**SILICON VALLEY
ANIMAL CONTROL AUTHORITY**

AGENDA ITEM

General Purpose Financial Statements FY 2017-2018

RECOMMENDED MOTION

That the General Purpose Financial Statements for the period from July 1, 2017 to June 30, 2018 prepared by Maze & Associates be received and filed.

DISCUSSION

The following Financial Statement covers the period of July 1, 2017-June 30, 2018. This statement was prepared by Maze & Associates in conjunction with SVACA staff.

This agenda item contains a copy of the report. An original document is available upon request.

DOCUMENTS ATTACHED

Copy of Silicon Valley Animal Control Authority General Purpose Financial Statements for the period from July 1, 2017 to June 30, 2018.

Copy of Memorandum on Internal Control and Required Communications

SILICON VALLEY ANIMAL CONTROL AUTHORITY

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

PREPARED BY THE EXECUTIVE DIRECTOR AND ADMINISTRATION DEPARTMENT

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SILICON VALLEY ANIMAL CONTROL AUTHORITY
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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MAZE & ASSOCIATES

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Silicon Valley Animal Control Authority
Santa Clara, California

We have audited the accompanying financial statements of the Silicon Valley Animal Control Authority (SVACA) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise SVACA's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to SVACA'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 SVACA'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SVACA as of June 30, 2018, and changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and other required supplementary information as listed in the Table of Contents 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise SVACA's basic financial statements as a whole. The Supplemental Section as listed in the Table of Contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The Supplemental Section is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Section is fairly stated in all material respects in relation to the financial statements as a whole.

Maze & Associates

Pleasant Hill, California
January 31, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Silicon Valley Animal Control Authority has issued the financial reports for fiscal year ending June 30, 2018 based on the provisions of the Government Accounting Standards Board Statement 34, "Basic Financial Statement and Management's Discussion & Analysis—for State and Local Governments," (GASB 34). One of the most significant requirements of GASB 34 is for government entities to prepare financial reports using the full accrual basis of accounting. Since Silicon Valley Animal Control Authority has always been using this method of accounting, changes in its financial reports are primarily in the format of presentation.

GASB 34 requires Silicon Valley Animal Control Authority to provide an overview of financial activities in the fiscal year and it should be read in conjunction with the accompanying financial statements.

OVERVIEW OF BASIC FINANCIAL STATEMENTS

The Basic Financial Statements required under GASB 34 include:

(1) Statement of Net Positions—provides information about the financial position of Silicon Valley Animal Control Authority, including assets, liabilities and net assets. The difference between this statement and the traditional Balance Sheet is that net assets (fund equity) are shown as the difference between total assets and total liabilities.

(2) Statement of Activities—presents revenues, expenses and changes in net assets for the fiscal year. It differs with the traditional Statement of Revenues and Expenses in that revenues and expenses directly attributable to operating programs are presented separately from investment income and financing costs.

(3) Statement of Cash Flows—provides itemized categories of cash flows. This statement differs from the traditional Statement of Cash Flows in that it presents itemized categories of cash in flows and out flows instead of computing the net cash flows from operation by backing out non-cash revenues and expenses from net operating income. In addition, cash flows related to investments and financing activities are presented separately.

FISCAL YEAR 2018 FINANCIAL HIGHLIGHTS

Silicon Valley Animal Control Authority's financial highlights for the fiscal year include the following:

- Total net position at June 30, 2018 was $6,168,492. At June 30, 2017, total position was $6,120,524.
- Total operating revenues were $2,244,983 in FY 2018, while total operating expenses were $2,422,173.

CLAIMS SETTLEMENT AND RESERVES FOR CLAIMS

During fiscal year 2018 no claims were paid.

INVESTMENT ACTIVITIES

As required by GASB, Silicon Valley Animal Control Authority reports its investments at fair value. At June 30, 2018, Silicon Valley Animal Control Authority had $1,883,938 invested in the Local Agency Investment Fund (LAIF). LAIF is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California.

MAJOR PROGRAM INITIATIVES AND ECONOMIC OUTLOOK

2017-18 proved to be SVACA's most successful year yet as a 95% Live Release Rate was achieved. One of SVACA's goals since its inception was to develop, construct, and operate a state-of-the-art facility that would become a place that the public would use for a variety of purposes and offer homeless animals a second chance. SVACA continues to provide solid proof that various government bodies can work together to provide what our residents and their animals need and want.

