



**TOWN OF LOS GATOS
FINANCE COMMISSION SPECIAL MEETING AGENDA
DECEMBER 4, 2023
110 EAST MAIN STREET
LOS GATOS, CA
5:00 PM**

*Rick Tinsley, Chair
Phil Koen, Vice Chair
Stacey Dell, Commissioner
Andrew Howard, Commissioner
Linda Reiners, Commissioner
Maria Ristow, 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 the Zoom webinar application (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. The meeting may be viewed live through the Zoom webinar.

PARTICIPATION

To provide oral comments in real-time during the meeting:

- **Zoom webinar:** Join from a PC, Mac, iPad, iPhone or Android device: Please click this URL to join: <https://losgatosca.gov.zoom.us/j/89884155651?pwd=kz3ybxOpkA6V8zNeWQaGz70JR-XUZg.szKnBvX1ezt0ISMT> Passcode: 653450. You can also type in 840 7176 1435 in the “Join a Meeting” page on the Zoom website at <https://zoom.us/join> and use passcode: 653450.
 - When the Chair 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.
- **Join by telephone:** Join by Telephone: Dial: USA 877 336 1839 US Toll-free or 636 651 0008 US Toll. Conference code: 1052180.
 - If you are participating by calling in, press #2 on your telephone keypad to raise your hand.
- **In-Person:** If you wish to speak during the meeting, please complete a “speaker’s card” located on the back of the chamber benches and return it to the Town Clerk. If you wish to speak to an item on the agenda, please list the item number. If you wish to speak on an item NOT on the agenda, please list the subject and you may speak during the “Verbal Communications” period. The time allocated to speakers may change to better facilitate the Finance Commission meeting.

When called to speak, you may be asked to provide your full name and your town/city of residence. This identifying information is optional and not a requirement for participation. Please limit your comments to three (3) minutes, or such other time as the Chair may decide, consistent with the time limit for speakers at a Commission meeting. If you wish to speak to an item or items on the Consent Calendar, please state which item number(s) you are commenting on at the beginning of your time.

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)).*

VERBAL COMMUNICATIONS *(As a Special Meeting, members of the public may address the Finance Commission only on the agenda items. Unless additional time is authorized by the Chair, remarks shall be limited to three minutes.)*

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

1. Review the Draft Annual Comprehensive Financial Report (ACFR) for the Preceding Fiscal Year and Provide Written Comments and Recommendations Prior to Presenting to the Town Council

ADJOURNMENT

IN COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT, IF YOU NEED SPECIAL ASSISTANCE TO PARTICIPATE IN THIS MEETING, PLEASE CONTACT THE CLERK DEPARTMENT AT (408) 354-6834. NOTIFICATION 48 HOURS BEFORE THE MEETING 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 REPORT

MEETING DATE: 12/04/2023

ITEM NO: 1

Item 1.

DATE: November 27, 2023
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Review the Draft Annual Comprehensive Financial Report (ACFR) for the
Preceding Fiscal Year and Provide Written Comments and Recommendations
Prior to Presenting to the Town Council

RECOMMENDATION:

Review the Draft Annual Comprehensive Financial Report (ACFR) for the preceding Fiscal Year (FY) and provide written comments and recommendations prior to presenting to the Town Council.

REMARKS:

With the passage of Measure A, the Finance Commission has been tasked with several mandated duties as described in the provisions of the adopted Ordinance. Section 2.50.225. – Duties states that:

(a) The Finance Commission shall:

(3) Review the Town Manager's draft Annual Comprehensive Financial Report (ACFR) for the preceding fiscal year and provide written comments and recommendations to the Town Manager.

(A) The Town Manager shall respond in writing to the Finance Commission providing his or her rationale for accepting or rejecting each of the Finance Commission's comments and recommendations prior to presenting the ACFR to the Town Council for formal consideration.

(B) The Town Manager may not present the ACFR to the Town Council for formal consideration unless or until he or she considers and responds in writing to all of the Finance Commission's comments and recommendations.

PREPARED BY: Gitta Ungvari
Finance Director

Reviewed by: Town Manager, Assistant Town Manager, and Town Attorney

PAGE 2 OF 2

SUBJECT: Review Draft FY 2022/23 ACFR

DATE: November 27, 2023

REMARKS (continued):

Review the draft Annual Comprehensive Financial Report (ACFR) for the preceding fiscal year and provide written comments during the week of November 27, 2023 to Gitta Ungvari (gungvari@losgatosca.gov) by 11:00 a.m. on December 4, 2023. All comments received by the deadline will be included in the meeting materials as a Desk Item, posted to the Finance Commission agenda for that day, and distributed to the Commission prior to the meeting.

All comments and recommendations must be received prior to presenting to the Town Council on December 19, 2023.

Attachment:

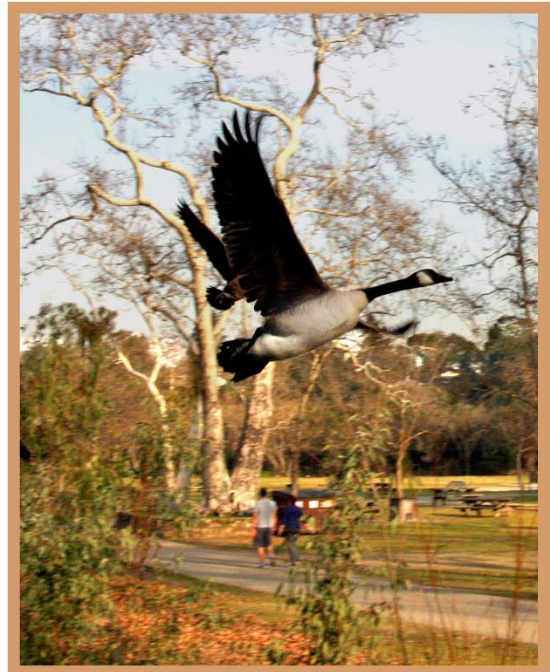
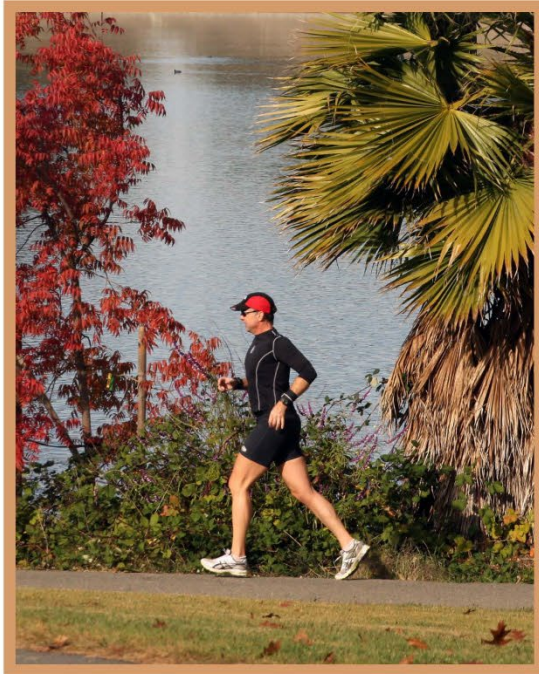
1. Draft FY 2022/23 Annual Comprehensive Financial Report



TOWN OF LOS GATOS

Item 1.

CALIFORNIA



Annual Comprehensive Financial Report

Fiscal Year ending June 30, 2023

DRAFT

Old Town Los Gatos Image—Ricky Pan

**TOWN OF LOS GATOS
CALIFORNIA**

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2023**

DRAFT

**PREPARED BY THE
OFFICE OF THE TOWN MANAGER**

TOWN HISTORY

Los Gatos is located at the base of the Santa Cruz Mountains at the southwest edge of Santa Clara County and approximately 50 miles south of San Francisco. The natural landscape includes picturesque hillsides, creeks, and valley flatlands. Los Gatos is in an area once occupied by Indigenous People, who lived sustainably in the area rich with fertile soils, abundant wildlife, and other natural resources.

The name Los Gatos comes from “El Rancho de Los Gatos,” a ranch established in 1839 by a Mexican land grant and so named because of the large number of mountain lions in the area. In 1854, James Alexander Forbes purchased some of this land and built a flour mill. In 1860, the first hotel was opened to provide a stage stop on the toll road which had been built between San Jose and Santa Cruz.

Wheat production gave way to orchards, and rapid growth ensued when the railroad reached Los Gatos in 1878. The residential subdivisions of Broadway, Bayview, Fairview, and Almond Grove were built in the 1880's. By 1887, the population had grown to 1,500 and the Los Gatos community voted to incorporate.

Fruit industries faded slowly during the Depression and World War II, but the postwar period brought an influx of people, producing residential and commercial development. Highway 17 was constructed through the center of town, opening in 1940. Growth levelled off in the early 1970's, leaving Los Gatos with its small-town atmosphere and pedestrian-oriented downtown.

Because of its distance from other centers of population, Los Gatos developed as a complete community including residential, business, and industrial elements. Preserving Los Gatos as a complete and well-balanced community has been and remains a prominent goal of residents. From the first 100-acre town site in 1890 with a population of 1,652, Los Gatos grew slowly so that by 1963 the area was 6.3 square miles, with a population of 11,750. Today Los Gatos covers nearly 15 square miles and has a population of about 33,102. This growth over the first 80 years resulted in a human scale community with narrow streets and small buildings.

As it exists now, Los Gatos' boundaries encompass a wide variety of terrain, ranging from level land to steep and densely wooded hillsides. The sharp visual contrasts among these features and charming architecture create the picturesque setting of the Town. In the midst of the growth of Silicon Valley, Los Gatos attracts people with a preference for the Town's distinctive, high quality natural and urban environment.

TOWN VISION STATEMENT

The Town of Los Gatos's Vision Statement articulates the future Los Gatos and reflects the high ideals identified by the community:

Residents are united in their desire to maintain a high quality of life and preserve the character of the Town. The overall community consensus is that Los Gatos be a full-service community that is also environmentally sensitive; that Los Gatos maintains a balanced, well-designed mix of residential, commercial, service and open space uses, fostering a pedestrian-oriented community with a small town, village-like character; that Los Gatos supports an active business community that provides a wide variety of goods and services and a broad range of employment opportunities, eliminating the need to travel to other communities; and that Los Gatos provides a well-run, efficient municipal government that is fiscally healthy, with high levels of public safety, recreational, art and cultural amenities and is connected to high quality education.

ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2023

TABLE OF CONTENTS

INTRODUCTORY SECTION:

Letter of Transmittal	1
Organization Chart	7
Principal Officers	8
GFOA Award	9

FINANCIAL SECTION:

<i>Independent Auditor's Report</i>	13
<i>Management's Discussion and Analysis</i>	18
<i>Basic Financial Statements:</i>	
Government-Wide Financial Statements:	40
Statement of Net Position	41
Statement of Activities	42
Fund Financial Statements:	
Governmental Funds:	43
Balance Sheet	44
Reconciliation of the Governmental Funds Balance Sheet to the	
Statement of Net Position	45
Statement of Revenues, Expenditures and Changes in Fund Balances	46
Reconciliation of Governmental Funds Statement of Revenues, Expenditures,	
and Changes in Fund Balances to the Statement of Activities	47
Statement of Revenue, Expenditures and Changes in Fund Balances –	
Budget and Actual (GAAP) General Fund	48
Statement of Revenue, Expenditures and Changes in Fund Balances –	
Budget and Actual (GAAP) ARPA Fund	49
Proprietary Funds – Internal Service Funds:	50
Statement of Net Position	51
Statement of Revenue, Expenses and Changes in Net Position	52
Statement of Cash Flows	53
Fiduciary Funds:	54
Statement of Fiduciary Net Position	55
Statement of Changes in Fiduciary Net Position	56
Notes to the Basic Financial Statements	58

REQUIRED SUPPLEMENTARY INFORMATION:

Schedule of Pension Plan Contributions	101
Schedule of Proportionate Share of Net Pension Liability – CalPERS Safety	
Cost Sharing Plan	102
Schedule of Proportionate Share of Net Pension Liability – CalPERS Misc.	
Agent-Multiple Employer Plan	103
Schedule of OPEB Contributions	104
Schedule of Changes in Net OPEB Liability	105

ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2023

TABLE OF CONTENTS

SUPPLEMENTARY INFORMATION:

Major Governmental Fund Schedules (other than the General Fund):

Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual (GAAP) Appropriated Reserves Fund.....	109
-----------------------------------------------------------------------------------------------------------------------------	-----

Nonmajor Governmental Funds:

Combining Balance Sheets.....	110
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	113
Budgeted Nonmajor Funds Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (GAAP)	116

Internal Service Funds:

Combining Statement of Fiduciary Net Position.....	122
Combining Statement of Revenue, Expenses and Changes in Net Position.....	123
Combining Statement of Cash Flows	124

STATISTICAL SECTION	127
Net Position by Component.....	129
Changes in Net Position	130
Fund Balances, Governmental Funds	132
Changes in Fund Balances, Governmental Funds	134
Assessed Value and Estimated Actual Value of Taxable Property	136
Direct and Overlapping Property Tax Rates.....	137
Principal Property Tax Payers	138
Property Tax Levies and Collections.....	140
Ratios of Outstanding Debt by Type	141
Direct and Overlapping Governmental Activities Debt.....	142
Legal Debt Margin	143
Demographic and Economic Statistics.....	144
Principal Employers	145
Full-time Equivalent Town Government Employees by Function/Program	147
Operating Indicators by Function/Program	148
Capital Assets Statistics by Function/Program.....	150

OTHER INDEPENDENT AUDITOR'S REPORTS:

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	152
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INTRODUCTORY SECTION

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TOWN OF LOS GATOS

OFFICE OF THE TOWN MANAGER

Phone: (408) 354-6832

FAX: (408) 399-5786

November 27, 2023

Honorable Mayor and Town Council and Residents of Los Gatos,

I am pleased to submit the Town's Annual Comprehensive Financial Report (ACFR) for the fiscal year ending June 30, 2023. In coordination with the Town Manager's Office, this report was prepared by the Finance Department, which assumes responsibility for the accuracy of the data, the completeness and fairness of the presentation, and all disclosures. The information in this report presents the reader with a comprehensive view of the Town's financial position and the results of its operations for the fiscal year ending June 30, 2023, along with additional disclosures and financial information designed to enable the reader to gain an understanding of the Town's financial activities.

This report was prepared as prescribed in Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (GASB 34). This GASB Statement requires management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditor's Report.

This Annual Comprehensive Financial Report is organized into three sections:

- I. The Introductory Section includes the table of contents, letter of transmittal, listing of elected officials, Town administrative personnel, and an organization chart delineating organizational structure.
- II. The Financial Section includes the Independent Auditor's opinion, the MD&A, the basic financial statements, notes to the financial statements, combining statements of non-major funds, and required supplemental information.
- III. The Statistical Section includes both financial and non-financial data about the Town.

The Annual Comprehensive Financial Report is prepared in accordance with Generally Accepted Accounting Principles (GAAP) promulgated by the Governmental Accounting

Standards Board (GASB) and includes the audit report of Chavan & Associates, the Town's independent certified public accountants.

This Annual Comprehensive Financial Report will be submitted to the Government Finance Officers Association for consideration of its Achievement of Excellence Award in financial reporting certification. This award is granted only to entities whose reports meet the highest standards of municipal financial reporting.

THE REPORTING ENTITY AND ITS SERVICES

Los Gatos is a general law Town, incorporated under the legal framework of California in 1887. The Town is located in the foothills and level terrain of southwestern Santa Clara Valley, referred to internationally as "Silicon Valley." From the first 100-acre Town site and an 1890 population of 1,652, Los Gatos grew slowly so that by 1963 the area was 6.3 square miles with a population of 11,750. Today Los Gatos covers approximately 15 square miles with a population of 33,102 (California Department of Finance, January 2023). The growth over the last 80 years resulted in a community with vibrant business districts, well-maintained neighborhoods, and lovely parks and open spaces. Preserving the unique charm of Los Gatos as a complete and well-balanced community while meeting its economic and housing needs, has been, and remains a key goal for the Town.

The Town maintains a Council-Manager form of government which combines the strong political leadership of elected officials with the strong managerial experience of an appointed Town Manager. Five Council members are elected at large for staggered four-year terms to govern the Town. The Mayor and Vice Mayor are appointed by the Council from its own ranks and serve one-year terms. The Town Manager and Town Attorney are appointed and supervised directly by the Council. The Town Manager oversees all municipal services such as Public Safety, Parks and Public Works, Community Development, Library, and Town Administration including Human Resources, Information Technology, and Finance.

ECONOMIC CONDITIONS AND OUTLOOK

This past year, the Town continued to see a modest return to economic normalcy after the initial economic impacts associated with the pandemic. However, the Town's economically sensitive Transient Occupancy Tax (TOT) revenues remain near historic lows and Sales Tax receipts are flattening. Property Tax revenues remained steady and remote work remained viable for certain occupations.

General Fund revenues (not including transfers in) increased 8.5% from the prior year. Property tax revenues remain the largest and most consistent source of support for General Fund operations, comprising approximately 4.9% of General Fund revenues in FY 2022/23. For FY 2022/23 property tax receipts of \$22.7 million were \$1.6 million higher than the prior year's collection, reflecting the continued desirability of the Town, its environment, culture, and educational opportunities.

The Town also relies heavily on sales tax revenues to support General Fund operations, comprising approximately 17.4% of General Fund revenues in FY 2022/23. For FY 2022/23 sales tax receipts of \$8.8 million were \$0.3 million higher than the prior year's collection. Sales tax revenues were supported by the continued resurgence of the restaurant sector. The Town's 1/8 cent District Sales Tax continued to perform well as the District Tax captures a larger share of the increase in online sales versus the County pool collections.

In addition to the Town's revenue sources, the Town benefited from the federal American Rescue Plan Act (ARPA). The Act allocated \$7,229,744 to the Town over a two-year period. The Town has received both payments. During the fiscal year ended June 30, 2023, the Town recognized \$3,614,872 as operating grant revenue in the ARPA special revenue fund and transferred \$3,614,872 to other funds, reimbursing the Town for qualifying expenditures under the provisions of the Act. For more information regarding the two federal programs please refer to Note 16.

As with most municipalities, services are provided directly by employees to the Town's residents, businesses, and visitors. As a service delivery enterprise, the cost of salaries and benefits are a significant portion of the Town's expenditures. Salaries are largely dictated by regional market forces as evidenced by fierce competition for talent in the San Francisco Bay Area, and inflationary pressures nationwide. During FY 2021/22, the Town successfully completed negotiations with all bargaining units. While important for the consistent delivery of high quality services for the Town, these actions exacerbated an already existing imbalance between revenues and expenditures.

