



**TOWN OF LOS GATOS  
FINANCE COMMISSION AGENDA  
OCTOBER 14, 2024  
110 EAST MAIN STREET  
TOWN COUNCIL CHAMBERS  
5:00 PM**

*Phil Koen, Chair  
Linda Reiners, Vice Chair  
Andrew Howard, Commissioner  
Ashby Monk, Commissioner  
Joe Rodgers, Commissioner  
Matthew Hudes, Vice Mayor  
Rob Rennie, Council Member*

**IMPORTANT NOTICE**

This is a hybrid meeting and will be held in-person at the Town Council Chambers at 110 E. Main Street and virtually through Zoom Webinar (log-in information provided below). Members of the public may provide public comments for agenda items in-person or virtually through the Zoom Webinar by following the instructions listed below.

**HOW TO PARTICIPATE**

The public is welcome to provide oral comments in real-time during the meeting in three ways:

**Zoom Webinar (Online):** Join from a PC, Mac, iPad, iPhone or Android device. Please click this URL to join: [https://losgatosca.gov.zoom.us/j/84900234481?pwd=yU0df-8jrAkCWM\\_LI83-iQY6qEV7gg.IQR-LAzX1jg9DnoC](https://losgatosca.gov.zoom.us/j/84900234481?pwd=yU0df-8jrAkCWM_LI83-iQY6qEV7gg.IQR-LAzX1jg9DnoC) passcode: 347436. You can also type in 84900234481 in the “Join a Meeting” page on the Zoom website at and use passcode 347436.

- When the Mayor announces the item for which you wish to speak, click the “raise hand” feature in Zoom. If you are participating by phone on the Zoom app, press \*9 on your telephone keypad to raise your hand.

**Telephone:** Please dial (877) 3361839 for US Toll-free or (636) 651-0008 for US Toll. (Conference code: 686100)

- If you are participating by calling in, press #2 on your telephone keypad to raise your hand.

**In-Person:** Please complete a “speaker’s card” located on the back of the chamber benches and return it to the Town Clerk before the meeting or when the Chair announces the item for which you wish to speak.

**NOTES:** (1) Comments will be limited to three (3) minutes or less at the Chair’s discretion.

(2) If you are unable to participate in real-time, you may email to [Clerk@losgatosca.gov](mailto:Clerk@losgatosca.gov) the subject line “Public Comment Item #\_\_” (insert the item number relevant to your comment). All comments received will become part of the record.

(3) Deadlines to submit written comments are:

- 11:00 a.m. the Thursday before the Commission meeting for inclusion in the agenda packet.
- 11:00 a.m. the Friday before the Commission meeting for inclusion in an addendum.
- 11:00 a.m. on the day of the Commission meeting for inclusion in a desk item.

(4) Persons wishing to make an audio/visual presentation must submit the presentation electronically to [Clerk@losgatosca.gov](mailto:Clerk@losgatosca.gov) no later than 3:00 p.m. on the day of the Commission meeting.

## **CALL MEETING TO ORDER**

## **ROLL CALL**

**APPROVE REMOTE PARTICIPATION** *(This item is listed on the agenda in the event there is an emergency circumstance requiring a Commissioner to participate remotely under AB 2449 (Government Code 54953)).*

**CONSENT ITEMS** *(Items appearing on the Consent are considered routine Town business and may be approved by one motion. Members of the public may provide input on any Consent Item(s) when the Chair asks for public comment on the Consent Items.)*

- [1.](#) Approve Minutes of the September 9, 2024 Finance Commission Meeting.
- [2.](#) Receive the Monthly Financial and Investment Report for August 2024.
- [3.](#) Receive Chavan and Associate, llp Nonattest Services Independence Checklist.

**VERBAL COMMUNICATIONS** *(Members of the public are welcome to address the Commission on any matter that is not listed on the agenda and is within the subject matter jurisdiction of the Finance Commission. To ensure all agenda items are heard, this portion of the agenda is limited to 30 minutes. In the event additional speakers were not able to be heard during the initial Verbal Communications portion of the agenda, an additional Verbal Communications will be opened prior to adjournment. Each speaker is limited to no more than three (3) minutes or such time as authorized by the Chair.)*

**OTHER BUSINESS** *(Up to three minutes may be allotted to each speaker on any of the following items.)*

- [4.](#) Discuss and Provide Recommendations for the Management's Discussion and Analysis Section of the June 30, 2024, Annual Comprehensive Financial Report.

## **ADJOURNMENT**

**ADA NOTICE** In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Clerk's Office at (408) 354- 6834. Notification at least two (2) business days prior to the meeting date will enable the Town to make reasonable arrangements to ensure accessibility to this meeting. [28 CFR §35.102-35.104]



**TOWN OF LOS GATOS  
FINANCE COMMISSION  
MINUTES**

MEETING DATE: 10/14/2024

Item 1.

ITEM NO: 1

**Minutes of the Finance Commission Meeting  
September 9, 2024**

The Finance Commission of the Town of Los Gatos conducted a meeting in person and utilizing teleconferencing means on Monday, September 9, 2024, at 5:00 p.m.

**THE MEETING WAS CALLED TO ORDER AT 5:02 P.M.**

**ROLL CALL**

Present: Chair Phil Koen, Vice Chair Linda Reiners, Commissioner Andrew Howard, Commissioner Joe Rodgers, and Vice Mayor Matthew Hudes.

Absent: Commissioner Ashby Monk and Council Member Rob Rennie.

Town Staff Present: Assistant Town Manager Katy Nomura, Finance Director Gitta Ungvari, Finance and Accounting Manager Eric Lemon, and Town Clerk Wendy Wood.

Chair Koen discussed moving item 11 to a future date due to timing concerns.

**MOTION: Motion by Vice Chair Reiners to move agenda item 11 to a future meeting date.  
Seconded by Commissioner Howard.**

**VOTE: Motion passed 4-0.**

**CONSENT ITEMS**

1. Approve the Minutes of the May 13, 2024, Finance Commission Regular Meeting.
2. Approve the Minutes of the August 5, 2024, Finance Commission Special Meeting.
3. Receive the California Employer's Pension Prefunding Trust (CEPPT) Strategy Market Value Summary Report for the Period Ending June 30, 2024 and Performance as of July 31, 2024
4. Receive the California Employer's Retiree Benefit Trust (CERBT) Strategy 1 Market Value Summary Report for the Period Ending June 30, 2024 and the Performance Report as of July 31, 2024.
5. Receive the Monthly Financial and Investment Reports for April, May, June, and July 2024.
6. Receive the CalPERS Actuarial Valuation Reports as of June 30, 2023.
7. Approve Finance Commission Recommendation that Town Council Engage a Professional Consulting Firm to Prepare a Comprehensive Fiscal Impact Analysis Including Scenario Sensitivity Analysis with Risks and Opportunities which will Evaluate Potential Fiscal Impact of Planned Growth.

Chair Koen pulled items 1, 3, 4, 5, and 6

There was no public comment.

**MOTION: Motion by Chair Koen to approve consent Items 2 and 7. Seconded by Vice Chair Reiners.**

**VOTE: Motion passed 4-0**

**PULLED CONSENT ITEMS**

- 1. Approve the Minutes of the May 13, 2024, Finance Commission Regular Meeting.

Chair Keon asked about a recommendation listed in the minutes.

The Commission asked questions and discussed the item.

Staff addressed the Commissioners' questions.

**MOTION: Motion by Chair Koen to approve the minutes for the May 13 meeting. Seconded by Vice Chair Reiners.**

**VOTE: Motion passed 4-0**

- 6. Receive the CalPERS Actuarial Valuation Reports as of June 30, 2023.

Chair Keon discussed concerns with the safety plan.

The Commission asked questions and discussed the item.

Staff and consultant Doug Pryer from Foster and Foster addressed the Commissioners' questions.

**MOTION: Motion by Vice Chair Reiners to approve receipt of the CalPERS Actuarial Reports. Seconded by Commissioner Howard.**

**VOTE: Motion passed 4-0**

- 3. Receive the California Employer's Pension Prefunding Trust (CEPPT) Strategy Market Value Summary Report for the Period Ending June 30, 2024 and Performance as of July 31, 2024.

Chair Koen asked questions regarding the trust strategies.

The Commission asked questions and discussed the item.

SUBJECT: Draft Minutes of the Finance Commission Regular Meeting of September 9, 2024

DATE: October 4, 2024

Staff addressed the Commissioners’ questions.

There was no public comment.

**MOTION:** Motion by Vice Chair Reiners (to recommend to the Town Council) that if the Town continues to have a CEPPT, it should move from Strategy 2 to Strategy 1 (listed in the staff report). **Seconded by Commissioner Howard.**

**VOTE:** Motion passed 4-0

- 4. Receive the California Employer’s Retiree Benefit Trust (CERBT) Strategy 1 Market Value Summary Report for the Period Ending June 30, 2024 and the Performance Report as of July 31, 2024.

Chair Koen asked for clarification regarding market value totals and contributions.

The Commission asked questions and discussed the consent item.

Staff addressed the Commissioners’ questions.

**MOTION:** Motion by Vice Chair Reiners to approve receipt of the California Employer’s Retiree Benefit and Trust report. **Seconded by Chair Koen.**

**VOTE:** Motion passed 4-0

**OTHER BUSINESS**

- 8. Receive the Town of Los Gatos Retiree Healthcare Plan June 30, 2023 Actuarial Valuation and its Assumptions as Prepared and Recommended by Foster and Foster, Inc., and Provide Any Comments to the Town Council.

Consultant Doug Prior from Foster and Foster gave a presentation on the item.

The Commission asked questions and discussed the item.

Staff and the consultant addressed the Commissioners’ questions.

There was no public comment.

There was no action taken on this item.

**VERBAL COMMUNICATIONS**

No one spoke.

**OTHER BUSINESS**

- 9. Discuss Upcoming Audit and Provide Input on June 30, 2024 Annual Comprehensive Financial Report with the Town’s Independent Auditor

Gitta Ungvari, Finance Director, introduced Sheldon Chavan, the Town’s external auditor, to present on the item.

The Commission asked questions and discussed the item.

Staff and the consultant addressed the Commissioners’ questions.

There was no public comment.

There was no action taken on this item.

- 10. Discuss and Confirm the Finance Commission Meeting Date for the Month of November 2024

Gitta Ungvari, Finance Director, provided alternative dates and times for the November meeting.

The commission discussed the dates and agreed to hold a special meeting on November 6, 2024, from 5:00 to 7:00 p.m.

- 11. Review of Select High Dollar Value Capital Projects in the FY 25 CIP Budget as to Current Status versus the Originally Approved Capital Plan and to Better Understand the Capital Project Tracking and Reporting Process

This item was moved to a future meeting.

**PULLED CONSENT ITEMS**

- 5. Receive the Monthly Financial and Investment Reports for April, May, June, and July 2024.

Chair Keon asked a clarifying question regarding the fiscal year-end balance.

Staff addressed the Chair’s question.

**MOTION: Motion by Commissioner Howard to accept receipt of the Monthly Financial and Investment Reports for April, May, June, and July. Seconded by Vice Chair Reiners.**

PAGE 5 OF 5

SUBJECT: Draft Minutes of the Finance Commission Regular Meeting of September 9, 2024

DATE: October 4, 2024

**VOTE: Motion passed 4-0**

**ADJOURNMENT:**

The meeting adjourned at 7:16 p.m.

This is to certify that the foregoing is a true and correct copy of the minutes of the September 9, 2024, meeting as approved by the Finance Commission.

---

Eric Lemon, Finance and Accounting Manager



**TOWN OF LOS GATOS  
FINANCE COMMISSION REPORT**

MEETING DATE: 10/14/2024

ITEM NO: 2

Item 2.

---

DATE: October 2, 2024  
TO: Finance Commission  
FROM: Gitta Ungvari, Finance Director  
SUBJECT: Receive the Monthly Financial and Investment Report for August 2024

**RECOMMENDATION:**

Receive the Monthly Financial and Investment Report for August 2024.

**BACKGROUND:**

California Government Code Section 41004 requires that the Town Treasurer submit to the Town Clerk and the legislative body a written report and accounting of all receipts, disbursements, and fund balances. The Finance Director assumes the Town Treasurer role. Attachment 1 contains the August 2024 Monthly Financial and Investment Report which fulfills this requirement.

The August 2024 Monthly Financial and Investment Report will be presented to Town Council at its October 15, 2024 regular meeting.

**DISCUSSION:**

The August 2024 Monthly Financial and Investment Report includes a Fund Balance Schedule, representing estimated funding available for all funds at the end of the respective month. The fund balances were estimated at a point in time and will be finalized at the final close of the fiscal year.

Please note that the amount in the Fund Schedule differs from the Portfolio Allocation and Treasurer's Cash Fund Balances Summary schedule because assets and liabilities are components of the fund balance.

**PREPARED BY:** Eric Lemon  
Finance and Accounting Manager

---

Reviewed by: Town Attorney and Finance Director

---



As illustrated in the summary below, Total Cash is adjusted by the addition of Total Assets less the amount of Total Liabilities to arrive at the Ending Fund Balance – which represents the actual amount of funds available.

<b>Reconciling Cash to Fund Balance - August 31, 2024</b>		
Total Cash	\$	69,642,660
Plus: Assets	\$	17,843,867
Less: Liabilities	\$	(29,336,663)
<b>Estimated Fund Balance</b>	<b>\$</b>	<b>58,149,864</b>

As of August 31, 2024, the Town’s financial position (Assets \$87.49M, Liabilities \$29.34M, and Fund Equity \$58.15M) remains strong and the Town has sufficient funds to meet the cash demands for the next six months.

As of August 31, 2024, the Town’s weighted portfolio yield for investments under management was 4.47% which was 11 basis points below the Local Agency Investment Fund (LAIF) yield of 4.58% for the same reporting period. As of August 31, 2024, the LAIF portfolio’s weighted average maturity (WAM) is 221 days versus the Town’s longer WAM of 734 days. The longer WAM for Town assets under management reflects the Town’s strategy to take advantage of higher yields associated with longer maturities balanced with shorter term yields available on investments held with the State’s LAIF. The Town’s weighted average rate of return on investments under management of 4.47% at the close of August was 1 basis point higher when compared to the prior month’s return of 4.46% reported as of July 31, 2024.

Since August 2023, LAIF yields had climbed from 343 basis points (3.43%) to 458 basis points (4.58%) through the end of August 2024.

Staff, in coordination with the Town’s investment advisor, primarily replaced maturing investments with long term maturities in the four-to-five-year maturity range. These investments capture current yields that exceed the rates expected to be earned in the LAIF pool during that same time period. The State LAIF pool typically lags the market when current market yields are either increasing or decreasing.

