

SILICON VALLEY
ANIMAL CONTROL AUTHORITY

AGENDA ITEM

General Purpose Financial Statements FY 2020-2021

RECOMMENDED MOTION

That the General Purpose Financial Statements for the period from July 1, 2020 to June 30, 2021 prepared by Maze & Associates be received and filed.

DISCUSSION

The following Financial Statement covers the period of July 1, 2020-June 30, 2021. 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, 2020 to June 30, 2021.

Copy of Memorandum on Internal Control and Required Communications

SILICON VALLEY ANIMAL CONTROL AUTHORITY
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

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, 2021**

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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, 2021, 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 positions of SVACA as of June 30, 2021, and changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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 is 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.

Report on Summarized Comparative Information

We have previously audited the City's June 30, 2020 financial statements and we expressed unmodified audit opinions on those audited financial statements in our report dated December 15, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Maze & Associates

Pleasant Hill, California
December 20, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Silicon Valley Animal Control Authority has issued the financial reports for fiscal year ending June 30, 2021 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 2020-2021 FINANCIAL HIGHLIGHTS

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

- Total net position at June 30, 2021 was \$7,213,636. At June 30, 2020, total position was \$5,825,174.
- Total operating revenues were \$2,198,243 in FY 2021, while total operating expenses were \$2,314,366.

CLAIMS SETTLEMENT AND RESERVES FOR CLAIMS

During fiscal year 2020-2021 no claims were paid.

INVESTMENT ACTIVITIES

As required by GASB, Silicon Valley Animal Control Authority reports its investments at fair value. At June 30, 2021, Silicon Valley Animal Control Authority had \$3,550,056 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

2020-21 was yet another challenging year due to the COVID-19 Pandemic. As always, staff met the challenges head-on and continued to care for the community's animals at the center come rain or shine or virus or smoke or fire. Animal Control Officers also continued to respond to protect the public's health and safety and attended to all animals who needed us in the field.

Staff will continue to do their all in 2021-22 to continue to provide cost-effective, efficient and humane services to residents and the animals who need us so very much.

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.

SILICON VALLEY ANIMAL CONTROL AUTHORITY

**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
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

ASSETS

	2021	2020
Current Assets		
Cash and investments (Note 2):		
Cash in bank	\$703,052	\$973,424
Local Agency Investment Fund	3,550,056	1,969,320
Petty cash	200	200
Accounts receivable, net	4,130	2,255
Prepays	5,102	3,453
Total Current Assets	4,262,540	2,948,652
Capital assets (Note 3):		
Depreciable	6,501,993	6,492,227
Less accumulated depreciation	(3,009,093)	(2,816,527)
Capital assets, net	3,492,900	3,675,700
Total Assets	7,755,440	6,624,352

DEFERRED OUTFLOWS OF RESOURCES

Related to pension (Note 5)	338,348	433,727
Total Deferred Outflows of Resources	338,348	433,727

LIABILITIES

Current Liabilities		
Accounts payable	11,760	30,397
Accrued payroll	39,672	50,483
Accrued compensated absences (Note 1F)	106,121	134,802
Unearned revenue		265,886
Total Current Liabilities	157,553	481,568
Noncurrent Liabilities		
Collective net pension liability (Note 5)	440,400	342,729
Total Liabilities	597,953	824,297

DEFERRED INFLOWS OF RESOURCES

Related to pension (Note 5)	282,199	408,608
Total Deferred Inflows of Resources	282,199	408,608

NET POSITION (Note 6)

Net investment in capital assets	3,492,900	3,675,700
Restricted:		
Chubz Fund	4,486	4,486 *
Maddie's Fund	61,438	61,438
Animal Assistance Fund	827	826
Unrestricted	3,653,985	2,082,724
Net Position	\$7,213,636	\$5,825,174