CONTACTING PLAN'S FINANCIAL MANAGEMENT

The Basic Financial Statements are intended to provide Silicon Valley Animal Control Authority members, citizens, creditors and other interested parties a general overview of the Silicon Valley Animal Control Authority's finances. Questions about these statements should be directed to Silicon Valley Animal Control Authority, 3370 Thomas Road, Santa Clara, CA 95054.

STATEMENT OF NET POSITION AND STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The purpose of the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position is to summarize SVACA's financial activities and financial position. They are prepared on the same basis as is used by most businesses, which means they include all SVACA's assets, liabilities, deferred inflows/outflows of resources, as well as all its revenues and expenses. This is known as the full accrual basis—the effect of all the SVACA's transactions is taken into account, regardless of whether or when cash changes hands.

The Statement of Net Position reports the difference between SVACA's total assets and deferred outflows of resources and SVACA's total liabilities and deferred inflows of resources, including all SVACA's capital assets and all its long-term debt. The Statement of Net Position presents information in a way that focuses the reader on the composition of SVACA's net position, by subtracting total liabilities from total assets.

The Statement of Revenue, Expenses and Changes in Net Position reports increases and decreases in SVACA's net position. It is also prepared on the full accrual basis, which means it includes all SVACA's revenues and all its expenses, regardless of when cash changes hands.

SILICON VALLEY ANIMAL CONTROL AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2018

ASSETS	
Current Assets	
Cash and investments (Note 2):	
Cash in bank	$781,311
Local Agency Investment Fund	1,883,938
Petty cash	400
Accounts receivable, net	4,690
Prepaids	7,063
Total Current Assets	2,677,402
Capital assets (Note 3):	
Depreciable	6,406,938
Less accumulated depreciation	(2,421,572)
Capital assets, net	3,985,366
Total Assets	6,662,768
DEFERRED OUTFLOWS OF RESOURCES	
Related to pension (Note 5)	387,753
Total Deferred Outflows of Resources	387,753
LIABILITIES	
Current Liabilities	
Accounts payable	14,221
Accrued payroll	60,695
Accrued compensated absences (Note 1F)	165,324
Total Current Liabilities	240,240
Noncurrent Liabilities	
Collective net pension liability (Note 5)	600,963
Total Liabilities	841,203
DEFERRED INFLOWS OF RESOURCES	
Related to pension (Note 5)	40,826
Total Deferred Inflows of Resources	40,826
NET POSITION (Note 6)	
Net investment in capital assets	3,985,366
Restricted:	
Chubz Fund	4,486
Maddie's Fund	61,438
Animal Assistance Fund	827
Unrestricted	2,116,375
Net Position	$6,168,492

See accompanying notes to basic financial statements

SILICON VALLEY ANIMAL CONTROL AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

PROGRAM OPERATING REVENUES	
Member operating contributions (Note 4)	$1,820,287
Licensing	185,030
Program fees	225,701
Miscellaneous	13,965
Total Operating Revenues	2,244,983
PROGRAM OPERATING EXPENSES	
Advertising	694
Bad debt expense	5,387
Bank service charges	28,028
Computer costs	5,644
Contract veterinarians	21,766
Wildlife Center contract	25,437
Facility expenses:	
Utilities	87,138
Custodial service	17,024
Building maintenance	38,231
Communications	13,030
Dues and subscriptions	1,800
Equipment expenses	8,570
Insurance	48,290
Supplies and miscellaneous	2,768
Postage/Shipping	7,581
Printing	1,633
Professional services	29,842
Salaries, wages and benefits	1,812,056
Animal care	47,341
Vehicle expenses	21,417
Materials, services and supplies (MS&S)	10,543
Depreciation (Note 3)	187,953
Total Program Operating Expenses	2,422,173
NET OPERATING INCOME (LOSS)	(177,190)
NON-OPERATING REVENUES	
Animal Assistance Fund donations	78,579
Chubz Fund donations	50
Capital contributions	120,000
Interest income	26,529
Net Non-Operating Revenues	225,158
NET CHANGE IN NET POSITION	47,968
NET POSITION AT BEGINNING OF YEAR	6,120,524
NET POSITION AT END OF YEAR	$6,168,492