On September 18, 2024, the Federal Reserve voted to approve a 1/2 percentage basis point decrease from 5.5% to 5.0%. This change supports the Federal Open Market Committee’s (FOMC) goal to support maximum employment and bring year to year inflation to its targeted level of 2%.

Payroll job growth slowed to 114,000 in July from 179,000. The unemployment rate rose to 4.3%, the highest since October 2021.

PAGE 3 OF 3

SUBJECT: Monthly Financial and Investment Report for August 2024

DATE: October 2, 2024

The Town's investments are in compliance with the Town's Investment Policy dated February 21, 2023, and also in compliance with the requirements of Section 53600 at seq. of the California State Code. Based on the information available, the Town has sufficient funds to meet the cash demands for the next six months.

CONCLUSION:

Receive Monthly Financial and Investment Report for August 2024.

Attachments:

1. Financial and Investment Report (August 2024)

**Town of Los Gatos  
Summary Investment Information  
August 31, 2024**

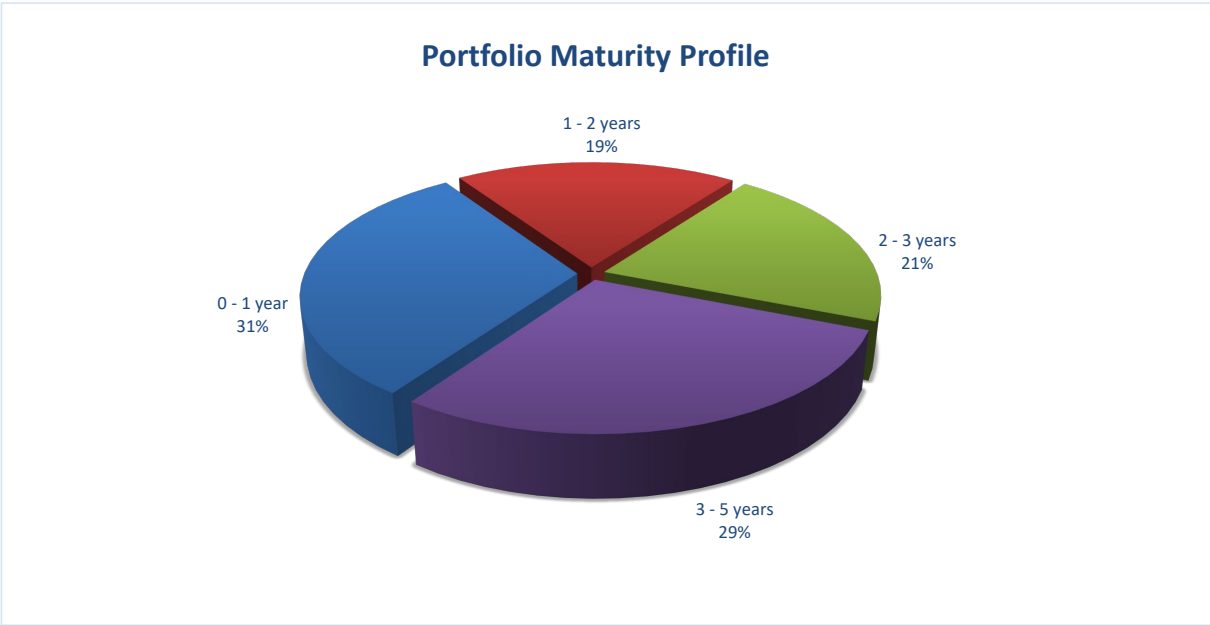
**Weighted Average YTM Portfolio Yield on Investments under Management** **4.47%**

**Weighted Average Maturity (days)** **734**

	This Month	Last Month	One year ago
<b>Portfolio Allocation &amp; Treasurer's Cash Balances</b>	\$69,642,660	\$72,350,241	\$69,093,001
Managed Investments	\$49,982,029		
Local Agency Investment Fund	\$11,702,446		
Reconciled Demand Deposit Balances	\$7,958,185		
Portfolio Allocation & Treasurer's Cash Balances	\$69,642,660		

**Benchmarks/ References:**

Town's Average Yield	4.47%	4.46%	3.71%
LAIF Yield for month	4.58%	4.52%	3.43%
3 mo. Treasury	5.11%	5.29%	5.47%
6 mo. Treasury	4.86%	5.09%	5.51%
2 yr. Treasury	3.92%	4.26%	4.87%
5 yr. Treasury (most recent)	3.70%	3.91%	4.26%
10 Yr. Treasury	3.90%	4.03%	4.11%

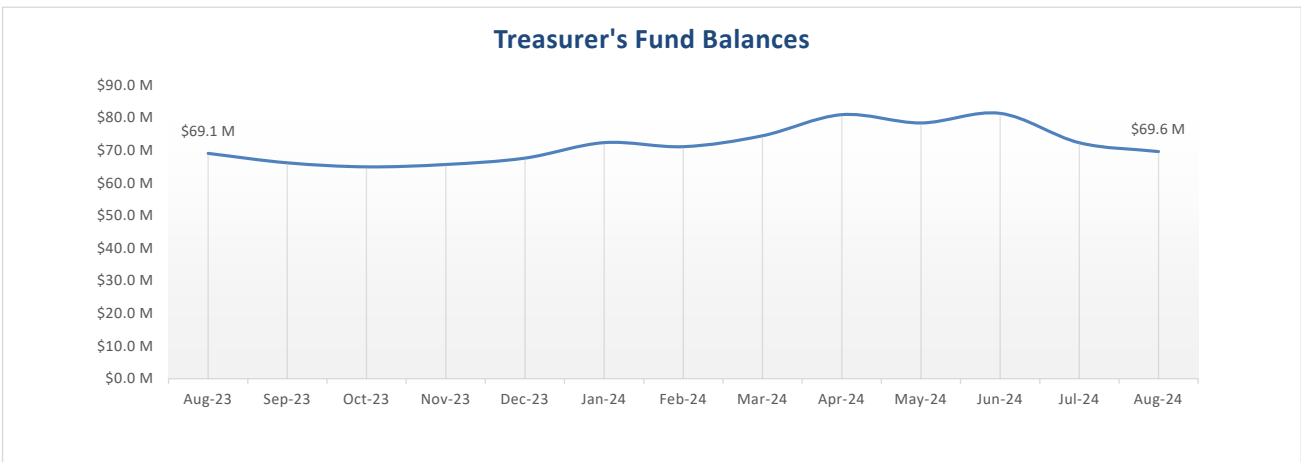
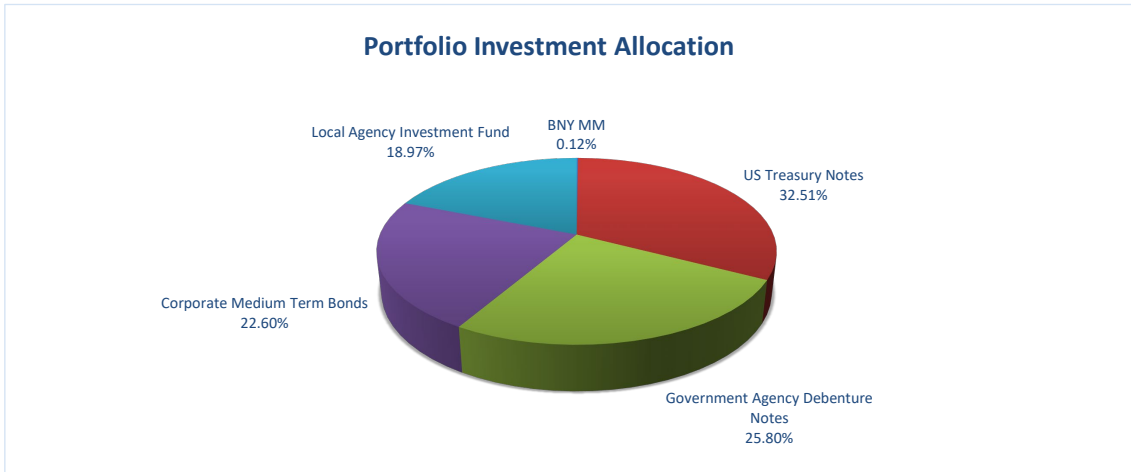


**Compliance:** The Town's investments are in compliance with the Town's investment policy dated February 21, 2023, and also in compliance with the requirements of Section 53600 at seq. of the California State Code. Based on the information available, the Town has sufficient funds to meet the cash demands for the next six months.

**Town of Los Gatos  
Portfolio Allocation & Treasurer's Cash Balances  
August 31, 2024**

	<u>Month</u>	<u>YTD</u>
Cash & Investment Balances - Beginning of Month/Period	\$ 72,350,241.24	\$ 81,368,409.88
Receipts	8,480,234.00	12,323,862.10
Disbursements	<u>(11,187,815.57)</u>	<u>(24,049,612.31)</u>
Cash & Investment Balances - End of Month/Period	<u>\$69,642,659.67</u>	<u>\$69,642,659.67</u>

<b>Portfolio Allocation</b>	<b>Amount</b>	<b>% of Portfolio</b>	<b>Max. % or \$ Allowed per State Law or Policy</b>
BNY MM	\$73,938.80	0.12%	20% of Town Portfolio
US Treasury Notes	\$20,054,713.77	32.51%	No Max. on US Treasuries
Government Agency Debenture Notes	\$15,913,075.60	25.80%	No Max. on Non-Mortgage Backed
Corporate Medium Term Bonds	\$13,940,300.50	22.60%	30% of Town Portfolio
Local Agency Investment Fund	\$11,702,445.78	18.97%	\$75 M per State Law
Subtotal - Investments	<u>61,684,474.45</u>	100.00%	
Reconciled Demand Deposit Balances	<u>7,958,185.22</u>		
<b>Total Portfolio Allocation &amp; Treasurer's Cash Balances</b>	<u><u>\$69,642,659.67</u></u>		



**Town of Los Gatos  
Non-Treasury Restricted Fund Balances  
August 31, 2024**

	Beginning Balance	August 2024 Deposits Realized Gain/Adj.	August 2024 Interest/ Earnings	August 2024 Withdrawals	Ending Balance	
Non-Treasury Funds:						
Cert. of Participation 2002 Ser A Reserve Fund	\$ 703,032.15	\$ -	\$ 2,854.71	\$ -	\$ 705,886.86	Note 1
Cert. of Participation 2010 Ser Lease Payment Fund	1,134,162.86	-	964.87	1,134,162.50	965.23	Note 2
Cert. of Participation 2002 Ser A Lease Payment Fund	575,616.43	-	550.90	575,500.00	667.33	Note 1
Cert. of Participation 2010 Ser Reserve Fund	1,394,798.70	-	6,121.63	-	1,400,920.33	Note 2
Total Restricted Funds:	<u>\$ 3,807,610.14</u>	<u>\$ -</u>	<u>\$ 10,492.11</u>	<u>\$ 1,709,662.50</u>	<u>\$ 2,108,439.75</u>	
CEPPT IRS Section 115 Trust	2,244,456.65	-	44,699.87	-	\$ 2,289,156.52	Note 3
Grand Total COP's and CEPPT Trust	<u>\$ 6,052,066.79</u>	<u>\$ -</u>	<u>\$ 55,191.98</u>	<u>\$ 1,709,662.50</u>	<u>\$ 4,397,596.27</u>	

*These accounts are not part of the Treasurer's fund balances reported elsewhere in this report, as they are for separate and distinct entities.*

**Note 1:** The three original funds for the Certificates of Participation 2002 Series A consist of construction funds which will be expended over the next few years, reserve funds which will guarantee the payment of lease payments, and a third fund for the disbursement of lease payments and initial delivery costs.

**Note 2:** The 2010 COP Funds are all for the Library construction, reserves to guarantee lease payments, and a lease payment fund for the life of the COP issue. The COI fund was closed in September 2010.

**Note 3:** The CEPPT IRS Section 115 Trust was established as an irrevocable trust dedicated to accumulate resources to fund the Town's unfunded liabilities related to pension and other post employment benefits.

**Town of Los Gatos**  
**Statement of Interest Earned**  
**August 31, 2024**

---

July 2024	\$	247,221.75
August 2024	\$	212,684.25
September 2024	\$	-
October 2024	\$	-
November 2024	\$	-
December 2024	\$	-
January 2025	\$	-
February 2025	\$	-
March 2025	\$	-
April 2025	\$	-
May 2025	\$	-
June 2025	\$	-
	\$	<u>459,906.00</u>