* Corrected balance for FYE 6-30-20

See accompanying notes to basic financial statements

SILICON VALLEY ANIMAL CONTROL AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2021	2020
PROGRAM OPERATING REVENUES		
Member operating contributions (Note 4)	\$1,882,492	\$1,983,906
Licensing	183,189	173,327
Program fees	131,936	185,740
Miscellaneous	626	7,697
Total Operating Revenues	2,198,243	2,350,670
PROGRAM OPERATING EXPENSES		
Advertising	114	726
Assessment		316
Bank service charges	13,641	15,547
Computer costs	5,396	5,845
Contract veterinarians	5,365	8,365
Wildlife Center contract	23,560	26,175
Facility expenses:		
Utilities	88,757	83,241
Custodial service	4,213	24,087
Building maintenance	17,835	35,677
Communications	11,278	11,866
Dues and subscriptions	1,944	2,302
Equipment expenses	8,693	7,998
Insurance	75,055	64,185
Supplies and miscellaneous	2,042	3,203
Postage/Shipping	10,298	10,024
Printing		
Professional services	38,774	35,335
Salaries, wages and benefits	1,746,981	2,405,769
Stipend	34,110	
Animal care	17,072	24,543
Vehicle expenses	15,684	20,897
Materials, services and supplies (MS&S)	988	11,331
Depreciation (Note 3)	192,566	197,625
Total Program Operating Expenses	2,314,366	2,995,057
NET OPERATING INCOME (LOSS)	(116,123)	(644,387)
NON-OPERATING REVENUES		
Animal Assistance Fund donations	1,490,848	91,483
Interest income	13,737	39,493
Net Non-Operating Revenues	1,504,585	130,976
NET CHANGE IN NET POSITION	1,388,462	(513,411)
NET POSITION AT BEGINNING OF YEAR	5,825,174	6,338,585
NET POSITION AT END OF YEAR	\$7,213,636	\$5,825,174

See accompanying notes to basic financial statements

SILICON VALLEY ANIMAL CONTROL AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from member agencies	\$1,882,492	\$1,983,906
Cash received from customers	313,876	371,849
Payments for salaries, wages and benefits	(1,786,473)	(2,401,805)
Payments to suppliers	(565,425)	536,347
Payments for Wildlife Center contract and contract veterinarians	(28,925)	(34,540)
Net Cash (Used) Provided by Operating Activities	(184,455)	455,757
CASH FLOWS FROM NON-CAPITAL ACTIVITIES		
Animal Assistance Funds	1,490,848	91,483
Net Cash Flows Provided by Non-Capital and Related Financing Activities	1,490,848	91,483
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(9,766)	
Net Cash Flows (Used) Provided by Capital and Related Financing Activities	(9,766)	
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	13,737	39,493
Net Cash Provided by Investing Activities	13,737	39,493
NET CASH FLOWS	1,310,364	586,733
CASH AND INVESTMENTS AT BEGINNING OF YEAR	2,942,944	2,356,211
CASH AND INVESTMENTS AT END OF YEAR	\$4,253,308	\$2,942,944
PRESENTATION ON STATEMENT OF NET POSITION:		
Cash in bank	\$703,052	\$973,424
Local Agency Investment Fund	3,550,056	1,969,320
Petty cash	200	200
	\$4,253,308	\$2,942,944
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income (loss)	(\$116,123)	(\$644,387)
Depreciation	192,566	197,625
Change in assets and liabilities:		
Accounts receivable	(1,875)	5,740
Prepays	(1,649)	3,471
Accounts payable	(18,637)	(15,432)
Accrued payroll	(10,811)	6,654
Accrued compensated absences	(28,681)	(2,690)
Unearned revenue	(265,886)	265,886
Net pension liability, deferred inflows and outflows of resources	66,641	638,890
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	(\$184,455)	\$4,486

See accompanying notes to basic financial statements

SILICON VALLEY ANIMAL CONTROL AUTHORITY
BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2021

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 2021, 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.

SILICON VALLEY ANIMAL CONTROL AUTHORITY
BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2021

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.

SILICON VALLEY ANIMAL CONTROL AUTHORITY
BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2021

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.

J. *Prior Fiscal Year Summarized Comparative Information*

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended June 30, 2020, from which summarized information was derived.

SILICON VALLEY ANIMAL CONTROL AUTHORITY
BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2021

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, 2021 consist of the following:

Cash in bank	\$703,052
Local Agency Investment Fund	3,550,056
Cash on hand	<u>200</u>
Total cash and investments	<u><u>\$4,253,308</u></u>

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, 2021, these investments matured in an average of 291 days.

