouncements

The following Governmental Accounting Standards Board (GASB) Statements have been implemented in the current financial statements:

Implementation of GASB Statement No. 87 - Effective July 1, 2021, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. GASB 87 establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this statement, lessees are required to recognize a lease liability and an intangible right-to-use asset, and lessors are required to recognize a lease receivable and deferred inflow of resources for certain lease arrangements.

The District evaluated its lease arrangements and implemented the provisions of GASB Statement No. 87 during the year ended June 30, 2022. The adoption of this statement resulted in the recognition of lease-related assets, liabilities, receivables, and deferred inflows of resources, as applicable.

J. Future Accounting Pronouncements

GASB Statements listed below will be implemented in future financial statements:

GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs)

GASB Statement No. 99, Omnibus 2022 (lease, PPPs, and SBITAs)

GASB Statement No. 100, Accounting Changes and Error Corrections - an Amendment of GASBs No. 62

GASB Statement No. 101, Compensated Absences

GASB Statement No. 102, Certain Risk Disclosures

GASB Statement No. 103, Financial Reporting Model Improvements

GASB Statement No. 104, Disclosure of Certain Capital Assets

GASB Statement No. 105, Subsequent Events

The District is currently evaluating the requirements of these new standards and has not yet determined the potential impact on its financial statements and related disclosures.

NORTH SANTA CLARA RESOURCE CONSERVATION DISTRICT
(Formerly Known as Guadalupe-Coyote Resource Conservation District)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 3 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following at June 30:

	2022	2021
Cash with County Treasurer Common Pool at fair market value	\$ 596,729	\$ 529,077
Cash in bank	7,047	34,270
Imprest cash	125	125
Total	\$ 603,901	\$ 563,472

The District participates in the common investment pool of the County for the purpose of increasing earnings through investments activities, which is subject to state legal restrictions, and additional restrictions prescribed by the County. The County's common pool is insured or collateralized with securities held by the County or by its agent in the County's name. In March 1997, the Government Accounting Standards Board (GASB) issued Statement No. 31 "Accounting and Financial Reporting for Certain Investments and for External Investment Pools". This statement established accounting and financial reporting standards for investments and related investment income. Investments made by the County's Controller-Treasurer Department for the District are specifically covered by these guidelines. The District's portions of the fair value of the County's commingled pool at June 30, 2022 and 2021 are based on cash positions as of June 30, 2022 and 2021, respectively, in proportion to the entire cash held in the commingled pool. The District's funds in the bank are secured by the FDIC up to a maximum of \$250,000, which are fully insured for the years 2022 and 2021.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30:

	2022	2021
Grants and contracts receivable	\$ 36,043	\$ 28,337
Interest and other receivable	1,462	932
Total	\$ 37,505	\$ 29,269

NOTE 5 - RIGHT-TO-USE LEASE ASSETS

A summary of changes in right-to-use lease assets for the year ended June 30, 2022, is as follows:

	Beginning Balance	Addition	Ending Balance
Right-to-use lease assets	\$ -	\$ 41,745	\$ 41,745
Less: accumulated amortization right-to-use lease assets	-	(17,523)	(17,523)
Total	\$ -	\$ 24,222	\$ 24,222

NORTH SANTA CLARA RESOURCE CONSERVATION DISTRICT
(Formerly Known as Guadalupe-Coyote Resource Conservation District)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 6 - COMPENSATED ABSENCES

The following changes occurred during the years ended June 30:

	<u>2022</u>	<u>2021</u>
Beginning balance	\$ 24,708	\$ 23,790
Additions	-	918
Reductions	<u>(3,420)</u>	-
Ending balance	<u>\$ 21,288</u>	<u>\$ 24,708</u>

NOTE 7 - OPERATING LEASE

The District and Civic Enterprises, Civic Office Building entered into the original Office Building Lease, dated October 23, 2012 for the lease of, including a load factor, approximately 880 rentable square feet of office space at the premises known as Suites 204-210 located at 888 North First Street, San Jose, California and the term of this lease amended to add an additional Five (5) year term commencing December 1, 2017 and ending November 30, 2022.

In addition, during the current year, the District entered into a new lease agreement with San Jose Conservation Corps for office space located at 1560 Berger Drive, Room 211, San Jose, California. The lease commenced on May 1, 2022 and will terminate on May 1, 2025.

Lease liabilities activity for the year ended June 30, 2022, is summarized as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Right-to-use lease liabilities - buildings	\$ -	\$ 41,745	\$ (17,132)	\$ 24,613	\$ 13,133
Total	<u>\$ -</u>	<u>\$ 41,745</u>	<u>\$ (17,132)</u>	<u>\$ 24,613</u>	<u>\$ 13,133</u>

The future minimum lease obligations and net present value of these minimum lease payments as of June 30, 2022 were as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 13,133	\$ 597	\$ 13,730
2024	6,159	321	6,480
2025	<u>5,321</u>	<u>79</u>	<u>5,400</u>
Total	<u>\$ 24,613</u>	<u>\$ 997</u>	<u>\$ 25,610</u>

NOTE 8 - UNRESTRICTED NET POSITION

The District's financial policy obliges to establish and maintain a minimum unrestricted net position balance equal to six months of annual revenue. Unrestricted net position as of June 30, 2022 and 2021 was \$602,246 and \$546,502, respectively.

NORTH SANTA CLARA RESOURCE CONSERVATION DISTRICT
(Formerly Known as Guadalupe-Coyote Resource Conservation District)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 9 - SUBSEQUENT EVENTS

Management has evaluated all subsequent events through July 01, 2026, the date through which the financial statements were available to be issued.

Subsequent to June 30, 2022, the District changed its name from Guadalupe-Coyote Resource Conservation District to North Santa Clara Resource Conservation District, effective December 06, 2022. The name change did not affect the District's legal status, operations, assets, liabilities, or net position.

No other subsequent events requiring adjustment to or disclosure in the accompanying financial statements were identified.

COMPLIANCE SECTION

**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**

To the Board of Directors
North Santa Clara Resource Conservation District
(Formerly Known as Guadalupe-Coyote Resource Conservation District)
San Jose, 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 the business-type activities of North Santa Clara Resource Conservation District (Formerly Known as Guadalupe-Coyote Resource Conservation District) (the "District"), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated July 01, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 entity'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District’s financial statements are free from 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 financial statements. 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 entity’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 entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harshmal & Company LLP

San Diego, California
July 01, 2026

**NORTH SANTA CLARA RESOURCE CONSERVATION DISTRICT
(Formerly Known as Guadalupe-Coyote Resource Conservation District)
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weakness?	None reported
• Noncompliance material to financial statements noted?	No

**NORTH SANTA CLARA RESOURCE CONSERVATION DISTRICT
(Formerly Known as Guadalupe-Coyote Resource Conservation District)
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

SECTION II. FINANCIAL STATEMENTS FINDINGS

There were no findings related to the financial statements for the fiscal years ended June 30, 2022 and 2021.

**NORTH SANTA CLARA RESOURCE CONSERVATION DISTRICT
(Formerly Known as Guadalupe-Coyote Resource Conservation District)
SUMMARY SCHEDULE OF PRIOR YEARS AUDIT FINDINGS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

There were no findings reported in prior years.