Town of Los Gatos  
Investment Schedule  
August 31, 2024

Institution	CUSIP #	Security	Coupon	Deposit Date	Par Value	Original Cost	Original Issue (Discount) Premium	Market Value	Market Value Above (Under) Cost	Purchased Interest	Maturity Date or Call Date	Yield to Maturity or Call	Interest Received to Date	Interest Earned Prior Yrs.	Interest Earned Current FY	Days to Maturity
Apple	037833DB3	Corporate Bond	2.90%	12/20/2022	1,300,000.00	1,228,591.00	(71,409.00)	1,259,141.00	30,550.00		6/21/2027	4.19%	\$ 46,287.22	\$ 81,871.88	\$ 9,096.88	1024
Home Depot	437076BM3	Corporate Bond	3.00%	8/4/2022	1,000,000.00	991,960.00	(8,040.00)	979,510.00	(12,450.00)		1/1/2026	3.04%	\$ 49,750.00	\$ 61,696.52	\$ 5,495.95	488
US Treasury	912828ZW3	US Treasury Note	0.25%	8/9/2022	350,000.00	322,096.88	(27,903.12)	338,131.50	16,034.62		6/30/2025	3.16%	\$ 1,654.89	\$ 19,915.08	\$ 1,786.88	303
FFCB	3133ENS5V8	Gov. Agency Debenture	4.13%	1/17/2023	236,000.00	239,174.20	3,174.20	237,427.80	(1,746.40)		1/11/2027	3.76%	\$ 14,440.25	\$ 12,979.52	\$ 1,518.36	863
US Treasury	91282CBT7	US Treasury Note	0.75%	9/30/2022	800,000.00	712,565.18	(87,434.82)	759,720.00	47,154.82		3/31/2026	4.14%	\$ 9,000.00	\$ 54,221.52	\$ 5,260.93	577
FFCB	3133ENP95	Gov. Agency Debenture	4.25%	9/30/2022	900,000.00	900,938.60	939.60	899,802.00	(1,137.60)		9/30/2025	4.14%	\$ 57,375.00	\$ 66,415.88	\$ 6,444.11	395
JP Morgan Chase	46625HRS1	Corporate Bond	3.20%	9/23/2022	500,000.00	474,660.00	(25,340.00)	489,015.00	14,355.00		3/15/2026	4.70%	\$ 27,644.44	\$ 41,217.45	\$ 3,955.85	561
FFCB	3133EKQA7	Gov. Agency Debenture	2.08%	10/21/2019	1,000,000.00	1,019,780.00	19,780.00	999,370.00	(20,410.00)		9/10/2024	1.66%	\$ 91,231.11	\$ 78,691.92	\$ 2,846.50	10
FHLB	3135G05X7	Gov. Agency Debenture	0.38%	6/10/2022	1,200,000.00	1,102,952.40	(97,047.60)	1,154,244.00	51,291.60		8/25/2025	3.04%	\$ 9,937.50	\$ 71,445.55	\$ 5,898.30	359
US Treasury	912828ZL7	US Treasury Note	0.38%	4/12/2022	1,700,000.00	1,583,927.57	(116,072.43)	1,653,284.00	69,356.43		4/30/2025	2.72%	\$ 13,066.99	\$ 98,544.63	\$ 7,542.92	242
FHLB	3130AQF65	Gov. Agency Debenture	1.25%	11/30/2022	1,300,000.00	1,160,559.40	(139,440.60)	1,225,211.00	64,651.60		12/21/2026	4.15%	\$ 25,322.92	\$ 80,116.59	\$ 8,593.82	842
FHLB	3130APJH9	Gov. Agency Debenture	1.00%	1/17/2023	1,000,000.00	907,010.00	(92,990.00)	953,740.00	46,730.00		10/28/2026	4.17%	\$ 13,354.17	\$ 50,234.10	\$ 5,876.44	788
FFCB	3133ENS5N6	Gov. Agency Debenture	4.00%	2/8/2023	1,700,000.00	1,706,732.00	6,732.00	1,712,240.00	5,508.00		1/6/2028	3.91%	\$ 95,955.56	\$ 92,733.76	\$ 11,317.90	1223
Freddie Mac	3137EAEX3	Gov. Agency Debenture	0.38%	5/1/2023	750,000.00	689,032.50	(60,967.50)	719,685.00	30,652.50		9/23/2025	3.97%	\$ 2,515.62	\$ 32,931.11	\$ 4,792.79	388
American Honda	02665WED9	Corporate Bond	4.70%	5/11/2023	600,000.00	608,856.00	8,856.00	606,474.00	(2,382.00)		1/12/2028	4.34%	\$ 32,978.33	\$ 29,982.05	\$ 4,468.48	1229
US Treasury	91282CE4F	US Treasury Note	2.50%	6/9/2023	1,500,000.00	1,416,626.12	(83,373.88)	1,452,075.00	35,448.88		3/31/2027	4.09%	\$ 30,327.87	\$ 62,956.31	\$ 10,086.02	942
US Treasury	91282CGA3	US Treasury Note	4.00%	6/20/2023	2,100,000.00	2,080,558.69	(19,441.41)	2,094,099.00	13,540.41		12/15/2025	4.40%	\$ 82,852.46	\$ 94,573.28	\$ 15,594.53	471
Colgate-Palmolive	194162AR4	Corporate Bond	4.60%	7/14/2023	500,000.00	504,655.00	4,655.00	508,955.00	4,300.00		2/1/2028	4.37%	\$ 14,502.79	\$ 21,195.52	\$ 3,733.30	1249
FannieMae	3135G06G3	Gov. Agency Debenture	0.50%	7/14/2023	500,000.00	455,157.00	(44,843.00)	478,480.00	23,323.00		11/7/2025	4.63%	\$ 2,034.72	\$ 21,047.01	\$ 3,707.14	433
FFCB	3133EPQC2	Gov. Agency Debenture	4.63%	7/17/2023	500,000.00	501,957.50	1,957.50	505,225.00	3,267.50		7/17/2026	4.48%	\$ 23,125.00	\$ 21,487.97	\$ 3,817.35	685
FFCB	3133EPBM6	Gov. Agency Debenture	4.13%	7/14/2023	600,000.00	596,220.00	(3,780.00)	604,512.00	8,292.00		8/23/2027	4.29%	\$ 27,431.25	\$ 24,754.94	\$ 4,360.25	1087
PNC Bank	69353RFJ2	Corporate Bond	3.25%	7/25/2023	1,000,000.00	921,490.00	(78,510.00)	960,350.00	38,860.00		12/23/2027	5.23%	\$ 32,229.17	\$ 46,970.90	\$ 8,540.16	1209
US Treasury	91282CFU0	US Treasury Note	4.13%	7/31/2023	1,300,000.00	1,290,660.60	(9,339.40)	1,312,493.00	21,832.40		10/31/2027	4.31%	\$ 40,218.75	\$ 51,232.08	\$ 9,481.76	1156
Toyota Motor Credit	89236TKL8	Corporate Bond	5.45%	8/25/2023	1,600,000.00	1,617,168.00	17,168.00	1,654,992.00	37,824.00		11/10/2027	5.16%	\$ 61,766.67	\$ 70,599.88	\$ 14,119.98	1166
US Treasury	912810FE3	US Treasury Note	5.50%	10/3/2023	1,200,000.00	1,238,207.14	38,207.14	1,280,580.00	42,372.86		8/15/2028	4.76%	\$ 57,211.96	\$ 43,179.27	\$ 9,878.65	1445
Pepsico Inc	713448DF2	Corporate Bond	2.85%	10/16/2023	1,000,000.00	947,570.00	(52,430.00)	980,390.00	32,820.00		11/24/2025	5.24%	\$ 24,383.33	\$ 37,712.66	\$ 9,062.73	450
FFCB	3133EPUW3	Gov. Agency Debenture	4.75%	10/13/2023	1,000,000.00	994,338.00	(5,662.00)	1,014,340.00	20,002.00		9/1/2026	4.96%	\$ 18,208.33	\$ 35,367.82	\$ 8,401.55	731
Freddie Mac	3137EAE0P	Gov. Agency Debenture	1.50%	10/13/2023	1,000,000.00	951,540.00	(48,460.00)	985,230.00	33,690.00		2/12/2025	5.32%	\$ 12,458.33	\$ 36,644.18	\$ 8,704.75	165
US Treasury	91282CEW7	US Treasury Note	3.25%	10/16/2023	1,000,000.00	950,039.06	(49,960.94)	985,270.00	35,230.94		6/30/2027	4.73%	\$ 22,961.96	\$ 32,499.52	\$ 7,809.96	1033
US Treasury	91282CEN7	US Treasury Note	2.75%	10/31/2023	1,300,000.00	1,214,336.39	(85,663.61)	1,264,861.00	50,524.61		4/30/2027	4.82%	\$ 17,875.00	\$ 40,101.59	\$ 10,231.68	972
US Treasury	912828YV6	US Treasury Note	1.50%	11/15/2023	700,000.00	673,667.97	(26,332.03)	694,365.00	20,697.03		11/30/2024	5.26%	\$ 5,680.33	\$ 22,316.65	\$ 6,068.56	91
US Treasury	91282CAB7	US Treasury Note	0.25%	11/15/2023	675,000.00	623,900.39	(51,099.61)	650,112.75	26,212.36		7/31/2025	4.92%	\$ 1,196.84	\$ 19,725.12	\$ 5,363.85	334
US Treasury	91282CGU9	US Treasury Note	3.88%	11/30/2023	1,000,000.00	983,515.62	(16,484.38)	995,380.00	11,864.38		3/31/2025	5.17%	\$ 12,916.67	\$ 29,822.81	\$ 8,680.82	212
US Treasury	91282CCH2	US Treasury Note	1.25%	12/21/2023	900,000.00	798,647.55	(101,352.45)	819,738.00	21,090.45		6/30/2028	3.99%	\$ 5,930.71	\$ 17,690.14	\$ 5,712.44	1399
FNMA	3135G0Q22	Gov. Agency Debenture	1.88%	12/21/2023	900,000.00	845,676.00	(54,324.00)	863,379.00	17,703.00		9/24/2026	4.22%	\$ 4,359.38	\$ 19,224.14	\$ 6,207.80	754
US Treasury	91282CFB2	US Treasury Note	2.75%	1/2/2024	1,000,000.00	960,354.91	(39,645.09)	970,940.00	10,585.09		7/31/2027	3.95%	\$ 15,917.12	\$ 19,025.75	\$ 6,553.31	1064
US Treasury	91282CHE4	US Treasury Note	3.63%	1/17/2024	1,800,000.00	1,775,185.72	(24,814.28)	1,791,000.00	15,814.28		5/31/2028	3.97%	\$ 24,067.63	\$ 32,061.96	\$ 12,047.52	1369
JP Morgan Chase	46647PDG8	Corporate Bond	4.85%	2/1/2024	1,400,000.00	1,396,528.00	(3,472.00)	1,412,488.00	15,960.00		7/25/2027	4.93%	\$ 32,825.10	\$ 28,319.94	\$ 11,705.58	1058
US Bancorp	91159HJF8	Corporate Bond	4.55%	2/5/2024	1,000,000.00	989,200.00	(10,800.00)	1,000,300.00	11,100.00		7/22/2027	4.89%	\$ 21,097.67	\$ 19,440.46	\$ 8,255.54	1055
Treasury	91282CHB0	US Treasury Note	3.63%	2/23/2024	1,175,000.00	1,151,962.92	(23,037.08)	1,167,151.00	15,188.08		5/15/2026	4.56%	\$ 9,595.30	\$ 18,568.45	\$ 8,994.09	622
FHLB	3130AXB31	Gov. Agency Debenture	4.88%	2/27/2024	1,000,000.00	1,003,060.00	3,060.00	1,010,580.00	7,520.00		3/13/2026	4.72%	\$ 2,979.17	\$ 16,052.33	\$ 8,026.16	559
FFCB	3133EPSU5	Gov. Agency Debenture	4.13%	3/28/2024	1,700,000.00	1,687,981.00	(12,019.00)	1,724,752.00	36,771.00	1,558.33	3/20/2029	4.28%	\$ 1,558.33	\$ 18,681.03	\$ 12,321.53	1662
US Treasury	9128285M8	US Treasury Note	3.13%	4/30/2024	1,200,000.00	1,123,832.14	(76,167.86)	1,170,000.00	46,167.86		11/15/2028	4.69%	\$ 1,545.34	\$ 9,066.06	\$ 9,214.69	1537
Cisco Systems	17275RBR2	Corporate Bond	4.85%	5/15/2024	1,000,000.00	999,130.00	(870.00)	1,027,320.00	28,190.00		1/26/2029	4.87%	\$ 13,606.94	\$ 6,135.64	\$ 8,269.77	1609
Home Depot	437076CW0	Corporate Bond	4.90%	5/17/2024	1,000,000.00	1,001,790.00	1,790.00	1,027,370.00	25,580.00	4,355.56	3/15/2029	4.86%	\$ 4,355.56	\$ 5,862.18	\$ 8,260.34	1657
Treasury	91282CJR3	US Treasury Note	3.75%	5/31/2024	1,200,000.00	1,154,629.02	(45,370.98)	1,199,808.00	45,178.98		12/31/2028	4.68%	\$ 3,708.79	\$ 4,511.24	\$ 9,323.24	1583
American Honda	02665WEY3	Corporate Bond	4.95%	6/27/2024	1,000,000.00	995,640.00	(4,360.00)	1,005,330.00	9,690.00		1/9/2026	5.25%	\$ 1,787.50	\$ 430.16	\$ 8,890.07	496
FHLB	3130B1BT3	Gov. Agency Debenture	4.88%	7/2/2024	1,150,000.00	1,150,966.00	966.00	1,165,847.00	14,881.00	8,720.83	6/12/2026	4.82%	\$ (8,720.83)	\$ -	\$ 9,134.12	650
Citibank	17325FBK3	Corporate Bond	4.84%	8/15/2024	1,250,000.00	1,263,062.50	13,062.50	1,268,250.00	5,187.50	1,511.88	7/6/2029	4.60%	\$ (1,511.88)	\$ -	\$ 2,533.94	1770
Subtotal					\$ 51,486,000.00	\$ 49,908,089.87	\$ (1,577,910.13)	\$ 51,032,958.05	\$ 1,124,868.18	\$ 16,146.60			\$ 1,099,169.48	\$ 1,800,254.58	\$ 367,989.31	
BNY MM		Money Market				73,938.80		73,938.80	0.00			0.00%				1
LAIF		State Investment Pool				11,702,445.78		11,659,334.46	(43,111.32)			4.58%			89,309.17	1
						<b>61,684,474.45</b>		<b>\$62,766,231.31</b>	<b>\$1,081,756.86</b>	<b>\$16,146.60</b>			\$ 1,099,169.48	\$ 1,800,254.58	\$ 457,298.47	
<b>Matured Assets</b>																
FNMA	3135G0V75	Gov. Agency Debenture	1.75%	10/17/2019	1,100,000.00	1,105,833.30	5,833.30				7/2/2024	1.63%	\$ 90,956.25	\$ 84,780.33	\$ 98.70	
Honeywell Intl.	438516BW5	Corporate Bond	2.30%	11/20/2019	1,000,000.00	1,014,660.00	14,660.00				8/15/2024	1.64%	\$ 108,483.33	\$ 91,844.87	\$ 2,508.83	
Total Investments "Matured"															\$ 2,607.52	
Total Interest FY 24_25 Matured and Current															\$ 459,906.00	
<b>Maturity Profile</b>																
						Amount		Percent								
		0-1 year				\$ 19,037,765.41		31%								
		1-2 years				\$12,056,029.29		20%								
		2-3 years				\$12,898,653.08</										

Town of Los Gatos  
 Investment Transaction Detail  
 August 31, 2024

Date	Cusip/Id	Description	Transaction Type	Settlement Date	Par	Coupon	Maturity Date	Price	Principal	Interest	Transaction Total
8/2/2024	Cash-USD	Cash-USD	SHORT TERM INVESTMENT FUND INCOME	8/2/2024	616.94	0.000%		100.00	-	-	616.94
8/15/2024	17325FBK3	CITIBANK NA 4.838% 06AUG2029 (CALLABLE 06JUL29)	PURCHASE	8/15/2024	1,250,000	483.800%	8/6/2029	101.05	1,263,062.50	1,511.88	1,264,574.38
8/12/2024	3137EAEP0	FREDDIE MAC 1.5% 12FEB2025	BOND INTEREST	8/12/2024	1,000,000	150.000%	2/12/2025	-	-	7,500.00	7,500.00
8/15/2024	438516BW5	HONEYWELL INTERNATIONAL 2.3% 15AUG2024 CALLABLE	BOND INTEREST	8/15/2024	1,000,000.0	230.000%	8/15/2024	-	-	11,500.00	11,500.00
8/15/2024	438516BW5	HONEYWELL INTERNATIONAL 2.3% 15AUG2024 CALLABLE	REDEMPTION	8/15/2024	1,000,000	230.000%	8/15/2024	100.00	1,000,000.00	-	1,000,000.00
8/15/2024	912810FE3	USA TREASURY 5.5% 15AUG2028	BOND INTEREST	8/15/2024	1,200,000	550.000%	8/15/2028	-	-	33,000.00	33,000.00
8/23/2024	3133EPBM6	FEDERAL FARM CREDIT BANK 4.125% 23AUG2027	BOND INTEREST	8/23/2024	600,000	412.500%	8/23/2027	-	-	12,375.00	12,375.00
8/26/2024	713448DF2	PEPSICO INC 2.85% 24FEB2026 (CALLABLE 24NOV25)	BOND INTEREST	8/24/2024	1,000,000	285.000%	2/24/2026	-	-	14,250.00	14,250.00
8/26/2024	3135G05X7	FANNIE MAE 0.375% 25AUG2025	BOND INTEREST	8/25/2024	1,200,000	37.500%	8/25/2025	-	-	2,250.00	2,250.00
8/26/2024	17275RBR2	CISCO SYSTEMS INC 4.85% 26FEB2029 (CALLABLE 26JAN29)	BOND INTEREST	8/26/2024	1,000,000	485.000%	2/26/2029	-	-	24,250.00	24,250.00