See accompanying notes to basic financial statements

SILICON VALLEY ANIMAL CONTROL AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from member agencies	$1,820,287
Cash received from customers	423,865
Payments for salaries, wages and benefits	(1,794,409)
Payments to suppliers	(313,215)
Payments for Wildlife Center contract and contract veterinarians	(47,203)
Net Cash Used by Operating Activities	89,325
CASH FLOWS FROM NON-CAPITAL ACTIVITIES	
Animal Assistance Funds	78,579
Chubz Fund Donations	50
Net Cash Flows Provided by Non-Capital and Related Financing Activities	78,629
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Contributions	120,000
Net Cash Flows Provided by Capital and Related Financing Activities	120,000
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	26,529
Net Cash Provided by Investing Activities	26,529
NET CASH FLOWS	314,483
CASH AND INVESTMENTS AT BEGINNING OF YEAR	2,351,166
CASH AND INVESTMENTS AT END OF YEAR	$2,665,649
PRESENTATION ON STATEMENT OF NET POSITION:	
Cash in bank	$781,311
Local Agency Investment Fund	1,883,938
Petty cash	400
	$2,665,649
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating loss	($177,190)
Depreciation	187,953
Change in assets and liabilities:	
Accounts receivable	(831)
Prepaids	957
Accounts payable	5,568
Accrued payroll	(14,975)
Accrued compensated absences	32,622
Net pension liability, deferred inflows and outflows of resources	55,221
NET CASH PROVIDED BY OPERATING ACTIVITIES	$89,325

See accompanying notes to basic financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

Silicon Valley Animal Control Authority (SVACA) is a Joint Powers Agency established in July 2000. SVACA provides animal services to the City of Campbell, City of Monte Sereno, City of Mountain View and the City of Santa Clara. During fiscal year 2018, SVACA was governed by a Board of Directors consisting of one representative each from the Cities of Mountain View, Santa Clara, Campbell and Monte Sereno (see Note 4).

Mission

The mission of SVACA is to ensure the well-being of both animals and people through advocacy, education, and cost effective yet efficient services by providing a superior level of care, compassion, and respect for all living things. SVACA's dedicated, passionate and enlightened Board of Directors, Technical Advisory Committee, volunteers and staff accomplish our mission by enforcing animal control laws, offering progressive programs and services, promoting responsible and humane guardianship, investigating cruelty and abuse, and operating a warm, inviting and state-of-the-art animal care center that encourages the community to participate and help us foster life-long relationships between residents and their animal companions.

Our Vision of the Future

We envision the day when all residents, their property and neighborhood will be safe from the dangers and nuisances of irresponsible animal owners.

We envision the day when animals will not suffer because of human abuse, neglect or ignorance and will be valued as true companions.

We envision the day when every companion animal born will be assured of a forever home and live a full life free from suffering.

We envision the day when the entire community embraces the spaying and neutering of companion animals and wholeheartedly assists us in ending the unnecessary euthanasia of our beloved animal friends.

We believe success will be ours when no animal is euthanized except those for who euthanasia is an escape from suffering or necessary for the safety of people and other animals.

The following is a summary of significant accounting policies of SVACA, which conform with generally accepted accounting principles applicable to governments.

B. Basis of Presentation

SVACA's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting

SVACA is accounted for as an enterprise fund. This fund is a set of self-balancing accounts which comprise its assets, deferred outflows, liabilities, deferred inflows, net position, revenues and expenses.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized. SVACA is accounted for using the accrual basis of accounting, under which revenues are recognized when they are earned and expenses are recognized when they are incurred. SVACA follows Governmental Accounting Boards Statements.

E. Risk Management

SVACA is a member of the Special Districts Risk Management Association (SDRMA), a joint powers authority which provides annual general liability and physical damage coverage up to $10,000,000 in the aggregate. SVACA has a $500 deductible for general liability claims and has a $1,000 deductible for physical damage claims. SVACA also has workers' compensation insurance with SDRMA which covers employers' liability and workers' compensation insurance commercially up to $5,000,000 and statutory limit respectively. SVACA has no self-insured retention for workers' compensation claims.

SDRMA is governed by a board consisting of representatives from member municipalities. The board controls the operations of SDRMA, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the Board.

SVACA's premiums are based upon the following factors: claims history, total payroll, SVACA's exposure, the results of an on-site underwriting inspection, total insurable values, and employee classification ratings. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating which generally occurs in the third year after the completion of the program year.