The Town also continues to adjust and prepare for pension employer costs to continue to be a primary expense in conjunction with salaries. The Town's pension plans over the past several decades, like all other CalPERS participants, have experienced changes in actuarial assumptions, demographic changes, and volatile investment returns which have outweighed any positive plan experiences. The outcome of these unfavorable economic and demographic conditions is the creation of unfunded pension and Other Post-Employment Benefits (OPEB) obligations for the Town. According to the 2022 CalPERS actuarial valuations, the unfunded actuarial liability for pensions was \$59.9 million and \$7.0 million for OPEB as of June 30, 2022.

To address the escalation in pension costs, current and previous Councils have allocated additional discretionary pension funding totaling \$10.4 million. These additional discretionary payments will ultimately yield an approximate \$12.7 million in pension contribution savings. In addition to the management of the Town's pension obligations, prior Councils have worked to curb cost escalation in Other Post-Employment Benefits (OPEB). In 2009, the Town initiated prefunding of retiree healthcare benefits and has since established approximately \$24.3 million in OPEB assets from zero in 2009.

In addition, it should be noted that the net pension obligation varies annually depending upon the plan's actual investment earnings compared to the assumed rate of return during the plan's measurement periods. The Net Pension Obligation (NPO) reported in the Town's ACFRs has experienced a high degree of variability in recent years, with Net Pension Obligation reported in the

June 30, 2017 ACFR in the amount of \$33.4 million rising to \$58.02 million in fiscal year 2020/21, and decreasing to \$27.48 million in FY 2021/22. The NPO reported in this year's financial statements (ACFR 2022/23) has increased 52.6% to the current NPO of \$59.86 million. Due to CalPERS preliminary returns of 5.8%, staff expects the NPO to rise in the next fiscal year reporting period.

Readers are cautioned that in considering the amount of the pension and OPEB liabilities and other actuarial data as reported by CalPERS and the Town's actuary, this is "forward looking" information. Such "forward looking" information reflects the judgment of the Board of Administration of CalPERS, its actuaries, and the Town's actuary as to the amount of assets which the pension and OPEB plans will be required to accumulate to fund future benefits. These judgments are based upon a variety of assumptions, one or more of which may prove to be inaccurate or that may change with the future experience of the pension and OPEB plans. The actuarial methods and assumptions could be changed by CalPERS and the Town's actuary at any time based on their professional judgement. Such changes could cause the Town's obligations to the pension and OPEB plans to be higher or lower in any particular year. This sensitivity to changes in actuarial assumptions is especially evident in changes to the Discount Rate as illustrated in Note 11 and changes to Healthcare Trend and Discount rates as illustrated in Note 12.

For detailed information about the Town employees' retirement plan please refer to Note 11 of the Notes to Basic Financial Statements Section. For detailed information about the Town OPEB obligations please refer to Note 12 of the Notes to Basic Financial Statements Section. In addition, the Town provides extensive information on pension and OPEB information on the Town's website.

Despite revenue constraints and increasing costs associated with unfunded federal and state mandates, the Town has managed to maintain high service levels and balanced budget through prudent fiscal management. The Town continues its outreach to the community, the League of California Cities, and local legislators to prevent and limit any future revenue losses and mandated cost increases.

MAJOR CAPITAL PROJECT INITIATIVES

Major capital asset and infrastructure initiatives were once again the priority for the fiscal year. Approximately \$9.5 million in Town infrastructure and other capital asset improvements and contributions were invested in FY 2022/23, including \$3.4 million in Town-wide street projects to improve the pavement condition, \$0.7 million adding subscription right of use of assets by GASB 96 implementation, \$0.6 million equipment adds, and \$0.3 million for storm drain and park improvements. In addition, \$4.5 million was invested in construction in progress including, roads, bridges, storm drains, park, pathways, building improvements, and downtown revitalization efforts.

Additional infrastructure improvements are scheduled in accordance with the Town's approved Capital Improvement Plan, and will continue into future years. All of these improvements are funded either through grants, or via revenues accumulated from prior year budget savings and/or excess revenues per Town Council Policy.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

The effectiveness of internal controls is a primary consideration in the development and evaluation of the Town's accounting system. Internal accounting controls are designed to provide reasonable but not absolute assurance regarding:

- 1) safeguarding of assets against loss from unauthorized loss or disposition,
- 2) accuracy and reliability of accounting data, and
- 3) adherence to managerial policy.

The concept of reasonable assurance recognizes that the cost of internal controls should not outweigh the benefits, and that management must make estimates and judgments in evaluating these costs and benefits.

All governmental fund types use the modified accrual basis of accounting. This means that revenues are recorded when measurable and available rather than when received. Measurable means the amount can be determined and available means the cash is received within sixty days after the end of the fiscal year. Expenditures are recorded when the liability is incurred, rather than when paid. An exception to this rule is principal and interest on general long-term debt, which is not recognized by debt service funds until it is due.

Proprietary (internal service) funds are accounted for using the accrual basis of accounting, similar to that used by corporations. Proprietary fund revenues are recognized when they are earned rather than when the cash is received, even if the cash is not available and proprietary fund expenses are recognized when they are incurred. With the implementation of GASB 34, the Town prepares its Basic Financial Statements on the accrual basis. Internal accounting procedures have been developed to provide reasonable assurance regarding the safeguarding of assets and the reliability of financial records for preparing financial statements and maintaining asset accountability.

An annual operating budget, five-year budget forecast, and five-year capital improvement plan is adopted by the Town Council consistent with generally accepted accounting principles. All budget adjustments and transfers between funds must be approved by the Town Council during the fiscal year. The Town Manager is authorized to transfer unencumbered appropriations within a budget category, within a fund. Appropriations are valid for each fiscal year and lapse at year-end.

AWARDS

The Town's Annual Comprehensive Financial Report for the fiscal year ended June 30, 2022 was awarded a Certificate of Achievement for Excellence in Financial Reporting by the national Government Finance Officers Association. This is the 28th consecutive year that the Town has received the award. This prestigious award recognizes the report's conformance with strict accounting and reporting standards established by the Government Accounting Standards Board and

government finance organizations. This award is annual in nature and valid for one year only. This year's report will be submitted for award consideration by this organization, as we believe it continues to meet these standards.

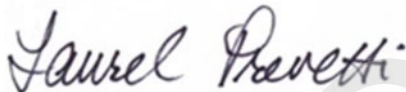
INDEPENDENT AUDIT

State law requires an annual audit of the Town's accounts by independent certified public accountants. The accounting firm of Chavan & Associates LLP performs this function for the Town of Los Gatos, and their report is included in the financial section of the ACFR.

ACKNOWLEDGEMENTS

The preparation of this Annual Comprehensive Financial Report, as presented herein, is the result of the combined efforts and dedicated services of the excellent staff of the Department of Finance. Special thanks to Eric Lemon, Finance and Accounting Manager; Mark Gaeta, Accountant; Eagled'Or Am Accountant, Melissa Ynegas, Finance Analyst; Diane Howard, Finance Analyst; and Wayne Chen, Administrative Technician for their efforts in preparing this report. The Town's Finance Commission is also recognized for its contributions to strengthening the ACFR through its review, discussion, and comments.

Respectfully submitted,



Laurel Prevetti
Town Manager

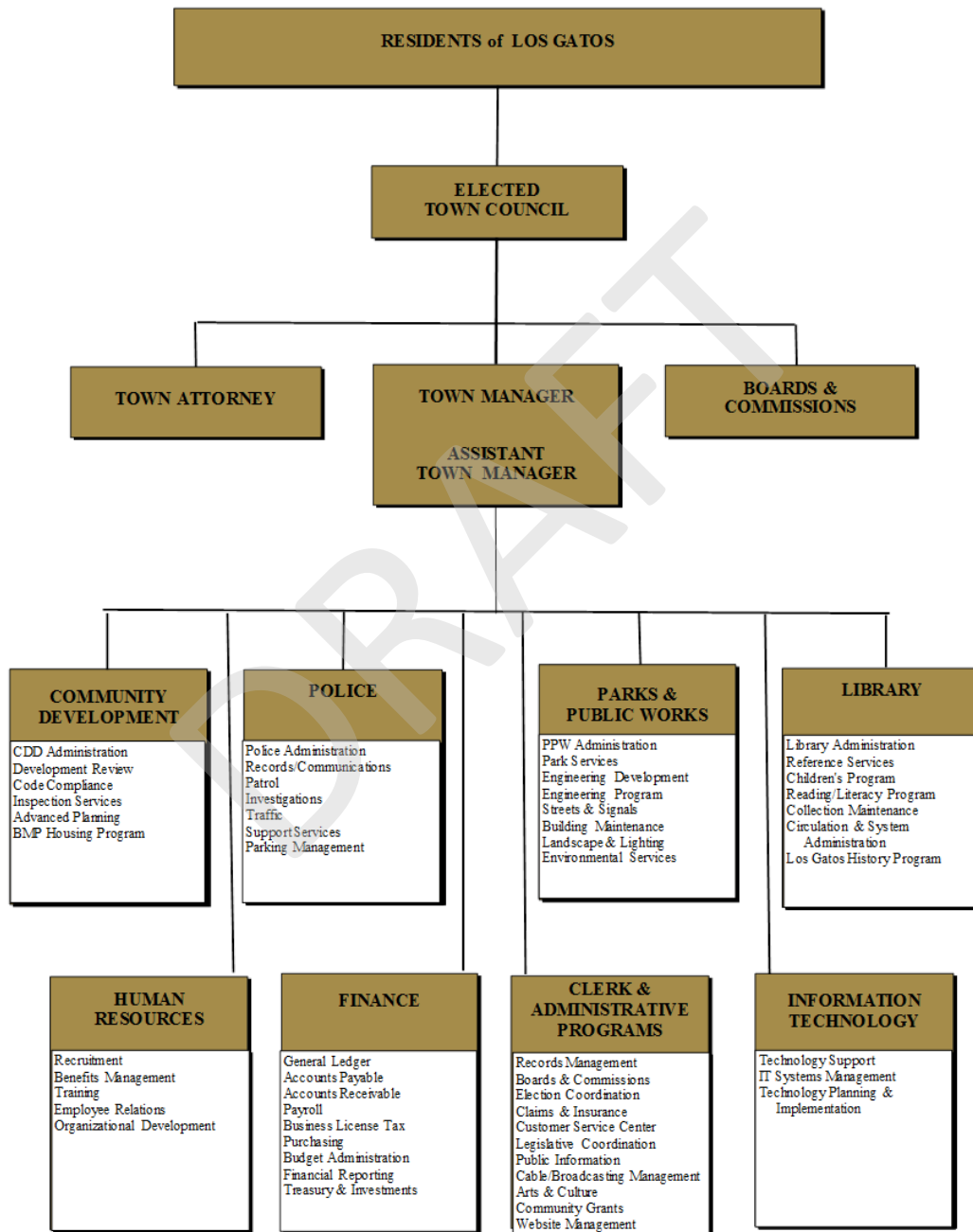


Gitta Ungvari
Director of Finance



Town of Los Gatos

Organizational Structure



**TOWN OF LOS GATOS
PRINCIPAL OFFICERS
JUNE 30, 2023**

TOWN COUNCIL

Mayor

Vice Mayor

Council Member

Council Member

Council Member

Maria Ristow
Mary Badame
Matthew Hudes
Rob Moore
Rob Rennie

COUNCIL APPOINTEES

Town Manager

Town Attorney

Laurel Prevetti
Gabrielle Whelan

APPOINTED OFFICIALS

Assistant Town Manager

Chief of Police

Community Development Director

Parks and Public Works Director

Library Director

Finance Director

Human Resources Director

Katy Nomura
Jamie Field
Joel Paulson
Nicolle Burnham
Ryan Baker
Gitta Ungvari
Salina Flores



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Town of Los Gatos
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO

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FINANCIAL SECTION

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Chavan and Associates, LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the
Town Council of the Town of Los Gatos
Los Gatos, California

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, General Fund budgetary statement, and the aggregate remaining fund information of the Town of Los Gatos (the "Town"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, General Fund budgetary statement, and the aggregate remaining fund information of the Town of Los Gatos, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of a Matter

As discussed in Note 1 to the financial statements, for the year ended June 30, 2023, the Town adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 96, Subscription-Based Information Technology Arrangements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and GAGAS, we:

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

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

Required Supplementary Information

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



Chavan and Associates, LLP
Certified Public Accountants

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual fund financial statements, schedules, and other information listed in the supplementary information section of the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

The Town's management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2023 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town's internal control over financial reporting and compliance.

C & A LLP

Chavan & Associates, LLP
Certified Public Accountants
November 27, 2023
Morgan Hill, California

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Management's Discussion and Analysis

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Town of Los Gatos's Annual Comprehensive Financial Report (ACFR) presents Management's Discussion and Analysis (MD&A) of the Town's financial performance during the fiscal year that ended on June 30, 2023. This analysis should be read in conjunction with the Transmittal Letter at the front of this report and the accompanying Basic Financial Statements.

FINANCIAL HIGHLIGHTS

- Town assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of Fiscal Year (FY) 2022/23 by \$153,522,262 (total net position).
- The Town's total net position increased by \$15,115,281 during the fiscal year largely as a result of net expenses over revenues in governmental activities of \$25.8 million combined with general revenue collection of \$39.4 million, and \$1.6 million litigation settlement.
- The increase in long-term liabilities was mostly attributed to the increase in net pension liabilities of \$32.4 million. The increase was due to each plan's actual investment earnings of negative 7.5%, which were significantly lower than the actuarial return assumptions during the plans' measurement period (July 1, 2021 through June 30, 2022).
- Total pension expense calculated for the Town's miscellaneous and safety plans is \$5,870,044. A more detailed discussion of the Town's unfunded pension liabilities can be found in Note 11.
- Reported unrestricted net position is \$11,542,661 compared to \$1,785,294 the prior year. Unrestricted net position represents all resources not included as net investment in capital or restricted assets.
- During FY 2022/23, the Town implemented GASB Statement No. 96 Subscription-Based Information Technology Agreements. As a result, the Town recorded subscription right of use assets totaling \$915,860 and subscription liabilities totaling \$653,681. See Note 8 for additional information.
- The Town received \$7,229,744 from the American Rescue Plan Act (ARPA) grant. For FY 2020/21, \$200K of ARPA proceeds were recognized as revenue to reimburse the Town for qualifying expenditures under the provisions of the Act including boosting economic recovery, providing rent forgiveness, and directing grants to non-profit and social welfare organizations. For FY 2021/22 and FY 2022/23, the Town recognized \$3.4 million and \$3.6 million respectively in ARPA revenues related to recovery of revenue loss.
- The Town's economically sensitive major revenues of property tax, sales tax, and franchise fees were able to record gains from amounts reported the prior fiscal year. Property taxes

collected increased \$1.6 million, sales taxes and franchise fees increased \$0.3 million. Business License Tax increased by \$0.9 million based on the new voter-approved business license tax ordinance.

- FY 2022/23 Transient Occupancy Tax (TOT) revenue collection increased by \$0.3 million compared to the level collected in FY 2021/22. However, FY 2022/23 inflows of \$2.2 million is still \$0.5 million lower than FY 2018/19 level of TOT collection.
- Total expenses as reported in the Statement of Activities decreased \$3.4 million from the prior year. The decrease was primarily driven by the fact that prior year General Government expenses included a one-time pass-through fire safety grant payment. In addition, other factors included Pension and OPEB expense credits of \$2.0 million calculated under accounting standards and allocated for FY 2022/23 compared to a \$4.4 million credit for the prior fiscal year.
- The cost of all governmental activities as presented in the Statement of Activities this year was \$49.3 million. The Town's governmental program revenues were \$23.5 million including charges for services of \$12.4 million, operating grants and contributions of \$7.2 million, and capital grants and contributions of \$3.9 million. After taking governmental program revenues into consideration, the net amount of taxpayer supported governmental activities was \$25.8 million. The Town paid for the remaining "public benefit" portion of governmental activities from total taxes and general revenues of \$39.4 million.
- At the end of FY 2022/23, the General Fund balance was \$29,528,304 compared to \$26,896,789 in the prior year. The ending fund balance of \$29,528,304 represents approximately 65.8% of General Fund expenditures for the current fiscal year excluding transfers-out to the Town's capital projects funds and internal service funds. The \$2.6 million increase in General Fund ending fund balances was primarily due to the combined effect of favorable year end increases in economically sensitive revenues coupled with operational savings, and approximately \$3.1 million net transfer to the Town's capital projects fund to provide resources for Town infrastructure improvements.
- Fund balances for all governmental funds at year end were \$61,185,528, an increase of approximately \$10.3 million or (20.3%) from the prior year. Governmental fund balances increased primarily due to General Fund increases of \$2.6 million and \$7.5 million for the General Fund Appropriated Reserve, including the General Fund Support, Capital Grants received, litigation settlement, and 50% of the Measure G proceeds.
- At fiscal year end, the Town's General Fund restricted cash assets reported a \$1.4 million balance in the Town's IRS Section 115 Pension Trust.
- As of June 30, 2023, the Town's investment in capital assets for its governmental activities was \$132,679,773 net of accumulated depreciation/amortization (\$106,613,671

depreciable/amortizable and \$26,066,102 nondepreciable). During FY 2022/23, the Town's investment and contribution in capitalized assets were \$9.1 million with depreciation totaling \$4.2 million. The Capital asset increased by \$4.9 million for the current year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the ACFR contains the following information: Independent Auditor's Report, Management's Discussion and Analysis (this section), the Basic Financial Statements, and the Required Supplementary Information. The ACFR also includes a Supplementary Information section, which presents combining and budgetary schedules for individual nonmajor funds. The Basic Financial Statements are comprised of three components: 1) Government-Wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Financial Statements. The Management's Discussion and Analysis is intended to be an introduction to the Basic Financial Statements.

Government-Wide Financial Statements

The Government-Wide Financial Statements present the financial picture of the Town from an economic resources measurement focus using the accrual basis of accounting. An economic resources measurement focus is when a body of financial statements report all inflows, outflows, and balances affecting or reflecting an entity's net position.