**Town of Los Gatos**  
**Insight ESG Ratings as of August 31, 2024**

Security Description	Maturity Date	Par/Shares	S&P Rating	Moody Rating	Insight ESG Rating	Environment	Social	Governance
AMERICAN HONDA FINANCE 4.95% 09JAN2026	1/9/2026	\$ 1,000,000	A-	A3	3	3	3	3
PEPSICO INC 2.85% 24FEB2026 (CALLABLE 24NOV25)	2/24/2026	\$ 1,000,000	A+	A1	2	2	2	2
HOME DEPOT INC. 3% 01APR2026 (CALLABLE 01JAN2026)	46113	\$ 1,000,000	A	A2	3	3	2	3
JPMORGAN CHASE & CO 3.2 15JUN2026 (CALLABLE 15MAR26)	46188	\$ 500,000	A-	A1	3	1	3	4
APPLE INC. 2.9% 12SEP2027 (CALLABLE 12JUN27)	9/12/2027	\$ 1,300,000	AA+	Aaa	4	1	4	5
TOYOTA MOTOR CREDIT CORP 5.45% 10NOV2027	11/10/2027	\$ 1,600,000	A+	A1	3	2	3	4
AMERICAN HONDA FINANCE 4.7% 12JAN2028	1/12/2028	\$ 600,000	A-	A3	3	3	3	3
PNC BANK NA 3.25% 22JAN2028 (CALLABLE 01 FEB28)	1/22/2028	\$ 1,000,000	A	A2	3	2	3	3
COLGATE-PALMOLIVE CO 4.6% 01MAR2028 (CALLABLE 01FEB28)	3/1/2028	\$ 500,000	A+	Aa3	3	3	3	3
US BANCORP 4.548% 22JUL2028 (CALLABLE 22JUL27)	7/22/2028	\$ 1,000,000	A	A3	4	3	4	4
JPMORGAN CHASE & CO 4.851% 25JUL2028 (CALLABLE 25JUL28)	7/25/2028	\$ 1,400,000	A-	A1	3	1	3	4
CISCO INC. 4.85% 26FEB2029 (CALLABLE 26JAN2029)	2/26/2029	\$ 1,000,000	AA-	A1	2	1	3	3
HOME DEPOT INC. 4.9% 15APR2029 (CALLABLE 15MAR2029)	47223	\$ 1,000,000	A	A2	3	3	2	3
CITIBANK 4.838% 06AUG2029 (CALLABLE 06JUL2029)	8/6/2029	\$ 1,250,000	A+	Aa3	3	1	3	4
<b>Total/Average</b>		<b>\$ 14,150,000</b>			<b>3.0</b>	<b>2.1</b>	<b>2.9</b>	<b>3.4</b>

\*ESG ratings are from 1 to 5, with 1 as the highest rating and 5 as the lowest. All ratings are weighted by industry rankings, based on the importance of the category within the individual industry.

## Fund Schedule

Item 2.

Fund Number	Fund Description	Prior Year Carryforward 7/1/2024*	Increase/ (Decrease) July	Aug 2024				Estimated Fund Balance 8/31/2024*
				Current Revenue	Current Expenditure	Transfer In	Transfer Out	
	<b>GENERAL FUND</b>							
	<b>Non-Spendable:</b>							
	Loans Receivable	159,000	-	-	-	-	-	159,000
	<b>Restricted Fund Balances:</b>							
	Pension	1,400,163	-	-	-	-	-	1,400,163
	Land Held for Resale	44,338	-	-	-	-	-	44,338
	<b>Committed Fund Balances:</b>							
	Budget Stabilization	6,129,774	-	-	-	-	-	6,129,774
	Catastrophic	6,129,775	-	-	-	-	-	6,129,775
	Pension/OPEB	300,000	-	-	-	-	-	300,000
	Measure G District Sales Tax	590,581	-	-	-	-	-	590,581
	<b>Assigned Fund Balances:</b>							
	Open Space	410,000	-	-	-	-	-	410,000
	Sustainability	140,553	-	-	-	-	-	140,553
	Capital/Special Projects	10,359,577	-	-	-	-	-	10,359,577
	Carryover Encumbrances	37,698	-	-	-	-	-	37,698
	Compensated Absences	1,580,623	-	-	-	-	-	1,580,623
	ERAF Risk Reserve	689,608	-	-	-	-	-	689,608
	Council Priorities - Economic Recovery	1,556,614	-	-	-	-	-	1,556,614
	<b>Unassigned Fund Balances:</b>							
111	Other Unassigned Fund Balance Reserve (Pre YE distribution)	1,619,061	(938,017)	2,150,257	(3,074,023)	-	-	(242,722)
	<b>General Fund Total</b>	31,147,365	(938,017)	2,150,257	(3,074,023)	-	-	29,285,582

\* Interfund transfers and ARPA funding allocation to be performed as part of the fiscal year end closing entries.

## Fund Schedule

Item 2.

Fund Number	Fund Description	Prior Year Carryforward 7/1/2024*	Increase/ (Decrease) July	Aug 2024				Estimated Fund Balance 8/31/2024*
				Current Revenue	Current Expenditure	Transfer In	Transfer Out	
<b>SPECIAL REVENUE</b>								
211/212	CDBG	166,653	-	-	-	-	-	166,653
222	Urban Runoff (NPDES)	754,134	(31,240)	30,583	(17,228)	-	-	736,249
231-236	Landscape & Lighting Districts	182,625	219	-	(1,822)	-	-	181,022
251	Los Gatos Theatre	119,446	9,601	105,874	(262)	-	-	234,659
711-716	Library Trusts	556,849	(2,866)	272	(721)	-	-	553,534
<b>Special Revenue Total</b>		<b>1,779,707</b>	<b>(24,286)</b>	<b>136,729</b>	<b>(20,033)</b>	<b>-</b>	<b>-</b>	<b>1,872,117</b>
<b>CAPITAL PROJECTS</b>								
411	GFAR - General Fund Appropriated Reserve	20,282,453	26,957	85,164	(2,129)	-	-	20,392,445
412	Community Center Development	866,281	-	-	-	-	-	866,281
421	Grant Funded Projects	(2,598,237)	-	-	-	-	-	(2,598,237)
461-463	Storm Basin Projects	3,531,248	3,337	5,814	-	-	-	3,540,399
471	Traffic Mitigation Projects	509,491	-	-	-	-	-	509,491
472	Utility Undergrounding Projects	3,584,251	623	-	-	-	-	3,584,874
481	Gas Tax Projects	1,928,167	(81,090)	171,244	-	-	-	2,018,321
<b>Capital Projects Total</b>		<b>28,103,654</b>	<b>(50,173)</b>	<b>262,222</b>	<b>(2,129)</b>	<b>-</b>	<b>-</b>	<b>28,313,574</b>
<b>INTERNAL SERVICE FUNDS</b>								
611	Town General Liability	177,876	-	-	(1,321,181)	-	-	(1,143,305)
612	Workers Compensation	586,246	(456,139)	3,480	(427,377)	-	-	(293,790)
621	Information Technology	2,568,644	(338,991)	6,138	(45,515)	-	-	2,190,276
631	Vehicle & Equipment Replacement	3,286,552	(54,492)	-	-	-	-	3,232,060
633	Facility Maintenance	1,004,774	(11,870)	24,836	(44,771)	-	-	972,969
<b>Internal Service Funds Total</b>		<b>7,624,092</b>	<b>(861,492)</b>	<b>34,454</b>	<b>(1,838,844)</b>	<b>-</b>	<b>-</b>	<b>4,958,210</b>
<b>Trust/Agency</b>								
942	RDA Successor Agency	(4,568,003)	(1,711,514)	-	(102)	-	-	(6,279,619)
<b>Trust/Agency Fund Total</b>		<b>(4,568,003)</b>	<b>(1,711,514)</b>	<b>-</b>	<b>(102)</b>	<b>-</b>	<b>-</b>	<b>(6,279,619)</b>
<b>Total Town</b>		<b>64,086,815</b>	<b>(3,585,482)</b>	<b>2,583,662</b>	<b>(4,935,131)</b>	<b>-</b>	<b>-</b>	<b>58,149,864</b>

\* Interfund transfers and ARPA funding allocation to be performed as part of the fiscal year end closing entries.

**Deposit Accounts of Interest:**

- 111-23541 General Plan Update deposit account balance \$434,723.77
- 111-23521 BMP Housing deposit account balance \$3,923,342.78



**TOWN OF LOS GATOS  
FINANCE COMMISSION REPORT**

MEETING DATE: 10/14/2024

ITEM NO: 3

Item 3.

---

DATE: October 07, 2024  
TO: Finance Commission  
FROM: Gitta Ungvari, Finance Director  
SUBJECT: Receive Chavan and Associate, llp Nonattest Services Independence Checklist

**RECOMMENDATION:**

Receive Chavan and Associate, llp Nonattest Services Independence Checklist.

**DISCUSSION:**

At the September 9, 2024 Finance Commission meeting the Chair and Vice Chair requested the Town Independent Auditor provide the Nonattest Services Independence Checklist. Attachment 1 includes the documentation.

**ATTACHMENT:**

1. Chavan and Associates, llp AID -201 Nonattest Services Independence Checklist

---

Reviewed by: Town Attorney


---

# NONATTEST SERVICES INDEPENDENCE CHECKLIST

## [Beginning of Form](#)

### PURPOSE

This practice aid has been designed to help the auditor document considerations of auditor independence regarding the provision of nonattest/nonaudit services (hereinafter referred to as nonattest services) to the audit client pursuant to auditing standards generally accepted in the United States of America (GAAS) and generally accepted [Government Auditing Standards \(GAGAS\)](#). In addition to the independence considerations related to nonattest services, professional standards also address a number of other independence considerations, including those related to client relationships, external impairments, and organization impairments. This checklist is limited to those considerations related to the provision of nonattest services to the audit client. Other independence considerations should be evaluated as part of the process of determining whether to accept or continue the audit engagement or client relationship and be documented on [KBA-201 Client/Engagement Acceptance and Continuance Form](#).

This checklist may be completed just prior to being engaged to provide attest services that require independence for an existing client, in order to determine whether the auditor may accept the attest engagement. It may also be used as a guide when deciding whether to accept a nonattest engagement for an existing attest client, for which independence must be maintained, and completed before the decision whether to continue the attest engagement is made. 

### INSTRUCTIONS

[ET Section 1.295](#), Nonattest Services, of the AICPA Code of Professional Conduct and [Chapter 3 of Government Auditing Standards—2018 Revision \(the Yellow Book\)](#) establish specific professional standards and provide guidance regarding maintaining auditor independence in the conduct of a financial statement audit when the auditor also provides certain nonattest services to the audit client. The AICPA Professional Ethics Division staff have also provided answers to members' inquiries in a frequently asked questions (FAQ) document. Although nonauthoritative, these FAQs do provide guidance in applying the interpretations of [ET Section 1.295](#) and have been incorporated to the extent that additional types of services are identified that staff believe create threats to independence that would not be at an acceptable level and could not be reduced to an acceptable level by the application of safeguards.

This form may be used to supplement the information gathered and considered on [KBA-201](#) to allow the auditor to determine whether the audit engagement should be accepted or continued.

This checklist is separated into the following four sections:

- Section I: Nature of Nonattest Services Provided;
- Section II: Independence Considerations;
- Section III: Threats to Independence and Safeguards; and
- Section IV: Conclusion.

### Section I: Nature of Nonattest Services Provided

In this section, all nonattest services as defined in [ET Section 1.295](#) of the AICPA Code of Professional Conduct and Chapter 3 of the Yellow Book, when applicable, should be listed and described by type of service: advisory services; appraisal, valuation, and actuarial services; benefit plan administration; bookkeeping, payroll, and other disbursements; business risk consulting; corporate finance consulting; executive or employee recruiting; forensic accounting; hosting services; information system services; internal audit; investment advisory or management services; and tax services. This section should include a brief description of each nonattest service provided.

[ET Section 1.295](#) includes various examples of nonattest services that individually would not impair independence because the appropriate safeguards are in place and management participation reduces threats to an acceptable level. However, performing multiple nonattest services can increase the significance of these threats as well as other threats to independence. Before agreeing to perform nonattest services, the auditor should evaluate whether the performance of multiple nonattest services in the aggregate by the auditor or the auditor's firm creates a significant threat to the auditor's independence that cannot be reduced to an acceptable level by the application of the safeguards. In circumstances where threats are not at an acceptable level, the auditor should apply additional safeguards to eliminate the threats, or reduce them to an acceptable level. Notwithstanding, if the threats cannot be eliminated or reduced to an acceptable level, the auditor's independence will be impaired. These rules apply during the period of the professional engagement and the period covered by the financial statements to which the attest services relate. 💡

## Section II: Independence Considerations

In this section, the table contains the basic independence requirements regarding the provision of nonattest services to audit clients. It also lists nonattest services for which the AICPA Code of Professional Conduct has specifically stated that threats to compliance with the Independence Rule would not be at an acceptable level and could not be reduced to an acceptable level by the application of safeguards. These nonattest services cannot be provided without impairing the auditor's independence. The auditor should answer the questions and use the column provided to describe the specific items that were considered regarding each listed independence requirement. If applicable, the auditor should indicate "Yes," "No," or "N/A," as to whether the requirement was met.

## Section III: Threats to Independence and Safeguards

In this section, nonattest services that are not specifically prohibited are evaluated. The auditor should indicate whether each component of a threat to independence has been considered and whether or not that threat is at an acceptable level. For those threats that are not at an acceptable level, the auditor should indicate the safeguards implemented, or to be implemented, by the auditor to eliminate those threats or reduce them to an acceptable level.



## Section IV: Conclusion

This section should be used to document the auditor's overall conclusion regarding independence related to nonattest services provided to the audit client. If the auditor concludes independence impairments exist, the auditor should not accept the engagement to perform the financial statement audit.

