



COASTAL ANIMAL SERVICES AUTHORITY SAN CLEMENTE, CALIFORNIA

FOR THE YEAR ENDED JUNE 30, 2021

BASIC FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

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on YOU



COASTAL ANIMAL SERVICES AUTHORITY
SAN CLEMENTE, CALIFORNIA
BASIC FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
FISCAL YEAR ENDED JUNE 30, 2021

Prepared by:
FINANCE DEPARTMENT

COASTAL ANIMAL SERVICES AUTHORITY

SAN CLEMENTE, CALIFORNIA

BASIC FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED JUNE 30, 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Coastal Animal Services Authority
City of San Clemente, California

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and general fund information of the Coastal Animal Services Authority (the "Authority") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the general fund information of the Authority as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the date of the financial statements.



To the Board of Directors
Coastal Animal Services Authority
City of San Clemente, California

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Other Reporting Responsibilities

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule for the general fund, the schedule of proportionate share of the net pension liability, and the schedule of plan contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



To the Board of Directors
Coastal Animal Services Authority
City of San Clemente, California

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2021 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Lance, Soll & Lughard, LLP

Brea, California
December 15, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Coastal Animal Services Authority (Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal years ended June 30, 2021 and June 30, 2020. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements, which begin on page 7.

FINANCIAL HIGHLIGHTS

- The net position at June 30, 2021 was (\$558,854) and increased by \$85,013, as a result of this year's operations.
- The total revenues from all sources was \$1,673,697.
- The total cost of all Authority programs was \$1,588,684.
- Total governmental fund balance was \$284,505 and governmental expenditures exceeded revenues by \$458,158.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of three components: 1) Government-wide financial statements; 2) Fund financial statements and 3) Notes to the financial statements. This report contains other supplementary information in addition to the basic financial statements and required information.

Government-wide Financial Statements. The Government-wide Financial Statements are designed to provide readers with a broad overview of the Authority's financial position, in a manner similar to that of a private-sector business. These statements are reported on the full accrual basis of accounting. Thus, revenues and expenses are reported for some items that will not affect cash flows until future periods.

The Government-wide Financial Statements present **Governmental Activities** that are principally supported by revenues from other agencies and license and permit fees.

The Statement of Net Position presents information on all of the Authority's assets and liabilities; the difference between the two is reported as net position. Evaluating increases or decreases in net position over time will serve as a useful indicator of whether the financial position of the Authority is improving or declining.

The Statement of Activities presents information on the net cost of the governmental function (activity) during the fiscal year. This statement also identifies the amount of general revenues needed to fully fund the governmental function.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other governmental agencies, uses fund accounting to demonstrate compliance with finance-related legal requirements. The Authority has only one fund that is presented, which is the general operating fund. This **Governmental Fund** focuses on the short-term inflows and outflows of spendable resources. This fund is reported on the modified accrual basis of accounts, which measures cash and all other financial assets that can readily be converted to cash.

The focus of the Fund Financial Statement is narrower than that of the Government-wide Financial Statements. These Fund Financial Statements require a reconciliation (see pages 9 and 11) to facilitate the comparison between the fund financial statement and the government-wide statements. This reconciliation is required because the government-wide statements are prepared on the full accrual basis of accounting while the fund statements are prepared on the modified accrual basis of accounting.

Notes to the financial statements. The notes provide additional information that is essential to the reader for a full understanding of the data provided in the Government-wide Financial Statements.

Other information. The schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual are provided in the Required Supplemental Information section, immediately following the Notes section.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following summaries of net position and of changes in net position are presented for the fiscal years ended June 30, 2021 and June 30, 2020.