The Statement of Net Position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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

Both of the Government-Wide Financial Statements distinguish functions of the Town 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 activity*). The governmental activities of the Town include public safety, parks and public works, community development, library, community services, debt service, and general government. Governmental activities typically include financial data for all governmental funds. Internal service funds are typically incorporated into governmental activities as well. Business-type activities typically include financial data for all enterprise funds. The Town has no enterprise funds and therefore reports no business-type activities.

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 Town, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Town are segregated into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds – The Town’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and other financial assets that can readily be converted to cash. The Governmental Fund Statements provide a detailed short-term view of the Town’s general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town’s operations. 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*.

Proprietary funds – The Town maintains one type of proprietary fund: Internal Service Funds. Proprietary funds are reported using the accrual basis of accounting. Internal Service Funds are an accounting tool used to accumulate and allocate costs internally among the Town’s various functions. The Town uses Internal Service Funds to account for its fleet of vehicles, computer equipment, risk management activities, and other items. Internal Service Funds help smooth the variability of certain expenses and insulate the Town from large unanticipated costs. The Internal Service Funds are included within governmental activities in the Government-Wide Financial Statements.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the Town. Fiduciary funds are not reflected in the Government-Wide Financial Statements because the resources of those funds are not available to support the Town’s own programs.

Included in fiduciary funds is the Redevelopment Successor Agency private-purpose Trust Fund created upon the dissolution of the former Redevelopment Agency (RDA) in 2012. The Trust Fund was created to hold the assets of the former Redevelopment Agency until they are transferred for governmental purposes to other entities or distributed to the underlying taxing jurisdictions in Santa Clara County after the payment of enforceable obligations. Additional information on the dissolution of the RDA and this fiduciary fund can be found in Note 15 in the notes to basic financial statements.

Notes to Basic Financial Statements

The notes provide additional information to facilitate a full understanding of the data provided in the Government-Wide and Fund Financial Statements.

ANALYSIS OF GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Government-Wide Financial Statements provide long-term and short-term information about the Town's overall financial condition. This analysis addresses the financial statements of the Town as a whole, utilizing data from throughout the ACFR to describe the changes between 2022 and 2023. Given the unique nature of the economic impacts of the COVID-19 pandemic during the reporting period, 2021 data have also been provided for additional context.

Net Position Discussion

As shown below, the Town's combined net position for the year ended June 30, 2023 was \$153.5 million, reflecting an increase of approximately \$15.1 million to the prior year's net position of \$138.4 million. In general, net position can serve as an important indicator of whether the Town's overall financial condition is improving or deteriorating over time.

Town of Los Gatos Net Position Governmental Activities For the Year Ended June 30, 2023			
	2023	2022	2021
Current and other Assets	\$ 85,489,167	\$ 78,302,210	\$ 72,065,091
Capital Assets	132,679,773	127,770,566	111,416,264
Total Assets	\$ 218,168,940	\$ 206,072,776	\$ 183,481,355
Deferred Outflows - Pension/OPEB	29,526,262	13,232,279	19,746,595
Current Liabilities	15,857,589	17,537,678	16,334,887
Long-Term Liabilities Outstanding	71,847,737	34,368,351	71,339,626
Total Liabilities	\$ 87,705,326	\$ 51,906,029	\$ 87,674,513
Deferred Inflows - Pension/OPEB	6,467,614	28,992,045	2,335,387
Net Position			
Net Investment in Capital Assets	130,623,654	126,418,275	109,894,936
Restricted	11,091,020	10,203,412	8,269,330
Unrestricted	11,807,588	1,785,294	(4,646,166)
Total Net Position	\$ 153,522,262	\$ 138,406,981	\$ 113,518,100

Current and other assets increased \$7.2 million from the prior year, primarily due to an \$6.2 million increase in cash/restricted cash and investments, \$0.4 million increase in accounts receivable, \$0.3 million increase in land held for resale.

Capital assets increased \$4.9 million to \$132.7 million for the year reflecting current year's capital asset additions/retirements less the annual depreciation/amortization expense. Capital infrastructure activity includes the following:

- \$3.4 million in street repair and resurfacing and curb and gutter work Town-wide;
- \$4.5 million construction in progress as detailed under "Capital Assets" section of this MD&A;
- \$0.8 million added for equipment, storm drain and park improvements; and
- \$0.9 million added in subscription right of use of asset by implementing GASB 96 subscription-based information technology agreements.

Deferred Outflows for Pension and Other Post-Employment Benefits (OPEB) increased \$16.3 million primarily due to the difference between projected assumed investment returns and actual investment earnings on pension and OPEB investments, changes in assumptions, and the change in the Town's proportionate share for the pooled safety pension plan.

Long-term liabilities increased by \$37.5 million. The increase is primarily due to a pension liability increase of \$32.4 million and an increase of OPEB liabilities of \$4.5 million. See Note 11 and Note 12 in the Notes to the Financial Statements for more information on Town's pension and OPEB plans.

In addition, the implementation of GASB 96 subscription right of use of asset added \$0.4 million to the total liabilities.

Deferred Inflows decreased by \$22.5 million, resulting primarily from the difference between projected assumed investment returns and actual investment earnings on pension and OPEB investments. The pension inflows decreased \$19.0 million and the OPEB plan decreased \$3.5 million.

The largest segment of the Town's net position, representing \$130.9 million of net position, reflects the net investment in capital assets (e.g., land, buildings, infrastructure, subscription, and equipment) less accumulated depreciation/amortization and related outstanding debt used to acquire those assets. The Town uses these capital assets to provide infrastructure and services to the residents. Therefore, they do not represent a liquid financial resource to the Town and consequently are not readily available for funding current obligations.

Restricted net position totaled approximately \$11.1 million representing approximately \$8.8 million for capital projects and maintenance, \$1.4 million for restricted pension trust, \$0.5 million placed in a special revenue trust accounts for Library services, \$0.2 million for Lighting and Landscaping assessment districts, and \$0.1 million for workers' compensation.

As of June 30, 2023, unrestricted net position reports an approximate \$9.8 million increase from the prior year to an ending balance of \$11.5 million.

Governmental Activities

Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange revenues. The Statement of Activities is intended to illustrate how the cost of governmental activities is financed and determine the annual change in net position.

Town of Los Gatos
Statement of Activities
For the Year Ended June 30, 2023

	2023	2022	2021
Revenues:			
Program revenues:			
Charges for Services	\$ 12,390,750	\$ 12,773,746	\$ 11,353,932
Operating Grants and Contributions	7,149,581	6,179,842	3,287,564
Capital Grants and Contributions	3,915,175	22,226,206	846,345
General Revenues:			
Property Taxes	22,746,842	21,132,098	19,878,835
Sales Taxes	8,806,477	8,483,673	7,933,604
Franchise Taxes	3,074,624	2,822,515	2,499,463
Other Taxes	2,292,008	2,042,580	1,126,887
Motor Vehicle in Lieu	34,406	35,624	23,058
Developer Fee	614,820	1,735,571	-
Investment Earnings	797,587	(1,278,978)	227,136
Miscellaneous	1,045,214	755,400	1,528,039
Special Items			
Litigation Settlement Proceeds	1,565,000	-	-
Total Revenues	64,432,484	76,908,277	48,704,863
Expenses:			
Police Department	17,428,923	15,093,308	19,808,230
Parks and Public Works	12,258,626	12,969,615	13,141,034
General Government	10,522,568	15,681,345	7,452,136
Community Development	5,215,961	5,827,001	6,481,075
Library Services	3,653,642	2,969,954	3,496,153
Sanitation	208,262	178,575	185,981
Interest and Fees	29,221	-	-
Total Expenses	49,317,203	52,719,798	50,564,609
Change in Net Position	15,115,281	24,188,479	(1,859,746)
Net Position - Beginning	138,406,981	113,518,100	115,377,846
Prior Period Adjustment - Principal Payments	-	13,003	-
Prior Period Adjustment - GASB 87 Leases	-	687,399	-
Net Position - Beginning, Adjusted	-	114,218,502	-
Net Position, Ending	\$ 153,522,262	\$ 138,406,981	\$ 113,518,100

Governmental Activities Revenue Discussion

The Statement of Activities shown above details how the \$64.4 million in Governmental Activities revenues and contributions were derived. As categorized in the Statement of Activities as program revenues, approximately \$12.4 million or 19.2% of the revenues were recorded from fees paid by residents/businesses who directly benefited from the program or service. Another \$11.1 million or 17.2% of the revenues were sourced from operating/capital grants and contributions. Significant grants and contributions include \$3.6 million in recognized ARPA, \$0.8 million gas tax, \$0.7 million in Road Maintenance and Repair Account from the State proceeds, and \$0.5 million Prop 172 Public Safety allocations. The Town has received \$1.6 million settlement from Santa Clara County and responsible contractors related to the Shannon Road litigation. The remaining \$39.4 million or 61.2% represents general revenues of the Town, including taxes, intergovernmental revenues, and other miscellaneous revenues.

Program revenues decreased by approximately \$17.7 million from the prior year. This is largely due to a \$18.3 million decrease in capital grants and contributions, \$0.4 million decreases from charges for services, and \$1.0 million revenue increases in operating grants and contributions.

The Town's General Revenues related to Governmental Activities increased by approximately \$3.7 million from the prior year. The increase is attributable to a combination of approximately \$2.1 million increase in investment earnings including the mark-to-market value adjustments on the Town portfolio investment, \$1.6 million increase in property taxes, a \$0.3 million increase in sales tax, \$0.3 million increase in franchise fees, \$0.2 million increases in Transient Occupancy Tax (TOT). The increases were offset by \$1.1 million decrease in pass through developer contributions.

Property tax is the largest individual revenue source for the Town and collections finished the year \$1.6 million higher than the previous year. This increase was mostly due to an increase of \$1.8 million in general property tax collection, \$0.3 million increase in Vehicle License Fee (VLF) Property Tax In-Lieu fee, a \$73K decrease in secured taxes received as a rebate of excess property taxes collected and available from the State of California's Educational Revenue Augmentation Fund (ERAF), and \$0.4 million decrease in property transfer tax reflecting the current mortgage rate environment. It is important to note that assessed valuations for FY 2022/23 were established on the tax roll in January 2022 and collected in FY 2022/23.

At \$8.8 million, sales taxes represent the second largest individual revenue source for the Town. Sales taxes increased \$0.3 million from the previous year largely due the continued resurgence of the restaurant sector. The increase was aided by the Town's 1/8 cent District Tax which captures a larger share of the increase in online sales versus those receipts provided by the County pool collections.

Franchise taxes, the Town's third largest revenue source, finished the year at \$3.1 million, reflecting an increase of \$0.3 million from the previous fiscal year.

Investment earnings increased \$2.1 million from the prior year. The primary factor responsible for this increase was the higher total mark-to-market value above historical investment cost than the prior year for the Town's investment portfolio. These unrealized gains/losses are recognized as investment income/loss as a result of the mark to market value procedure required by GASB 31. The FY 2021/22 actual GASB 31 adjustment reduced interest earnings by \$1,577,168, while the FY 2022/23 GASB 31 adjustment was \$1,573,971. After the reversal of the FY 2021/22 adjustments there was a gain of \$3,197. Per the Town Council General Fund Reserve Policy, \$10,000 or more unrealized investment gains that have been recorded in the financial statement are required to be reserved.

Governmental Activities Expenses Discussion

The Town provides residents, businesses, and visitors with an array of high quality municipal services. General government strategic support is comprised of six Departments (Town Council, Town Clerk, Town Manager, Town Attorney, Human Resources, Information Technology, and Finance) which provide in information technology, executive management, economic vitality, legal, records management, risk management, human resources, finance, and accounting services. The Town's Police Department (public safety) provides general law enforcement, crime prevention, dispatch, and responses to emergency and non-emergency calls for service. Parks and Public Works provides engineering, construction, and maintenance of public streets, street lighting, Town-owned buildings, parks, and related infrastructure; as well as traffic engineering and engineering evaluation of private development proposals. Community Development provides planning and zoning services; and building plan check and inspection; and code compliance services. The Library Department provides library, local history, and cultural services to the community.

Total expenses of \$49.3 million as reported in the Statement of Activities decreased by \$3.4 million from \$52.7 million the prior year. The decrease was primarily driven by the fact that prior year General Government expenses included a one-time pass-through fire safety grant payment. In addition, other factors included Pension and OPEB expense credits of \$2.0 million calculated under accounting standards and allocated to FY 2022/23 compared to a \$4.4 million credit for the prior fiscal year. The calculated pension and OPEB expense credits of \$2.0 million was applied across all operating Departments as follows:

- Public Safety - \$1.9 million
- Parks and Public Works - \$36K
- General Government - \$35K
- Community Development - \$20K
- Library - \$13K
- Non-Point Source/Sanitation - \$1K

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

Governmental Funds

Recognizing the financial resources measurement focus, the Town's Governmental Funds provide information on near-term inflows and outflows, and balances of spendable resources. This information is useful in assessing the Town's financing requirements and may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Unlike the Statement of Activities which does not include transfers, the Governmental Funds Balance Sheet does include transfers in and out.

Fund Balance – As discussed below, the Town's Governmental Funds Balance Sheet reports the following fund balances.

Restricted Fund Balance – The Town has \$11 million in fund balance classified as restricted to indicate that it has an externally imposed restrictions on how the money may be spent. Of the \$11 million restricted fund balance, \$8.6 million is restricted for capital projects, \$1.4 million for pension, \$0.5 million for Library special revenue trust accounts, and \$0.2 million for maintenance and repairs.

Committed Fund Balance – The Town has \$15.7 million in fund balance classified as committed to indicate that the Town Council previously committed how the money will be spent. Of the \$15.7 million, \$12.3 million is for budget stabilization (\$6.13 million) and catastrophe response (\$6.13 million).

Assigned Fund Balance – The Town has \$34.3 million in fund balance which is not restricted or committed and is classified as assigned to indicate the Town Council's intent to be used for specific purposes. The largest assignments of fund balance are the Reserve for Capital/Special Projects with a balance of approximately \$10.4 million and the Capital Projects Reserve of \$19.1 million which are the primary funding sources for the Town's five-year capital improvement plan and special projects as budgeted by the Town.

Additional information on the Town's Fund Balance can be found in Note 10 of the Notes to the Financial Statements.

Major Governmental Funds results for the year included the following:

TOWN OF LOS GATOS
TOTAL GOVERNMENTAL FUNDS REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2023

REVENUES	2023	2022	2021
Property Taxes	\$ 22,781,248	\$ 21,167,722	\$ 19,917,428
Sales Taxes	8,806,477	8,483,673	7,933,604
Other Taxes	2,263,686	1,976,198	1,126,887
Licenses & Permits	6,333,675	6,055,040	5,212,831
Intergovernmental	10,145,820	15,492,982	3,746,587
Charges for Services	5,718,714	6,925,359	6,035,659
Fines and Forfeitures	416,950	319,170	103,468
Franchise Fees	3,074,624	2,822,515	2,499,463
Developer Fees	614,820	1,735,571	-
Interest	797,582	(1,278,983)	227,940
Use of Property	237,647	144,901	40,372
Other	985,188	349,145	423,115
Total Revenues	\$ 62,176,431	\$ 64,193,293	\$ 47,267,354
EXPENDITURES			
Current:			
Public Safety	\$ 18,446,048	\$ 16,451,190	\$ 16,570,836
General Government	8,828,779	15,953,968	14,040,134
Parks and Public Works	9,084,406	8,639,128	8,229,944
Community Development	5,065,412	6,313,511	5,195,302
Library Services	3,208,027	2,827,210	2,847,988
Sanitation and Other	204,097	194,969	166,173
Capital Outlay	8,917,075	10,478,670	5,746,447
Debt Service			
Principal	156,034	156,034	-
Total Expenditures	\$ 53,909,878	\$ 61,014,680	\$ 52,796,824
Excess Revenues over Expenditures	\$ 8,266,553	\$ 3,178,613	\$ (5,529,470)
Settlements	1,565,000	-	-
Proceeds from sales of assets	2,162	2,151	1,201,369
Proceeds from issuance of debt	-	-	1,560,336
Transfers in	11,886,022	8,154,307	4,053,535
Transfers out	(11,396,347)	(8,310,685)	(3,940,015)
Total Other Financing Sources (Uses)	\$ 2,056,837	\$ (154,227)	\$ 2,875,225
Net Changes in Fund Balances	10,323,390	3,024,386	(2,654,245)
Beginning/Ending Fund Balances As Restated	\$ 50,862,138	\$ 47,837,752	50491997
Ending Fund Balances	\$ 61,185,528	\$ 50,862,138	\$ 47,837,752

Overall, total Governmental Funds revenues finished \$2.0 million or 3.1% lower than the prior year, while total expenditures finished \$7.1 million or 11.6% lower than the prior year. One of the main reasons for the decreases are because prior year revenues and expenses included the one-time State pass-through wildfire grant in the amount of \$6.9 million. The approximate \$10.3 million increase in Total Governmental Fund balance is the net result.

General Fund revenues totaled \$50.6 million or nearly 81.4% of the total \$62.2 million in Total Governmental Fund revenues.

Total Governmental Funds revenues decreased by \$2.0 million, resulting from the net effect of:

- \$2.0 million increase in investment earning including the mark-to-market value adjustments on the Town portfolio investment;
- \$1.6 million increase in property tax collections;
- \$0.7 million increase in use of property and other receipts;
- \$0.3 million increase in sales tax collection;
- \$0.3 million increase in TOT collection;
- \$0.3 million increase in licenses and permits;
- \$0.3 million increase in franchise fees;
- \$98K increase in fines and forfeitures;
- \$1.1 million decrease in development fees since prior year included the affordable housing loan;
- \$1.2 million decrease in charge of services reflecting current development activities; and
- \$5.3 million decrease in intergovernmental revenue, including the \$3.6 million ARPA proceeds compared to prior year which had a \$6.9 million pass-through grant and \$3.4 million ARPA proceeds.

Governmental Funds expenditures decreased by \$7.1 million. General Fund expenditures represent approximately \$44.9 million or 83.3% of the Total Governmental Fund expenditures of \$53.9 million compared to \$43.3 million of General Fund expenditures and total Governmental Funds expenditures of \$61.0 million in the prior year.

Increases in Public Safety expenditures from the prior year of approximately \$2.0 million were primarily due to salary and benefit cost increases resulting from labor negotiations and mandated increases in employer pension contribution rates.

Increases in Parks and Public Works and Library services expenditures from prior year of approximately \$0.8 million were primarily due to salary and benefit cost increases resulting from labor negotiations and mandated increases in employer pension contribution rates.