The auditor should refer to [Chapter 3, "Preliminary Engagement Activities and Audit Planning,"](#) for further guidance on preliminary engagement activities for the financial statement audit.

## NONATTEST SERVICES INDEPENDENCE CHECKLIST

[Purpose and Instructions](#)

<b>CLIENT NAME:</b>	Town of Los Gatos
<b>BINDER NAME:</b>	Town of Los Gatos
<b>DATE OF FINANCIAL STATEMENTS:</b>	June 30, 2024

**TAILORING QUESTION SUMMARY**

The below tailoring question(s) affect this workpaper. To complete this workpaper, these tailoring questions should be answered. Please note that only applicable questions will show here. Drill down in the response cell to **AUD-100 Engagement Level Tailoring Questions** to provide an answer or change an existing answer.

Will the audit be performed in accordance with Government Auditing Standards (GAGAS)?	▶ Yes
---	-------

**SECTION I: NATURE OF NONATTEST SERVICES PROVIDED**

<i>Type of Nonattest Service</i>	<i>Description of Service</i>	<i>Firm Personnel Overseeing the Service</i>	<i>Client Personnel Overseeing the Service</i>
Financial Statement Preparation and Related Notes	▶ Preparation of ACFR Statements, note disclosures, RSI, SI, Stats Section, GANN agreed upon procedures.	SDC	Finance Director
ACFR Prep, Related Notes, Stat Tables, RSI, SI.	We prepare the financial statements from the audited TB and supporting audited schedules, prepared by client (PBC). All information in the TB is subject to the auditing process and none of the information included in the TB is prepared by C&A. None of the information included in the ACFR or the TB is created or sourced by C&A.	Engagement Partner	Finance Director
SEFA and FAC	We prepare the SEFA and FAC data collections form as presented in the single audit from client prepared schedules included in the audit.	Engagement Partner	Finance Director

Type of Nonattest Service	Description of Service	Firm Personnel Overseeing the Service	Client Personnel Overseeing the Service
	None of the information included in the SEFA or FAC is created by C&A.		
Annual Financial Transactions Report and Compensation Report	The client has the option to have us prepare the AFTR and Comp report due to the SCO from the audited trial balance and audited payroll reports	Engagement Partner	Finance Director
Type to add new item.			

**SECTION II: INDEPENDENCE CONSIDERATIONS**

	Applicable?	Document Specific Considerations	Independence Requirement Met?
<b>General Considerations</b> 💡	Yes	We prepare the above reports from the audited TB and supporting audited schedules, PBC. All information in the financials, TB, and supporting schedules is subject to the auditing process and none of the information included in the TB is prepared by C&A. None of the information included in the ACFR or the TB is created or sourced by C&A. We make no decisions related to the numbers and all numbers provided by the client or third parties and included in the audit plan. The financial statements are reviewed, accepted and approved by management with SKE. Finally, we have an independent Partner, CPA, or qualified audit associate review all nonattest services.	Yes
1. For all nonattest services provided, has the auditor (the auditor’s firm) avoided assuming any management responsibilities involving leading or directing the entity, including making significant decisions regarding the acquisition, deployment, and control of human, financial,		Requirement met. We did not assume any management responsibilities involving these areas.	Yes



	<i>Applicable?</i>	<i>Document Specific Considerations</i>	<i>Independence Requirement Met?</i>
physical, and intangible resources? (However, the auditor may provide advice, research materials, and recommendations to assist the entity’s management in performing its functions and making decisions.)			
2. Has the entity agreed to perform and is the entity capable of performing the following functions in accordance with the engagement to perform the nonattest services: 🧐		Based on review of management history, resumes, longevity with client or in the industry and previous interaction with management, management appears to have the appropriate Skills, Knowledge and Experience (SKE). In addition, management has utilized the services of consultants with SKE to review the ACFR.	Yes
a. Making all management decisions and assuming all management responsibilities?		See above	Yes
b. Designating an individual (preferably within senior management) who possesses suitable skill, knowledge, and/or experience to oversee the services? (The firm should be satisfied that the individual understands the services performed sufficiently to oversee them, make an informed judgment on the results of the nonattest services, and accept responsibility for making significant judgments and decisions. Factors to be consider include: (1) Understanding of the nature of the service; (2) Knowledge of the attest client’s operations; (3) Knowledge of the attest client’s industry; (4) General business knowledge; (5) Level of education; and		See 2 above Finance Director and Previous Finance Director as consultant All areas listed in 2.b have been met.	Yes

	<i>Applicable?</i>	<i>Document Specific Considerations</i>	<i>Independence Requirement Met?</i>
(6) Position at the attest client.) ?			
c. Evaluating the adequacy and results of the services provided?		FINANCE DIRECTOR Consultant	Yes
d. Accepting responsibility for the results of the services?		FINANCE DIRECTOR	Yes
3. Has the following understanding been established and documented in writing with the attest client (management and those charged with governance) regarding the nonattest services to be provided: a. The objectives of the engagement? b. The services to be provided? c. Management’s acceptance of its responsibilities? d. The auditor’s responsibilities? e. Any limitations of the engagement? ?		RFP process, contract and engagement letter	Yes
4. Has the auditor considered the independence requirements of professional standards applicable to the engagement promulgated by standard setting bodies other than the AICPA [for example, GAO]?		GAO (GAGAS)	Yes
<b>General Activities That Would Impair the Auditor’s Independence</b>	Yes	We have not performed any of the following activities.	Yes
5. Has the auditor avoided the following general activities that would impair independence:		na	Yes
a. Setting policy or strategic direction for the entity?		na	Yes
b. Directing or accepting responsibility for actions of the entity’s employees, except to the extent permitted when using internal auditors to provide assistance for services performed under auditing or attestation standards?		na	Yes

	<i>Applicable?</i>	<i>Document Specific Considerations</i>	<i>Independence Requirement Met?</i>
c. Authorizing, executing, or consummating a transaction, or otherwise having or exercising authority on behalf of the entity?		na	Yes
d. Preparing source documents, in any form, evidencing the occurrence of a transaction?		No source documents are prepared by C&A	Yes
e. Having custody of entity assets?		na	Yes
f. Determining which auditor or third party recommendations the entity should implement or prioritize?		na	Yes
g. Reporting to those charged with governance on behalf of management?		na	Yes
h. Serving as the entity's general counsel or agent in any capacity?		na	Yes
i. Accepting responsibility for the management of a project of the entity?		na	Yes
j. Accepting responsibility for the preparation and fair presentation of the entity's financial statements in accordance with the applicable financial reporting framework?		Management is capable and is willing to accept this responsibility.	Yes
k. Accepting responsibility for designing, implementing, or maintaining internal controls?		na	Yes
l. Performing ongoing evaluations of the entity's internal control as part of its monitoring activities?		na	Yes
m. Accepting responsibility for designing, developing, or implementing the entity's policies and procedures for cybersecurity threats and practices? 🧠		na	Yes
n. Performing attack and penetration testing of the		na	Yes

	<i>Applicable?</i>	<i>Document Specific Considerations</i>	<i>Independence Requirement Met?</i>
entity’s cybersecurity that involves ongoing evaluations of the entity’s controls as part of the entity’s monitoring activities?			
o. Serving as a voting member of the entity’s management committee or board of directors.		na	Yes
<p>6. Has the auditor avoided lending firm personnel (augmented staff) to an attest client unless all of the following safeguards are met:</p> <p>a. The staff augmentation arrangement is being performed due to an unexpected situation that would create a significant hardship for the attest client to make other arrangements.</p> <p>b. The augmented staff arrangement is not expected to reoccur.</p> <p>c. The augmented staff arrangement is performed only for a short period of time. There is a rebuttable presumption that a short period of time would not exceed 30 days.</p> <p>d. The augmented staff neither participates in, nor is in a position to influence, an attest engagement covering any period that includes the staff augmentation arrangement.</p> <p>e. The augmented staff performs only activities that would not be prohibited by the <u><a href="#">“Nonattest Services” subtopic (ET Section 1.295)</a></u> of the <u><a href="#">“Independence Rule” (ET Section 1.200.001)</a></u>.</p> <p>f. The auditor is satisfied that management of the attest client designates an individual or individuals who possess suitable skill, knowledge, and experience, preferably within</p>		na	Yes

	<i>Applicable?</i>	<i>Document Specific Considerations</i>	<i>Independence Requirement Met?</i>
senior management, to be responsible for: i. Determining the nature and scope of the activities to be provided by the augmented staff; ii. Supervising and overseeing the activities performed by the augmented staff; and iii. Evaluating the adequacy of the activities performed by the augmented staff and the findings resulting from the activities. ?			
<b>Advisory Services</b>	No		N/A
<b>Bookkeeping, Payroll, and Other Disbursements</b>	No	na	N/A
<b>Benefit Plan Administration</b>	No		N/A
<b>Executive or Employee Recruiting</b>	No		N/A
<b>Investment Advisory or Management Services</b>	No		N/A
<b>Corporate Finance Consulting</b>	No		N/A
<b>Business Risk Consulting</b>	No		N/A
<b>Information System Services (prior to revisions effective January 1, 2023)</b>	No		N/A
<b>Information System Services (revisions effective January 1, 2023)</b>	No		N/A
<b>Appraisal, Valuation, or Actuarial Services</b>	No		N/A
<b>Forensic Accounting Services</b>	No		N/A
<b>Internal Audit Services</b>	No		N/A
<b>Hosting Services</b>	No		N/A
<b>Additional Considerations Under GAGAS</b>	Yes	All of the following requirements have been met	Yes
7. For engagements to be conducted in accordance with <a href="#">GAGAS</a> , has the auditor avoided the following additional general activities that would impair independence:		None of the following have been performed by C&A	Yes

	<i>Applicable?</i>	<i>Document Specific Considerations</i>	<i>Independence Requirement Met?</i>
a. Providing services that are intended to be used as management's primary basis for making decisions that are significant to the financial statements?		Services not provided by C&A	Yes
b. Developing the entity's performance measurement system when that system is material or significant to the financial statements?		Services not provided by C&A	Yes
c. Serving as a voting member of the entity's management committee or board of directors (such as a school board) even on a volunteer basis?		Services not provided by C&A	Yes

**SECTION III: THREATS TO INDEPENDENCE AND SAFEGUARDS** 💡

	<i>Applicable?</i>	<i>Consideration/Documentation of Threats and Safeguards</i>	<i>Independence Requirement Met?</i>
<b>Threats to Independence</b>	Yes	na	Yes
1. Has the auditor evaluated nonattest services to be provided by considering whether each nonattest service, individually or combined with other nonattest services, would create a threat to auditor independence? Document the nature of any threat(s) identified (i.e., self-review, management participation, or advocacy threat).		We evaluated the preparation of the reporting packages noted above and concluded the threat was mitigated by management with SKE taking responsibility for the nonattest services provided. In addition, the threat was mitigated by having a qualified professional not assigned to the audit team, review all nonattest services. A qualified professional would include Partner, Independent CPA, or other qualified employee of the firm.	Yes
2. For engagements performed in accordance with <u>GAGAS</u> , did the evaluation of nonattest services include the following:		See following	Yes
a. Consideration of management's ability to		Finance Director and Consultants were considered.	Yes

	<i>Applicable?</i>	<i>Consideration/Documentation of Threats and Safeguards</i>	<i>Independence Requirement Met?</i>
effectively oversee the nonattest services to be performed?			
b. Determination of whether the entity has designated an individual who possesses suitable skill, knowledge, experience, and sufficient understanding to oversee the nonattest service(s) and the auditor must document the skills, knowledge, and experience of that individual?		Finance Director and consultant We reviewed resumes, social media, length of employment at client or similar clients and inquired about recent training without exception.	Yes
c. When preparing financial statements in their entirety from a client-provided trial balance or underlying accounting records, documentation of the significant threat to auditors' independence created by doing so and documentation of the safeguards applied to eliminate and reduce that threat to an acceptable level? (If the threat cannot be reduced to an acceptable level, the auditor should decline to provide the service)		The threat has been reduced to an acceptable level because our evaluation of management concluded that management has the SKE to accept responsibility of financial statements. The threat has also been reduced to an acceptable level because we have a qualified professional not assigned to the audit team review all nonattest services. A qualified professional would include a Partner, Independent CPA, or other qualified employee of the firm. The evidence of the mitigation of the self review threat is provided via password protected sign-offs in our audit software by the person performing the review.	Yes
3. For engagements performed in accordance with GAGAS , did the evaluation of nonattest services include the following:		See below	Yes
a. Consideration of management's ability to effectively oversee the nonattest services to be performed?		Client rep letter, engagement letter and emails document management's acceptance of these responsibilities, section 2000. We also review each nonattest service with management in person during our entrance and exit conferences. Based on the information obtained, management's history, resume, experience, we believe	Yes

	<i>Applicable?</i>	<i>Consideration/Documentation of Threats and Safeguards</i>	<i>Independence Requirement Met?</i>
		management has the SKE needed to meet this requirement for all nonattest services.	
b. Determination of whether the entity has designated an individual who possesses suitable skill, knowledge, experience, and sufficient understanding to oversee the nonattest service(s) and the auditor must document the skills, knowledge, and experience of that individual?		Finance Director Consultant We review each nonattest service with management in person during our entrance and exit conferences. Based on the information obtained, management's history, resume, experience, we believe management has the SKE needed to meet this requirement for all nonattest services.	Yes
4. Has the auditor determined the significance of the potential threats identified above both individually and in the aggregate? 💡		The individual nonattest services and the aggregate of all nonattest services were evaluated during engagement planning, team planning meetings, exit conferences, WP review and phase III of the audit without exception (woe).	Yes
5. For engagements performed in accordance with GAGAS , did the consideration of significance include the following:		See below	Yes
a. Consideration of the specific facts and circumstances of the threat(s) individually and in the aggregate?		The individual nonattest services and the aggregate of all nonattest services were evaluated during engagement planning, team planning meetings, exit conferences, WP review and phase III of the audit, woe.	Yes
b. Consideration of both independence of mind and independence of appearance?		Evaluated during engagement planning, team planning meetings, exit conferences, WP review and phase III of the audit, woe	Yes
c. Evaluation of both qualitative and quantitative factors?		Evaluated during engagement planning, team planning meetings, exit conferences, WP review and phase III of the audit, woe	Yes
6. For engagements performed in accordance with <u>GAGAS</u> , did		na	Yes