SILICON VALLEY ANIMAL CONTROL AUTHORITY
BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2021

NOTE 2 – CASH AND INVESTMENTS (Continued)

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, 2021:

	Balance June 30, 2020	Additions	Balance June 30, 2021
Capital assets being depreciated			
Building	\$5,812,752		\$5,812,752
Equipment & furniture	531,825	\$9,766	541,591
Vehicles	147,650		147,650
Total capital assets being depreciated	<u>6,492,227</u>	<u>9,766</u>	<u>6,501,993</u>
Less accumulated depreciation for:			
Building	(2,193,169)	(175,112)	(2,368,281)
Equipment & furniture	(502,792)	(8,833)	(511,625)
Vehicles	(120,566)	(8,621)	(129,187)
Total accumulated depreciation	<u>(2,816,527)</u>	<u>(192,566)</u>	<u>(3,009,093)</u>
Capital assets, net	<u>\$3,675,700</u>	<u>(\$182,800)</u>	<u>\$3,492,900</u>

**SILICON VALLEY ANIMAL CONTROL AUTHORITY
BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2021**

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, 2021:

Members	Contribution Amount	Contribution Percentage
City of Campbell	\$308,530	16.38%
City of Monte Sereno	30,847	1.64%
City of Mountain View	479,573	25.48%
City of Santa Clara	1,063,542	56.50%
Total	<u>\$1,882,492</u>	<u>100.00%</u>

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.

SILICON VALLEY ANIMAL CONTROL AUTHORITY
BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2021

NOTE 5 – PENSION PLAN (Continued)

The Plan’s provisions and benefits in effect at June 30, 2021, are summarized as follows:

	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
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	7.000%	6.75%
Required employer contribution rates	10.484%	14.482%
Required Unfunded Actuarial Liability Contribution	\$35,445	

Beginning in fiscal year 2016, 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 \$35,445 in fiscal year 2021.

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, 2021, the contributions recognized as part of pension expense for the Plan were \$156,290.

SILICON VALLEY ANIMAL CONTROL AUTHORITY
BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2021

NOTE 5 – PENSION PLAN (Continued)

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

As of June 30, 2021, SVACA reported a net pension liability of \$440,400 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, 2020, 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, 2019 rolled forward to June 30, 2020 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, 2019 and 2020 was as follows:

Proportion - June 30, 2019	0.008559%
Proportion - June 30, 2020	<u>0.000104%</u>
Change - Increase (Decrease)	<u><u>-0.00845%</u></u>

For the year ended June 30, 2021, SVACA recognized a pension expense of \$66,641. At June 30, 2021, 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	\$156,290	
Differences between actual and expected experience	22,695	
Changes in assumptions		(\$3,141)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	146,280	(279,058)
Net differences between projected and actual earnings on plan investments	<u>13,083</u>	
Total	<u><u>\$338,348</u></u>	<u><u>(\$282,199)</u></u>

SILICON VALLEY ANIMAL CONTROL AUTHORITY
BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2021

NOTE 5 – PENSION PLAN (Continued)

\$156,290 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, 2021. 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
2022	(\$99,217)
2023	3,251
2024	(10,450)
2025	6,275
Total	(\$100,141)

Actuarial Assumptions – For the measurement period ended June 30, 2020, the total pension liability was determined by rolling forward the June 30, 2019 total pension liability. The June 30, 2020 total pension liabilities were based on the following actuarial methods and assumptions for all benefit tiers:

	Miscellaneous (1)
Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Payroll Growth	3.00%
Projected Salary Increase	3.2% - 12.2% (2)
Investment Rate of Return	7.15% (3)
Mortality Rate Table	Derived using CalPers Membership Data for all Funds (4)
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

- (1) Actuarial assumptions are the same for all benefit tiers (Classic Tier I, Classic Tire II, and PEPRA)
- (2) Depending on age, service, and type of employment
- (3) Net of pension plan investment expenses, including inflation
- (4) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of Scale MP 2016. For more details on this table, please refer to the CalPERS December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) available on CalPERS website.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2019 valuation were based on the result as of a December 2017 actuarial experience study for the period of 1997 to 2015. Further details of the Experience study can be found on the CalPERS website.