Decreases in Community Development were primarily due to fact that prior year expensed the \$1.2 million affordable housing loan through the Below Market Housing program.

The \$7.1 million decrease in general governmental expenditures was mainly attributable to the fact that prior year included the one-time \$6.9 million State pass-through wildfire safety grant.

Appropriated Reserves Fund capital projects fund balances increased \$7.5 million from the prior year, reflecting increased capital activity during the fiscal year. The \$1.4 million of general government and capital outlay expenditures above operating revenues was offset by \$8.9 million from other financing sources, including \$1.6 million in settlement, and \$7.3 million net transfers.

Proprietary Funds

The Town's Proprietary Funds (Internal Service Funds) presented in the Fund Financial Statements section provide similar information to the Government-Wide Financial Statements and include individual segment information.

Total net position in the Internal Service Funds decreased by \$1.7 million, a combined effect of GASB 96 expense increase adjustment of \$0.2 million, a \$0.2 million increase in equipment replacement net position, a \$1.7 million decrease in FY 2022/23 due to excess expenses over revenues for workers' compensation, information technology, and general liability costs including administration, insurance premiums, and claims expense.

GENERAL FUND BUDGETARY HIGHLIGHTS

Changes to the Original Budget

Comparing the FY 2022/23 original budget (i.e., the Adopted Budget) General Fund revenues of \$45,537,337 to the final adjusted budget of \$50,272,274 indicates a net increase of approximately \$4.7 million. Additions to the original revenue budget included adjustments approved by Town Council throughout the fiscal year.

Original Budget General Fund (GF) Revenues	Misc. Adjustments & Mid-Year Adjustments	Final Budget GF Revenues
\$45,537,337	\$4,734,937	\$50,272,274

The increase in General Fund revenue appropriations occurred primarily from the following sample of revenue budget adjustments made during the fiscal year:

- \$1.6 million property tax revenue budget increase in line with the estimates and forecasts provided to the Town quarterly from Santa Clara County Assessor's Office;
- \$1.3 million revenue increases for charges for services including \$0.8 million development related pass-through revenues, \$0.4 million revenue budget increase regarding the purchasing and the preparation of reselling the Bersano Lane Below Market Unit, \$47K revenue budget increase from two local school districts for the School Resource Officer contract;

- \$0.9 million Business License Tax revenue budget increase based on the estimated collection per the new business license tax;
- \$0.7 million Transient Occupancy Tax (TOT) revenue budget increase based on actual receipts;
- \$0.2 million interest revenue budget increase;
- \$0.2 million Franchise Fee revenue budget increase to recognize actual collection trend for electric, gas, and garbage franchise fees;
- \$0.2 million intergovernmental revenue budget increase for recognizing operating grants for Community Development and Library Department and increased Prop 172 Public Safety Sales Tax proceeds;
- \$65K revenue budget increase to recognize Solid Waste Fees;
- \$50K additional encroachment revenue budget increase based on current development activity;
- \$25K fines and forfeitures revenue budget increase to recognize current parking citation revenue collection;
- \$0.2 million sales tax revenues budget decrease based on MuniServices, the Town sales tax consultant, quarterly sales tax update based on actual receipts and most likely scenario projection;
- \$0.3 million net decrease in other revenue based on \$0.3 million revenue increase to recognize affordable housing loan repayment proceeds; \$0.2 million General Fund salary reimbursement revenue increase for capital project staff work; \$0.1 million revenue increase to recognize additional proceeds from the Police Foundation, opioid settlement, and Town benches; and offset with \$0.9 million Other Post-Employment Benefit (OPEB) Trust withdrawal revenue decrease as FY 2022/23 budget balancing was not needed; and
- \$20K budget revenue decrease for not collecting parking revenue in Oak Meadow Park.

Comparing the FY 2022/23 original budget (i.e., the Adopted Budget) General Fund expenditures of \$47,354,218 (excluding budgeted transfers-out and debt payments that are reimbursed) to the final adjusted budget of \$50,204,894 indicates a net increase of approximately \$2.9 million. Additions to the original expenditure budget included adjustments approved by Town Council throughout the fiscal year.

Original Budget GF Expenditures	Misc. Adjustments & Mid-Year Adjustments	Final GF Expenditure Budget
\$47,354,218	\$2,850,676	\$50,204,894

The increase in General Fund expense appropriations occurred primarily from the following sample of budget adjustments made during the fiscal year.

- \$0.7 million expenditure increase for development related pass through activities;
- \$0.4 million for the Bersano Lane affordable unit repurchase and preparation of resell;
- \$0.3 million expenditure increase for Community Grants to recognize Council authorized General Fund Council Priorities – Economic Recovery reserve spending in the FY 2022/23;

- \$0.3 million expenditure increase for redepositing the first affordable loan payment to the Below Market Housing Deposit account;
- \$0.2 million expenditure increase to cover the cost for special studies related to Diversity, Equity, and Inclusion (DEI) prior year carry forward services; General Plan update Environment Impact Report; and the Housing Element related consultant work;
- \$0.1 million expenditure increase to recognize increased cost related the retiree medical services due to additional recent retirements;
- \$0.2 million temporary salary reimbursement from capital projects;
- \$0.2 million for PG&E loan principal payment;
- \$0.1 million to recognize the proceeds and spend for Library operating grants;
- \$0.1 million increase for additional legal expenses;
- \$64K expenditure increase for executive recruitment services;
- \$53K expenditure increase for additional traffic signalization expenditures;
- \$50K to recognize and spend the additional support from the Police Foundation;
- \$32K expenditure increase for third party business license processing services;
- \$37K for landscape maintenance; and
- \$10K expenditure budget expense for park benches.

Variance with the Final General Fund Budget

The General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual (GAAP) for Fiscal Year Ended June 30, 2023 reports an approximate overall favorable variance with the final budget of approximately \$5.7 million. This favorable variance was created largely by the net effect of the following factors:

- Actual revenues ended the fiscal year at \$0.3 million above final budgeted revenues. The \$0.3 million total variance represents a combined effect:
 - \$0.5 million favorable variance in license and permit revenues;
 - \$0.4 million favorable variance in franchise fees;
 - \$0.3 million favorable variance in intergovernmental revenues;
 - \$0.3 million favorable variance in property tax;
 - \$0.2 million favorable variance in fines and forfeitures;
 - \$7.5K unfavorable difference in use of property and other revenues;
 - \$64K unfavorable variance in interest;
 - \$0.1 million unfavorable variance in TOT;
 - \$0.2 million unfavorable variance in sales tax;
 - \$0.9 million unfavorable variance in charges for services.
- Actual expenditures ended the fiscal year at \$5.3 million below final budgeted expenditures. Significant factors affecting actual expenditures include:
 - Public safety expenditures had a favorable variance of approximately \$0.8 million. \$0.7 million in savings is reflective of limited term vacancies in Police Captain, Police Officers, Dispatchers, Police Record Specialist, Senior Parking Control

Officer, and Police Records and Communication Manager positions, savings of \$79K in miscellaneous operating savings, and \$74K salary-related internal service charges savings.

- Community Development expenditures reflected a \$1.5 million favorable variance. \$1.1 million of the variance is related pass-through activities supported with developer deposits in the Below Market Program, development review; building inspection, and special studies activities. Corresponding pass-through revenues were lower as demonstrated above. Not counting the pass-through activities related savings, Community Development operating expenditures include \$0.5 million combined savings on vacancies and miscellaneous operating expenditures. Associate Planner and Permit Counter Technician positions were partially unfilled during the fiscal year.
- Administrative Services reflected a favorable balance of approximately \$0.5 million in savings in salary and benefits due to partial year vacancies in the Deputy Clerk, Emergency Manager, Special Event Coordinator, IT Technician, Assistant Town Manager, Accountant, HR Analyst, and Finance and Accounting Manager positions.
- Parks and Public Works reflects a total favorable variance of approximately \$1.4 million largely due to vacancies savings due to partial year vacancies in the Parks and Public Works Director, Senior Civil Engineer, Town Engineer, Assistant Engineer, Lead Maintenance Worker positions totaling \$0.9 million. The FY 2022/23 budget included a one-time 1 FTE hire ahead Lead Maintenance Position that was not filled due to delayed retirement. The position is defunded in FY 2023/24. The Department realized additional positive variance reflecting actual pass-through activities (\$0.3 million), and other miscellaneous operational savings (\$55K).
- Library services reflected a favorable variance of \$0.2 million due mainly to salary and benefit savings from partial staff vacancies in the Librarian, Senior Library Page positions, and other temporary vacancies, and other miscellaneous operational savings.
- Town Attorney reflected a favorable balance of approximately \$0.1 million in large measure due to savings in salary and benefits due to partial year vacancies of the Legal Administrative position, membership savings, and decreased travel and training activity.
- Town Council reflected a favorable balance of approximately \$31K due to benefit savings, decreased travel and training activity, and other miscellaneous operational savings.

CAPITAL ASSETS

As of June 30, 2023, the Town's investment in capital assets for its governmental activity is recorded at \$132,679,773 (net of accumulated depreciation/amortization). The investment in capital assets includes land, buildings and improvements, infrastructure, construction in progress, subscription right of use asset, machinery and equipment. Capital assets increased \$4.9 million net of depreciation expense totaling approximately \$4.2 million for the year.

- \$3.4 million in street repair and resurfacing and curb and gutter work Town-wide;
- \$0.9 million in subscription right of use of asset by implementing GASB 96 subscription-based information technology agreements;
- \$0.6 million equipment adds Town-wide;
- \$0.3 million storm drain improvements;
- \$36K for park improvements; and
- \$4.5 million of construction in progress including:
 - \$0.8 million for building replacement at Corporation Yard;
 - \$0.7 million for downtown revitalization;
 - \$0.6 million for Highway 17 capacity improvements;
 - \$0.5 million for Town-wide traffic signal improvements;
 - \$0.4 million for Library battery power supply;
 - \$0.4 million for bridges;
 - \$0.3 million for Adult Recreation Center HVAC and floor replacement;
 - \$0.2 million for Enterprise Recourse Program implementation;
 - \$0.1 million for Highway 9 Los Gatos connection trail projects;
 - \$74K for curb and gutter work Town-wide;
 - \$73K in street repair in resurfacing;
 - \$57K equipment for fire suppression and IT disaster recovery;
 - \$52K in building improvements Town-wide;
 - \$44K in parking lots improvements;
 - \$17K Recreation Building ADA Restroom Improvements; and
 - \$14K for park improvements.

Capital Assets
Town of Los Gatos
For the Year Ended June 30, 2023

	Governmental Activities
Infrastructure	\$ 67,077,784
Subscription Right of Use Assets	713,438
Buildings	28,846,606
Land	26,066,103
Equipment	2,462,694
Construction in Progress	7,513,148
	<u>\$ 132,679,773</u>

Additional information on the Town's capital assets is found in Note 6 of this Financial Report.

LONG-TERM DEBT

The Town generally incurs long-term debt to finance projects or purchase assets, which will have useful lives equal to or greater than the related debt. The Town long-term debt is related to the PG&E on-bill financing loan used for facility efficiency project updates, totaling \$1.2 million at 6/30/2023. The long-term debt in the Successor Agency Trust Fund is related to the 2002 COP and 2010 COP, totaling \$11.7 million. Additional information on the Town's Long-Term Debt is found in Note 7 of this Financial Report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

A product of an ongoing examination of how the Town provides cost-effective services, the Town's budget emphasizes outcomes or results for the community and allows for longer-term financial planning decisions.

During the development and adoption of the Town's FY 2023/24 budget, the Town Council and management considered the following factors:

- The FY 2023/24 Proposed Budget endeavored to maintain essential public services while controlling operational costs in light of the Five-Year Financial Forecast, which predicts operating shortfalls in subsequent fiscal years. Providing current service levels to the community in future fiscal years will require a strong return to pre-pandemic performance of the Town's economically sensitive revenues and/or revenue enhancements as identified as one of the Town Council's Strategic Priorities.
- For FY 2023/24, the Proposed Operating Budget was balanced utilizing two primary budget balancing strategies. The first was direction to all Departments to develop a status quo budget. To that end, the Departments programmed existing resources by either maintaining current structures or realigning operations to remain effective. This proved exceptionally difficult as vendor, supply, and other costs rose beyond FY 2022/23 levels. In addition,

Departments were provided guidance to enhance capacity where necessary through limited non-benefited personnel options when possible. The second strategy includes a 4.6% vacancy factor, while Council directed that staff continue to hire for all vacant positions. The 4.6% salary savings represents approximately \$1.7 million projected saving.

- Several Strategic Priorities are not one-time projects, but rather are ongoing commitments due to their critical significance to ensure the Town's fiscal sustainability, infrastructure stability, and the safety and quality of life for Los Gatos residents, businesses, and visitors. These commitments include continuing to address the Town's fiscal challenges; implementing the Comprehensive Parking Study; and fostering emergency preparedness and community wildfire resilience.
- In terms of capital projects, the Town Council stated its capital budget priorities to continue implementation of the Downtown Parking Roadmap, continue mobility improvements for all transportation modes, manage the vegetation on Town lands to protect against wildfire, and advance other needed improvements. All of these efforts support improving and enhancing transportation options, public safety, and quality of life within the context of prudent fiscal management.
- Other Strategic Priorities will position the Town well for its future while celebrating the special aspects of Los Gatos. Such Priorities include continuing to enhance economic and community vitality; focusing on traffic safety for all users; and investing in key wildfire mitigation.
- Specific trends affecting the fund balance forecast include:
 - General property tax collections represent approximately 34.9% (not including the State's property tax "backfill" shifts) of the Town's General Fund revenues. Property tax collections are expected to increase 3.6% in FY 2023/24 from the prior year's estimated tax collections. This increase reflects the continued strong property assessment values through the Town. This forecast is based on data from the Santa Clara County Tax Assessor's Office. The Town closely monitors its actual collection and other legislative changes regarding property tax.
 - The Town anticipates an increase in sales tax for FY 2023/24. General sales tax estimates of \$7.9 million and \$1.3 million in dedicated district sales tax revenue for FY 2023/24 were budgeted reflecting a 2.2% combined increase from the prior year's expected sales tax budget.
 - The Town's investment portfolio yield was 3.19% as of June 30, 2023 which trended significantly higher than the average yield of 1.37% of June 30, 2022. Prevailing interest rates are rising based on Federal Reserve actions.
 - Transient Occupancy Tax (TOT) is expected to increase by 3% from FY 2022/23 estimated revenues. The Town's TOT revenue, like other municipalities, was impacted heavily by

the pandemic. Since FY 2021/22, people started to travel again, increasing the revenues year by year. The Town's TOT revenue has historically been primarily driven by business travel. During the pandemic, TOT experienced the most significant percentage decline. Due to a rebound in leisure "staycation" travel and modest improvements in business travel, current TOT collections are trending higher than anticipated and average occupancy rates are increasing as well.

- The Town's pension plans over the past several decades, like all other CalPERS participants, have experienced volatile investment returns, changes in actuarial assumptions, and demographic shifts which have outweighed any positive plan experiences. To address this unfunded status, the Town took proactive steps including initiating the prefunding of OPEB obligations, budgeting and programming additional discretionary pension payments to accelerate reduction of unfunded liabilities, and partnering with the Town's employee groups to eliminate the existing retiree healthcare benefit for new employees. Even with these proactive steps, the Town continues to be impacted by the continuing rising cost of pension related benefits. Over the next five fiscal years, the Town's five-year forecast includes increasing pension costs due to actual realized investment returns, further changes in actuarial assumptions or lowering the discount rate. The Town's net pension liability is \$28.1 million for the safety cost sharing plan and \$31.7 million for the miscellaneous plan based upon data from CalPERS as of 6/30/2022.
- To illustrate the sensitivity of the net pension liability to changes in the discount rate, CalPERS estimates that a 1% reduction in the discount rate from 6.8% to 5.8% would increase the total net pension liability for both Miscellaneous and Safety by \$31.5 million. Conversely, an increase in the discount rate from 6.8% to 7.8% would decrease the total net pension liability for both Miscellaneous and Safety by \$25.9 million.
- In addition, CalPERS provides a hypothetical termination liability estimate of the plans should the contract with CalPERS be terminated. The plan liability on a termination basis is calculated differently from the plans' ongoing funding liability. Since no future employer contributions would be made in the hypothetical termination, benefit payments are secured by risk-free assets. For the Miscellaneous plan, a 2.5% termination return rate results in a \$156.6 million termination liability. For the Safety Classic and PEPRAs plans, a 2.25% termination return rate results in a \$161.5 million termination liability.
- For detailed information about the Town employees' retirement plan please refer to Note 11 of the Notes to Basic Financial Statements Section.

REQUESTS FOR INFORMATION

This financial report is designed to provide residents, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. Questions about this report or requests for any additional information, should be directed to Gitta Ungvari, Finance Director, at 110 East Main Street, Los Gatos, California, 95030; email at gungvari@losgatosca.gov; or phone at (408) 354-6805.

DRAFT

Basic Financial Statements

DRAFT

**ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES**

The Statement of Net Position, Statement of Activities, fund financial statements, and the notes to financial statements comprise the Basic Financial Statements of the Town.

The purpose of the Statement of Net Position and the Statement of Activities is to summarize the entire financial activities and financial position of the Town. They are prepared on the same basis of accounting (accrual) used by most businesses, which means they include all the Town's assets and liabilities, as well as its revenues and expenses. The effect of the entire Town's transactions is accounted for, regardless of when cash changes hands, and all material internal transactions between funds have been eliminated.

The Statement of Net Position report the Town's total assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term debt, and presents similar information to the old balance sheet format while focusing the reader on the composition of the Town's net position (assets minus liabilities). The Statement of Net Position summarizes the financial position of the Town's governmental activities in a single column.

The Town's governmental activities include the activities of the General Fund, Special Revenue Funds, Capital Projects Funds, and Debt Service Funds. These funds are serviced by the Town's Internal Service Funds; therefore internal service activities are consolidated with governmental activities after eliminating inter-fund transactions and balances.

The Statement of Activities reports increases and decreases in the Town's net position and is prepared on the full accrual basis of accounting, which means it includes all the Town's revenues and expenses regardless of when cash changed hands. This differs from the "modified accrual" basis of accounting used in the fund financial statements, which reflect only current assets, current liabilities, available revenues, and measurable expenditures.