	Governmental Activities Net Position (in millions)	
	FY 2021	FY 2020
Cash and other assets	\$ 0.4	\$ 0.8
Capital assets, net	0.4	0.5
Total assets	0.8	1.3
Current liabilities	0.1	0.1
Long-term liabilities	1.1	1.8
Total liabilities	1.2	2.0
Deferred inflows of resources	0.2	0.0
Net Position:		
Net investment in capital assets	0.4	0.5
Unrestricted	(1.0)	(1.1)
Total Net Position	<u>(\$0.6)</u>	<u>(\$ 0.6)</u>

The Authority’s liabilities and deferred inflows exceeded assets by \$558,854 at June 30, 2021. At June 30, 2020, liabilities exceeded assets by \$643,867. The Authority’s net position increased \$85,013 during the current fiscal year. This was the result of pension cost changes.

Governmental Activities Summary of Activities (in millions)		
	FY 2021	FY 2020
Revenues:		
Program revenues:		
Charges for services	\$ 0.2	\$ 0.3
Other	1.3	1.2
General revenue:		
Miscellaneous	0.1	0.1
Total revenue	1.6	1.6
Expenses:		
Community Services	1.6	1.9
Total expenses	1.6	1.9
Change in net position	0.0	(0.3)
Net position – beginning of year	(0.6)	(0.3)
Net position – end of year	(\$0.6)	(\$0.6)

The condensed summary of activities shows charges for services decrease slightly from the prior year due to the pandemic and lower activity. However, this was offset by higher intergovernmental revenues, which includes contributions from the JPA member agencies. Expenses decreased due to a one-time payment of the pension liability of \$550,000 and positive investment return on pension assets. These consecutively lowered the pension costs and the associated net pension liability. Net assets improved slightly related to the change in net pension liability.

FINANCIAL ANALYSIS OF THE AUTHORITY'S FUNDS

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

Governmental funds. The focus of the Authority's governmental funds is to provide information on the near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements. In particular, unreserved fund balances may serve as a useful measure of an entity's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Authority's governmental funds reported a fund balance of \$284,505, which is a decrease from the prior year. This decrease is the result of a one time payment on the outstanding pension liability.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The amount of the capital assets net of depreciation at June 30, 2021 was \$437,764, due to the depreciation of the cattery in the current fiscal year. Further information is located in the footnotes (Note 3), Capital Assets.

Liabilities. The Authority has compensated absences and pension liability, which have portions that are due in more than one year. The amount of the compensated absences at June 30, 2021 was \$59,123, which is an increase of \$9,151 from the prior year. The pension liability amount is \$1.0 million, which is a decrease from the prior year amount of \$1.8 million. This amount is due to strong investment returns and a one-time payment of the pension liability, which was partially offset by the effect of change to the discount rate.

Further information is in the footnotes: Compensated Absences (Note 4), Claims Activity (Note 5) and Pension (Note 6).

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Assistant City Manager, 910 Calle Negocio, San Clemente, California 92673.

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COASTAL ANIMAL SERVICES AUTHORITY

STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities
Assets:	
Cash	\$ 350,085
Accounts receivable	30,070
Capital assets, net of depreciation	437,764
Total Assets	817,919
Liabilities:	
Accounts payable	36,102
Accrued wages	34,320
Due to other agencies	18,930
Pension payable	6,298
Noncurrent liabilities:	
Compensated absences, due within one year	10,642
Compensated absences, due in more than one year	48,481
Net pension liability	1,046,000
Total Liabilities	1,200,773
Deferred Inflows of Resources:	
Pension inflows	176,000
Total Deferred Inflows of Resources	176,000
Net Position:	
Investment in capital assets	437,764
Unrestricted	(996,618)
Total Net Position	\$ (558,854)

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

COASTAL ANIMAL SERVICES AUTHORITY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Governmental Activities</u>
Expenses:	
Community services	\$ 1,588,684
Total Program Expenses	<u>1,588,684</u>
Program Revenues:	
Community services:	
Charges for services	238,618
Operating grants and contributions	1,277,869
Total Program Revenues	<u>1,516,487</u>
Net Program (Expenses) Revenues	<u>(72,197)</u>
General Revenues:	
Miscellaneous	157,210
Total General Revenues	<u>157,210</u>
Change in Net Position	85,013
Net Position at the Beginning of the Year	<u>(643,867)</u>
Net Position at the End of the Year	<u><u>\$ (558,854)</u></u>