	<i>Applicable?</i>	<i>Consideration/Documentation of Threats and Safeguards</i>	<i>Independence Requirement Met?</i>
the consideration of significance include the following:			
a. Consideration of the specific facts and circumstances of the threat(s) individually and in the aggregate?		Self review threat related to preparation of ACFR deemed most significant. Whether client had SKE	Yes
b. Consideration of both independence of mind and independence of appearance?		Discussed during planning meetings and client meetings	Yes
c. Evaluation of both qualitative and quantitative factors?		Considered those who may rely on the financial statements and material transactions in relation to the ACFR. Determined that self review threat is the area of highest and concluded that having a person not on the team review the nonattest services would suffice in reducing the risk to an acceptable level.	Yes
7. For Engagements performed in accordance with <u>GAGAS</u> did the practitioner include the following factors when assessing threats created due to providing services related to preparing accounting records and financial statements that do not automatically impair independence:		C&A does not prepare accounting records.	Yes
a. The extent to which the outcome of the service could have a material effect on the financial statements;		The preparation of the financial statements, AFTR and SEFA did not include any changes to the audited TB. Management made all decisions and prepared all supporting schedules related to the preparation of the financial statements. Any adjustments identified as a result of the audit, are included in a proposed adjustment list and reviewed with management for acceptance or rejection. If material adjustments proposed and posted, material weakness findings will be identified in our management letters. This is a result of the audit process and not the financial statement preparation process. Thus, the	Yes

	<i>Applicable?</i>	<i>Consideration/Documentation of Threats and Safeguards</i>	<i>Independence Requirement Met?</i>
		nonattest services identified, could not have a material effect on the financial statements.	
b. The degree of subjectivity involved in determining the appropriate amounts or treatment for those matters reflected in the financial statements; and		There is no subjectivity included in the nonattest services provided by C&A. Management makes all decisions related to the preparation of the financial statements and other nonattest services. The financial statements are prepared from final audited numbers, TB, Schedules.	Yes
c. The extent of the audited entity's involvement in determining significant matters of judgment.		Management makes all decisions related to the preparation of the financial statements and other nonattest services. The financial statements are prepared from final audited numbers, TB, Schedules.	Yes
<b>Safeguards</b>	Yes	na	Yes
8. For threats that are not at an acceptable level, has the auditor applied safeguards that address the specific facts and circumstances of the threat(s) individually and in the aggregate, such that the threats have been eliminated or reduced to an acceptable level? 💡		To ensure that the self review threat is reduced to an acceptable level, we have a partner, independent CPA or qualified team member that is not a part of the audit team review all nonattest services.	Yes
9. For engagements performed in accordance with GAGAS , has the auditor documented all potential threats identified and any safeguards applied to eliminate or reduce the threats to an acceptable level?		Evaluated during engagement planning, team planning meetings, exit conferences, WP review and phase III of the audit, woe. Safeguard against financial statement preparation, SEFA(if applicable), RSI, SI. All information was provided by the client and/or third parties and either subjected to the audit plan or was unaudited and identified as unaudited in the reporting packages. We also review each nonattest service with management in person during our entrance and exit conferences. Based on the information obtained,	Yes

	<i>Applicable?</i>	<i>Consideration/Documentation of Threats and Safeguards</i>	<i>Independence Requirement Met?</i>
		management’s history, resume, experience, longevity we believe management has the SKE needed to meet this requirement for all nonattest services. Finally, we have an independent CPA or qualified team member review all nonattest services.”	
10. For threats to independence initially identified after the auditor’s reports have been issued, has the auditor evaluated the threat’s impact on the audit, the auditor’s report(s), and on GAGAS compliance?		n/a	N/A
11. For threats to independence identified after the auditor’s reports have been issued that, had they been known during the audit, would have resulted in the audit report(s) being different than from the report(s) issued, has the auditor:		n/a	N/A
a. Communicated in the same manner as that used to originally distribute the report(s) to those charged with governance, the appropriate officials of the audited entity and organizations requiring or arranging for the audit, and other known users, so that they do not continue to rely on findings or conclusions that were impacted by the threat to independence?		n/a	N/A
b. Removed any reports posted to publicly accessible websites and posted a notification that the reports have been removed?		n/a	N/A
c. Determined whether additional audit work was necessary to reissue a revised report (including any revised findings or conclusions) or repost the		n/a	N/A

	<i>Applicable?</i>	<i>Consideration/Documentation of Threats and Safeguards</i>	<i>Independence Requirement Met?</i>
original report, and performed any procedures needed in the circumstances?			
12. For engagements performed in accordance with <a href="#">GAGAS</a> , has the auditor documented all potential threats identified and any safeguards applied to eliminate or reduce the threats to an acceptable level?		See above	Yes
13. For threats to independence initially identified after the auditor’s reports have been issued, has the auditor evaluated the threat’s impact on the audit, the auditor’s report(s), and on <a href="#">GAGAS</a> compliance?		na	N/A
14. For threats to independence identified after the auditor’s reports have been issued that, had they been known during the audit, would have resulted in the audit report(s) being different than from the report(s) issued, has the auditor:		na	N/A
a. Communicated in the same manner as that used to originally distribute the report(s) to those charged with governance, the appropriate officials of the audited entity and organizations requiring or arranging for the audit, and other known users, so that they do not continue to rely on findings or conclusions that were impacted by the threat to independence?		na	N/A
b. Removed any reports posted to publicly accessible websites and posted a notification that the reports have been removed?		na	N/A
c. Determined whether additional audit work was necessary to reissue a revised report (including any		na	N/A

	<i>Applicable?</i>	<i>Consideration/Documentation of Threats and Safeguards</i>	<i>Independence Requirement Met?</i>
revised findings or conclusions) or repost the original report, and performed any procedures needed in the circumstances?			

**SECTION IV: CONCLUSION**

<i>Question</i>	<i>Conclusion</i>
Conclusion as to whether the firm and audit team members are free from independence impairments with regards to nonattest services provided to the audit client.	No impairments noted

Below is a description of significant issues considered and their resolution regarding the above conclusion.

<i>Significant Issue</i>	<i>Resolution</i>
Preparation of ACFR, GANN, SEFA, FAC forms, Notes and other reports noted above.	At various phases of the audit, reviewed and analyzed that management had the SKE to oversee, approve and take responsibility for these items. Also, none of the numbers included in any of the packages were calculated by C&A, C&A made no judgments involving the preparation of the financial statements. All data entry from source documents prepared by the client or third parties. Finally, we have an independent CPA or team members review all nonattest services.
<i>Type to add new item.</i>	



**TOWN OF LOS GATOS  
FINANCE COMMISSION REPORT**

MEETING DATE: 10/14/2024

ITEM NO: 4

Item 4.

---

DATE: October 7, 2024  
TO: Finance Commission  
FROM: Gitta Ungvari, Finance Director  
SUBJECT: Discuss and Provide Recommendations for the Management's Discussion and Analysis Section of the June 30, 2024, Annual Comprehensive Financial Report

**RECOMMENDATION:**

Discuss and provide recommendations for the Management's Discussion and Analysis Section of the June 30, 2024, Annual Comprehensive Financial Report.

**DISCUSSION:**

In coordination with the Town's independent auditor, staff has identified the Illustrative Management's Discussion and Analysis provided by the Government Finance Officers Association (Attachment 1) as the basis for the discussion.

**ATTACHMENT:**

1. Illustrative Management's Discussion and Analysis Provided by Government Finance Officers Association (GFOA)

---

Reviewed by: Town Attorney

---

## Management's Discussion and Analysis

As management of the NAME OF GOVERNMENT, we offer readers of the NAME OF GOVERNMENT's financial statements this narrative overview and analysis of the financial activities of the NAME OF GOVERNMENT for the fiscal year ended June 30, 2027. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 3-7 of this report.

### Financial Highlights

- The assets and deferred outflows of resources of the NAME OF GOVERNMENT exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$179,648,905 (net position). The unrestricted net position, which represents the amounts available to meet the NAME OF GOVERNMENT's ongoing obligations to citizens and creditors, was a deficit of \$59,902,302. The NAME OF GOVERNMENT is committed to provide postemployment benefits to its employees. As a result, the NAME OF GOVERNMENT has recognized substantial liabilities in the financial statements for these benefits. As of June 30, 2027, the NAME OF GOVERNMENT had liabilities of \$88.9 million for postemployment benefits, which has caused the deficit balance in the unrestricted net position.
- The NAME OF GOVERNMENT's total net position decreased \$10,852,934 primarily because postemployment benefit plan expenses incurred during the current period.
- At the close of the current fiscal year, the NAME OF GOVERNMENT's governmental funds reported combined fund balances of \$27,803,570, a decrease of \$13,933,692 in comparison with the prior year. Of this amount, \$11,679,639, or 42%, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unrestricted fund balance (the total of the *committed*, *assigned*, and *unassigned* components of *fund balance*) for the general fund was \$19,161,724, or approximately 15% of total general fund expenditures.

### Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the NAME OF GOVERNMENT's basic financial statements. The NAME OF GOVERNMENT's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the NAME OF GOVERNMENT's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the NAME OF GOVERNMENT's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the NAME OF GOVERNMENT is improving or deteriorating.

The *statement of activities* presents information showing how the NAME OF GOVERNMENT's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the NAME OF GOVERNMENT that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the NAME OF GOVERNMENT include general government, public safety, highways and streets, sanitation, and culture and recreation. The business-type activities of the NAME OF GOVERNMENT include a water authority and a transit operation.

The government-wide financial statements include not only the NAME OF GOVERNMENT itself (known as the *primary government*), but also a legally separate urban renewal agency and a legally separate cable television operation for which the NAME OF GOVERNMENT is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The Water Authority, although also legally separate, functions for all practical purposes as a department of the NAME OF GOVERNMENT, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 31-32 of this report.

**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 NAME OF GOVERNMENT, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the NAME OF GOVERNMENT can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

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



The NAME OF GOVERNMENT maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the capital projects fund, and the debt service fund, which are considered to be major funds. Data from the other seven governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The NAME OF GOVERNMENT adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 33-37 of this report.

**Proprietary Funds.** The NAME OF GOVERNMENT maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The NAME OF GOVERNMENT uses enterprise funds to account for its Water Authority and for its transit operation. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the NAME OF GOVERNMENT's various functions. The NAME OF GOVERNMENT uses internal service funds to account for the management of its retained risks and for its fleet of vehicles. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Authority and for the transit operation, both of which are considered to be major funds of the NAME OF GOVERNMENT. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds are provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The basic proprietary fund financial statements can be found on pages 38-40 of this report.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are *not* reported in the government-wide financial statements because the resources of those funds *are* not available to support the NAME OF GOVERNMENT's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The NAME OF GOVERNMENT maintains four different types of fiduciary funds. The *Pension (and other employee benefit) trust funds* are used to report resources held in trust for retirees and beneficiaries covered by the police pension trust fund and the public safety other postemployment benefit trust fund. The *Private-purpose trust fund* is used to report resources held in trust for prisoners to make purchases at the prison canteen. The *Custodial funds* report

resources, not in a trust, that are held by the NAME OF GOVERNMENT for other parties outside of NAME OF GOVERNMENT's reporting entity. One custodial fund, the *external investment pool fund*, accounts for the deposits, withdrawals, and earnings of the local government investment fund, and is separately reported as an external investment pool for local governments.

The fiduciary fund financial statements can be found on pages 41-42 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 43-104 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the NAME OF GOVERNMENT's progress in funding its obligations to provide pension and OPEB benefits to its employees. Required supplementary information can be found immediately after the notes to the financial statements on pages 106-121.

The combining statements referred to earlier in connection with nonmajor governmental funds, internal service funds and pension (and other employee benefit) trust funds are presented immediately following the required supplementary information on pensions and OPEB. Combining and individual fund statements and schedules can be found on pages 124-135 of this report.

### **Government-wide Overall Financial Analysis**

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the NAME OF GOVERNMENT, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$179,648,905, at the close of the most recent fiscal year.

**NAME OF GOVERNMENT's Net Position**

	Governmental activities		Business-type activities		Total	
	2027	2026	2027	2026	2027	2026
<b>Assets</b>						
Current and other assets	\$ 58,053,771	\$ 64,976,276	\$ 11,338,000	\$ 9,759,615	\$ 69,391,771	\$ 74,735,891
Capital assets	287,294,033	283,764,694	39,978,277	39,818,579	327,272,310	323,583,273
Total assets	345,347,804	348,740,970	51,316,277	49,578,194	396,664,081	398,319,164
Total deferred outflows of resources	10,909,796	12,044,596	98,738	167,014	11,008,534	12,211,610
<b>Liabilities</b>						
Long-term liabilities outstanding	181,002,462	180,254,642	11,368,917	12,458,917	192,371,379	192,713,559
Other liabilities	20,175,107	17,243,349	5,681,748	4,657,192	25,856,855	21,900,541
Total liabilities	201,177,569	197,497,991	17,050,665	17,116,109	218,228,234	214,614,100
Total deferred inflows of resources	9,560,666	5,268,408	234,810	146,427	9,795,476	5,414,835
<b>Net position:</b>						
Net investment in capital assets	204,166,769	211,236,392	28,286,203	28,563,887	232,452,972	239,800,279
Restricted	7,098,235	7,147,294	-	-	7,098,235	7,147,294
Unrestricted	(65,745,639)	(60,364,519)	5,843,337	3,918,785	(59,902,302)	(56,445,734)
Total net position	\$ 145,519,365	\$ 158,019,167	\$ 34,129,540	\$ 32,482,672	\$ 179,648,905	\$ 190,501,839

Current and other assets decreased in governmental activities by \$6.9 million from the prior year. In an effort to keep tax increases to a minimum, the NAME OF GOVERNMENT used cash reserves to pay for operations.