SVACA has not had any claims exceeding coverage in any of the past four years.

F. Accrued Compensated Absences

The liability for accrued compensated absences is recorded as an expense when vacation is earned. Accumulated vacation is computed using current employee accumulated vacation hours at current pay rates. Sick leave does not vest and is not accrued.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

H. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

I. Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

NOTE 2 - CASH AND INVESTMENTS

A. Policies

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of SVACA's cash on deposit or first trust deed mortgage notes with a value of 150% of the deposit as collateral for these deposits. Under California Law this collateral is held in SVACA's name and places SVACA ahead of general creditors of the institution. SVACA has waived collateral requirements for the portion of deposits covered by federal deposit insurance.

SVACA adjusts the carrying value of its investments to reflect their fair market value at each fiscal year end, and it includes the effects of these adjustments in interest income for that fiscal year.

B. Investments Authorized by SVACA's Investment Policy

SVACA's investment policy authorizes investments in the local government investment pool administered by the State of California (LAIF) and certificates of deposit up to $250,000, collateralized at 110% of value.

C. 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.

Cash and investments as of June 30, 2018 consist of the following:

Cash in bank	$781,311
Local Agency Investment Fund	1,883,938
Cash on hand	400
Total cash and investments	$2,665,649

SVACA is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. SVACA reports its investment in LAIF at the fair value amount provided by LAIF. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligation, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. At June 30, 2018, these investments matured in an average of 193 days.

D. Credit Rate Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

NOTE 3 - CAPITAL ASSETS

Capital assets are recorded at cost and depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of fixed assets over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation of all capital assets is charged as an expense against operations each year and the total amount of depreciation taken over the years, called accumulated depreciation, is reported on the balance sheet as a reduction in the book value of the capital assets.

Depreciation of capital assets in service is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. SVACA has assigned useful lives as follows: Building – 30 years, equipment and furniture - 3 to 7 years, and vehicles - 5 to 10 years. SVACA capitalizes capital assets exceeding $500.

Capital assets comprised the following at June 30, 2018:

	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018
Capital assets being depreciated				
Building	$5,812,752			$5,812,752
Equipment & furniture	489,639			489,639
Vehicles	104,547			104,547
Total capital assets being depreciated	6,406,938			6,406,938
Less accumulated depreciation for:				
Building	(1,667,832)	($175,112)		(1,842,944)
Equipment & furniture	(464,393)	(9,685)		(474,078)
Vehicles	(101,394)	(3,156)		(104,550)
Total accumulated depreciation	(2,233,619)	(187,953)		(2,421,572)
Capital assets, net	$4,173,319	($187,953)		$3,985,366

NOTE 4 – MEMBER OPERATING CONTRIBUTIONS

Operations of SVACA are funded by member contributions. Contributions for field operations are based on a formula weighted on 50% calls for service, 25% population and 25% square miles. The allocation formula for the Shelter is based on the number of animals received at the animal care center.

Member operating contributions were as follows for the year ended June 30, 2018:

Members	Contribution Amount	Contribution Percentage
City of Campbell	$308,795	16.96%
City of Monte Sereno	30,130	1.66%
City of Mountain View	435,124	23.90%
City of Santa Clara	1,046,238	57.48%
Total	$1,820,287	100.00%

NOTE 5 – PENSION PLAN

A. *General Information about the Pension Plan*

Plan Description – All qualified permanent and probationary employees are eligible to participate in SVACA's Miscellaneous Employee Pension Rate Plans. SVACA's Miscellaneous Rate Plans are part of the public agency cost-sharing multiple-employer defined benefit pension plan (PERF C), which is administered by the California Public Employees' Retirement System (CalPERS). PERF C consists of a miscellaneous pool and a safety pool (also referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Individual employers may sponsor more than one miscellaneous and safety rate plan. The employer participates in one cost-sharing multiple-employer defined benefit pension plan regardless of the number of rate plans the employer sponsors. SVACA sponsors two miscellaneous rate plans. Benefit provisions under the Plan are established by State statute and SVACA resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

NOTE 5 – PENSION PLAN (Continued)