SILICON VALLEY ANIMAL CONTROL AUTHORITY
BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2021

NOTE 5 – PENSION PLAN (Continued)

Discount Rate – The discount rate used to measure the total pension liability for the Plan was 7.15%. The projection of cash flows used to determine the discount rate for the Plan assumed that contributions from all plan members in the Public Employees Retirement Fund (PERF) will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected benefits payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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. 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+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects the expected real rate of return by asset class.

Asset Class (a)	Current Target Allocation	Real Return Years 1 - 10(b)	Real Return Years 11+(c)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets		0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

**SILICON VALLEY ANIMAL CONTROL AUTHORITY
BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2021**

NOTE 5 – PENSION PLAN (Continued)

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	\$981,486
Current Discount Rate	7.15%
Net Pension Liability	\$440,400
1% Increase	8.15%
Net Pension Liability	(\$6,682)

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

Subsequent Event - Reduction of CalPERS Discount Rate - In July 2021, CalPERS reported a preliminary 21.3% net return on investments for the 12-month period that ended June 30, 2021. Under the Funding Risk Mitigation Policy approved by the CalPERS Board of Administration in 2015, the 21.3% net return was under the original expected return of 21.7%, which will trigger a reduction in the discount rate used to calculate employer and Public Employees' Pension Reform Act (PEPRA) member contributions. The Funding Risk Mitigation Policy seeks to reduce CalPERS funding risk over time, in which CalPERS investment performance that significantly outperforms the discount rate will trigger adjustments to the discount rate, expected investment return, and strategic asset allocation targets. This is the first time it has been triggered. The discount rate, or assumed rate of return, will drop to 6.8%, from its current level of 7%.

Based on these preliminary fiscal year returns, the CalPERS has announced the funded status of the overall PERF is an estimated 82%. This estimate is based on a 7% discount rate. Under the new 6.8% discount rate, however, CalPERS indicated the funded status of the overall PERF drops to 80%. This is because existing assets are assumed to grow at a slightly slower rate annually into the future. As intended under the Funding Risk Mitigation Policy, the lower discount rate increases the likelihood that CalPERS can reach its target over the longer term. The CalPERS Board of Administration will continue to review the discount rate through its Asset Liability Management process during the rest of the calendar year.

CalPERS' final fiscal year 2021 investment performance will be calculated based on audited figures and will be reflected in contribution levels for contracting cities, counties, and special districts in fiscal year 2024.

**SILICON VALLEY ANIMAL CONTROL AUTHORITY
BASIC FINANCIAL STATEMENTS
For the Years Ended June 30, 2021**

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:

<u>Designated</u>	
Shelter Project	\$338,855
Capital Project Improvement Fund	7,000
Operating Reserve Fund	197,968
Vehicle Replacement Fund	57,332
Reserve for Unknown Losses	<u>15,849</u>
Total	<u><u>\$617,004</u></u>

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, 2019
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	6/30/2018	6/30/2019	6/30/2020
Plan's proportion of the Net Pension Liability	0.00561%	0.01252%	0.01406%	0.01524%	0.01555%	0.85586%	0.00104%
Plan's proportionate share of the Net Pension Liability	<u>\$349,247</u>	<u>\$343,574</u>	<u>\$488,291</u>	<u>\$600,963</u>	<u>\$586,012</u>	<u>\$342,729</u>	<u>\$440,400</u>
Plan's Covered Payroll	<u>\$1,242,627</u>	<u>\$1,271,997</u>	<u>\$1,298,269</u>	<u>\$1,336,816</u>	<u>\$1,401,394</u>	<u>\$1,452,816</u>	<u>\$1,457,319</u>
Plan's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	28.11%	27.01%	37.61%	44.95%	41.82%	23.59%	30.22%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	81.15%	79.89%	75.87%	75.39%	77.69%	77.73%	77.71%

Benefit changes. The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2016. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in 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. In 2017, the accounting discount rate reduced from 7.65% to 7.15%. In 2016 and 2018, (net of administrative expense) to 7.65% (without a reduction for pension plan administrative expense). In 2014, amounts were based on the 7.5% discount rate. All other assumptions for the June 30, 2014 measurement date were the same as those used for the June 30, 2015 and 2016 measurement dates.