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

COASTAL ANIMAL SERVICES AUTHORITY

BALANCE SHEET
GENERAL FUND
JUNE 30, 2021

	<u>General Fund</u>
Assets:	
Cash	\$ 350,085
Accounts receivable	30,070
Total Assets	<u>\$ 380,155</u>
Liabilities and Fund Balance:	
Liabilities:	
Accounts payable	\$ 36,102
Accrued wages	34,320
Due to other agencies	18,930
Pension payable	6,298
Total Liabilities	<u>95,650</u>
Fund Balance:	
Unassigned	<u>284,505</u>
Total Fund Balance	<u>284,505</u>
Total Liabilities and Fund Balance	<u>\$ 380,155</u>

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

COASTAL ANIMAL SERVICES AUTHORITY

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021**

Fund balances of governmental fund	\$ 284,505
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources. Therefore, they are not reported in the fund financial statements.	437,764
Amounts for deferred inflows and outflows related to the net pension liability are not reported in the funds.	
Net difference between projected and actual earnings on plan investments	(176,000)
Long-term liabilities are not due and payable in the current period; and therefore, are not reported in the governmental funds.	
Compensated absences	(59,123)
Net pension liability	<u>(1,046,000)</u>
Net Position of Governmental Activities	<u>\$ (558,854)</u>

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

COASTAL ANIMAL SERVICES AUTHORITY

STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	<u>General Fund</u>
Revenues:	
Charges for services	\$ 238,618
Intergovernmental	1,220,343
Donations	57,526
Miscellaneous	157,210
Total Revenues	<u>1,673,697</u>
Expenditures:	
Current:	
Community services	<u>2,131,855</u>
Total Expenditures	<u>2,131,855</u>
Net Change in Fund Balances	(458,158)
Fund Balance at the Beginning of the Year	<u>742,663</u>
Fund Balance at the End of the Year	<u>\$ 284,505</u>

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

COASTAL ANIMAL SERVICES AUTHORITY

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

Net change in fund balances - total governmental funds \$ (458,158)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation of \$10,678 exceeded capital outlay of \$0 in the current period. (10,678)

Some expenses reported in the statement of activities do not require the use of current financial resources and; therefore, are not reported as an expenditures in the governmental funds (net change).

Compensated absences (9,151)
Pension liability and related deferrals 563,000

Change in Net Position of Governmental Activities \$ 85,013

COASTAL ANIMAL SERVICES AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

Note 1: **Organization and Summary of Significant Accounting Policies**

The basic financial statements of the Coastal Animal Services Authority (Authority) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

a. Nature of Business and Reporting Entity

On October 3, 1995, the South Orange County Animal Services Authority was created by a Joint Exercise of Powers Agreement (JPA) for the purpose of providing and operating an animal sheltering facility located within the City of San Clemente, California (City). The City and the City of Dana Point are members of the Authority. Members of the Board of Directors consist of one voting member and an alternate appointed by the governing body of each member entity. Annually, the Board adopts a budget and determines the cost of services and rate schedule associated with the facility. The Authority commenced operations on January 1, 1996. On June 4, 1996, the South Orange County Animal Services Authority name was changed to Coastal Animal Services Authority.

b. Basis of Accounting and Measurement Focus

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The accounting records of the Authority are recorded in the General Fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Since the Authority is not required to account for activity in another fund, all activity of the Authority is recorded in the General Fund.

Government-Wide Financial Statements

The Authority's government-wide financial statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These financial statements present summaries of activities for the Authority.

The Government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are expenses that are clearly identifiable with a specific program, project, function or segment. Program revenues of the Authority include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

COASTAL ANIMAL SERVICES AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

The government-wide financial statements are presented on an economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balance for all governmental funds. All governmental funds are accounted for on a spending or current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheets. The Statement of Revenues, Expenditures and Changes in Fund Balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. Expenditures are recorded in the accounting period in which the related fund liability is incurred. The Reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences created by the integrated approach of GASB Statement No. 34.

