

**SILICON VALLEY REGIONAL
INTEROPERABILITY AUTHORITY**

FINANCIAL STATEMENTS

June 30, 2021

SILICON VALLEY REGIONAL INTEROPERABILITY AUTHORITY
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June 30, 2021

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

To the Governing Board of
Silicon Valley Regional Interoperability Authority
Santa Clara, California

We have audited the accompanying financial statements of the governmental activities and the major fund of the Silicon Valley Regional Interoperability Authority, as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Silicon Valley Regional Interoperability Authority, 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 on page 3 through 8, and the budgetary information on page 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2022, on our consideration of the Silicon Valley Regional Interoperability Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Moss, Remy & Hartgeim LLP

March 3, 2022
Santa Maria, California

SILICON VALLEY REGIONAL INTEROPERABILITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021

This section of Silicon Valley Regional Interoperability Authority (the "Authority") annual financial report presents a discussion and analysis of the Authority's financial performance for the year ended June 30, 2021. The Authority's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section.

FINANCIAL HIGHLIGHTS

- The assets of the Authority exceeded liabilities by \$32,920,663 (net position) for the fiscal year reported, of this amount, \$28,236,688 is net investment in capital assets, \$300,000 is restricted for a capital project (the CalOES Grant for the Site-on-Wheels) and \$4,383,975 may be used to meet ongoing obligations to citizens and creditors.
- The Authority's total net position decreased by \$3,978,915 during the fiscal year. The reason for this decrease was due to the final payment on the construction of the radio system and the continued depreciation of the Authority's capital assets. The assets doubled in the previous audit as the Authority accurately accounted for capital assets in the system. With the asset value increasing, so did the depreciation.
- As of June 30, 2021, the Authority's governmental fund reported an ending fund balance of \$4,683,975. This decreased by \$1,727,521 from the previous year due to final milestone payments due at the acceptance of the Silicon Valley Regional Communications System. Board policy directs that Operational Reserve Fund is set at \$100,000 and \$300,000 is restricted to the CalOES Grant project.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether or not the financial position of the Authority is improving or deteriorating.

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

SILICON VALLEY REGIONAL INTEROPERABILITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021

Both of the government-wide financial statements distinguish functions of the Authority that are principally supported by member shares that are intended to recover all or a significant portion of its costs. The only governmental activity of the Authority is public safety interoperability and communication services. The Authority does not have any business-type activities.

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts which are used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The one fund of the Authority can be categorized as a governmental fund.

Governmental fund is used to account for essentially the same functions reported as governmental activities in the government-wide financial statements-i.e. the Authority's basic services are reported in the governmental fund. These statements, however, focus on (1) how cash and other financial assets can readily be converted to available resources and (2) the balances left at year-end that are available for spending. Such information may be useful in determining what financial resources are available in the near future to finance the Authority's programs.

Because the focus of the governmental fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the government fund with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between the governmental fund and governmental activities.

The Authority maintains only one governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, which is considered to be a major fund.

The Authority does not have any proprietary or fiduciary funds.

Notes to the Basic Financial Statements

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

Required Supplementary Information

The required supplementary information is presented concerning the Authority's General Fund budgetary comparison schedule. The Authority adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

SILICON VALLEY REGIONAL INTEROPERABILITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$32,920,663 at the close of the fiscal year.

Net Position

Governmental Activities

| | 2021 | 2020 | Increase/Decrease % |
|----------------------------------|----------------------------|----------------------------|---------------------|
| ASSETS | | | |
| Current assets | \$4,711,851 | \$6,439,632 | (27%) |
| Capital assets, (net) | \$28,236,688 | \$30,488,082 | (7%) |
| Total Assets | \$32,948,539 | \$36,927,714 | (11%) |
| LIABILITIES | | | |
| Current and other liabilities | \$27,876 | \$28,136 | (1%) |
| Total liabilities | \$27,876 | \$28,136 | (1%) |
| NET POSITION | | | |
| Net investment in capital assets | \$28,236,688 | \$30,488,082 | (7%) |
| Restricted Capital Project | \$300,000 | 0 | n/a |
| Unrestricted | \$4,383,975 | \$6,411,496 | (32%) |
| TOTAL NET POSITION | <u>\$32,920,663</u> | <u>\$36,899,578</u> | <u>(11%)</u> |

Analysis of Changes in Net Position

The largest portion of the Authority's net position totaling \$28,236,688 (86%) are its Capital Assets. The rest totaling \$4,683,975 (14%) represents its cash, investments, receivables less accounts payable. The Authority uses the capital assets to provide services; consequently, these assets are not available for future spending. At the close of this fiscal year, there were no debt outstanding related to acquisition of capital assets.