The format of the Statement of Activities presents the Town's expenses before revenues and by program. Program revenues (revenues generated directly by specific programs) are deducted from program expenses to arrive at the net expense of each governmental program, which is offset by general revenues as listed before the change in net position. From these components, the change in net position is computed and reconciled to the Statement of Net Position.

Both of these statements include the financial activities of the Town.

TOWN OF LOS GATOS, CALIFORNIA
STATEMENT OF NET POSITION
JUNE 30, 2023

Item 1.

	Governmental Activities
ASSETS	
Cash and investments	\$ 74,859,048
Restricted cash and investments	1,574,488
Receivables:	
Accounts	2,721,849
Interest	349,806
Intergovernmental	2,438,400
Other assets	153,868
Land held for resale	344,338
Long-term leases receivable	1,909,618
Long-term notes receivables	1,137,752
Capital Assets:	
Nondepreciable	26,066,102
Depreciable, net of accumulated depreciation	106,613,671
Total Assets	<u>\$ 218,168,940</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension adjustments	\$ 25,220,232
OPEB adjustments	4,306,030
Total Deferred Outflows of Resources	<u>\$ 29,526,262</u>
LIABILITIES	
Accounts payable	\$ 2,134,177
Accrued payroll and benefits	447,965
Interest payable	27,915
Due to other governments	69,895
Unearned Revenue	4,201,551
Deposits	6,849,378
Claims payable	2,126,708
Long-term liabilities:	
Due within one year	
Compensated absences	292,795
Subscription liabilities	149,154
Loans payable	156,034
Due in more than one year	
Net OPEB liability	7,028,633
Net pension liabilities	59,866,665
Compensated absences	2,868,452
Subscription liabilities	445,781
Loans payable	1,040,223
Total Liabilities	<u>\$ 87,705,326</u>
DEFERRED INFLOWS OF RESOURCES	
Leases	1,222,981
Pension adjustments	3,126,711
OPEB adjustments	2,117,922
Total Deferred Inflows of Resources	<u>\$ 6,467,614</u>
NET POSITION	
Net investment in capital assets	\$ 130,888,581
Restricted for:	
Library	530,174
Capital projects	8,328,572
Land held for resale	44,338
Lighting and landscape repairs and maintenance	176,966
Pensions	1,400,163
VTA	494,826
Worker's compensation claims	115,981
Total Restricted Net Position	<u>11,091,020</u>
Unrestricted	<u>11,542,661</u>
Total Net Position	<u>\$ 153,522,262</u>

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

TOWN OF LOS GATOS, CALIFORNIA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Item 1.

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for	Operating	Capital	Revenues and
		Services	Grants and	Grants and	Changes in
			Contributions	Contributions	Net Position
					Governmental
					Activities
Governmental Activities:					
General government	\$ 10,522,568	\$ 2,635,527	\$ -	\$ -	\$ (7,887,041)
Public safety	17,428,923	1,846,312	4,622,373	-	(10,960,238)
Parks and public works	12,258,626	3,590,936	1,735,608	3,915,175	(3,016,907)
Community development	5,215,961	3,971,336	616,937	-	(627,688)
Library services	3,653,642	2,039	174,663	-	(3,476,940)
Sanitation	208,262	359,950	-	-	151,688
Interest and fees	29,221	-	-	-	(29,221)
Total Governmental Activities	\$ 49,317,203	\$ 12,406,100	\$ 7,149,581	\$ 3,915,175	(25,846,347)
General revenues:					
Taxes:					
Property taxes					22,746,842
Sales taxes					8,806,477
Franchise taxes					3,074,624
Other taxes					2,292,008
Motor vehicle in lieu					34,406
Developer fees					614,820
Investment earnings					797,587
Miscellaneous					1,029,864
Total general revenues					39,396,628
Special items:					
Settlements					1,565,000
Total general revenues and special items					40,961,628
Change in Net Position					15,115,281
Net Position - Beginning					138,406,981
Net Position - Ending					\$ 153,522,262

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

ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

FUND FINANCIAL STATEMENTS &
MAJOR GOVERNMENTAL FUNDS

Fund Financial Statements:

The Fund Financial Statements only present major funds individually while nonmajor funds are combined in a single column. Major funds are generally defined as having significant activities or balances in the current year.

Major Governmental Funds:

The Town determined that the following funds were major funds for the year ended June 30, 2023. Individual non-major funds can be found in the supplemental section.

General Fund is the general operating fund of the Town and is used to account for all financial resources except those required to be accounted for in another fund.

Appropriated Reserves Fund is used to account for resources provided for capital projects not fully funded from other sources.

ARPA Fund was established to account for monies received under the American Rescue Plan Act of 2021 to respond to the COVID19 emergency.

TOWN OF LOS GATOS, CALIFORNIA
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2023

Item 1.

	General	Appropriated Reserves	ARPA	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash & investments	\$ 33,591,832	\$ 23,752,014	\$ -	\$ 9,514,805	\$ 66,858,651
Restricted cash & investments	1,400,163	-	-	58,344	1,458,507
Receivables:					
Accounts	1,482,426	1,078,834	-	85,151	2,646,411
Interest	349,806	-	-	-	349,806
Intergovernmental	1,885,545	347,316	-	205,539	2,438,400
Other assets	153,868	-	-	-	153,868
Due from other funds	1,832	-	-	-	1,832
Land held for resale	344,338	-	-	-	344,338
Leases receivable	-	241,506	-	319,957	561,463
Long term note receivable	1,059,000	-	-	78,752	1,137,752
Total Assets	\$ 40,268,810	\$ 25,419,670	\$ -	\$ 10,262,548	\$ 75,951,028
LIABILITIES					
Accounts payable	\$ 616,131	\$ 1,257,903	\$ -	\$ 16,718	\$ 1,890,752
Accrued payroll and benefits	445,631	-	-	2,334	447,965
Due to other governments	69,836	-	-	-	69,836
Unearned revenue	2,759,530	1,377,226	-	64,795	4,201,551
Deposits	6,849,378	-	-	-	6,849,378
Due to other funds	-	-	-	1,832	1,832
Total Liabilities	10,740,506	2,635,129	-	85,679	13,461,314
DEFERRED INFLOWS OF RESOURCES					
Leases	-	235,816	-	269,670	505,486
Unavailable revenue	-	798,700	-	-	798,700
Total Deferred Inflows of Resources	-	1,034,516	-	269,670	1,304,186
FUND BALANCE					
Nonspendable:					
Loans receivable	159,000	-	-	-	159,000
Leases receivable	-	5,690	-	50,287	55,977
Restricted for:					
Library	-	-	-	530,174	530,174
Capital projects	-	-	-	8,328,572	8,328,572
Land held for resale	44,338	-	-	-	44,338
Repairs and maintenance	-	-	-	176,966	176,966
Pensions	1,400,163	-	-	-	1,400,163
VTA	-	494,826	-	-	494,826
Committed to:					
Budget stabilization	6,129,774	-	-	-	6,129,774
Catastrophic	6,129,775	-	-	-	6,129,775
Pensions/OPEB	300,000	-	-	-	300,000
Measure G 2018 district sales tax	590,581	1,769,057	-	-	2,359,638
Special revenue funds	-	-	-	821,200	821,200
Assigned to:					
Open Space	410,000	152,000	-	-	562,000
Parking	-	100,000	-	-	100,000
Sustainability	140,553	-	-	-	140,553
Capital/Special projects	10,359,577	19,178,452	-	-	29,538,029
Carryover encumbrances	37,698	-	-	-	37,698
Comcast PEG	-	50,000	-	-	50,000
ERAF Risk	689,608	-	-	-	689,608
Economic recovery	1,556,614	-	-	-	1,556,614
Compensated Absences	1,580,623	-	-	-	1,580,623
Total Fund Balances	29,528,304	21,750,025	-	9,907,199	61,185,528
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 40,268,810	\$ 25,419,670	\$ -	\$ 10,262,548	\$ 75,951,028

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

TOWN OF LOS GATOS, CALIFORNIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET
POSITION – GOVERNMENTAL ACTIVITIES
JUNE 30, 2023

Fund Balance - Total Governmental Funds \$ 61,185,528

Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds because of the following:

CAPITAL ASSETS

Capital assets used in the Governmental Activities are not financial resources and, therefore, are not reported in the Governmental Funds. 131,966,335

ALLOCATION OF INTERNAL SERVICE FUND NET POSITION

Internal service funds are used by management to charge the cost of management of certain activities such as insurance, central services and maintenance to individual governmental funds. The net current assets of the internal service funds are therefore included as Governmental Activities in the Statement of Net Position. 6,542,872

DEFERED OUTFLOWS AND INFLOWS OF RESOURCES

The differences from benefit plan assumptions and estimates versus actuals are not included in the plan's actuarial study until the next fiscal year and are reported as deferred inflows or deferred outflows of resources in the statement of net position.

Deferred outflows of resources:

PERS Miscellaneous Plan adjustments	\$ 10,459,160	
PERS Safety Plan adjustments	14,761,072	
OPEB plan adjustments	<u>4,306,030</u>	29,526,262

Deferred Inflows of resources:

PERS Miscellaneous Plan adjustments	\$ (160,064)	
PERS Safety Plan adjustments	(2,966,647)	
OPEB plan adjustments	<u>(2,117,922)</u>	(5,244,633)

DEFERRED INFLOWS OF RESOURCES

Revenues from grants that are funded in this fiscal year that will not be collected for several months after the Town's fiscal year end are not considered available and are classified as deferred inflows of resources in the governmental funds. 798,700

LONG-TERM LIABILITIES

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the Governmental Funds.

Loans payable	\$ (1,196,257)	
Net Pension Liabilities	(59,866,665)	
Net OPEB Liability	(7,028,633)	
Compensated absences	<u>(3,161,247)</u>	(71,252,802)

Net Position - Governmental Activities \$ 153,522,262

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

TOWN OF LOS GATOS, CALIFORNIA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	General	Appropriated Reserves	ARPA	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Property Taxes	\$ 22,743,087	\$ -	\$ -	\$ 38,161	\$ 22,781,248
Sales Taxes	8,806,477	-	-	-	8,806,477
Other Taxes	2,234,644	-	-	29,042	2,263,686
Licenses & Permits	5,630,362	181,533	-	521,780	6,333,675
Intergovernmental	1,553,396	3,358,063	3,614,872	1,619,489	10,145,820
Charges for Services	4,646,705	1,072,009	-	-	5,718,714
Fines and Forfeitures	416,950	-	-	-	416,950
Franchise Fees	3,074,624	-	-	-	3,074,624
Developer Fees	-	614,820	-	-	614,820
Interest	605,789	44,198	-	147,595	797,582
Use of Property	38,126	91,284	-	108,237	237,647
Other	859,571	-	-	125,617	985,188
Total Revenues	50,609,731	5,361,907	3,614,872	2,589,921	62,176,431
EXPENDITURES					
Current:					
General Government	8,828,779	-	-	-	8,828,779
Public Safety	18,446,048	-	-	-	18,446,048
Parks and Public Works	8,998,088	-	-	86,318	9,084,406
Community Development	5,065,412	-	-	-	5,065,412
Library Services	3,096,486	-	-	111,541	3,208,027
Sanitation and Other	-	-	-	204,097	204,097
Capital Outlay	300,000	6,722,633	-	1,894,442	8,917,075
Debt service:					
Principal	156,034	-	-	-	156,034
Total Expenditures	44,890,847	6,722,633	-	2,296,398	53,909,878
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,718,884	(1,360,726)	3,614,872	293,523	8,266,553
OTHER FINANCING SOURCES (USES)					
Settlements	-	1,565,000	-	-	1,565,000
Gain from sale of assets	2,162	-	-	-	2,162
Transfers in	4,153,408	7,732,614	-	-	11,886,022
Transfers (out)	(7,242,939)	(427,616)	(3,614,872)	(110,920)	(11,396,347)
Total Other Financing Sources (Uses)	(3,087,369)	8,869,998	(3,614,872)	(110,920)	2,056,837
NET CHANGES IN FUND BALANCES	2,631,515	7,509,272	-	182,603	10,323,390
BEGINNING FUND BALANCES	26,896,789	14,240,753	-	9,724,596	50,862,138
ENDING FUND BALANCES	\$ 29,528,304	\$ 21,750,025	\$ -	\$ 9,907,199	\$ 61,185,528

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

**TOWN OF LOS GATOS, CALIFORNIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 10,323,390
Amounts reported for Governmental Activities in the Statement of Activities are different because of the following:	
CAPITAL ASSET TRANSACTIONS	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.	
Expenditures for capital assets (additions)	\$ 8,598,811
Current year depreciation	<u>(3,950,198)</u> 4,648,613
Gains and losses from the disposal of capital assets are not considered current financial resources and are not recorded in the governmental fund statement of revenues and expenditures but are recorded in the government-wide statement of activities because they are economic resources.	(452,844)
LONG-TERM DEBT PROCEEDS AND PAYMENTS	
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	
Certificates of participation	156,034
UNAVAILABLE REVENUE	
Revenues from grants that are funded in this fiscal year that will not be collected for several months after the Town's fiscal year end are not considered available and are classified as deferred inflows of resources in the governmental funds.	
	293,000
COMPENSATED ABSENCES	
In governmental funds, compensated absences such as vacations and sick leave are expenditures when taken. However, in the Government Wide Statement of Activities, the current year change in the compensated absences liability is reported.	
	(122,954)
OPEB PLAN CONTRIBUTIONS AND EXPENSE	
In governmental funds, actual contributions to OPEB plans are reported as expenditures in the year incurred. However, in the Government-Wide Statement of Activities, only the current year OPEB expense as noted in the plans' valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources.	
	719,946
PENSION PLAN CONTRIBUTIONS AND EXPENSE	
In governmental funds, actual contributions to pension plans are reported as expenditures in the year incurred. However, in the Government-Wide Statement of Activities, only the current year pension expense as noted in the plans' valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources.	
	1,247,506
ALLOCATION ON INTERNAL SERVICE FUND ACTIVITY	
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service fund is reported with governmental activities.	
	<u>(1,697,410)</u>
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ 15,115,281</u>

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

TOWN OF LOS GATOS, CALIFORNIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (GAAP)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Property Taxes	\$ 20,907,894	\$ 22,484,118	\$ 22,743,087	\$ 258,969
Sales Taxes	9,174,944	8,959,134	8,806,477	(152,657)
Other Taxes	1,649,460	2,355,547	2,234,644	(120,903)
Licenses & Permits	4,122,529	5,140,684	5,630,362	489,678
Intergovernmental	1,051,814	1,273,910	1,553,396	279,486
Charges for Services	4,257,261	5,540,465	4,646,705	(893,760)
Fines and Forfeitures	201,750	226,750	416,950	190,200
Franchise Fees	2,493,870	2,716,470	3,074,624	358,154
Interest	432,947	670,021	605,789	(64,232)
Use of Property	41,211	41,211	38,126	(3,085)
Other	1,203,657	863,964	859,571	(4,393)
Total Revenues	45,537,337	50,272,274	50,609,731	337,457
EXPENDITURES				
Current:				
General Government:				
Town Council	217,238	217,240	186,337	30,903
Town Attorney	707,555	811,427	699,143	112,284
Administrative Services	5,298,494	5,759,393	5,302,281	457,112
Non-Departmental	3,194,526	3,334,931	2,641,018	693,913
Total General Government	9,417,813	10,122,991	8,828,779	1,294,212
Public Safety	19,225,985	19,331,330	18,446,048	885,282
Parks & Public Works	9,798,967	10,368,194	8,998,088	1,370,106
Community Development	5,772,004	6,543,199	5,065,412	1,477,787
Library Services	3,139,449	3,247,730	3,096,486	151,244
Capital Outlay	-	435,416	300,000	135,416
Debt Service:				
Principal	-	156,034	156,034	-
Total Expenditures	47,354,218	50,204,894	44,890,847	5,314,047
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>(1,816,881)</u>	<u>67,380</u>	<u>5,718,884</u>	<u>5,651,504</u>
OTHER FINANCING SOURCES (USES)				
Gain from sale of assets	600	600	2,162	1,562
Transfers In	2,183,817	3,381,544	4,153,408	771,864
Transfers Out	(3,006,978)	(5,842,011)	(7,242,939)	(1,400,928)
Total Other Financing Sources (Uses)	<u>(822,561)</u>	<u>(2,459,867)</u>	<u>(3,087,369)</u>	<u>(627,502)</u>
NET CHANGES IN FUND BALANCE	<u>\$ (2,639,442)</u>	<u>\$ (2,392,487)</u>	<u>2,631,515</u>	<u>\$ 5,024,002</u>
BEGINNING FUND BALANCE			<u>26,896,789</u>	
ENDING FUND BALANCE			<u>\$ 29,528,304</u>	

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

TOWN OF LOS GATOS, CALIFORNIA
ARPA FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (GAAP)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 1,304,696	\$ 3,614,872	\$ 3,614,872	\$ -
Total Revenues	1,304,696	3,614,872	3,614,872	-
EXPENDITURES				
Current:	-	-	-	-
Total Expenditures	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,304,696	3,614,872	3,614,872	-
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	-	-
Operating transfers (out)	(1,304,696)	(3,614,872)	(3,614,872)	-
Total Other Financing Sources (Uses)	(1,304,696)	(3,614,872)	(3,614,872)	-
CHANGE IN FUND BALANCE	\$ -	\$ -	-	\$ -
BEGINNING FUND BALANCE			-	
ENDING FUND BALANCE			\$ -	

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

**TOWN OF LOS GATOS, CALIFORNIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Item 1.

**PROPRIETARY FUNDS -
INTERNAL SERVICE FUNDS**

Internal service funds account for Town operations financed and operated in a manner similar to a private business enterprise. The intent of the Town is that the cost of providing goods and services to other Town funds be financed through user charges to those funds.

The concept of major funds does not extend to internal service funds because they are used for internal activities only. In the Government-Wide Statement of Activities, the net revenues and expenses of the internal service funds are allocated to the Town Departments or programs that generated them, thus eliminating internal service funds.

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TOWN OF LOS GATOS, CALIFORNIA
PROPRIETARY FUNDS -
STATEMENT OF NET POSITION
JUNE 30, 2023

Item 1.