Charges for services, intergovernmental revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual, and therefore have been recognized as revenues within the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received.

The Authority reports a single governmental fund – the general fund.

c. Cash and Investments

The Authority's cash and investments consist of cash and investments pooled with the City along with petty cash.

d. Capital Assets

Capital assets consist of machinery and equipment which is stated at historical cost, net of accumulated depreciation, except for the portions acquired by contribution, which are recorded at fair value at the time received. The Authority utilizes a capitalization threshold of \$5,000. Depreciation is recorded using the straight-line method. Estimated useful life of 15 years is used in computing depreciation of machinery and equipment, and 10-50 years for buildings and improvements.

e. Long-Term Obligations

In the Government-wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities. The fund financial statements do not present long-term debt.

COASTAL ANIMAL SERVICES AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

Compensated Absences

Employees are permitted to accumulate earned but unused vacation, sick and compensatory time. The balance of unpaid vacation and compensatory time at June 30, 2021 is recorded as a long-term liability on the Government-wide Statement of Net Assets.

f. Net Position

In the Government-Wide Financial Statements, net position is classified as follows:

Invested in Capital Assets - This amount consists of capital assets net of accumulated depreciation.

Restricted Net Position - This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Position - This amount represents net position that does not meet the definition of *Invested in Capital Assets* or *Restricted Net Position*.

g. Fund Balance

In the Fund Financial Statements, the general fund reports unassigned fund balance, a category that is used for balances that have no restrictions placed on them.

h. Deferred Outflows/ Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority currently has no items that qualify for reporting in this category, except for deferred outflows relating to pensions resulting from the implementation of GASB Statement No. 68.

In addition to liabilities, the statement of financial position will sometimes report 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. The Authority currently has no items that qualify for reporting in this category.

i. Net Position Flow Assumption

Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g. restricted grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the statement of net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted net position to have been depleted before unrestricted net position.

COASTAL ANIMAL SERVICES AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

j. Fund Balance Assumption

Sometimes the Authority will fund outlays for a particular purpose from both restricted and unrestricted resources (total fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

k. Use of Estimates

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

l. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Authority's pension plan and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the City of San Clemente. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 2: Cash and Investments

The Authority's cash and investments consist of cash and investments pooled with the City and cash and investments held by fiscal agents. At June 30, 2021, the Authority had the following:

Petty Cash	\$ 200
Equity in City Cash and Investment Pool	349,885
Total Cash	<u>\$ 350,085</u>

The Authority currently does not maintain any other deposits or investments.

Equity in the Cash and Investment Pool of the City of San Clemente

The Authority has equity in the cash and investment pool managed by the City of San Clemente. The Authority is a voluntary participant in that pool. This pool is governed by and under the regulatory oversight of the Investment Policy adopted by the City Council of the City of San Clemente. The Authority has not adopted an investment policy separate from that of the City of San Clemente. The fair value of the Authority's investment in this pool is reported in the accompanying financial statements at amounts based upon the Authority's pro-rata share of the fair value calculated by the City for the entire City portfolio. The balance available for withdrawal is based on the accounting records maintained by the City, which are recorded on an original cost basis.

COASTAL ANIMAL SERVICES AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 3: Capital Assets

The Authority's capital assets consisted of the following at June 30, 2021:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Building and Improvements	\$ 533,859	\$ -	\$ -	\$ 533,859
Machinery and Equipment	97,000	-	-	97,000
Less Accumulated Depreciation	<u>(182,417)</u>	<u>(10,678)</u>	<u>-</u>	<u>(193,095)</u>
Capital Assets, Net	<u>\$ 448,442</u>	<u>\$ (10,678)</u>	<u>\$ -</u>	<u>\$ 437,764</u>

Depreciation expense for the depreciable capital assets was \$10,678 for the year ended June 30, 2021.