SVACA's employees hired on or before December 31, 2012 participate in the Miscellaneous Plan of the Silicon Valley Animal Control Authority (part of CalPERS' Miscellaneous 2% at 55 Risk Pool). The Pension Reform Act of 2013 (PEPRA), Assembly Bill 340, is applicable to employees new to CalPERS and hired after December 31, 2012. SVACA's employees hired on or after January 1, 2013 participate in the Miscellaneous Plan of the Silicon Valley Animal Control Authority (part of CalPERS' Miscellaneous 2% at 62 Risk Pool). Benefit provisions under the Plan were established by State statute and SVACA ordinance. Benefits are based on years of credited service, equal to one year of full time employment. SVACA employees retiring on or after July 1, 2009 are eligible to receive a benefit of 2% per year of credited service. The Plan's provisions and benefits in effect at June 30, 2018, are summarized as follows:

Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	52
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.00% to 2.50%
Required employee contribution rates	6.896%	6.25%
Required employer contribution rates	8.418%	6.533%

Beginning in fiscal year 2018, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund. The dollar amounts are billed on a monthly basis. SVACA's required contribution for the unfunded liability and side fund was $19,734 in fiscal year 2018.

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. SVACA is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2018, the contributions recognized as part of pension expense for the Plan were $100,238.

NOTE 5 – PENSION PLAN (Continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2018, SVACA reported a net pension liability of $600,963 for its proportionate share of the net pension liability of the Plan.

SVACA's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. SVACA's proportion of the net pension liability was based on a projection of SVACA's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. SVACA's proportionate share of the net pension liability for the Plan as of June 30, 2016 and 2017 was as follows:

Proportion - June 30, 2016	0.01406%
Proportion - June 30, 2017	0.01524%
Change - Increase (Decrease)	0.00118%

For the year ended June 30, 2018, SVACA recognized a pension expense of $55,221. At June 30, 2018, SVACA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$100,238	
Differences between actual and expected experience	1,044	$14,956
Changes in assumptions	129,523	9,876
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	127,655	15,994
Net differences between projected and actual earnings on plan investments	29,293	
Total	$387,753	$40,826

NOTE 5 – PENSION PLAN (Continued)

$100,238 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Annual Amortization
2019	$95,544
2020	101,098
2021	67,439
2022	(17,392)

Actuarial Assumptions – For the measurement period ended June 30, 2017, the total pension liability was determined by rolling forward the June 30, 2016 total pension liability. The June 30, 2016 total pension liability was based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.2% - 12.2% (1)
Investment Rate of Return	7.15%
Mortality Rate Table	Derived using CalPers Membership Data for all Funds (3)
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

(3) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

This is found on page 4 of https://www.calpers.ca.gov/docs/forms-publications/gasb-68-agent-notes-accounting-valuation-reports-2017.pdf

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of a January 2016 actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website under Forms and Publications.

NOTE 5 – PENSION PLAN (Continued)

Change of Assumptions – GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2014 measurement date were the same as those used for the June 30, 2015 measurement date.

Discount Rate – The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary.

The long-term expected discount rate of 7.15% is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These (geometric) rates of return are net of administrative expenses.

NOTE 5 – PENSION PLAN (Continued)

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%
Total	100.00%		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents SVACA's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what SVACA's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease	6.15%
Net Pension Liability	$1,027,909
Current Discount Rate	7.15%
Net Pension Liability	$600,963
1% Increase	8.15%
Net Pension Liability	$247,358

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE 6 – NET POSITION

Net Position is the excess of all SVACA's assets and deferred outflows of resources over all its liabilities and deferred inflows of resources, regardless of fund. Net Position is divided into three captions as described below:

Net investment in capital assets, describes the portion of Net Position which is represented by the current net book value of SVACA's capital assets.

Restricted describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which SVACA cannot unilaterally alter.

Unrestricted describes the portion of Net Position which is not restricted to use.

The Board of Directors has designated the amounts of unrestricted net position below for the purposes listed:

Designated	
Shelter Project	$338,855
Capital Project Improvement Fund	34,000
Operating Reserve Fund	197,968
Vehicle Replacement Fund	102,504
Reserve for Unknown Losses	15,849
Total	$689,176

NOTE 7 – CONTINGENT LIABILITIES

SVACA is subject to litigation arising in the normal course of business. In the opinion of SVACA's legal counsel there is no pending litigation which is likely to have a material adverse effect on the financial position of SVACA.