	Governmental Activities Internal Service Funds
ASSETS	
Current Assets:	
Cash & investments	\$ 8,000,397
Restricted cash & investments	115,981
Accounts Receivable	75,438
Total current assets	<u>8,191,816</u>
Noncurrent Assets:	
Leases receivable	1,348,155
Subscription assets, net	713,438
Total noncurrent assets	<u>2,061,593</u>
Total Assets	<u><u>\$ 10,253,409</u></u>
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 243,425
Due to other governments	59
Interest payable	27,915
Subscription liabilities - Current	149,154
Total current liabilities	<u>420,553</u>
Noncurrent liabilities:	
Claims payable	2,126,708
Subscription liabilities	445,781
Total noncurrent liabilities	<u>2,572,489</u>
Total Liabilities	<u><u>\$ 2,993,042</u></u>
DEFERRED INFLOWS OF RESOURCES	
Leases	<u><u>\$ 717,495</u></u>
NET POSITION	
Net Investment in capital assets	\$ 118,503
Restricted for workers compensation claims	115,981
Unrestricted	6,308,388
Total Net Position	<u><u>\$ 6,542,872</u></u>

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

**TOWN OF LOS GATOS, CALIFORNIA
 PROPRIETARY FUNDS -
 STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN NET POSITION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	Governmental Activities Internal Service Funds
OPERATING REVENUES	
Charges for services	\$ 3,695,444
Interest	5
Use of money and property	122,317
Other local taxes	28,322
Other revenue and reimbursements	247,409
Total Operating Revenues	<u>4,093,497</u>
OPERATING EXPENSES	
Insurance expenses	2,901,632
Services and Supplies	2,167,957
Depreciation/amortization	202,422
Total Operating Expenses	<u>5,272,011</u>
Operating Income (Loss)	(1,178,514)
NONOPERATING EXPENSES	
Interest expense	<u>(29,221)</u>
Income (loss) before transfers	<u>(1,207,735)</u>
Transfers in	243,325
Transfers out	<u>(733,000)</u>
Net transfers	<u>(489,675)</u>
Change in Net Position	(1,697,410)
BEGINNING NET POSITION	<u>8,240,282</u>
ENDING NET POSITION	<u>\$ 6,542,872</u>

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

**TOWN OF LOS GATOS, CALIFORNIA
PROPRIETARY FUNDS -
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Item 1.

	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 3,932,853
Payments to suppliers	(4,843,598)
Insurance reimbursements	165,757
Claims paid	529,919
Net cash provided (used) by operating activities	<u>(215,069)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers In	243,325
Transfers Out	(733,000)
Net cash provided (used) by noncapital financing activities	<u>(489,675)</u>
CASH FLOWS FROM CAPITAL RELATED FINANCING ACTIVITIES	
Interest paid	(1,306)
Acquisition of subscription assets	(320,925)
Net cash provided (used) by capital related financing activities	<u>(322,231)</u>
Net Increase(Decrease) in Cash and Investments	(1,026,975)
Cash and investments - beginning of year	9,143,353
Cash and investments - end of year	<u>\$ 8,116,378</u>
Reconciliation of Operating Income to Cash Flows	
from Operating Activities:	
Operating Income	\$ (1,178,514)
Adjustments to reconcile operating income to cash flows	
from operating activities:	
Depreciation/amortization	202,422
Change in assets and liabilities:	
Accounts receivables	(29,636)
Leases receivable	146,566
Deferred inflows of resources	(111,817)
Accounts payable	13,308
Due to other governments	9
Claims payable	742,593
Cash Flows From Operating Activities	<u>\$ (215,069)</u>
Cash and cash equivalents:	
Cash and investments	\$ 8,000,397
Restricted cash and investments	115,981
Total cash and cash equivalents	<u>\$ 8,116,378</u>

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

ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

FIDUCIARY FUNDS

Trust funds are used to account for assets held by the Town as a trustee agent for individuals, private organizations and other governments. The financial activities of these funds are excluded from the government-wide financial statements but are presented in separate Fiduciary Fund financial statements.

RDA Successor Agency Private Purpose Trust Fund was established to account for the assets and liabilities transferred from the dissolution of the Town's former Redevelopment Agency and the continuing operations related to existing Redevelopment Agency obligations.

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**TOWN OF LOS GATOS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2023**

	RDA Successor Agency
ASSETS	
Cash and investments	\$ 1,954,332
Restricted cash and investments	2,023,185
Loans receivable	622,082
Capital assets:	
Depreciable, net of accumulated depreciation	1,118,623
Total Assets	\$ 5,718,222
LIABILITIES	
Accounts payable	\$ 24
Interest payable	212,406
Long-term debt:	
Due within one year	1,415,000
Due in more than one year	10,278,580
Total Liabilities	\$ 11,906,010
NET POSITION	
Restricted for RDA	\$ (6,187,788)
Total Net Position	\$ (6,187,788)

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

**TOWN OF LOS GATOS
PRIVATE PURPOSE TRUST FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	RDA Successor Agency
ADDITIONS	
Property taxes	\$ 1,942,119
Investment earnings	80,795
	<hr/>
Total Additions	2,022,914
	<hr/>
DEDUCTIONS	
Program expenses of former RDA	5,640
Interest and fiscal agency expenses of RDA	495,843
Depreciation expense	101,693
	<hr/>
Total Deductions	603,176
	<hr/>
CHANGE IN NET POSITION	1,419,738
	<hr/>
NET POSITION - BEGINNING OF YEAR	(7,607,526)
	<hr/>
NET POSITION - END OF YEAR	<u>\$ (6,187,788)</u>

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

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Notes to Basic Financial Statements

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TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Financial Reporting Entity

The Town of Los Gatos (the “Town”) operates under a Council-Manager form of government and provides the following services; public safety (including police and emergency management), parks and public works, community development, library, public improvements, planning and zoning, and general administration services. Redevelopment services were provided primary through the Redevelopment Agency of the Town which was dissolved on February 1, 2012.

The Town is largely a residential community located in the foothills of the Santa Cruz Mountains and was incorporated as a municipal corporation in 1887. The Town’s population as of January 1, 2023, was 33,102.

As required by generally accepted accounting principles, these financial statements present the Town as the Primary Government and any component units for which the Town is considered financially accountable.

B. Description of Blended Component Units

The Town did not report any component units as a part of the primary government because the Town Council was not the governing body of any entities and no separate entity provided services entirely to the Town.

C. Description of Joint Ventures and Public Entity Risk Pool

As described in Note 11, the Town participates in two joint ventures and public entity risk pool activities through formally organized separate legal entities. The financial activities of the Pooled Liability Assurance Network Joint Powers Authority (PLAN JPA) and the Local Agency Workers’ Compensation Excess Joint Powers Authority (“LAWCX”) are not included in the accompanying basic financial statements as boards separate from and independent of the Town administer them.

D. Basis of Presentation

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

The accompanying financial statements are presented on the basis set forth in Government Accounting Standards Board Statements No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, No. 36, *Recipient Reporting for Certain Non-exchange Revenues, an Amendment of GASB Statement No. 33*, No. 37, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments; Omnibus*, and No. 38, *Certain Financial Statement Note Disclosures*.

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

These Statements require that the financial statements described below be presented.

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary government (the Town). These statements include the financial activities of the overall Town government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements present *governmental activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meet the operational needs of a particular program, and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds, including fiduciary funds and blended component units. Separate statements for each fund category—*governmental*, *proprietary* and *fiduciary*—are presented. The emphasis of fund financial statements is on major individual governmental funds, each of which is displayed in a separate column. All remaining governmental are aggregated and reported as nonmajor funds.

Internal service funds of the Town (which provide services primarily to other funds of the Town) are presented, in summary form, as part of the proprietary fund financial statements. Since the principal users of the internal services are the Town's governmental activities, financial activities of the internal service funds are presented in the governmental activities column when presented at the government-wide level. The costs of these services are allocated to the appropriate function/program in the Statement of Activities.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

E. Major Funds

GASB defines major funds and requires that the Town's major governmental funds be identified and presented separately in the fund financial statements. All other funds, called nonmajor funds, are combined and reported in a single column, regardless of their fund-type.

Major funds are defined as funds that have assets, deferred outflows of resources, liabilities, deferred outflows of resources, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The Town may also select other funds it believes should be presented as major funds.

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

The Town reported the following major governmental funds in the accompanying financial statements:

General Fund is the general operating fund of the Town and is used to account for all financial resources except those required to be accounted for in another fund.

Appropriated Reserves Fund is used to account for resources provided for capital projects not fully funded from other sources.

ARPA Fund was established to account for monies received under the American Rescue Plan Act of 2021 to respond to the COVID19 emergency.

The Town also reports the following fund types:

Internal Service Funds are used to account for services that are provided to other departments on a cost-reimbursement basis. Those services include workers compensation, self-insurance, facilities maintenance, information technology, and equipment.

Fiduciary Funds include Private-Purpose Trust Funds and agency funds used to account for assets held by the Town as an agent for individuals, private organizations, and other governments. The financial activities of this fund are excluded from the government-wide financial statement but are presented in a separate Fiduciary Fund financial statement.

The Town reported the following Fiduciary Funds in the accompanying financial statements:

RDA Successor Agency Private Purpose Trust Fund accounts for the assets, liabilities, and operations transferred from the dissolution of the Town's Redevelopment Agency, which includes the following:

- Certificates of Participation issued to finance several capital improvement projects throughout the Town.
- Redevelopment projects and related property tax revenue.
- Affordable Housing Set-Aside Program obligations.
- Repayment of obligations incurred by the Town's Redevelopment Agency prior to its dissolution.

F. Basis of Accounting

The government-wide and fiduciary fund (except for agency funds) financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable*

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

and *available*. The Town considers property tax revenues reported in the governmental funds to be available if the revenues are collected or are reasonably expected to be collected within sixty days after year-end. For revenues other than property taxes, the Town generally applies the sixty-day period rule when considering the *measurable* and *available* criteria. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which is recognized upon becoming due and payable; and except for claims, judgments, and compensated absences, which are recognized when estimable and probable. Governmental capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Those revenues susceptible to accrual are property and sales taxes, certain intergovernmental revenues, and interest revenue. Fines, forfeitures, licenses and permits, and charges for services are not susceptible to accrual because they are not measurable until received in cash.

Non-exchange transactions, in which the Town gives or receives value without directly, receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Town may fund programs with a combination of cost-reimbursement grants, categorical block grants and/or general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenditures. The Town's policy is to first apply restricted grant resources to such programs followed by general revenues as necessary.

Certain indirect costs are included in program expenses reported for individual functions and activities.

The Town applies all applicable GASB pronouncements for certain accounting and financial reporting guidance including those applicable to accounting and reporting for proprietary operations. In December of 2010, GASB issued *GASB No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates pronouncements issued on or before November 30, 1989 into GASB authoritative literature. This includes pronouncements by the Financial Accounting Standards Board (FASB), Accounting Principles Board Opinions (APB), and the Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure, unless those pronouncements conflict with or contradict with GASB pronouncements.

Pensions - For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Town's California Public Employees' Retirement System (CalPERS) plans (the Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 to June 30, 2022

Other Postemployment Benefit (OPEB) Expense

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense information about the fiduciary net position of the Town's Retiree Benefits Plan (the OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value. Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 to June 30, 2022

Cash and Cash Equivalents - The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State of California statutes and the Town's investment policy authorize the Town to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, collateralized, non-negotiable certificates of deposits, commercial paper rated A-1/P-1, medium-term corporate notes rated A or its equivalent or better by Moody's or Standard & Poor's, asset backed corporate notes, bankers' acceptances, mutual funds, and the State Treasurer's investment pool (Local Agency Investment Fund).

The Town does not enter into repurchase or reverse repurchase agreements.

Restricted Cash and Investments - Certain restricted cash and investments are held by fiscal agents for pension stabilization, worker's compensation insurance, and Successor Agency debt service obligations.

Investments - Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. In determining this amount, three valuation techniques are available:

- **Market approach** - This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.
- **Cost approach** - This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.
- **Income approach** - This approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs have been maximized in fair value measures, and unobservable inputs have been minimized.

Materials, Supplies and Deposits (Other Assets) - These assets are held for consumption and are stated at cost using the first-in, first-out method. The costs are recorded as expenditures at the time the item is consumed.

Interfund Receivables and Payables - Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “advances to/advances from other funds.” All other outstanding balances between funds are reported as “due to/from other funds.”

Advances - Advances between funds and due from/to other funds are offset by a nonspendable fund balance in applicable Town funds to indicate the extent to which they are not available for appropriation and are not expendable available financial resources.

Capital Assets - Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets or donated works of art and similar items should be reported at acquisition value rather than fair value. Also, note that capital assets received in a service concession arrangement should be reported at acquisition value rather than fair value. Capital assets, including infrastructure, are recorded if acquisition or construction costs exceeds \$10,000.

As required by GASB, the Town depreciates and amortizes capital assets with limited useful lives over their estimated useful lives. The purpose of depreciation/amortization is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year’s pro rata share of the cost of capital assets. The Town depreciates/amortizes using the straight-line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated.

Intangible right-to-use lease assets are amortized over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that the university has determined is reasonably certain of being exercised, then the lease asset is amortized over the useful life of the

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

underlying asset. Intangible right-to-use subscription assets are amortized over the shorter of the subscription term or the useful life of the underlying IT asset.

The Town has assigned the useful lives listed below to capital assets:

Buildings	25-40 years
Improvements	25-40 years
Machinery and equipment	2-20 years
Furniture and fixtures	5-12 years
Software	5-7 years
Infrastructure	20-40 years

Major capital outlay for capital assets and improvements are capitalized as projects are constructed.

Capital assets may be acquired using federal and state grants, contributions from developers, and contributions or grants from other governments. GASB 34 requires that these contributed assets be accounted for as revenue at the time they are contributed.

Leases Receivable - The Town's leases receivable are measured at the present value of lease payments expected to be received during the lease terms. The present value, net of accumulated amortization, is reported as deferred inflows of resources is recorded for leases. Deferred inflows of resources are recorded at the initiation of the leases in an amount equal to the initial recording of the leases receivable, plus incentive payments received. Amounts recorded as deferred inflows of resources from the leases are amortized on a straight-line basis over the term of the lease.

Deferred Compensation Plan - The Town established a deferred compensation plan created in accordance with California Government Code Section 53212 and Internal Revenue Code Section 457. The plan, available to all Town employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Deferred compensation plans are not reported as part of the Town's assets or liabilities, as the deferred compensation plan trustees hold those funds in trust on behalf of employees until the employees are eligible to receive the benefits.

Compensated Absences - Accumulated Vacation, Sick Pay, and Other Employee Benefits are accrued as earned. Upon termination, employees are paid for all unused vacation at their current hourly rates. Sick leave earned is cashed out based on the following schedule for employees with at least 150 hours accrued and up to a maximum amount as specified under labor contract provisions:

For employees under contract 1-59 months	25.0%
For employees under contract 60-119 months	37.5%
For employees under contract 120 months or more	50.0%

The Town's liability for compensated absences is determined annually. For all governmental funds, amounts expected to be paid out of current financial resources are recorded as liabilities of each fund;

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

the long-term portion is recorded in the Statement of Net Position. The changes of the compensated absences were as follows:

Beginning Balance	\$ 3,038,293
Additions	1,118,885
Payments	<u>(995,931)</u>
Ending Balance	<u>\$ 3,161,247</u>
Compensated Absences Current Portion	<u>\$ 292,795</u>

Compensated absences are liquidated by the fund that has recorded the liability. The long-term portion of governmental activities compensated absences is liquidated primarily by the General Fund. Only compensated absences related to terminated employees are reported in the fund financial statements.

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

Long-Term Liabilities - In the government-wide financial statements and private-purpose trust funds long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Subscription Based Information Technology Arrangements - The Town recognizes subscription liabilities with an initial, individual value of \$100,000 or more. The Town uses its estimated incremental borrowing rate to measure subscription liabilities unless it can readily determine the interest rate in the arrangement. The Town's estimated incremental borrowing rate is calculated as described above. The Town's estimated incremental borrowing rate is based on its most recent public debt issuance.

Deferred Outflows/Deferred Inflows of Resources - Deferred outflows of resources is a consumption of net assets by the Town that is applicable to a future reporting period, for example, contributions to pension and OPEB plans that are after the actuarial measurement date.

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

Deferred inflows of resources is an acquisition of net assets by the Town that is applicable to a future reporting period, for example, unavailable revenue.

Net Position - In the government-wide financial statements, net position is classified in the following categories:

Net Investment in Capital Assets - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets. In addition, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also are included in the net investment in capital assets component of net position.

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

Unrestricted Net Position - This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

Fund Balances - The Town does not have a policy identifying a minimum unassigned fund balance. Because amounts in the nonspendable, restricted, committed, and assigned categories are subject to varying constraints on their use, the remaining fund balances are otherwise unassigned.

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Town classifies governmental fund balances as follows:

Nonspendable includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end. Committed fund balances are imposed by the Town Council.

Assigned includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Town Manager or the Finance Director.

Unassigned includes fund balances within the funds which have not been classified within the above-mentioned categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

unassigned fund balance amount. However, in governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

The Town uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Town would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent asset and liabilities at the dates of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting periods. Actual results could differ from those estimates.

Subsequent Events - Management has considered subsequent events through November 27, 2023, the date which the financial statements were available to be issued. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no non-recognized subsequent events that require disclosure.

Property Tax Levy, Collection and Maximum Rates - State of California Constitution Article XIII A provides that the combined maximum property tax rate on any given property may not exceed 1% of its assessed value unless an additional amount for general obligation debt has been approved by voters. Assessed value is calculated at 100% of market value as defined by Article XIII A and may be adjusted by no more than 2% per year unless the property is sold, transferred, or substantially improved. The State Legislature has determined the method of distribution of receipts from a 1% tax levy among the counties, cities, school districts and other districts.

The County of Santa Clara assesses properties, bills for and collects property taxes on the following schedule:

	<u>Secured</u>	<u>Unsecured</u>
Valuation/lien dates	January 1	January 1
Levy dates	January 1	January 1
Due dates (delinquent as of)	50% on November 1 (December 10) 50% on February 1 (April 10)	March 1 (August 31)

The term "unsecured" refers to taxes on personal property other than land and buildings. These taxes are secured by liens on the property being taxed. Property taxes levied are recorded as revenue and receivables when they are collected during the fiscal year of levy or within 60 days of year-end.