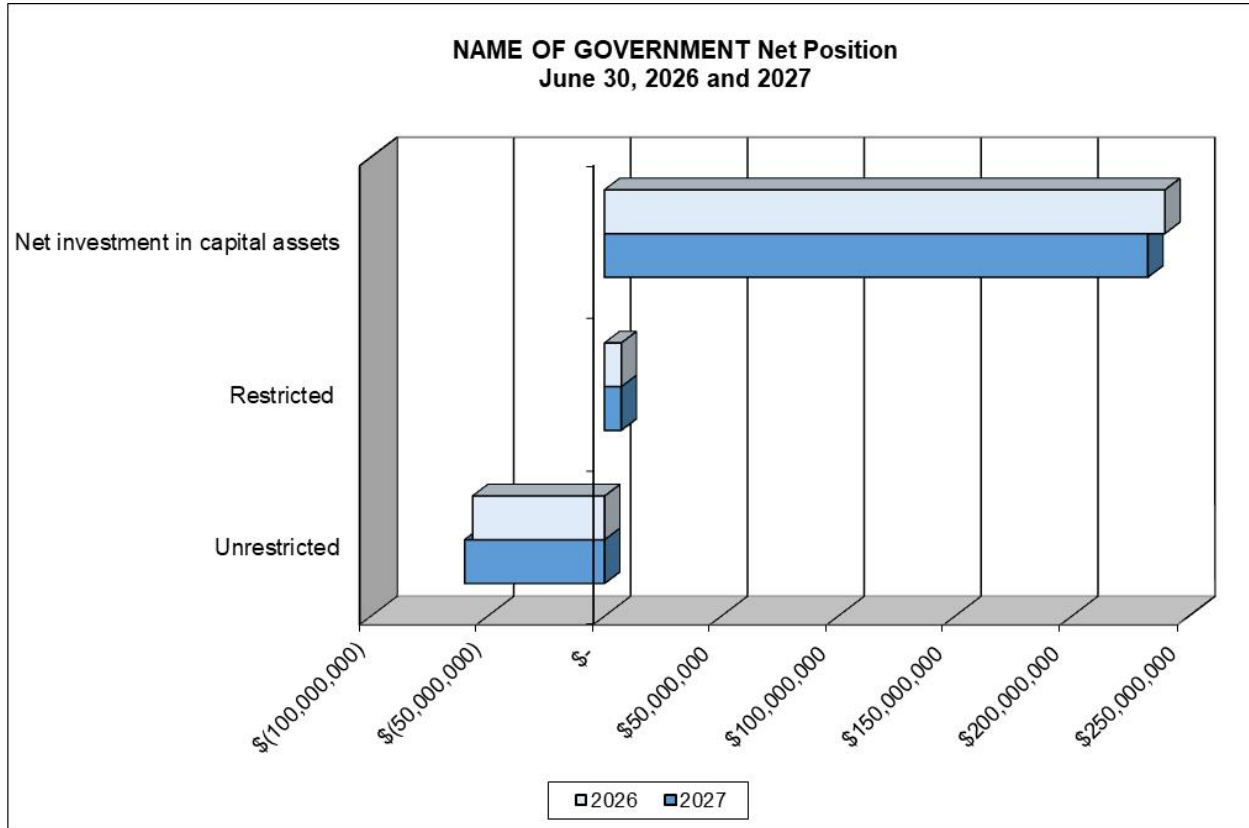
Other liabilities in governmental activities increased \$2.9 million from the previous year due to the increase to short-term bond anticipation notes. During the current year, the NAME OF GOVERNMENT issued \$5.4 million in short-term capital borrowings to finance various capital projects throughout the NAME OF GOVERNMENT. The increase in bond anticipation notes was partially offset by the reduction of accounts payable. The NAME OF GOVERNMENT implemented a new vendor payment system in fiscal year 2026 which has significantly reduced the time to pay for vendors for goods and services.

Long-term liabilities, which consist of bonds, notes, leases, compensated absences and postemployment benefit obligations, decreased slightly by \$0.3 million from the previous year for governmental and business-type activities combined. The NAME OF GOVERNMENT's net OPEB liability decreased \$1.4 million due to the decrease in the NAME OF GOVERNMENT's share of the state's other postemployment benefits healthcare plan liability. The decrease in OPEB liability was offset by the \$1.7 million increase in the NAME OF GOVERNMENT's total pension liability for the firefighters pension plan, which is not prefunded.

By far, the largest portion of the NAME OF GOVERNMENT's net position, \$232,452,972, reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), net of accumulated depreciation and less any related outstanding debt that was used to acquire those assets. The NAME OF GOVERNMENT uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the NAME OF GOVERNMENT's investment in capital assets is reported net

of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the NAME OF GOVERNMENT’s net position, \$7,098,235 represents resources that are subject to external restrictions on how they may be used. As of the end of the current year, the NAME OF GOVERNMENT’s the unrestricted net position was a deficit balance of \$59,902,302. The deficit is caused primarily by the approximately \$88.9 million in postemployment liabilities for the NAME OF GOVERNMENT’s three pension plans (\$449.7 million) and two other postemployment benefit plans for retiree healthcare (\$39.2 million).



The NAME OF GOVERNMENT’s overall net position decreased \$10,852,934 from the prior fiscal year. The reasons for this overall decrease are discussed in the following sections for governmental activities and business-type activities.

## NAME OF GOVERNMENT's Changes in Net Position

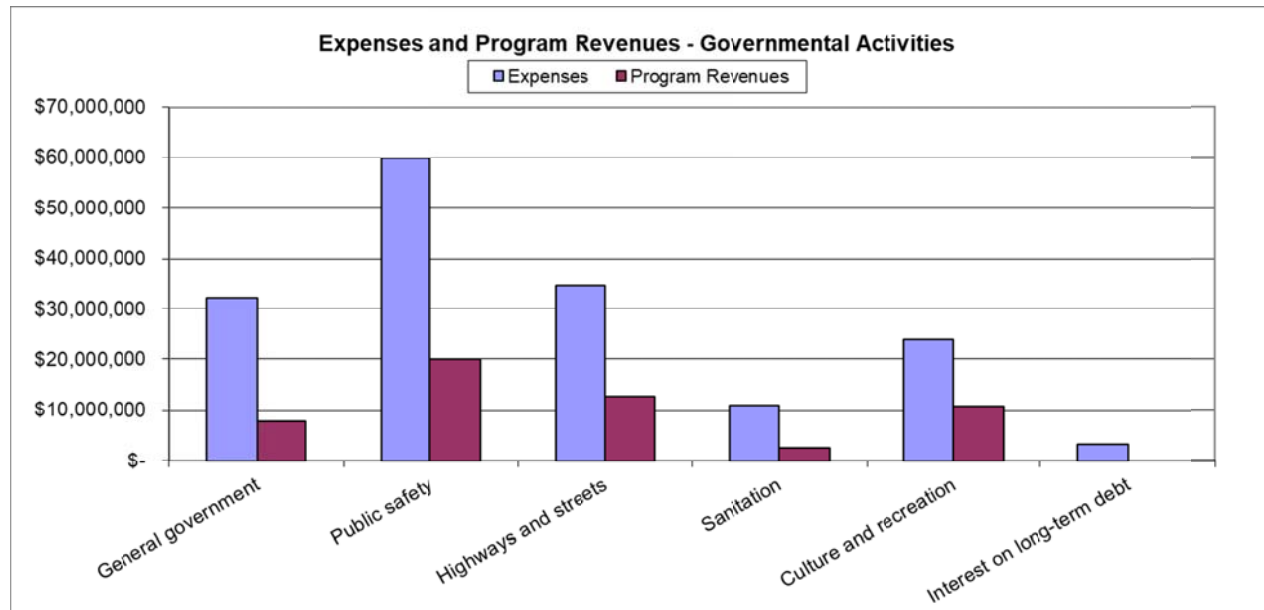
	Governmental activities		Business-type activities		Total	
	2027	2026	2027	2026	2027	2026
Revenues:						
Program revenues:						
Charges for services	\$ 38,104,848	\$ 40,041,828	\$ 10,384,139	\$ 9,426,262	\$ 48,488,987	\$ 49,468,090
Operating grants and contributions	13,063,349	12,827,195	401,441	270,202	13,464,790	13,097,397
Capital grants and contributions	2,948,696	5,876,009	1,178,126	839,053	4,126,822	6,715,062
General revenues:						
Property taxes	45,060,105	43,705,394	-	-	45,060,105	43,705,394
Other taxes	45,906,698	47,486,710	-	-	45,906,698	47,486,710
Payments in lieu of taxes	2,345,545	2,288,147	-	-	2,345,545	2,288,147
Grants and contributions not restricted to specific programs	1,753,982	1,692,600	-	-	1,753,982	1,692,600
Other	6,899,463	4,914,208	287,010	418,677	7,186,473	5,332,885
Total revenues	<u>156,082,686</u>	<u>158,832,091</u>	<u>12,250,716</u>	<u>10,954,194</u>	<u>168,333,402</u>	<u>169,786,285</u>
Expenses:						
General government	32,213,528	31,817,571	-	-	32,213,528	31,817,571
Public safety	59,832,918	59,427,149	-	-	59,832,918	59,427,149
Highways and streets	34,754,879	35,029,059	-	-	34,754,879	35,029,059
Sanitation	10,909,333	9,914,570	-	-	10,909,333	9,914,570
Culture and recreation	23,899,850	25,023,265	-	-	23,899,850	25,023,265
Interest on long-term debt	3,243,771	2,838,043	-	-	3,243,771	2,838,043
Water	-	-	8,357,103	8,356,237	8,357,103	8,356,237
Transit	-	-	5,974,954	5,762,334	5,974,954	5,762,334
Total expenses	<u>164,854,279</u>	<u>164,049,657</u>	<u>14,332,057</u>	<u>14,118,571</u>	<u>179,186,336</u>	<u>178,168,228</u>
Increase (decrease) in net position before transfers	<u>(8,771,593)</u>	<u>(5,217,566)</u>	<u>(2,081,341)</u>	<u>(3,164,377)</u>	<u>(10,852,934)</u>	<u>(8,381,943)</u>
Transfers	(3,728,209)	(3,604,638)	3,728,209	3,604,638	-	-
Increase (decrease) in net position	<u>(12,499,802)</u>	<u>(8,822,204)</u>	<u>1,646,868</u>	<u>440,261</u>	<u>(10,852,934)</u>	<u>(8,381,943)</u>
Net position – beginning	158,019,167	166,841,371	32,482,672	32,042,411	190,501,839	198,883,782
Net position – ending	<u>\$ 145,519,365</u>	<u>\$ 158,019,167</u>	<u>\$ 34,129,540</u>	<u>\$ 32,482,672</u>	<u>\$ 179,648,905</u>	<u>\$ 190,501,839</u>

**Governmental Activities.** During the current fiscal year, net position for governmental activities decreased \$12,499,802 from the prior fiscal year for an ending balance of \$145,519,365. While the current recession certainly had an impact on the NAME OF GOVERNMENT, management was able to take various actions (e.g., increasing rates for certain revenue sources, delaying certain nonrecurring expenses, reducing expenses related to non-essential ongoing programs in the culture and recreation function) that neutralized its effect on governmental activities. The decrease in the overall net position of governmental activities is primarily due to the \$12.7 million in postemployment benefit expense incurred during the current year that will provide pensions and health care benefits to current and future retirees and their eligible spouses and dependents during the life of the retiree.

Revenues decreased \$2.7 million from the prior year due a \$2.9 million decrease in capital grants. The state and federal government has decreased their funding for infrastructure projects as a result of the most recent budget reductions. Property taxes remain the largest source of revenue at \$45.1 million for the current fiscal year. The assessed valuations have remained constant since 2018, however the rate charged to property owners has risen from \$89.15 in 2018 to \$147.48 in the current year.

Expenses grew slightly during the current year, increasing from \$164.0 million in the prior year to \$164.9 million in the current year. The most significant increases, of was \$1.0 million in the sanitation function and \$0.4 million in public safety, are due primarily to increased labor costs as a result of new contracts with uniform police and sanitation workers, and the expansion of the NAME OF GOVERNMENT’s recycling program. An increase in interest on long-term debt, also of \$0.4 million, resulted from interest on additional general obligations bonds issued in 2026 and notes privately placed in 2027, both of which support capital improvements which are discussed further in the section on the capital projects fund. These increases were partially offset by a \$1.1 million decrease in culture and recreation due to lower maintenance costs for the parks. The savings was generated by lower costs charged by new contact service provider, and completion early in the year of several major playground maintenance projects.

As shown in the chart below, revenues generated by the NAME OF GOVERNMENT’s programs are not sufficient to cover the costs. The NAME OF GOVERNMENT relies on property taxes, sales taxes, investment income and other general revenues to cover the costs associated with the various programs.



**Business-type Activities.** For the NAME OF GOVERNMENT’s business-type activities, the results for the current fiscal year were positive in that overall net position increased to reach an ending balance of \$34,129,540. The total increase in net position for business-type activities (water and transit funds) was \$1,646,868 or 5.1% from the prior fiscal year. The growth, in large part, is attributable to a 5% water rate increase enacted for the fiscal year 2026-2027 budget. As a result, revenues from water activity charges for services increased \$922,179, over the previous year’s amount. An additional cause for the overall increase was the receipt of a capital grant of \$250,000 restricted for use in purchasing upgraded vehicles for the transit operation.

**Financial Analysis of Governmental Funds**

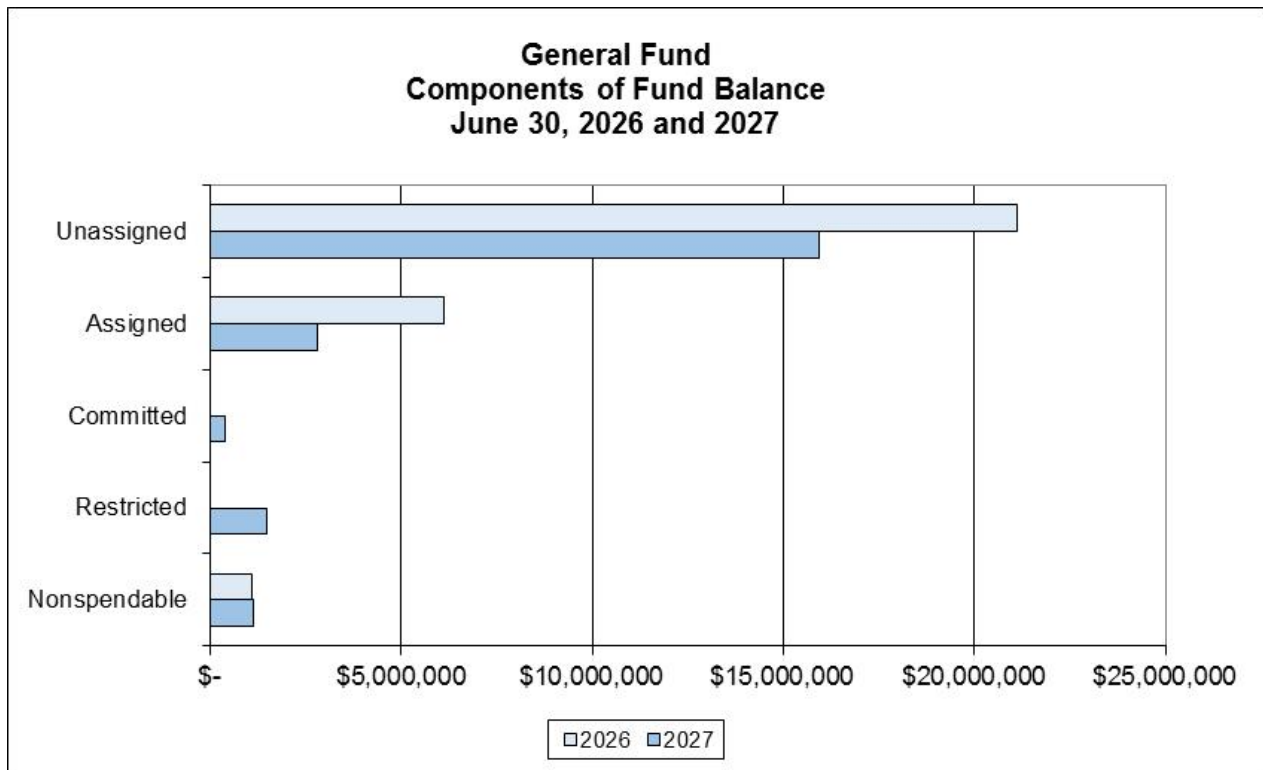
As noted earlier, the NAME OF GOVERNMENT uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the NAME OF GOVERNMENT’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the NAME OF GOVERNMENT’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the NAME OF GOVERNMENT itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the NAME OF GOVERNMENT’s Council.