* Fiscal year 2015 was the 1st year of implementation. Additional years will be displayed as they become available.

**Silicon Valley Animal Control Authority - Miscellaneous Plan,
a Cost-Sharing Multiple-Employer Defined Pension Plan
As of fiscal year ending June 30, 2019
Last 10 Years***

SCHEDULE OF CONTRIBUTIONS

For the Year Ended June 30	2015	2016	2017	2018	2019	2020	2021
Actuarially determined contribution	\$117,101	\$48,497	\$111,023	\$100,238	\$455,423	\$143,990	\$156,290
Contributions in relation to the actuarially determined contributions	117,101	48,497	111,023	100,238	455,423	143,990	156,290
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Covered payroll	\$1,271,997	\$1,298,269	\$1,336,816	\$1,401,394	\$1,452,816	\$1,457,319	\$1,348,745
Contributions as a percentage of covered payroll	9.21%	3.74%	8.31%	7.15%	31.35%	9.88%	11.59%
Notes to Schedule							
Valuation date	6/30/2012	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll
Remaining amortization period	14 Years as of the Valuation Date
Asset valuation method	Market Value of Assets
Inflation	2.75%
Salary increase	3.3% to 14.20% depending on Age, Service, and type of employment
Investment rate of return	7.50% for 2015 to 2018 7.375% for 2019, net of administrative expenses, includes inflation.
Retirement age	The probabilities of retirement and mortality are based on 2014 CalPERS experience study for the period from 1997 to 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

* Fiscal year 2015 was the 1st year of implementation. Additional years will be displayed as they become available.

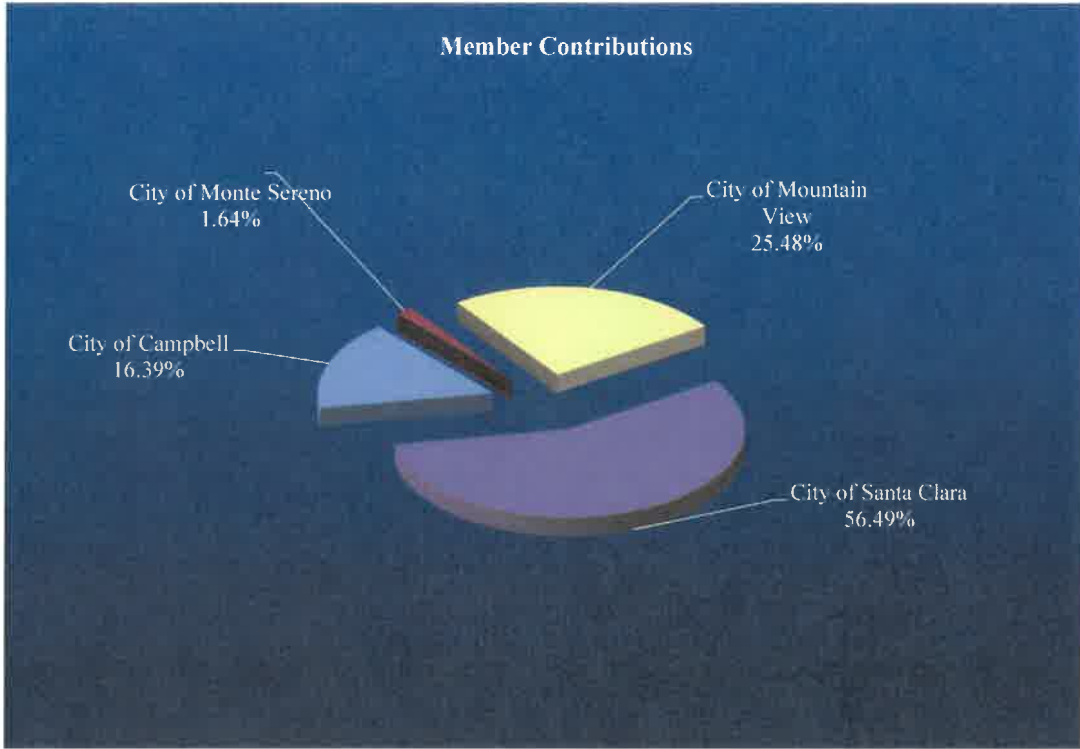
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SUPPLEMENTAL INFORMATION