Note 4: Compensated Absences

The Authority's compensated absences consisted of the following at June 30, 2021:

<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>	<u>Due in More Than One Year</u>
\$ 49,972	\$ 58,278	\$ 49,127	\$ 59,123	\$ 10,642	\$ 48,481

Note 5: Self Insurance

a. Description of Self-Insurance Pool Pursuant to Joint Powers Agreement

The Coastal Animal Services Authority is a member of the California Joint Powers Insurance Authority (CJPIA). CJPIA is composed of 116 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of CJPIA is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. CJPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

b. Self-Insurance Programs of CJPIA

Each member pays an annual contribution at the beginning of the coverage period. A retrospective adjustment is then conducted annually thereafter, for coverage years 2012-13 and prior. Coverage years 2013-14 and forward are not subject to routine annual retrospective adjustment. The total funding requirement for primary self-insurance programs is based on an actuarial analysis. Costs are allocated to individual agencies based on payroll and claims history, relative to other members of the risk-sharing pool.

COASTAL ANIMAL SERVICES AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 5: Self Insurance (Continued)

General Liability

Claims are pooled separately between police and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$750,000 to \$50 million, are distributed based on the outcome of cost allocation within the first and second loss layers.

The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Subsidence losses have a sub-limit of \$40 million per occurrence. The coverage structure includes retained risk that is pooled among members, reinsurance, and excess insurance. More detailed information about the various layers of coverage is available on the following website: <https://cjpia.org/protection/coverage-programs>.

Workers' Compensation

Claims are pooled separately between public safety (police and fire) and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$50,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$100,000 to statutory limits are distributed based on the outcome of cost allocation within the first and second loss layers.

For 2020-21 CJPIA's pooled retention is \$2 million per occurrence, with reinsurance to statutory limits under California Workers' Compensation Law. Employer's Liability losses are pooled among members to \$2 million. Coverage from \$2 million to \$5 million is purchased as part of a reinsurance policy, and Employer's Liability losses from \$5 million to \$10 million are pooled among members.

c. Adequacy of Protection

During the past three fiscal (claims) year, none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

COASTAL ANIMAL SERVICES AUTHORITY

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021**

Note 6: Pension Plan

a. General Information about the Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the City of San Clemente Employees' Retirement Plan (CSCERP), a cost-sharing multiple-employer defined benefit pension plan administered by the City of San Clemente. Benefit provisions for the CSCERP are established by State statute and City ordinance/resolution. The CSCERP is reported as a Pension Trust Fund in the City of San Clemente's financial statements. Stand-alone financial statements are not issued for the CSCERP.

Benefits Provided

The CSCERP 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 5 years of total service are eligible to retire at age 50 with reduced benefits, or at age 52 for employees hired on or after January 1, 2013 (PEPRA members). The pre-retirement death benefit is as follows: after 5 years of credited service, 1/2 of the 50% contingent annuitant benefit that would have been paid at the later of death and age 50, or, employee contributions with interest, if greater. The post-retirement death benefit is a \$600 lump sum payment. The termination benefits are as follows: refund of employee contributions plus interest; after 5 years of service, 2% of average monthly earnings times credited service as of date of termination, payable at age 55 or reduced for earlier commencement (age 62 for PEPRA Members). Other provisions and benefits in effect at June 30, 2021, are summarized as follows:

	Miscellaneous	
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 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	larger of (a) or (b)	larger of (a) or (b)
Required employee contribution rates	7%	9%
Required employer contribution rates	14.30%	14.30%

(a) 2% of average monthly earnings time credited service

(b) employee contributions with interest

COASTAL ANIMAL SERVICES AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2021

Note 6: Pension Plan (Continued)

Contributions

Funding contributions for the CSCERP are determined annually on an actuarial basis as of June 30. 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. The Authority is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The Authority's contributions to the Plan for the year ended June 30, 2021, were \$188,000.