The Authority's net position decreased by \$3,978,915 during the current fiscal year. As noted in the highlights, this decrease was due to the final system acceptance payment and the depreciation of the Authority's Capital Assets. The Authority's capital assets had not been fully accounted for or depreciated until the audit ending June 30, 2020.

SILICON VALLEY REGIONAL INTEROPERABILITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021

Governmental activities decreased the Authority's net position by \$3,978,915. Expenses exceeded revenue or charges for services due to the final system acceptance payments to vendors who built the Silicon Valley Regional Communications System (SVRCS). Funds for the total system cost had been collected in previous fiscal years and expended in fiscal year 2020/2021.

Interest income decreased due to the final system acceptance payments. The Authority had been collecting the funds in advance of the system being completed. The Authority is part of the County of Santa Clara's Shared Investment Pool. The 2021 Net position beginning balance reflects the full accounting of the Authority's assets as noted in the previous audit.

The following table indicates the changes in net position for governmental activities:

Changes in Net Position
Governmental Activities

| | <u>2021</u> | <u>2020</u> | <u>Increase/Decrease %</u> |
|------------------------------------|---------------------|---------------------|----------------------------|
| Revenues | | | |
| General revenues: | | | |
| Interest income | \$46,681 | \$193,300 | (76%) |
| Local contribution | \$4,119,039 | \$3,888,350 | 6% |
| Intergovernmental grants | \$300,000 | | n/a |
| Total Revenue | \$4,465,720 | \$4,081,650 | 9% |
| Expenses | | | |
| Public protection | \$8,444,635 | \$7,837,399 | 8% |
| Change in net position | (\$3,978,915) | (\$3,755,749) | 6% |
| Net position, beginning | \$36,899,578 | \$18,158,284 | 103% |
| Prior period adjustment | | 22,497,043 | n/a |
| Net position, beginning - restated | 36,899,578 | 40,655,327 | (9%) |
| Net position, ending | <u>\$32,920,663</u> | <u>\$36,899,578</u> | <u>(11%)</u> |

SILICON VALLEY REGIONAL INTEROPERABILITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021

FINANCIAL ANALYSIS OF THE AUTHORITY'S FUND

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund

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

As June 30, 2021, the Authority's governmental fund reported an ending fund balance of \$4,683,975. \$100,000 (approximately 2%) of the Fund Balance is assigned for operating reserves; \$4,283,975 or 91% is assigned for asset replacement reserves. The remaining \$300,000 (7%) is restricted by the CalOES grant for the site-on-wheels capital project.

In Fiscal Year 2020/2021, revenues for governmental functions totaled \$4,465,720 of which \$4,119,039 was from member contributions. Expenditures for governmental functions totaled \$6,193,241. Expenditures for governmental functions exceeded revenues by \$1,727,521. A final milestone payment on the completed SVRCS accounted for the large capital expenditure.

The following table presents the amount of revenue from various sources as well as increases or decreases from the prior year.

Revenues Classified by Source

Governmental Fund

| <u>Revenues by Source</u> | <u>2021</u> | | <u>2020</u> | | <u>Increase/Decrease</u> | |
|----------------------------------|--------------------|-------------------|--------------------|-------------------|--------------------------|-------------------|
| | <u>Amount</u> | <u>% of Total</u> | <u>Amount</u> | <u>% of Total</u> | <u>Amount</u> | <u>% of Total</u> |
| <u>Interest and other income</u> | \$46,681 | 1 | \$193,300 | 5 | (\$146,619) | (76%) |
| <u>Local contribution</u> | \$4,119,039 | 92 | \$3,888,350 | 95 | \$230,689 | 6% |
| <u>Intergovernmental grant</u> | \$300,000 | 7 | | | \$300,000 | 100% |
| <u>TOTAL</u> | \$4,465,720 | 100 | \$4,081,650 | 100 | \$384,070 | 9% |
| | | | | | | |

SILICON VALLEY REGIONAL INTEROPERABILITY AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, expenditures were less than budgetary estimates by \$674,562. If the large capital outlay is removed, expenditures were \$678,714 less than revenues.