REQUIRED SUPPLEMENTARY INFORMATION

Silicon Valley Animal Control Authority - Miscellaneous Plan,
a Cost-Sharing Multiple-Employer Defined Pension Plan
As of fiscal year ending June 30, 2018
Last 10 Years*

SCHEDULE OF THE PLAN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS AS OF THE MEASUREMENT DATE

Measurement Date	6/30/2014	6/30/2015	6/30/2016	6/30/2017
Plan's proportion of the Net Pension Liability	0.00561%	0.01252%	0.01406%	0.01524%
Plan's proportionate share of the Net Pension Liability	$349,247	$343,574	$488,291	$600,963
Plan's Covered Payroll	$1,242,627	$1,271,997	$1,298,269	$1,336,816
Plan's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	28.11%	27.01%	37.61%	44.95%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	81.15%	79.89%	75.87%	75.39%

* Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

Silicon Valley Animal Control Authority - Miscellaneous Plan,
a Cost-Sharing Multiple-Employer Defined Pension Plan
As of fiscal year ending June 30, 2018
Last 10 Years*

SCHEDULE OF CONTRIBUTIONS

For the Year Ended June 30	2015	2016	2017	2018
Actuarially determined contribution	$117,101	$48,497	$111,023	$100,238
Contributions in relation to the actuarially determined contributions	117,101	48,497	111,023	100,238
Contribution deficiency (excess)	$0	$0	$0	$0
Covered payroll	$1,271,997	$1,298,269	$1,336,816	$1,401,394
Contributions as a percentage of covered payroll	9.21%	3.74%	8.31%	7.15%

* Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

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SUPPLEMENTAL INFORMATION

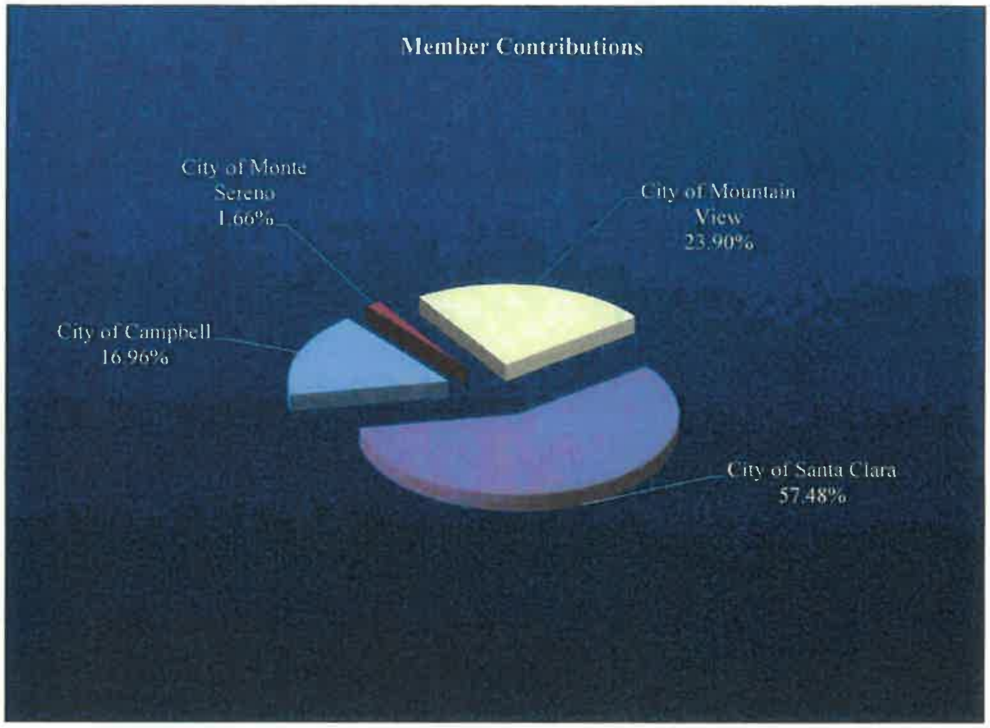
SILICON VALLEY ANIMAL CONTROL AUTHORITY
BUDGETARY SCHEDULE OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance-Positive (Negative)
PROGRAM OPERATING REVENUES			
Member operating contributions	$1,820,286	$1,820,287	$1
Licensing	195,000	185,240	(9,760)
Less: Fees waived for Return to Owner Hardship Fund		(210)	(210)
Program fees	217,000	225,701	8,701
Miscellaneous		13,965	13,965
Total Operating Revenues	2,232,286	2,244,983	12,697
PROGRAM OPERATING EXPENSES			
Advertising	6,000	694	5,306
Bad debt expense	5,387	5,387	
Bank service charges	11,000	28,028	(17,028)
Computer costs	14,000	5,644	8,356
Contract veterinarians	16,000	21,766	(5,766)
Wildlife Center contract	25,437	25,437	
Facility expenses:			
Utilities	76,000	87,138	(11,138)
Custodial service	18,000	17,024	976
Building maintenance	38,000	38,231	(231)
Communications	15,200	13,030	2,170
Dues and subscriptions	1,500	1,800	(300)
Equipment expenses	11,500	8,570	2,930
Insurance	43,300	48,290	(4,990)
Supplies and miscellaneous	2,500	2,768	(268)
Postage/Shipping	6,000	7,581	(1,581)
Printing	3,500	1,633	1,867
Professional services	25,000	29,842	(4,842)
Salaries, wages and benefits	1,850,150	1,757,786	92,364
Animal care	25,000	30,654	(5,654)
Vehicle expenses	30,000	21,417	8,583
Materials, services and supplies (MS&S)	18,500	10,543	7,957
Maddie's Pet Adoption Grant*		16,687	(16,687)
Budget Surplus**		54,270	(54,270)
Depreciation		187,953	(187,953)
Total Program Operating Expenses	2,241,974	2,422,173	(180,199)
OPERATING INCOME (LOSS)	($9,688)	(177,190)	($167,502)
NON-OPERATING REVENUES			
Animal Assistance Fund donations		78,579	
Chubz Fund donations		50	
Capital contributions		120,000	
Interest Income		26,529	
Net Non-Operating Revenues		225,158	
NET CHANGE IN NET POSITION		47,968	
NET POSITION AT BEGINNING OF YEAR		6,120,524	
NET POSITION AT END OF YEAR		$6,168,492	