SILICON VALLEY ANIMAL CONTROL AUTHORITY
 BUDGETARY SCHEDULE OF REVENUES, EXPENSES
 AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2021

	Budget	Actual	Variance- Positive (Negative)
PROGRAM OPERATING REVENUES			
Member operating contributions	\$1,882,491	\$1,882,492	\$1
Licensing	150,000	183,268	33,268
Less: Fees waived for Return to Owner Hardship Fund		(79)	(79)
Program fees	265,000	131,936	(133,064)
Miscellaneous		626	626
Total Operating Revenues	2,297,491	2,198,243	(99,248)
PROGRAM OPERATING EXPENSES			
Advertising	500	114	386
Assessment			
Bank service charges	18,000	13,641	4,359
Computer costs	9,000	5,396	3,604
Contract veterinarians	7,500	5,365	2,135
Wildlife Center contract	23,500	23,560	(60)
Facility expenses:			
Utilities		88,757	(88,757)
Custodial service	26,500	4,213	22,287
Building maintenance	35,000	17,835	17,165
Other Facility expenses	85,000		85,000
Communications	17,300	11,278	6,022
Dues and subscriptions	1,200	1,944	(744)
Equipment expenses	9,500	8,693	807
Insurance	81,039	75,055	5,984
Supplies and miscellaneous	2,000	2,042	(42)
Postage/Shipping	8,000	10,298	(2,298)
Printing	2,500		2,500
Professional services		38,774	(38,774)
Salaries, wages and benefits	2,001,652	1,746,981	254,671
Stipend		34,110	(34,110)
Animal care	20,000	17,072	2,928
Vehicle expenses	20,000	15,684	4,316
Materials, services and supplies (MS&S)	5,500	988	4,512
Depreciation		192,566	(192,566)
Total Program Operating Expenses	2,373,691	2,314,366	59,325
OPERATING INCOME (LOSS)	(\$76,200)	(116,123)	(\$39,923)
NON-OPERATING REVENUES			
Animal Assistance Fund donations		1,490,848	
Interest income		13,737	
Net Non-Operating Revenues		1,504,585	
NET CHANGE IN NET POSITION		1,388,462	
NET POSITION AT BEGINNING OF YEAR		5,825,174	
NET POSITION AT END OF YEAR		\$7,213,636	

**SILICON VALLEY ANIMAL CONTROL AUTHORITY
MEMBER OPERATING CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2021**



<u>Members</u>	<u>Operating Contribution</u>	<u>Contribution Percentage</u>
City of Campbell	\$308,530	16.39%
City of Monte Sereno	30,847	1.64%
City of Mountain View	479,573	25.48%
City of Santa Clara	1,063,542	56.50%
Total	\$1,882,492	100.01%

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SILICON VALLEY ANIMAL CONTROL AUTHORITY
MEMORANDUM ON INTERNAL CONTROL
FOR THE YEAR ENDED JUNE 30, 2021

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**SILICON VALLEY ANIMAL CONTROL AUTHORITY
MEMORANDUM ON INTERNAL CONTROL**

For the Year Ended June 30, 2021

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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, 2021, 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
December 16, 2021

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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 few years. We have cited them here to keep you informed of developments:

EFFECTIVE FISCAL YEAR 2021/22:

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.