CAPITAL ASSETS

The Authority's net investment in capital assets for its governmental activities as of June 30, 2021, amounted to \$55,290,900, and accumulated depreciation was \$27,054,212.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Authority recognizes that all member local government agencies are dealing with challenging and constrained fiscal environments. In response to these economic conditions, the Authority controls expenditure increases, utilizes competitive procurement processes, and utilizes a low-cost staffing model to minimize budget increases and membership contributions. The Authority intends to continue this conservative fiscal approach. The Authority is also mindful of the need to justify expenditures and maintain reserves for current and future operations.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Authority'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 Silicon Valley Regional Interoperability Authority – c/o Santa Clara County Finance Agency Accounting and Claims Division, 70 West Hedding, East Wing, 2nd Floor. CA 95110-1705.

SILICON VALLEY REGIONAL INTEROPERABILITY AUTHORITY**STATEMENT OF NET POSITION**

June 30, 2021

| | <u>Governmental Activities</u> |
|----------------------------------|------------------------------------|
| ASSETS | |
| Cash and investments | \$ 4,703,527 |
| Interest receivable | 8,324 |
| Capital Assets: | |
| Depreciable, net | <u>28,236,688</u> |
| Total assets | <u>32,948,539</u> |
| LIABILITIES | |
| Accounts payable | <u>27,876</u> |
| Total liabilities | <u>27,876</u> |
| NET POSITION | |
| Net investment in capital assets | 28,236,688 |
| Restricted for: | |
| Restricted for capital projects | 300,000 |
| Unrestricted | <u>4,383,975</u> |
| Total net position | <u>\$ 32,920,663</u> |

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

SILICON VALLEY REGIONAL INTEROPERABILITY AUTHORITY
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2021

| | Expenses | Charges for Services | Program Revenues Operating Contributions and Grants | Capital Contributions and Grants | Net (Expense) Revenue and Changes in Net Position |
|--|---------------------|-------------------------|--|--|--|
| Governmental activities: | | | | | |
| Public protection | \$ 8,444,635 | \$ 4,119,039 | \$ - | \$ 300,000 | \$ (4,025,596) |
| Total governmental activities | <u>\$ 8,444,635</u> | <u>\$ 4,119,039</u> | <u>\$ -</u> | <u>\$ 300,000</u> | <u>(4,025,596)</u> |
| General Revenues: | | | | | |
| Investment income | | | | | <u>46,681</u> |
| Total general revenues | | | | | <u>46,681</u> |
| Change in net position | | | | | (3,978,915) |
| Net position, beginning of fiscal year | | | | | <u>36,899,578</u> |
| Net position, end of fiscal year | | | | | <u>\$ 32,920,663</u> |

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

SILICON VALLEY REGIONAL INTEROPERABILITY AUTHORITY
GOVERNMENTAL FUND
BALANCE SHEET
June 30, 2021

| | General Fund |
|-------------------------------------|---------------------|
| ASSETS | |
| Cash and investments | \$ 4,703,527 |
| Interest receivable | <u>8,324</u> |
| Total assets | <u>\$ 4,711,851</u> |
| LIABILITIES AND FUND BALANCE | |
| Liabilities: | |
| Accounts payable | \$ <u>27,876</u> |
| Total liabilities | <u>27,876</u> |
| Fund Balance: | |
| Restricted: | |
| CalOES grant for capital projects | 300,000 |
| Assigned: | |
| Operation reserve | 100,000 |
| Asset replacement reserve | <u>4,283,975</u> |
| Total fund balance | <u>4,683,975</u> |
| Total liabilities and fund balance | <u>\$ 4,711,851</u> |

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

SILICON VALLEY REGIONAL INTEROPERABILITY AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL
FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2021

| | | |
|--|----|-----------|
| Total fund balance - governmental fund | \$ | 4,683,975 |
|--|----|-----------|

Amounts reported for governmental activities in the statement of net position are different because:

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

| | | |
|-----------------------------------|----|---------------------|
| Capital assets at historical cost | \$ | 55,290,900 |
| Accumulated depreciation | | <u>(27,054,212)</u> |
| Net capital assets | | <u>28,236,688</u> |

| | | |
|--|----|--------------------------|
| Total net position - governmental activities | \$ | <u><u>32,920,663</u></u> |
|--|----|--------------------------|