* During Fiscal year 2013, SVACA received a $73,050 grant from Maddie's Fund Pet Adoption Days Grant. Grant-related expenditures of $22,912 were expended during fiscal year 2016 for operating expenses, and have been allocated on the Statement of Revenues, Expenses, and Changes in Net Position.

** During Fiscal year 2017, SVACA expended $45,628 from its Fiscal year 2016 operating budget surplus. Expenditures were for computer purchases and staff merits, and have been capitalized on the Statement of Net Position and allocated on the Statement of Revenues, Expenses, and Changes in Net Position, respectively.

SILICON VALLEY ANIMAL CONTROL AUTHORITY
MEMBER OPERATING CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2018



Members	Operating Contribution	Contribution Percentage
City of Campbell	$308,795	16.96%
City of Monte Sereno	30,130	1.66%
City of Mountain View	435,124	23.90%
City of Santa Clara	1,046,238	57.48%
Total	$1,820,287	100.00%

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SILICON VALLEY ANIMAL CONTROL AUTHORITY

MEMORANDUM ON INTERNAL CONTROL

FOR THE YEAR ENDED JUNE 30, 2018

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SILICON VALLEY ANIMAL CONTROL AUTHORITY
MEMORANDUM ON INTERNAL CONTROL

For the Year Ended June 30, 2018

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MEMORANDUM ON INTERNAL CONTROL

To the Board of Directors of
the Silicon Valley Animal Control Authority
Santa Clara, California

In planning and performing our audit of the basic financial statements of the Silicon Valley Animal Control Authority (SVACA) for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the SVACA's internal control over financial reporting (internal control) as a basis for designing our auditing 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 SVACA's internal control. Accordingly, we do not express an opinion on the effectiveness of the SVACA'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 SVACA's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Included in the Schedule of Other Matters are recommendations not meeting the above definitions that we believe are opportunities for strengthening internal controls and operating efficiency.

This communication is intended solely for the information and use of management, Board of Directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Maze & Associates

Pleasant Hill, California
January 31, 2019

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MEMORANDUM OF INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

NEW GASB PRONOUNCEMENTS OR PRONOUNCEMENTS NOT YET EFFECTIVE

The following comment represents new pronouncements taking affect in the next fiscal years. We cite them here to keep you abreast of developments:

EFFECTIVE FISCAL YEAR 2018/19:

GASB 83 – Certain Asset Retirement Obligations

This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

This Statement requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. The best estimate should include probability weighting of all potential outcomes, when such information is available or can be obtained at reasonable cost. If probability weighting is not feasible at reasonable cost, the most likely amount should be used. This Statement requires that a deferred outflow of resources associated with an ARO be measured at the amount of the corresponding liability upon initial measurement.