MEMORANDUM OF INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

EFFECTIVE FISCAL YEAR 2022/23:

GASB 91 – Conduit Debt Obligations

The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having *all* of the following characteristics:

- There are at least three parties involved:
 - (1) an issuer
 - (2) a third-party obligor, and
 - (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

MEMORANDUM OF INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

GASB 91 – Conduit Debt Obligations (Continued)

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

How the Changes in this Statement will Improve Financial Reporting

The requirements of this Statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The clarified definition will resolve stakeholders' uncertainty as to whether a given financing is, in fact, a conduit debt obligation. Requiring issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations also will eliminate diversity, thereby improving comparability in reporting by issuers. Revised disclosure requirements will provide financial statement users with better information regarding the commitments issuers extend and the likelihood that they will fulfill those commitments. That information will inform users of the potential impact of such commitments on the financial resources of issuers and help users assess issuers' roles in conduit debt obligations.

MEMORANDUM OF INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

GASB 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements

The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

PPPs - This Statement requires that PPPs that meet the definition of a lease apply the guidance in Statement No. 87, Leases, as amended, if existing assets of the transferor that are not required to be improved by the operator as part of the PPP arrangement are the only underlying PPP assets and the PPP does not meet the definition of an SCA. This Statement provides accounting and financial reporting requirements for all other PPPs: those that either (1) meet the definition of an SCA or (2) are not within the scope of Statement 87, as amended (as clarified by this Statement). The PPP term is defined as the period during which an operator has a noncancellable right to use an underlying PPP asset, plus, if applicable, certain periods if it is reasonably certain, based on all relevant factors, that the transferor or the operator either will exercise an option to extend the PPP or will not exercise an option to terminate the PPP.

A transferor generally should recognize an underlying PPP asset as an asset in financial statements prepared using the economic resources measurement focus. However, in the case of an underlying PPP asset that is not owned by the transferor or is not the underlying asset of an SCA, a transferor should recognize a receivable measured based on the operator's estimated carrying value of the underlying PPP asset as of the expected date of the transfer in ownership. In addition, a transferor should recognize a receivable for installment payments, if any, to be received from the operator in relation to the PPP. Measurement of a receivable for installment payments should be at the present value of the payments expected to be received during the PPP term. A transferor also should recognize a deferred inflow of resources for the consideration received or to be received by the transferor as part of the PPP. Revenue should be recognized by a transferor in a systematic and rational manner over the PPP term.

This Statement requires a transferor to recognize a receivable for installment payments and a deferred inflow of resources to account for a PPP in financial statements prepared using the current financial resources measurement focus. Governmental fund revenue would be recognized in a systematic and rational manner over the PPP term.

MEMORANDUM OF INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

GASB 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements **(Continued)**

This Statement also provides specific guidance in financial statements prepared using the economic resources measurement focus for a government that is an operator in a PPP that either (1) meets the definition of an SCA or (2) is not within the scope of Statement 87, as amended (as clarified in this Statement). An operator should report an intangible right-to-use asset related to an underlying PPP asset that either is owned by the transferor or is the underlying asset of an SCA. Measurement of the right-to-use asset should be the amount of consideration to be provided to the transferor, plus any payments made to the transferor at or before the commencement of the PPP term, and certain direct costs. For an underlying PPP asset that is not owned by the transferor and is not the underlying asset of an SCA, an operator should recognize a liability measured based on the estimated carrying value of the underlying PPP asset as of the expected date of the transfer in ownership. In addition, an operator should recognize a liability for installment payments, if any, to be made to the transferor in relation to the PPP. Measurement of a liability for installment payments should be at the present value of the payments expected to be made during the PPP term. An operator also should recognize a deferred outflow of resources for the consideration provided or to be provided to the transferor as part of the PPP. Expense should be recognized by an operator in a systematic and rational manner over the PPP term.

This Statement also requires a government to account for PPP and non-PPP components of a PPP as separate contracts. If a PPP involves multiple underlying assets, a transferor and an operator in certain cases should account for each underlying PPP asset as a separate PPP. To allocate the contract price to different components, a transferor and an operator should use contract prices for individual components as long as they do not appear to be unreasonable based on professional judgment or use professional judgment to determine their best estimate if there are no stated prices or if stated prices appear to be unreasonable. If determining the best estimate is not practicable, multiple components in a PPP should be accounted for as a single PPP.