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

Budgets and Budgetary Accounting - The Town follows the procedures below when establishing the budgetary data reflected in the financial statements:

1. The Town Manager submits to the Town Council a proposed operating and capital improvement budget for the fiscal year commencing the following July 1. The budgets include the proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through adoption of Town resolution by Council.
4. The Town Manager is authorized to implement the programs as approved in the adopted budget. Within a specific fund, the Town Manager may transfer appropriations between categories, departments, projects and programs as needed to implement the adopted budget, whereas the Town Council must authorize budget increases and decreases, and transfers between funds.
5. Budgets are adopted on a basis consistent with generally accepted accounting principles except for proprietary funds which budget for capital outlays but not depreciation. Budgets were adopted for the General Fund, Special Revenue Funds, Internal Service Funds, and Capital Projects Funds.
6. Budgeted amounts are as originally adopted or as amended by Town Council. Individual amendments were not material in relation to original appropriations.

Excess of Expenditures over Appropriations - There were no significant expenditures in excess of budget during for the year ended June 30, 2023.

Encumbrances - Under encumbrance accounting, purchase orders, contract and other commitments for expenditures are recorded in order to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of formal budgetary integration in all funds. Encumbrances outstanding at year-end are reported as commitments or assignments of fund balances since they do not constitute expenditures or liabilities; unexpended and unencumbered appropriations lapse at year end in all funds. Encumbered appropriations are carried forward to the following year.

Reclassifications - Certain accounts in the prior-year financial statements have been reclassified for the presentation in the current-year financial statements.

G. Accounting and Reporting Changes

GASB Statement No. 96, *Subscription-based Information Technology Arrangements*.

During the year, the Town implemented GASB Statement No. 96, *Subscription-based Information Technology Arrangements*. GASB Statement No. 96 is an accounting pronouncement issued by the Governmental Accounting Standards Board (GASB) that provides guidance on how the costs and investments for subscription-based information technology arrangements (SBITAs) are accounted for and disclosed by governmental entities. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

Statement No. 87, *Leases*, as amended. As a result, the Town recorded intangible right of use subscription assets of \$915,860 and corresponding subscription lease liabilities of \$653,681. The details of the related assets and liabilities can be found in Notes 6 and 8.

H. Upcoming Accounting and Reporting Changes

The Town is currently analyzing its accounting practices to determine the potential impact on the financial statements of the following recent GASB Statements:

GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*

This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement also prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections in previously issued financial statements. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 101, *Compensated Absences*

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

NOTE 2 - CASH AND INVESTMENTS

The Town pools cash from all sources and all funds except Restricted Cash and Investments so that it can be invested at the maximum yield, consistent with safety and liquidity, while existing funds have cash available for expenditures.

Cash and Investments Defined

The Town includes only cash deposits in banks as cash. Investments in LAIF and government securities mutual funds are net in the order of liquidity, since they may be withdrawn without penalty. U.S. Treasuries, U.S. Agencies and Certificates of Deposit are the Town's least liquid investments, since they must be held to maturity.

Cash Deposits with Banks and Custodial Credit Risk

California Law requires banks and savings and loan institutions to pledge government securities with a fair value of 110% of the Town's cash on deposit, first trust deed mortgage notes with a value of 150% of the deposit, or letters of credit issued by the Federal Home Loan Bank of San Francisco with a value of 100% of the deposit as collateral. Under California Law this collateral is held in the Town's name and places the Town ahead of general creditors of the institution. The Town's cash deposits are collateralized under this law.

The bank balance of the Town's cash deposits was \$14,306,396 and the carrying amount was \$14,200,094 as of June 30, 2023. The bank balance and the carrying amount differed due to deposits in transit and outstanding checks.

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

Investments

The Town and its fiscal agent invest in individual investments and in investment pools. Individual investments are evidenced by specific identifiable pieces of paper called “securities instruments,” or by an electronic entry registering the owner in the records of the institution issuing the security, called the book entry system. In order to maximize security, the Town employs the Trust department of a bank as the custodian of all its investments, regardless of their form.

Fair Value Measurements

GASB 72 established a hierarchy of inputs to the valuation techniques above. This hierarchy has three levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable
- Level 3 inputs are unobservable inputs, such as a property valuation or an appraisal.

Local Agency Investment Fund (LAIF)

The Town invests in the California State Treasurer’s Local Agency Investment Fund. LAIF, established in 1977, is regulated by California Government Code Section 16429 and under the day to day administration of the State Treasurer. As of June 30, 2023, LAIF had approximately \$180 billion in investments that were fully invested in non-derivative financial products. These investments are described as follows:

1. Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and / or that have embedded forwards or options.
2. Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

Risk Disclosures

Interest Rate Risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to the changes in market interest rates. One of the ways that the Town manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is provided in the summary of cash and investments table on the following page that shows the distribution of the Town's investments by maturity.

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

Credit Risk is the risk of loss due to the failure of the security issuer. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The summary of cash and investments table on the following page shows the minimum rating under the actual rating of the Town's investments at year end.

Custodial Credit Risk is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town's investment in money market fund and LAIF is not categorized as to custodial credit risk. Its U.S. Government Agency Securities investment is held by a third-party financial institution under the third party's trust department's name and thus not exposed to custodial credit risk.

Concentration of Credit Risk is the risk that the Town's investments are exposed because the types of investments have been too limited. The Town's Policy states that, with the exception of US Treasury securities and LAIF, no more than 50% of the Town's total investment portfolio will be invested in one single security type or with a single financial institution. The Town was in compliance with this policy as of June 30, 2023.

The following table summarizes the Towns policy related to maturities and concentration of investments:

Investment Type	Maximum Maturity	Maximum Portfolio Percentage
US Treasury Obligations	5 years	None
US Agency Obligations	5 years	None
Bankers Acceptances	180 days	30%
Commercial Paper	270 days	25%
Medium Term Notes	5 years	30%
Collateralized CD's	5 years	30%
CA LAIF	NA	\$65 million
Money Market Funds	NA	20%

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

The following is a summary of the Town's Cash and Investments (stated at fair value) as of June 30, 2023:

Description	Available for Operations	Restricted	Total	Concentration of Credit Risk	Rating	Input Level	Time to Mature (Years)	Weighted Average Maturity
Government Bonds	17,124,763	-	17,124,763	27.35%	n/a	2	0-3	1.16
Government Agencies	15,611,400	-	15,611,400	24.93%	n/a	2	0-4	1.90
Corporate Bonds	13,042,387	-	13,042,387	20.83%	A3	2	0-3	1.54
Mutual Funds	56,542	-	56,542	0.09%	Not Rated	2	n/a	n/a
LAIF	16,775,794	-	16,775,794	26.79%	Not Rated	n/a	n/a	n/a
Total Investments	62,610,886	-	62,610,886	100.00%				
Cash Deposits with Banks	14,182,701	2,197,510	16,380,211					
Money Market Accounts	17,393	-	17,393					
Pension Trust	-	1,400,163	1,400,163					
Cash on Hand at Town	2,400	-	2,400					
Total Cash and Investments	76,813,380	3,597,673	80,411,053					

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted by Town debt or Agency agreements.

Description	Total Town	Fiduciary Funds	Totals
Cash and Investments Available for Operations	\$ 74,859,048	\$ 1,954,332	\$ 76,813,380
Restricted Cash and Investments	1,574,488	2,023,185	3,597,673
Total Cash and Investments	\$ 76,433,536	\$ 3,977,517	\$ 80,411,053

NOTE 3 - LONG-TERM NOTES RECEIVABLE

The Town had the following long-term notes receivable as of June 30, 2023:

Description	Interest Rate	Maturity	Balance
General Fund:			
Rehab Loan to Charities	Various	Various	\$ 159,000
BMP Loans	Various	Various	900,000
Total General Fund			1,059,000
Community Development Block Grant Fund (CDBG):			
Housing Conservation	0-5%	Various	78,752
Total CDBG			78,752
Total Long-Term Notes Receivable - Government-Wide Statement of Net Position			1,137,752
Successor Agency Affordable Housing:			
Project Match	Various	Various	622,082
Total Long-Term Notes Receivable			\$ 1,759,834

BMP Loans - The purpose of the Below Market Price (BMP) Housing Program is to provide adequate housing for Los Gatos residents, regardless of age, income, race, or ethnic background. As required by the State, the Town plans and facilitates the construction of housing adequate for future populations

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

consistent with environmental limitations and in a proper relationship to community facilities, open space, transportation, and small-town character.

Active Home Loans and Housing Conservation Loans - The Town used CDBG Funds (funded through federal grants) to assist low- and moderate-income homeowners to improve their homes and to fund low-income housing rental properties acquisition and rehabilitation. These loans are secured by deeds of trust.

Project Match - The Successor Agency has a loan agreement with Project Match, a nonprofit benefit corporation, to acquire and rehabilitate four- or five-bedroom single family homes. The property is to provide affordable housing rental to very low-income senior households. The loan receivable is evidenced by a promissory note and secured by a deed of trust. From inception of the loan through June 30, 2023, no interest or principal payments have been made.

NOTE 4 - LEASES RECEIVABLE

In March of 2021, the Town entered into a five-year lease with Tesla Motor Cars (Tesla) allowing Tesla to use Town property at the North Lot for charging stations. Under the lease, Tesla pays the Town \$96,000 per year during the term of the lease. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 2%. The outstanding balance on the lease at year end was \$241,506.

In January of 2010, the Town entered into a twenty-year lease with the Los Gatos Saratoga Recreation (LGS) allowing LGS to use the property at 123 East Main Street. Under the lease, LGS paid the Town \$19,950 per year at the beginning of the lease. After cumulative CPI adjustments, the payment in the final year of the lease will be \$30,216. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 6.6%. The outstanding balance on the lease at year end was \$148,858.

In January of 2010, the Town entered into a twenty-year lease with the Los Gatos Saratoga Recreation (LGS) allowing LGS to use the property at 208 East Main Street. Under the lease, LGS paid the Town \$90,000 per year at the beginning of the lease. After cumulative CPI adjustments, the payment in the final year of the lease will be \$243,435. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 6.6%. The outstanding balance on the lease at year end was \$1,199,297.

In December of 2022, the Town entered into a fifty-five-month lease with CineLux Theaters allowing CineLux Theaters to use the Los Gatos Theatre building. Under the lease, CineLux Theaters pays the Town up to \$120,000 per year during the term of the lease. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 5.99%. The outstanding balance on the lease at year end was \$319,957.

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

The following summarizes the leases as of June 30, 2023:

Description	Tesla		LGS 123 E. Main St		LGS 208 E. Main St	
	Lease Receivable	Deferred Inflows of Resources	Lease Receivable	Deferred Inflows of Resources	Lease Receivable	Deferred Inflows of Resources
Beginning Balance	\$ 331,696	\$ 327,100	\$ 165,056	\$ 96,396	\$ 1,329,665	\$ 732,916
Additions	-	-	-	-	-	-
Current Amortization	-	(91,284)	-	(12,997)	-	(98,820)
Current Principal Payments	(90,190)	-	(16,198)	-	(130,368)	-
Ending Balance	\$ 241,506	\$ 235,816	\$ 148,858	\$ 83,399	\$ 1,199,297	\$ 634,096

Description	Los Gatos Theatre		Totals	
	Lease Receivable	Deferred Inflows of Resources	Lease Receivable	Deferred Inflows of Resources
Beginning Balance	\$ -	\$ -	\$ 1,826,417	\$ 1,156,412
Additions	319,957	308,997	319,957	308,997
Current Amortization	-	(39,327)	-	(242,428)
Current Principal Payments	-	-	(236,756)	-
Ending Balance	\$ 319,957	\$ 269,670	\$ 1,909,618	\$ 1,222,981

NOTE 5 - INTERFUND TRANSACTIONS

Transfers - With Council approval resources may be transferred from one fund to another. Transfers routinely reimburse funds that have made an expenditure on behalf of another fund. Transfers may also be made to pay for capital projects or capital outlays, lease or debt service payments, operating expenses and low and moderate-income housing projects. Transfers between funds during the fiscal year ended June 30, 2023 were as follows:

Transfers Out			Transfers In		
Opinion Unit	Program Title	Amount	Opinion Unit	Program Title	Description
General Fund	Non-Departmental	\$ 3,006,978	Appropriated Reserves	GFAR	Adopted Budget Support
General Fund	Non-Departmental	463,572	Appropriated Reserves	Downtown Revitalization	Parklets
General Fund	Non-Departmental	243,325	Internal Service	Facilities	Rent Waivers
General Fund	Non-Departmental	2,900,000	Appropriated Reserves	GFAR	Capital projects
General Fund	Measure G Program	629,064	Appropriated Reserves	GFAR	Capital projects
Nonmajor	Blackwell District	460	General	Non-Departmental	Admin Support
Nonmajor	Kennedy Meadows	1,510	General	Non-Departmental	Admin Support
Nonmajor	Gemini Court	610	General	Non-Departmental	Admin Support
Nonmajor	Santa Rosa Heights	660	General	Non-Departmental	Admin Support
Nonmajor	Vasona Heights	1,430	General	Non-Departmental	Admin Support
Nonmajor	Hillbrook Drive	250	General	Non-Departmental	Admin Support
ARPA	ARPA	3,614,872	General	Patrol	Revenue loss, public safety
Appropriated Reserves	GFAR	102,000	General	Non-Departmental	Admin Support
Appropriated Reserves	GFAR	97,808	General	Town Engineering	Engineering Support
Appropriated Reserves	GFAR	217,808	General	PPW Admin	Engineering Support
Appropriated Reserves	Traffic Mitigation	10,000	General	Non-Departmental	Admin Support
Nonmajor	Gas Tax	106,000	General	Non-Departmental	Admin Support
Internal Service	Information Technology	700,000	Appropriated Reserves	GFAR	Ent. Res. Planning Software Update
Internal Service	Information Technology	33,000	Appropriated Reserves	ERP Upgrade	Ent. Res. Planning Software Update
Total Transfers		\$ 12,129,347			

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

Inter-fund Receivables and Payables - Amounts due to or due from other funds reflect inter-fund balances for services rendered or short-term loans expected to be repaid in the next fiscal year. Advances to or from other funds are long-term loans between funds that are to be repaid in their entirety over several years.

NOTE 6 - CAPITAL ASSETS

Changes in the Town's capital assets during the fiscal year are shown as follows:

	Balance at June 30, 2022	Additions	Retirements	Balance at June 30, 2023
Nondepreciable/Amortizable Capital Assets:				
Land	\$ 26,066,103	\$ -	\$ -	\$ 26,066,103
Construction in Progress	7,778,075	-	(264,927)	7,513,148
Total Nondepreciable/Amortizable	33,844,178	-	(264,927)	33,579,251
Depreciable/Amortizable Capital Assets:				
Subscription Right of Use Assets	-	915,860	-	915,860
Buildings and Improvements	39,613,623	313,377	(24,225)	39,902,775
Equipment & Vehicle	12,555,617	592,001	(195,324)	12,952,294
Infrastructure	108,726,852	7,958,361	(385,255)	116,299,958
Total Depreciable/Amortizable	160,896,092	9,779,599	(604,804)	170,070,887
Less Accumulated Depreciation/Amortization for:				
Subscription Right of Use Assets	-	202,422	-	202,422
Buildings and Improvements	10,131,701	924,468	-	11,056,169
Equipment & Vehicle	10,044,744	596,816	(151,960)	10,489,600
Infrastructure	46,793,259	2,428,915	-	49,222,174
Total Accumulated Depreciation/Amortization	66,969,704	4,152,621	(151,960)	70,970,365
Net Depreciable/Amortizable Capital Assets	93,926,388	5,626,978	(452,844)	99,100,522
Capital Assets, Net	\$ 127,770,566	\$ 5,626,978	\$ (717,771)	\$ 132,679,773

Depreciation/amortization expense is charged to functions and programs based on their usage of the related assets. The amount allocated to each function or program is as follows:

Governmental Activities	Depreciation/ Amortization Expense
General Government	\$ 473,698
Public Safety	498,187
Parks & Public Works	2,704,539
Community Development	76,379
Library	398,642
Sanitation	1,176
Total Governmental Activities	<u>\$ 4,152,621</u>

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

Changes in the RDA Successor Agency trust fund capital assets during the fiscal year are shown as follows:

	Balance at June 30, 2022	Adjustments and Additions	Retirements	Balance at June 30, 2023
Depreciable/Amortizable Capital Assets:				
Buildings and Improvements	\$ 4,067,708	\$ -	\$ -	\$ 4,067,708
Less Accumulated Depreciation/Amortization for:				
Buildings and Improvements	2,847,392	101,693	-	2,949,085
Net Depreciable/Amortizable Capital Assets	1,220,316	(101,693)	-	1,118,623
Capital Assets, Net	\$ 1,220,316	\$ (101,693)	\$ -	\$ 1,118,623

NOTE 7 - LONG-TERM OBLIGATIONS

The Town generally incurs long-term debt to finance projects or purchase assets, which will have useful lives equal to or greater than the related debt.

The following summarizes the changes in long-term debt in the Town during the fiscal year ended June 30, 2023:

Long-Term Debt	Interest Rate	Maturity Date	Original Issue	Beginning Balance	Additions/ Adjustments	Deletions	Ending Balance
Direct Borrowings:							
PG& Loan	0%	2031	\$ 1,560,336	\$ 1,352,291	\$ -	\$ 156,034	\$ 1,196,257
Due Within One Year							156,034
Due in More Than One Year							<u>\$ 1,040,223</u>

Future debt service requirements of the PG&E loan were as follows:

For the Year Ending June 30,	Principal	Interest	Total
2024	\$ 156,034	\$ -	\$ 156,034
2025	156,034	-	156,034
2026	156,034	-	156,034
2027	156,034	-	156,034
2028	156,034	-	156,034
2029-2033	416,087	-	416,087
Total Debt Service	<u>\$ 1,196,257</u>	<u>\$ -</u>	<u>\$ 1,196,257</u>

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

The following summarizes the changes in long-term debt in the Successor Agency trust fund during the fiscal year ended June 30, 2023:

Long-Term Debt	Interest Rate	Maturity Date	Original Issue	Beginning Balance	Deletions	Ending Balance
2002 COP	2.5-5%	2031	\$ 10,725,000	\$ 5,280,000	\$ 420,000	\$ 4,860,000
2010 COP	2.5-4.25%	2028	15,675,000	7,505,000	935,000	6,570,000
Subtotal COP's			26,400,000	12,785,000	1,355,000	11,430,000
Premiums			753,095	301,235	37,655	263,580
Total Long-Term Debt			<u>\$ 27,153,095</u>	<u>\$ 13,086,235</u>	<u>\$ 1,392,655</u>	<u>\$ 11,693,580</u>
Due Within One Year						1,415,000
Due in More Than One Year						<u>\$ 10,278,580</u>

2002 Certificates of Participation (2002 COPs) - On July 18, 2002, the Town and the Los Gatos Redevelopment Agency issued \$10,725,000 in 2002 COPs, Series A, to finance the acquisition, construction, rehabilitation, equipping, and improvement of several capital improvement projects. The Town had pledged lease payments of real property and facilities comprised of the Parks and Public Works Service Center and Baseball Field, as well as Parking Lot No. 1, 2, and 3, as collateral for the repayment of the Certificates. Principal payments are due annually on August 1st, with interest payments due semi-annually on February 1st and August 1st.