This Statement requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually. In addition, it requires a government to evaluate all relevant factors at least annually to determine whether the effects of one or more of the factors are expected to significantly change the estimated asset retirement outlays. A government should remeasure an ARO only when the result of the evaluation indicates there is a significant change in the estimated outlays. The deferred outflows of resources should be reduced and recognized as outflows of resources (for example, as an expense) in a systematic and rational manner over the estimated useful life of the tangible capital asset.

GASB 83 – Certain Asset Retirement Obligations (Continued)

A government may have a minority share (less than 50 percent) of ownership interest in a jointly owned tangible capital asset in which a nongovernmental entity is the majority owner and reports its ARO in accordance with the guidance of another recognized accounting standards setter. Additionally, a government may have a minority share of ownership interest in a jointly owned tangible capital asset in which no joint owner has a majority ownership, and a nongovernmental joint owner that has operational responsibility for the jointly owned tangible capital asset reports the associated ARO in accordance with the guidance of another recognized accounting standards setter. In both situations, the government's minority share of an ARO should be reported using the measurement produced by the nongovernmental majority owner or the nongovernmental minority owner that has operational responsibility, without adjustment to conform to the liability measurement and recognition requirements of this Statement.

In some cases, governments are legally required to provide funding or other financial assurance for their performance of asset retirement activities. This Statement requires disclosure of how those funding and assurance requirements are being met by a government, as well as the amount of any assets restricted for payment of the government's AROs, if not separately displayed in the financial statements.

This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government's minority shares of AROs.

GASB 88 – Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements

The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

GASB 88 – Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements (Continued)

How the Changes in This Statement Improve Financial Reporting

The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows.

EFFECTIVE FISCAL YEAR 2019/20:

GASB 84 – Fiduciary Activities

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds.

This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.

MEMORANDUM OF INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

GASB 87 – Leases

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement.

GASB 89 - Accounting for Interest Cost Incurred before the End of a Construction Period

The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

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SILICON VALLEY ANIMAL CONTROL AUTHORITY

REQUIRED COMMUNICATIONS

FOR THE YEAR ENDED JUNE 30, 2018

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SILICON VALLEY ANIMAL CONTROL AUTHORITY
REQUIRED COMMUNICATIONS

For The Year Ended June 30, 2018

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MAZE & ASSOCIATES

REQUIRED COMMUNICATIONS

To the Board of Directors of
the Silicon Valley Animal Control Authority
Santa Clara, California

We have audited the basic financial statements of the Silicon Valley Animal Control Authority (SVACA) for the year ended June 30, 2018. Professional standards require that we communicate to you the following information related to our audit under generally accepted auditing standards.

Significant Audit Findings

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by SVACA are included in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year.

Unusual Transactions, Controversial or Emerging Areas

We noted no transactions entered into by SVACA during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting SVACA's financial statements were:

> Management's estimate of the net pension liabilities and deferred outflows/inflows of resources are disclosed in Note 5 to the financial statements and are based on actuarial studies determined by a consultant, which are based on the experience of SVACA. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.
>
> Management's estimate of depreciation is based on the estimated useful lives of the capital assets, as disclosed in Note 3 to the financial statements. We evaluated the key factors and assumptions used to develop the depreciation expense and determined that they are reasonable in relation to the basic financial statements taken as a whole.

Disclosures

The financial statement disclosures are neutral, consistent, and clear.

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Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole, except for the adjustments related to pension activities (GASB 68).

Professional standards require us to accumulate all know and likely uncorrected misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have no such misstatements to report to the Board.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in a management representation letter dated January 31, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to SVACA's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as SVACA's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information Accompanying the Financial Statements

We applied certain limited procedures to the required supplementary information that accompanies and supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the required supplementary information and do not express an opinion or provide any assurance on the required supplementary information.

We were engaged to report on the supplemental information which accompany the financial statements but are not required supplementary information. With respect to this supplemental information, we made certain inquiries of management and evaluated the form, content, and the methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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This report is intended solely for the information and use of the Board of Directors, and management and is not intended to be and should not be used by anyone other than these specified parties.

Pleasant Hill, California
January 31, 2019

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