This Statement also requires an amendment to a PPP to be considered a PPP modification, unless the operator's right to use the underlying PPP asset decreases, in which case it should be considered a partial or full PPP termination. A PPP termination should be accounted for by a transferor by reducing, as applicable, any receivable for installment payments or any receivable related to the transfer of ownership of the underlying PPP asset and by reducing the related deferred inflow of resources. An operator should account for a termination by reducing the carrying value of the right-to-use asset and, as applicable, any liability for installment payments or liability to transfer ownership of the underlying PPP asset. A PPP modification that does not qualify as a separate PPP should be accounted for by remeasuring PPP assets and liabilities.

APAs - An APA that is related to designing, constructing, and financing a nonfinancial asset in which ownership of the asset transfers by the end of the contract should be accounted for by a government as a financed purchase of the underlying nonfinancial asset. This Statement requires a government that engaged in an APA that contains multiple components to recognize each component as a separate arrangement. An APA that is related to operating or maintaining a nonfinancial asset should be reported by a government as an outflow of resources in the period to which payments relate.

MEMORANDUM OF INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

GASB 96 – Subscription-Based Information Technology Arrangements

This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The subscription term includes the period during which a government has a noncancelable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend (if it is reasonably certain that the government or SBITA vendor will exercise that option) or to terminate (if it is reasonably certain that the government or SBITA vendor will not exercise that option).

Under this Statement, a government generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. A government should recognize the subscription liability at the commencement of the subscription term, —which is when the subscription asset is placed into service. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments should be discounted using the interest rate the SBITA vendor charges the government, which may be implicit, or the government's incremental borrowing rate if the interest rate is not readily determinable. A government should recognize amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods.

The subscription asset should be initially measured as the sum of (1) the initial subscription liability amount, (2) payments made to the SBITA vendor before commencement of the subscription term, and (3) capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. A government should recognize amortization of the subscription asset as an outflow of resources over the subscription term.

Activities associated with a SBITA, other than making subscription payments, should be grouped into the following three stages, and their costs should be accounted for accordingly:

- Preliminary Project Stage, including activities such as evaluating alternatives, determining needed technology, and selecting a SBITA vendor. Outlays in this stage should be expensed as incurred.
- Initial Implementation Stage, including all ancillary charges necessary to place the subscription asset into service. Outlays in this stage generally should be capitalized as an addition to the subscription asset.

MEMORANDUM OF INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

GASB 96 – Subscription-Based Information Technology Arrangements (Continued)

- Operation and Additional Implementation Stage, including activities such as subsequent implementation activities, maintenance, and other activities for a government's ongoing operations related to a SBITA. Outlays in this stage should be expensed as incurred unless they meet specific capitalization criteria.

In classifying certain outlays into the appropriate stage, the nature of the activity should be the determining factor. Training costs should be expensed as incurred, regardless of the stage in which they are incurred.

If a SBITA contract contains multiple components, a government should account for each component as a separate SBITA or nonsubscription component and allocate the contract price to the different components. If it is not practicable to determine a best estimate for price allocation for some or all components in the contract, a government should account for those components as a single SBITA.

This Statement provides an exception for short-term SBITAs. Short-term SBITAs have a maximum possible term under the SBITA contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Subscription payments for short-term SBITAs should be recognized as outflows of resources.

This Statement requires a government to disclose descriptive information about its SBITAs other than short-term SBITAs, such as the amount of the subscription asset, accumulated amortization, other payments not included in the measurement of a subscription liability, principal and interest requirements for the subscription liability, and other essential information.

How the Changes in this Statement will Improve Financial Reporting

The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs.

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SILICON VALLEY ANIMAL CONTROL AUTHORITY
REQUIRED COMMUNICATIONS
FOR THE YEAR ENDED JUNE 30, 2021

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**SILICON VALLEY ANIMAL CONTROL AUTHORITY
REQUIRED COMMUNICATIONS**

For The Year Ended June 30, 2021

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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, 2021. Professional standards require that we communicate to you the following information related to our audit under generally accepted auditing standards.

Significant Audit Matters

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.

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 no such misstatements to report to the Board. 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 December 16, 2021.

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 Matters 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.

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.

Maze & Associates

Pleasant Hill, California
December 16, 2021

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