At June 30, 2027, the NAME OF GOVERNMENT’s governmental funds reported combined fund balances of \$27,803,570, a decrease of \$13,933,692 in comparison with the prior year. Of this amount, \$11,679,639, or 42%, constitutes *unassigned fund balance*, which is available for spending at the government’s discretion. The remainder of the fund balance is either *nonspendable, restricted, committed, or assigned* to indicate that it is (1) not in spendable form, \$1,145,499; (2) not spendable because it is legally required to be maintained intact, \$10,000; (3) restricted for particular purposes, \$10,179,892; (4) committed for particular purposes, \$1,980,153; or (5) assigned for particular purposes, \$2,808,387.

*Analysis of Individual Funds*

The general fund is the chief operating fund of the NAME OF GOVERNMENT. At the end of the current fiscal year, unassigned fund balance of the general fund was \$15,945,960, while total fund balance decreased to \$21,806,609. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents 12.5% of total general fund expenditures, while total fund balance represents 17.2% of that same amount.



The fund balance of the NAME OF GOVERNMENT's general fund decreased by \$6,565,817 during the current fiscal year. As discussed earlier in connection with governmental activities, the decrease was due to the contributions made by the NAME OF GOVERNMENT to the pension and other employee benefit healthcare plans. The actual total contributions made during the year from the general fund were approximately \$12.0 million.

The capital projects fund, a major fund, had an \$8,258,317 decrease in fund balance during the current fiscal year which put the overall fund balance in a deficit position for the amount of \$2,191,321. The fund reports an even larger deficit of unassigned fund balance, -\$4,266,321, because of amounts restricted, \$875,000, and committed, \$1,200,000, for a special assessment project that began during the current fiscal year.

The large decrease in fund balance was caused mainly by the spending of resources obtained through the issuance of long-term debt in the prior period on capital acquisition and construction in the current period. That is, the fund balance that resulted from the previous long-term debt issuance was spent down during the current period as the related capital projects progressed.

Another reason for the decrease in fund balance for the current year was the use of short-term debt. In the case of the capital projects fund, bond anticipation notes (BANS) were issued to finance expenditures of certain capital projects. When issued, short-term BANS are reported as a liability on the balance sheet, with no effect on fund balance (i.e., proceeds = liability for debt). However, as the proceeds are spent, the related expenditures cause a decrease in fund balance. BANS in the amount of \$6,905,200 remained outstanding and were reported as a liability in the capital projects fund at year end, while only \$2,638,879 of the proceeds remained unspent. The difference between these two amounts, -\$4,266,321, is the amount reported as the deficit in unassigned fund balance in the capital projects fund at the end of the year.

It is NAME OF GOVERNMENT's intent to issue long-term bonds to replace the BANS. The issuance of the bonds will eliminate both the unassigned and the overall fund balance deficit in the capital projects fund.

The debt service fund, the remaining major governmental fund, had an increase in fund balance during the current year of \$777,988 to bring the year end fund balance to \$1,895,993. The increase primarily results from a special assessment project that began during the current year. First, a debt service restriction of \$846,000 was established in the debt service fund through a transfer from the capital projects fund. Second, the first installment of the special assessment receivable, \$470,000, was collected, along with related interest of \$188,000. The NAME OF GOVERNMENT was able to use available cash to advance refund \$500,000 of outstanding bonds during current year. The total increase in fund balance from these three amounts is \$1,504,000. The overall increase for the year did not reach this amount because a portion of the fund balance at the beginning of the year was used for debt service payments during the year.

**Proprietary Funds.** The NAME OF GOVERNMENT's proprietary funds provide the same type of information found in the business-type activities portion of the government-wide financial statements, but in more detail.



Unrestricted net position of the Water Authority at the end of the year was \$4,994,426 and for the transit operation was \$588,590. The total growth in net position for each of the funds was \$1,407,911 and \$259,190, respectively. As noted earlier in the discussion of business-type activities, the increase for the Water Authority results from a 5% water rate increase in the current year and a capital grant of \$250,000 resulted in the growth reported by the transit operation.

### General Fund Budgetary Highlights

**Original budget compared to final budget.** During the year, there was no need for any significant amendments to increase either the original estimated revenues or original budgeted appropriations. However, there was a need to make an amendment to reallocate appropriations among departments when it became clearer which departments would actually be charged for certain employee benefits such as pensions and other postemployment benefits. Generally, the movement of the appropriations between departments was *not* significant. The exception was the appropriation for the Council department in the general government function, which was increased to \$2,033,040.

**Final budget compared to actual results.** The most significant differences between estimated revenues and actual revenues were as follows:

Revenue source	Estimated revenues	Actual revenues	Difference
Licenses and permits	\$ 4,166,256	\$ 2,649,889	\$ (1,516,367)
Intergovernmental	11,414,391	9,705,931	(1,708,460)
Charges for services	17,738,732	19,107,871	1,369,139
Investment earnings	1,258,200	3,352,747	2,094,547

The shortfalls in the above revenue sources were caused by the recession experienced during the current year. Licenses and permits were less than estimated because there were less of these items purchased, particularly in the case of business licenses and building permits. Intergovernmental is the classification used to report grant revenues. The recession impacted the state and most other general and special-purpose governments. Accordingly, the grants that these other governments were able to provide were less than expected. Actual grants from the state were approximately \$1,250,000 less than estimated while grants from other governments were approximately \$500,000 less.

Over the last decade the NAME OF GOVERNMENT has worked to identify and implement more charges for various programs and activities. This has included certain housing programs, but has been especially true in the case of various cultural activities (e.g., performing arts) and recreational activities (e.g., use of recreational facilities such as swimming pools, indoor basketball courts, charges for night time lighting of outdoor facilities). The goal of this effort was to increase the percentage of total revenues that are provided by this classification. As discussed in the letter of transmittal this effort has been moderately successful in increasing the proportion of total revenues of governmental funds that results from these charges.

Ironically, the *increase* in investment earnings is also attributable to the current recession. As noted earlier in the discussion about governmental activities, actions were taken during the year to help

mitigate the negative impact of the economic downturn. The result of these actions (e.g., delaying the payment of nonrecurring expenditures/expenses) the cash balance available for investment throughout much of the year was a significantly larger than anticipated. Moreover, in some cases it was possible to invest these amounts for longer periods, which also enhanced total investment earnings for the year.

A review of actual expenditures compared to the appropriations in the final budget yields no significant variances with one exception. Actual expenditures for the protective inspection department within the public safety function, \$1,685,839, exceeded the related appropriation of \$1,664,092, by \$21,747. While the overspending of this appropriation (by up to \$100,000) is authorized by law in cases involving imminent public endangerment (e.g., the need to inspect properties with damage from collision, natural disaster, fire, or water to determine their inherent stability), such overspending is still considered a budgetary violation. Furthermore, the overspending affects the subsequent year's budget. That is, the amount of the overspending caused by situations involving imminent public endangerment automatically decreases the portion of the protective inspective appropriation for the subsequent year that relates to routinely scheduled inspections.

This year's overspending was, in fact, caused by imminent public endangerment cases. Accordingly, the violation is displayed on the face of the *General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual* and is disclosed in the notes to the financial statements. The necessary adjustment was made to the appropriation that was legally adopted for the subsequent year's budget.

### Capital Assets and Debt Administration

**Capital assets.** The NAME OF GOVERNMENT's investment in capital assets for its governmental and business-type activities as of June 30, 2027, amounts to \$327,272,310 (net of accumulated depreciation/amortization). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, roads, highways, bridges, intangibles, and the water treatment plant. The total increase in capital assets for the current fiscal year was 1.1%.

#### NAME OF GOVERNMENT's Capital Assets (net of depreciation/amortization)

	Governmental activities		Business-type activities		Total	
	2027	2026	2027	2026	2027	2026
Land	\$ 50,067,172	\$ 50,067,172	\$ 1,911,400	\$ 1,911,400	\$ 51,978,572	\$ 51,978,572
Construction in progress	9,870,118	22,974,097	5,363,783	6,726,334	15,233,901	29,700,431
Buildings	132,720,452	113,431,112	7,534,014	5,851,282	140,254,466	119,282,394
Machinery, equipment, and vehicles	12,968,496	11,740,088	3,767,352	3,193,858	16,735,848	14,933,946
Right-to-use leased equipment	53,591	-	-	-	53,591	-
Infrastructure	81,614,204	85,552,225	-	-	81,614,204	85,552,225
Water distribution system	-	-	21,401,728	22,135,705	21,401,728	22,135,705
Total	<u>\$ 287,294,033</u>	<u>\$ 283,764,694</u>	<u>\$ 39,978,277</u>	<u>\$ 39,818,579</u>	<u>\$ 327,272,310</u>	<u>\$ 323,583,273</u>

Major capital assets events during the current fiscal year included the following:

- Various projects related to streets, sidewalks, and storm water drains at a cost of \$4,847,666.
- A new parking garage with construction costs of \$4,483,790 was completed and placed in service during the current year.
- Other parking structure and parking lot rehabilitation at a total cost of \$2,047,220.
- Completion of renovations to various fire protection facilities at a cost of \$7,222,315.
- Public safety dispatch upgrades and renovations to police and fire facilities (construction in progress as of the close of the fiscal year had reached \$2,517,168).
- Completion of an expanded maintenance facility for the transit operation during the current year at a cost of \$2,150,249.
- The purchase of various vehicles and equipment at a total cost of \$4,741,410.

Additional information on the NAME OF GOVERNMENT's capital assets can be found in Note IV.E of this report.

**Long-term Debt.** At the end of the current fiscal year, the NAME OF GOVERNMENT had total bonded debt outstanding of \$87,095,000. Of this amount, \$82,395,000 is debt backed by the full faith and credit of the government and \$4,700,000 is special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment. The remainder of the NAME OF GOVERNMENT's long-term obligations is comprised of notes and leases payable.

#### NAME OF GOVERNMENT's Outstanding Debt

	Governmental activities		Business-type activities		Total	
	2027	2026	2027	2026	2027	2026
General obligation bonds	\$ 72,352,863	\$ 77,994,507	\$ 10,042,137	\$ 11,069,820	\$ 82,395,000	\$ 89,064,327
Special assessment bonds with governmental commitment	4,700,000	-	-	-	4,700,000	-
Notes payable	2,000,000	-	-	-	2,000,000	-
Leases payable	49,587	-	-	-	49,587	-
<b>Total</b>	<b>\$ 79,102,450</b>	<b>\$ 77,994,507</b>	<b>\$ 10,042,137</b>	<b>\$ 11,069,820</b>	<b>\$ 89,144,587</b>	<b>\$ 89,064,327</b>

The NAME OF GOVERNMENT's total debt increased by \$80,260 (0.1%) during the current fiscal year. The following are the reasons for the overall increase.

During the current year the NAME OF GOVERNMENT entered into a new lease for capital equipment for \$57,517. The NAME OF GOVERNMENT issued a private placement note of \$2,000,000 to be used to purchase vehicles for various departments throughout the government. The NAME OF GOVERNMENT also issued special assessment debt with governmental commitment with a face value of \$4,700,000. The new issuances were offset by the regularly scheduled principal reductions on the existing outstanding debt.

In addition to the new debt issuances, the NAME OF GOVERNMENT issued general obligation bonds to refinance previously outstanding general obligation bonds reported in governmental activities. This refinancing was done to take advantage of favorable interest rates. The result is expected to be a decrease in future debt service payments of \$327,142. The NAME OF GOVERNMENT also used available cash advance refund \$500,000 of outstanding bonds.

The NAME OF GOVERNMENT and its Water Authority both maintained “AA” ratings from Standard & Poor’s and Fitch Ratings and “Aa” ratings from Moody’s Investors Service for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 7% of the average full valuation of taxable property within the jurisdiction. The current debt limitation for the NAME OF GOVERNMENT is \$654,486,768, which is significantly in excess of the NAME OF GOVERNMENT’s outstanding general obligation debt.

Additional information on the NAME OF GOVERNMENT’s long-term debt can be found in Note IV.M of this report.

### **Economic Factors and Next Year’s Budgets and Rates**

The following economic factors currently affect the NAME OF GOVERNMENT and were considered in developing the 2027-2028 fiscal year budget.

- The unemployment rate for the NAME OF GOVERNMENT is currently 7.1%, which is a significant increase from a rate of 4.6% a year ago because of the current recession.
- While the unemployment rate is likely to decrease, it is not expected to reach the prerecession level for several years.
- A 2% increase in water rates beginning July 1, 2027 anticipates current and future expenditure increases due to additional state and federal water quality mandates.
- A property tax rate increase of 6.5% to fund increases in recurring expenditure obligations.
- An increase in the rates on the NAME OF GOVERNMENT’s current fee schedule.
- Several new revenue sources were enacted in the 2027-28 budget year, including a fire inspection fee on commercial and multi-family dwellings, a livery vehicle fee, and a room occupancy tax on hotel rooms and similar lodgings.
- Declines in the taxable assessed value as a percentage of estimated actual value and resulting decreases in property assessments will continue to affect the NAME OF GOVERNMENT’s real property tax base.
- Declines in housing prices and sales are expected to continue throughout the fiscal year, further straining mortgage tax revenues and assessed values.
- Interest rates are expected to remain at record low levels throughout fiscal year 2027-2028.
- On the expenditure side, increases are expected in health insurance premiums, as well as pension and other employee benefit costs.
- The NAME OF GOVERNMENT continues to purchase a catastrophic liability insurance policy to protect itself from unforeseen losses in excess of \$1 million.
- The NAME OF GOVERNMENT’s daytime population exceeds 300,000 persons a day, requiring twenty-four hour services for residents and non-residents alike.
- Departmental budget reductions were implemented in recognition of the decline in revenues as a result of the current recession.
- Contract settlements with all of the NAME OF GOVERNMENT’s remaining unions.

At the end of the current fiscal year, the unassigned fund balance in the general fund was \$15,945,960. The NAME OF GOVERNMENT has appropriated \$2,215,728 of this amount for spending in the 2027-2028 fiscal year budget. This action was taken as an additional measure to mitigate the impact of the recession on the 2027-2028 fiscal year budget.

### **Requests for Information**

This financial report is designed to provide a general overview of the NAME OF GOVERNMENT's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 7529 West Kilwood Street, NAME OF GOVERNMENT, STATE, ZIP CODE.