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

SILICON VALLEY REGIONAL INTEROPERABILITY AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND
For the Fiscal Year Ended June 30, 2021

| | <u>General Fund</u> |
|-----------------------------|----------------------------|
| Revenues: | |
| Contributions from agencies | \$ 4,119,039 |
| Intergovernmental grants | 300,000 |
| Interest income | <u>46,681</u> |
| Total revenues | <u>4,465,720</u> |
| Expenditures: | |
| Insurance expense | 149,076 |
| Contract maintenance | 3,134,045 |
| Projects and programs | 80,987 |
| Membership dues | 15,111 |
| Office expense | 1,405 |
| Professional services | 372,532 |
| Rent and leases | 5,246 |
| Other expenses | 28,604 |
| Capital outlay | <u>2,406,235</u> |
| Total expenditures | <u>6,193,241</u> |
| Net change in fund balance | (1,727,521) |
| Fund balance - July 1 | <u>6,411,496</u> |
| Fund balance - June 30 | <u><u>\$ 4,683,975</u></u> |

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

SILICON VALLEY REGIONAL INTEROPERABILITY AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2021

| | |
|---|------------------------------|
| Net change in fund balance - governmental fund | \$ (1,727,521) |
| <p>Amounts reported for governmental activities in the statement of activities are different because:</p> | |
| <p>Capital assets are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which additions to capital assets of \$2,406,235 were less than depreciation expense of \$4,657,629.</p> | |
| | <u>(2,251,394)</u> |
| Change in net position - governmental activities | <u><u>\$ (3,978,915)</u></u> |

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

SILICON VALLEY REGIONAL INTEROPERABILITY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Silicon Valley Regional Interoperability Authority (the "Authority"), a public entity was organized on June 20, 2010. The Authority was created by a Joint Power Agreement, made by and between the Cities of Campbell, Cupertino, Gilroy, Los Altos, Los Gatos, Milpitas, Monte Sereno, Morgan Hill, Mountain View, Palo Alto, San Jose, Santa Clara, Saratoga, Sunnyvale, and the County of Santa Clara.

The purpose of the Authority is to enhance and improve communications, data sharing and other technological systems, tools and processes for protection of the public and public safety and to facilitate related local and regional cooperative efforts.

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

The reporting entity is the Silicon Valley Regional Interoperability Authority. There are no component units included in this report that meet the criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statements No. 39, No. 61, and No. 80.

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide statements are prepared using the economic resources measurement focus. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds. The Authority has no proprietary nor fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Authority's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Authority, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Authority.

Fund Financial Statements:

Fund financial statements report detailed information about the Authority. The focus of governmental fund financial statements is on major funds rather than reporting funds by type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus and the accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds presents increases, (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. The Authority has no proprietary nor fiduciary funds.

Revenues – exchange and non-exchange transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under 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 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. For the Authority, “available” means collectible within the current period or within 60 days after fiscal year-end.

Non-exchange transactions, in which the Authority receives value without directly giving equal value in return, include property taxes and grants. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the Authority must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue:

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants received before eligibility requirements are met are recorded as deferred revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as unearned revenue.

Expenses/expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

When both restricted and unrestricted resources are available for use, it is the Authority’s policy to use restricted resources first then unrestricted resources as they are needed.

E. Fund Accounting

The accounts of the Authority are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance or net position, revenues, and expenditures. The Authority’s resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The Authority’s accounts are organized into one major fund as follows:

SILICON VALLEY REGIONAL INTEROPERABILITY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Accounting (Continued)

Major Governmental Fund:

The *General Fund* is the general operating fund of the Authority. It is used to account for all financial resources except those required to be accounted for in another fund. For the Authority, the General Fund's primary activity is data communication services.

F. Budgets and Budgetary Accounting

The Authority adopts an annual budget in accordance with the terms of the Joint Powers Agreement. From the effective date of the budget, the amounts stated as proposed expenditures become appropriations. The Board of Directors may amend the budget by majority approval during each fiscal year. All appropriations lapse at the end of the fiscal year to the extent that they have not been expended.

G. Prepaid Expenditures

The Authority has the option of reporting expenditures in governmental funds for prepaid items either when purchased or during the benefiting period. The Authority has chosen to report the expenditure during the period purchased.

H. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is not utilized by the Authority.

I. Capital Assets

Capital assets (including infrastructure) are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Contributed capital assets are valued at their estimated fair value at the date of the contribution. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and estimated useful life in excess of two years.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the governmental column in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the statement of net position.

J. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the American Institute of Certified Public Accountants, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

K. Fund Balances

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

SILICON VALLEY REGIONAL INTEROPERABILITY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Fund Balances (Continued)

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the Authority’s governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – represents amounts which the Authority intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund’s primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purpose of the Authority.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balances are available, the Authority considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Authority considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

L. Future Accounting Pronouncements

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

| | | |
|------------------|---|--|
| Statement No. 87 | "Leases" | The provisions of this statement are effective for fiscal years beginning after June 15, 2021. |
| Statement No. 89 | "Accounting for Interest Cost Incurred before the End of a Construction Period" | The provisions of this statement are effective for fiscal years beginning after December 15, 2020. |
| Statement No. 91 | "Conduit Debt Obligations" | The provisions of this statement are effective for fiscal years beginning after December 15, 2021. |
| Statement No. 92 | "Omnibus 2020" | The provisions of this statement are effective for fiscal years beginning after June 15, 2021. |
| Statement No. 93 | "Replacement of Interbank Offered Rates" | The provisions of this statement except for paragraphs 11b, 13, and 14 are effective for fiscal years beginning after June 15, 2020. Paragraph 11b is effective for fiscal years beginning after December 31, 2021. Paragraphs 13 and 14 are effective for fiscal years beginning after June 15, 2021. |

SILICON VALLEY REGIONAL INTEROPERABILITY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Future Accounting Pronouncements

| | | |
|------------------|--|---|
| Statement No. 94 | "Public-Private and Public-Public Partnerships and Availability Payment Arrangements" | The provisions of this statement are effective for fiscal years beginning after June 15, 2022. |
| Statement No. 96 | "Subscription-Based Information Technology Arrangements" | The provisions of this statement are effective for fiscal years beginning after June 15, 2022. |
| Statement No. 97 | "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32" | The provisions of this statement except for paragraphs 6-9 are effective for fiscal years beginning after December 15, 2019. Paragraph 6-9 is effective for fiscal years beginning after June 15, 2021. |

NOTE 2 - CASH AND INVESTMENTS

On June 30, 2021, the Authority had the following cash and investments on hand:

| | |
|---|---------------------|
| Cash and investments on deposit with County Treasurer | \$ <u>4,703,527</u> |
| Total cash and investments | \$ <u>4,703,527</u> |

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

| | |
|---|---------------------|
| Cash and investments, statement of net position | \$ <u>4,703,527</u> |
| Total cash and investments | \$ <u>4,703,527</u> |

The Authority categorizes its fair value measurements within the fair value hierarchy established by U.S. Generally Accepted Accounting Principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. These principles recognize a three-tiered fair value hierarchy. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Authority had investments in the Santa Clara County Investment Pool, and that pool is measured under Level 2.

Investments Authorized by the Authority's Investment Policy

The Authority's investment policy only authorizes investment in the local government investment pool administered by the County of Santa Clara. The Authority's investment policy does not contain any specific provisions intended to limit the Authority's exposure to interest rate risk, credit risk, and concentration of credit risk.

SILICON VALLEY REGIONAL INTEROPERABILITY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2021

NOTE 2 - CASH AND INVESTMENTS (Continued)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Authority manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the Authority's investments (including investments held by fiscal agents) to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority's investments by maturity:

| <u>Investment Type</u> | <u>Carrying Amount</u> | <u>Remaining Maturity (in Months)</u> | | | |
|------------------------------------|------------------------|---------------------------------------|---------------------|---------------------|----------------------------|
| | | <u>12 Months Or Less</u> | <u>13-24 Months</u> | <u>25-60 Months</u> | <u>More than 60 Months</u> |
| Santa Clara County Investment Pool | \$ 4,703,527 | \$ 4,703,527 | \$ - | \$ - | \$ - |
| Total | \$ 4,703,527 | \$ 4,703,527 | \$ - | \$ - | \$ - |

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of rating by a nationally recognized statistical rating organization. Presented below, is the minimum rating required by (where applicable) the California Government Code, the Authority's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

| <u>Investment Type</u> | <u>Carrying Amount</u> | <u>Minimum Legal Rating</u> | <u>Exempt From Disclosure</u> | <u>Rating as of Fiscal Year End</u> | | |
|------------------------------------|------------------------|-----------------------------|-------------------------------|-------------------------------------|-----------|------------------|
| | | | | <u>AAA</u> | <u>Aa</u> | <u>Not Rated</u> |
| Santa Clara County Investment Pool | \$4,703,527 | N/A | \$ - | \$ - | \$ - | \$4,703,527 |
| Total | \$4,703,527 | | \$ - | \$ - | \$ - | \$4,703,527 |

Concentration of Credit Risk

The investment policy of the Authority contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total Authority investments.