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

As of June 30, 2021, the Authority reported a liability of \$1,046,000 for its proportionate share of the net pension liability. The Authority's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2021. The Authority's proportion of the net pension liability was determined based on the contributions allocated to each employer for the 2020-21 fiscal year. The Authority's proportionate share of the net pension liability as of June 30, 2020 and 2021 was as follows:

Proportion - June 30, 2020	9.9%
Proportion - June 30, 2021	<u>6.8%</u>
Change - Increase (Decrease)	<u>-3.1%</u>

For the year ended June 30, 2021, the Authority recognized pension expense of approximately \$563,000. At June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected experience	\$ -	\$ -
Changes in assumptions	-	-
Change in employer's proportion and differences between the employers contributions and the employer's proportionate share of contributions	-	-
Net differences between projected and actual earnings on plan investments	-	176,000
Total	<u>\$ -</u>	<u>\$ 176,000</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ (40,000)
2023	(41,000)
2024	(43,000)
2025	(52,000)

COASTAL ANIMAL SERVICES AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 6: Pension Plan (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	June 30, 2019
Measurement date	June 30, 2021
Actuarial cost method	Entry-age Normal Cost
Actuarial assumptions	
Discount rate	5.75
Inflation	2.50
Payroll increases	(1)
return	5.75
Mortality	(2)

(1) 2.75% per year plus CalPERS 1997-2015

Experience Study

(2) CalPERS 1997-2015 Experience Study

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

Changes in Assumptions

The discount rate and the expected long-term rate of return on plan investments were updated from 6.25% to 5.75%; general inflation was decreased from 2.75% to 2.50%; and payroll increase was changed from 3.00% to 2.75%.

Discount Rate

The discount rate used to measure the total pension liability was 5.75%, based on crossover test results. This is based on crossover test results with future administrative expenses increasing to 2.75% per year and future contributions based on the current funding policy. The crossover test results are presented in a detailed report that can be obtained from the City of San Clemente.

COASTAL ANIMAL SERVICES AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2021

Note 6: Pension Plan (Continued)

The pension plan's investment policy is established and can be modified by the City. The target asset allocation of the investment portfolio is a 32% to large capitalization equities, 5% to small capitalization equities, 15% to international equities, 20% to Bonds, 3% to Treasury Inflation Protected securities, 5% to a hybrid all asset fund. An investment advisory firm is used to assist with the management and oversight of pension fund investments. Pension investments held and the percentage of the pension investment portfolio at June 30, 2021 follows:

<u>Pension Trust Fund Investments</u>	<u>Percent of Pension Portfolio</u>
<i>Equity Investments</i>	
Large Cap	32.0%
Small Cap	5.0%
Dodge & Cox Int'l	15.0%
<i>Fixed Income Investments</i>	
PIMCO TR	20.0%
TIPs	3.0%
Defined Benefit Guaranteed Portfolio	20.0%
<i>Hybrid Investments (equity and fixed income)</i>	
PIMCO All Asset Authority mutual fund	5.0%
Total pension trust investments (fair value)	<u>100%</u>

The expected long-term expected rate of return on pension plan investments is 5.75% is based on best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) developed for each major asset class for the plan assets invested with Empower. This amount was adjusted for a greater than 50th percentile expected return to arrive at the 5.75% assumed expected long-term rate of return on assets.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net pension liability for the CSCERP, calculated using the discount rate, as well as what the Authority'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	4.75%
Net Pension Liability	\$1,375,000
Current Discount Rate	5.75%
Net Pension Liability	\$1,046,000
1% Increase	6.75%
Net Pension Liability	\$772,000

Pension Plan Fiduciary Net Position – Detailed information about the CSCERP fiduciary net position is available in the City of San Clemente's separately issued financial statements.

Payable to the Pension Plan – At June 30, 2021, the Authority reported a payable of \$6,298 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2021.

COASTAL ANIMAL SERVICES AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 7: Commitments and Contingencies

The Authority is subject to litigation arising in the normal course of business. In the opinion of the Authority's management, there is no pending litigation that is likely to have a material adverse effect on the financial position of the Authority.