Custodial Credit Risk

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as Santa Clara County Investment Pool).

SILICON VALLEY REGIONAL INTEROPERABILITY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2021

NOTE 2 - CASH AND INVESTMENTS (Continued)

Investment in Santa Clara County Investment Pool

The Authority is a participant in the Santa Clara County Investment Pool that is regulated by the California Government Code. The fair value of the Authority's investment in this pool is reported in the accompanying basic financial statements at the amounts based upon the Authority's pro-rata share of the fair value provided by the Santa Clara County Investment Pool for the entire Santa Clara County Investment Pool portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the Santa Clara County Investment Pool, which are recorded on an amortized cost basis.

NOTE 3 – CAPITAL ASSETS

Capital Assets as of June 30, 2021 consist of the following:

| | Balance July 1, 2020 | Increases | Deletions | Balance June 30, 2021 |
|----------------------------------|-------------------------|-----------------------|-------------|--------------------------|
| Governmental activities | | | | |
| Depreciable capital assets: | | | | |
| Application software | \$ 1,798,561 | \$ - | \$ - | \$ 1,798,561 |
| Building | 2,561,732 | | | 2,561,732 |
| Vehicles | 119,664 | | | 119,664 |
| Equipment | 48,404,708 | 2,406,235 | | 50,810,943 |
| Total depreciable capital assets | 52,884,665 | 2,406,235 | | 55,290,900 |
| Less accumulated depreciation | 22,396,583 | 4,657,629 | | 27,054,212 |
| Net depreciable capital assets | <u>\$ 30,488,082</u> | <u>\$ (2,251,394)</u> | <u>\$ -</u> | <u>\$ 28,236,688</u> |
| Net capital assets | <u>\$ 30,488,082</u> | <u>\$ (2,251,394)</u> | <u>\$ -</u> | <u>\$ 28,236,688</u> |

NOTE 4 – NET POSITION

The government-wide financial statements utilize a net position presentation. GASB Statement No. 63 requires that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. Net position is categorized as either net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

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

Unrestricted Net Position – This category represents net position of the Authority, not restricted for any project or other purpose.

REQUIRED SUPPLEMENTARY INFORMATION

SILICON VALLEY REGIONAL INTEROPERABILITY AUTHORITY
BUDGETARY COMPARISON SCHEDULE- GENERAL FUND
For the Fiscal Year Ended June 30, 2021

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance</u> |
|-----------------------------|-------------------------|---------------------|-----------------------|--|
| | <u>Original</u> | <u>Final</u> | | <u>Favorable</u> <u>(Unfavorable)</u> |
| Revenues: | | | | |
| Contributions from agencies | \$ 4,408,890 | \$ 4,408,890 | \$ 4,119,039 | \$ (289,851) |
| Intergovernmental grants | | | 300,000 | 300,000 |
| Interest income | | | 46,681 | 46,681 |
| Total revenues | <u>4,408,890</u> | <u>4,408,890</u> | <u>4,465,720</u> | <u>56,830</u> |
| Expenditures: | | | | |
| Insurance expense | 85,000 | 151,783 | 149,076 | 2,707 |
| Contract maintenance | 3,208,538 | 3,208,538 | 3,134,045 | 74,493 |
| Projects and programs | 2,458,913 | 2,503,824 | 80,987 | 2,422,837 |
| Membership dues | 7,500 | 14,500 | 15,111 | (611) |
| Office expense | 3,000 | 3,000 | 1,405 | 1,595 |
| Professional services | 345,000 | 448,436 | 372,532 | 75,904 |
| Rent and leases | 15,000 | 15,000 | 5,246 | 9,754 |
| Other expenses | 455,000 | 522,722 | 28,604 | 494,118 |
| Capital outlay | | | 2,406,235 | (2,406,235) |
| Total expenditures | <u>6,577,951</u> | <u>6,867,803</u> | <u>6,193,241</u> | <u>674,562</u> |
| Net change in fund balance | (2,169,061) | (2,458,913) | (1,727,521) | 731,392 |
| Fund balance - July 1 | <u>6,411,496</u> | <u>6,411,496</u> | <u>6,411,496</u> | |
| Fund balance - June 30 | <u>\$ 4,242,435</u> | <u>\$ 3,952,583</u> | <u>\$ 4,683,975</u> | <u>\$ 731,392</u> |