As of June 30, 2021, in the opinion of the Authority management, there were no other outstanding matters that would have a significant effect on the financial position of the Authority.

COASTAL ANIMAL SERVICES AUTHORITY

BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2021

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 742,663	\$ 742,663	\$ 742,663	\$ -
Resources (Inflows):				
Charges for services	276,480	276,480	238,618	(37,862)
Intergovernmental	1,218,390	1,218,390	1,220,343	1,953
Donations	10,000	10,000	57,526	47,526
Miscellaneous	115,380	115,380	157,210	41,830
Amounts Available for Appropriations	2,362,913	2,362,913	2,416,360	53,447
Charges to Appropriations (Outflows):				
Community services	1,664,740	2,214,740	2,131,855	82,885
Total Charges to Appropriations	1,664,740	2,214,740	2,131,855	82,885
Budgetary Fund Balance, June 30	\$ 698,173	\$ 148,173	\$ 284,505	\$ 136,332

Budget Reporting:

Each year, the Authority's Board adopts a budget which provides for the operation of the Authority. Budgets are prepared on the modified accrual basis of accounting.

COASTAL ANIMAL SERVICES AUTHORITY

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30 FOR THE LAST TEN FISCAL YEARS ¹

Reporting Date ² as of June 30,	Proportion of the Net Pension Liability	Proportionate Share of Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a % of Covered Payroll	Plan's Fiduciary Net Position as a % of the Total Pension Liability
2021	6.8%	\$ 1,046,000	\$ 549,000	190.5%	62.8%
2020	9.9%	1,828,000	546,000	334.8%	53.0%
2019	9.7%	1,414,000	530,000	266.8%	59.1%
2018	7.9%	1,177,000	520,000	226.4%	58.0%
2017	7.8%	911,000	488,000	186.7%	63.4%
2016	8.5%	1,093,000	467,000	234.1%	59.0%
2015	8.0%	836,559	432,000	193.7%	64.9%

Notes to Schedule of Proportionate Share of the Net Pension Liability:

Benefit Changes: None

Changes of Assumptions: The discount rate and the expected long-term rate of return on plan investments were updated from 6.25% to 5.75%; general inflation was decreased from 2.75% to 2.50%; and payroll increase was changed from 3.00% to 2.75%.

¹ Historical information is required only for measurement for which GASB 68 is applicable. Fiscal year 2015 was the first year of implementation, therefore only seven years are shown.

COASTAL ANIMAL SERVICES AUTHORITY

SCHEDULE OF PLAN CONTRIBUTIONS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS ⁽¹⁾

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
2021	\$ 188,000	\$ 188,000	\$ -	\$ 549,000	34.2%
2020	151,000	151,000	-	546,000	27.7%
2019	147,000	147,000	-	530,000	27.7%
2018	105,000	105,000	-	520,000	20.2%
2017	89,000	89,000	-	488,000	18.2%
2016	64,000	64,000	-	467,000	13.7%
2015	94,000	94,000	-	432,000	21.8%

Notes to Schedule of Plan Contributions:

Actuarial Assumptions:

Valuation Date: June 30, 2019
 Discount Rate: 5.75%
 General Inflation: 2.50%
 Mortality, Withdrawal, Disability, Retirement: CalPERS 2015 Experience Study
 Mortality Improvement Scale: Fully Generational with Scale MP-2019

Actuarial Methods:

Cost Method: Entry Age Normal - Level Percent of Payroll
 Amortization of Initial UAAL: 16 Years, Closed Period, Level Dollar Amount
 Value of Assets: Market Value

⁽¹⁾ Historical information is required only for measurement for which GASB 68 is applicable. Fiscal year 2015 was the first year of implementation, therefore only seven years are shown.



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Coastal Animal Services Authority
City of San Clemente, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund information of the Coastal Animal Services Authority (the "Authority"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 15, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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





To the Board of Directors
Coastal Animal Services Authority
City of San Clemente, California

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lance, Soll & Lughard, LLP

Brea, California
December 15, 2021