2010 Certificates of Participation (2010 COPs) - On June 1, 2010, \$15,675,000 of 2010 COPs were issued to finance the acquisition, construction, and improvement of a library on the Town's Civic Center campus, to be owned and operated by the Town. Principal payments are due annually on August 1, with interest payments due semi-annually on February 1 and August 1.

To assist the Town in paying the cost of acquisition and construction of various projects, the Town and its Redevelopment Agency entered into lease and reimbursement agreements in 2002 and 2010. Under the agreements, the Agency will use available net tax increment revenues resulting from the projects' effect on land values to repay the Town for all lease payments made by the Town to the Agency under the lease agreements for the projects. Net tax increment revenues are all taxes allocated to and paid into the Successor Agency private-purpose trust fund.

Future debt service requirements of the Certificates of Participation were as follows:

For the Year Ending June 30,	Principal	Interest	Total
2024	\$ 1,415,000	\$ 479,550	\$ 1,894,550
2025	1,485,000	417,300	1,902,300
2026	1,550,000	351,850	1,901,850
2027	1,625,000	283,375	1,908,375
2028	1,705,000	210,819	1,915,819
2029-2033	3,650,000	275,656	3,925,656
Total Debt Service	<u>\$ 11,430,000</u>	<u>\$ 2,018,550</u>	<u>\$ 13,448,550</u>

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

The Successor Agency must maintain a required amount of cash and investments with the trustee under the terms of the COPs issues. These funds are pledged as reserves to be used if the Successor Agency fails to meet its obligations under the COPs issue and totaled \$2,023,185 as of June 30, 2023. The California Government Code requires these funds to be invested in accordance with Town ordinance, bond indentures or State statutes. All these funds have been invested as permitted under the Code.

NOTE 8 - SUBSCRIPTION-BASED INFORMATION TECHNOLOGY AGREEMENTS

The following summarizes the terms of the Town's subscription-based information technology agreements as of June 30, 2023:

Terms	Accela	Microsoft
Start	7/1/2021	7/1/2022
End	6/30/2026	7/1/2025
Annual Rate	4.66%	4.92%
Prepayments	\$ 227,179	\$ -
Implementation Cost	\$ 35,000	\$ -
Principal Paid	\$ -	\$ 58,747
Interest Paid	\$ 15,957	\$ 13,264
Lease Amortization	\$ 149,337	\$ 53,085

The following summarizes the Town's subscription right of use assets as of June 30, 2023:

Subscription Right of Use Assets	Accela	Microsoft	Total
Beginning	\$ -	\$ -	\$ -
Additions	597,350	318,510	915,860
Deletions	-	-	-
Ending	597,350	318,510	915,860
Accumulated Amortization	(149,337)	(53,085)	(202,422)
Subscription ROA, Net	<u>\$ 448,013</u>	<u>\$ 265,425</u>	<u>\$ 713,438</u>

The following summarizes the Town's subscription liabilities as of June 30, 2023:

Subscription Liabilities	Accela	Microsoft	Total
Beginning	\$ -	\$ -	\$ -
Additions	335,172	318,509	653,681
Deletions	-	(58,747)	(58,747)
Ending	335,172	259,762	594,934
Due Within One Year	102,174	46,980	149,154
Due in More Than One Year	<u>\$ 232,998</u>	<u>\$ 212,782</u>	<u>\$ 445,780</u>

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

NOTE 9 - SPECIAL ASSESSMENT DISTRICT DEBT WITHOUT COMMITMENT

Special assessment districts are established in various parts of the Town to provide improvements to properties located in those districts. Properties are assessed for the cost of the improvements. These assessments are payable over the term of the debt issued to finance the improvements and are used to pay debt service on debt issued to fund the improvements. The Town is acting only as an agent and has no legal liability with respect to the payment of any indebtedness of the Downtown Parking Assessment District. There was no non-obligated debt outstanding as of June 30, 2023.

NOTE 10 - FUND BALANCES

Fund balance for governmental funds is reported in classifications (nonspendable, restricted, committed, assigned, and unassigned) that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. As of June 30, 2023, fund balances were classified as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Nonspendable				
Loans Receivable	\$ 159,000	\$ -	\$ -	\$ 159,000
Leases	-	146,167	(90,190)	55,977
Total Nonspendable	<u>159,000</u>	<u>146,167</u>	<u>(90,190)</u>	<u>214,977</u>
Restricted:				
Library	555,253	86,459	(111,538)	530,174
Capital projects	8,357,393	1,971,621	(2,000,442)	8,328,572
Land held for resale	-	344,338	-	344,338
Repairs and maintenance	174,239	41,219	(38,492)	176,966
Pensions	690,000	711,618	(1,455)	1,400,163
VTA	296,598	596,607	(398,379)	494,826
Total Restricted	<u>10,073,483</u>	<u>3,751,862</u>	<u>(2,550,306)</u>	<u>11,275,039</u>
Committed:				
Budget stabilization and catastrophes	5,991,566	138,208	-	6,129,774
Catastrophic	5,991,566	138,209	-	6,129,775
Pension/OPEB Reserve	300,000	-	-	300,000
Measure G 2018 District Sales Tax - Residual	-	590,581	-	590,581
Measure G 2018 District Sales Tax - Capital	-	1,769,057	-	1,769,057
Special revenue funds	637,711	382,382	(198,893)	821,200
Total Committed	<u>12,920,843</u>	<u>3,018,437</u>	<u>(198,893)</u>	<u>15,740,387</u>
Assigned:				
Open Space	562,000	-	-	562,000
Parking	100,000	-	-	100,000
Sustainability	140,553	-	-	140,553
Capital/Special projects	24,713,386	14,231,906	(9,707,263)	29,238,029
Carryover encumbrances	33,145	4,553	-	37,698
Comcast PEG	50,000	-	-	50,000
ERAF Risk	-	2,298,692	(1,609,084)	689,608
Economic recovery	-	1,556,614	-	1,556,614
Compensated Absences	1,519,147	61,476	-	1,580,623
Measure G 2018 District Sales Tax - Residual	590,581	-	(590,581)	-
Total Assigned	<u>27,708,812</u>	<u>18,153,241</u>	<u>(11,906,928)</u>	<u>33,955,125</u>
Total Fund Balance - Gov't Funds	<u>\$ 50,862,138</u>	<u>\$ 25,069,707</u>	<u>\$ (14,746,317)</u>	<u>\$ 61,185,528</u>

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

Nonspendable

Loans receivable nonspendable fund balance reflects long-term loans that are offset by unearned and deferred amounts.

Leases nonspendable fund balance reflects leases receivable that are offset by unearned and deferred amounts.

Restricted

Library reflects fund balance from donations and bequests held in trust for the benefit of the Town's library.

Capital Outlay funded from storm drain fees, construction taxes and debt proceeds are legally restricted for major capital projects.

Repairs and Maintenance reflects legally restricted balances for repairs and maintenance of lighting and landscape property and open space property that are financed with special tax assessments on the benefiting property.

Pension restricted are amounts paid into a separate legal trust for the Town's Miscellaneous and Safety pension plans administered by CALPERS.

VTa are funds provided by the Valley Transportation Authority's Measure B restricted for the pavement/crack seal rehabilitation project.

Committed

Budget Stabilization and Catastrophic fund balance has been committed per Town Council resolution. The Town Council has established by resolution the budget stabilization arrangement and the catastrophe arrangement. The total balances in these arrangements are to be maintained at 25% of annual General Fund ongoing, operating expenditures, excluding one-time expenditures, divided equally between both arrangements. When either arrangement is used, Town Council will develop a 1 to 5-year reserve replenishment plan to meet the minimum threshold of 25% of General Fund ongoing, operating expenditures, excluding onetime expenditures.

The arrangements can be used when:

- Unforeseen emergencies, such as a disaster or catastrophic event occur.
- Significant decrease in property or sales tax, or other economically sensitive revenues.
- Loss of businesses considered to be significant sales tax generators.
- Reductions in revenue due to actions by the state /federal government.
- Workflow/technical system improvements to reduce ongoing personnel costs and enhance customer service.
- One-time maintenance of service levels due to significant economic budget constraints
- One-time transitional costs associated with organizational restructuring to secure long-term personnel cost savings.

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

Should any of the events listed above occur that require the expenditure of Town resources beyond those provided for in the annual budget, the Town Manager or designee shall have authority to approve catastrophic or budget stabilization arrangement appropriations. The Town Manager or designee shall then present to the Town Council a budget amendment confirming the nature of the event and authorizing the appropriation of reserve funds.

Pension/OPEB Reserve committed fund balance will be used to fund net pension liabilities for the Town's Miscellaneous and Safety pension plans administered by CALPERS. Town policy provides, to the extent possible, that additional annual deposits be calculated committed with the goal of moving the payment of the unfunded pension liability from a 29-year to a 20-year amortization period.

Special Revenue Fund committed fund balance will be used for the activities of the respective special revenue funds.

Assigned

Open Space assigned fund balance will be used to make selective open space acquisitions.

Parking assigned fund balance will be used to mitigate parking issues within the Town.

Sustainability assigned fund balance will be used to fund ongoing sustainability initiatives and programs.

Capital/Special Projects assigned fund balance will be used for the acquisition and construction of capital facilities as well as special projects or activities as directed by the Town Council.

Carryover Encumbrances assigned fund balance are unspent commitments carried through to future periods.

Comcast PEG assigned fund balance will be used to fund capital improvements linked to the televising of Council and Planning Commission meetings.

Education Realignment Augmentation Fund (ERAF) assigned fund balance has been established to set-aside thirty percent of the anticipated ERAF proceeds from FY 2022/23 until a lawsuit between the State and the School Districts concludes.

Economic Recovery assigned fund balance has been established, after utilizing ARPA replacement revenues, to account for General Fund revenues set-aside for essential government services, economic recovery and business support, enhanced senior services, capital program augmentations, and other one-time uses.

Compensated Absences assigned fund balance will be used for vacation and sick-pay benefits owed to employees as of June 30, 2023 that were not an obligation of the General Fund because of their long-term nature.

Measure G 2018 District Sales Tax assigned fund balances for operational and capital will be used to track receipt and use of the 1/8 cents District tax funds collected by the Town for operational and capital expenditures.

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

NOTE 11 - EMPLOYEES' RETIREMENT PLAN

The following summarizes the pension balances as of year-end:

	Defined Benefit Plans		Total
	Misc	Safety	
Deferred outflows of resources	\$ 10,459,160	\$ 14,761,072	\$ 25,220,232
Deferred inflows of resources	\$ 160,064	\$ 2,966,647	\$ 3,126,711
Net pension liabilities	\$ 28,131,979	\$ 31,734,686	\$ 59,866,665
Pension expense (credit)	\$ 4,239,084	\$ 1,630,960	\$ 5,870,044

Plan Descriptions

All qualified employees are eligible to participate in the Town's pooled Safety Plan, a cost-sharing multiple-employer defined benefit pension plan and the Town's Miscellaneous (all other) Plan, an agent Multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and Town resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. Audited financial statements of CalPERS can be obtained from its website <https://www.calpers.ca.gov/page/formspublications>. The Town relies upon actuarial and investment data provided by CalPERS for inclusion and analysis in this report.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for nonduty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, Lump Sum, or the 1959 Survivor Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2023, are summarized as follows:

	Miscellaneous			Safety (Police)	
	Tier 1	Tier 2	PEPRA	Tier 1	PEPRA
Benefit formula	2.5% @ 55	2% @ 60	2% @ 62	3.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 Years	5 Years	5 Years	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life	Monthly for Life	Monthly for Life	Monthly for Life
Retirement age	55	60	62	50	57
Monthly benefits as a					
% of eligible compensation	2.0% to 2.5%	1% to 2.5%	1.5% to 2.5%	3.00%	2-2.70%
Required employee contribution rates	8.00%	7% to 8%	7.25%	9.000%	13.75%
Required employer contribution rates	10.20%	10.20%	14.43%	25.64%	13.66%
Required payment of unfunded liability	\$2,515,583	\$2,515,583	\$2,515,583	\$2,317,133	\$19,258

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

Employees Covered

At June 30, 2023, the following employees were covered by the benefit terms for the Plans:

	Miscellaneous	Safety
Active	119	37
Transferred	101	13
Separated	91	3
Retired	255	88
Total	566	141

Contributions

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

For the year ended June 30, 2023, pension expense for each Plan was as follows:

	Miscellaneous	Safety
Contributions - employer	\$ 3,687,213	\$ 3,409,275

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

As of June 30, 2023, the Town reported net pension liabilities for each plan as follows:

	Proportionate Share of Net Pension Liability/(Asset)
Miscellaneous	\$ 28,131,979
Safety	31,734,686
Total	\$ 59,866,665

The Town's net pension liability for the Safety Plan is measured as the proportionate share of the net pension liability while the Miscellaneous plan's net pension liability is a direct calculation based on its actuarial study and is not proportionate. The net pension liability of all the Plans are measured as of June 30, 2022, and the total pension liability for the Plans used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. The Town's proportion of the net pension liability for the Safety Plan was based on a projection of the Town's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

determined. The Town's proportionate share of the net pension liability for the Safety Plan as of June 30, 2022 and 2023 was as follows:

	<u>Safety</u>
Proportion - June 30, 2022	0.47764%
Proportion - June 30, 2023	0.46183%
Change - Increase/(Decrease)	<u>-0.01581%</u>

For the year ended June 30, 2023, the Town recognized a pension expense of \$5,870,044.

The following is a summary of the changes in the total pension liability, fiduciary net position and net pension liability of the Town's Miscellaneous Plan as of June 30, 2023:

	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Beginning Balance	\$ 116,901,393	\$ 106,177,804	\$ 10,723,589
Service Costs	2,264,169	-	2,264,169
Interest on Total Pension Liability	8,142,881	-	8,142,881
Changes of Assumptions	3,399,004	-	3,399,004
Difference Between Actual and Expected Experience	(108,166)	-	(108,166)
Employer Contributions	-	3,472,727	(3,472,727)
Employee Contributions	-	871,063	(871,063)
Net Investment Income	-	(7,988,150)	7,988,150
Employee Contribution Refunds and Benefit Payments	(6,623,114)	(6,623,114)	-
Administrative Expenses	-	(66,142)	66,142
Net Changes	7,074,774	(10,333,616)	17,408,390
Ending Balance	<u>\$ 123,976,167</u>	<u>\$ 95,844,188</u>	<u>\$ 28,131,979</u>

At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous		Safety	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 1,982,752	\$ -	\$ 3,199,817	\$ -
Differences between Expected and Actual Experience	-	160,064	1,313,383	344,614
Differences between Projected and Actual Investment Earnings	4,789,195	-	5,011,351	-
Differences between Employer's Contributions and Proportionate Share of Contributions	-	-	-	2,622,034
Change in Employer's Proportion	-	-	1,827,246	-
Pension Contributions Made Subsequent to Measurement Date	3,687,213	-	3,409,275	-
Total	<u>\$ 10,459,160</u>	<u>\$ 160,064</u>	<u>\$ 14,761,072</u>	<u>\$ 2,966,647</u>

The Town reported \$7,096,488 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

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

Fiscal Year Ending June 30:	Deferred Outflows/(Inflows) of Resources		
	Miscellaneous	Safety	Total
2024	\$ 2,018,125	\$ 2,351,878	\$ 4,370,003
2025	1,211,056	1,908,394	3,119,450
2026	336,478	1,067,890	1,404,368
2027	3,046,224	3,056,988	6,103,212
2028	-	-	-
Thereafter	-	-	-
Total	\$ 6,611,883	\$ 8,385,150	\$ 14,997,033

Actuarial Assumptions

The total pension liabilities in the June 30, 2021 actuarial valuations were determined using the following actuarial assumptions:

	<u>Safety</u>	<u>Miscellaneous</u>
Valuation Date	June 30, 2021	June 30, 2021
Measurement Date	June 30, 2022	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	6.90%	6.90%
Inflation	2.50%	2.50%
Payroll Growth	2.75%	2.75%
Projected Salary Increase	(1)	(1)
Investment Rate of Return	6.9% (2)	6.9% (2)
Mortality	(3)	(3)

- (1) Varies by entry age and service
- (2) Net of pension plan investment expenses, including inflation
- (3) Derived using CalPERS' membership data for all funds

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2021 valuation are based on CalPERS experience studies which can found on the CalPERS website.

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

Discount Rate

The discount rate used to measure the total pension liability was 6.9 percent for the Plans. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plans, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 6.9 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 6.9 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

Long-Term Expected Rate of Return

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class (a)	Assumed Asset Allocation	Long-Term Expected Real Return (1)(2)
Global Equity Cap Weighted	30.00%	4.45%
Global Equity NonCap Weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
Total	100.00%	

(1) An expected inflation of 2.3% used for this period.

(2) Figures are based on the 2021-22 Asset Liability Study.

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

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

The following presents the Town's net pension liability for the Plans, calculated using the discount rate for the Plans, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Miscellaneous</u>	<u>Safety</u>
1% Decrease	5.90%	5.90%
Net Pension Liability	\$ 44,383,072	47,026,609
Current	6.90%	6.90%
Net Pension Liability	\$ 28,131,979	31,734,686
1% Increase	7.90%	7.90%
Net Pension Liability	\$ 14,764,600	19,236,994

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plans

As of June 30, 2023, the Town reported a payable of \$21,030 and \$24,723 for the outstanding amount of contributions to the Miscellaneous Agent Multiple Employer Plan and the Safety Cost Sharing Plan.

IRS Section 115 Trust

During the fiscal year ending June 30, 2020, the Town established an IRS Section 115 Trust with the CalPERS California Employer' Pension Prefunding Trust (CEPPT) program. In fiscal year 2023, the Town reported \$1,400,163 as restricted cash with fiscal agent within the General Fund. Per GASB, amounts placed in trusts for CalPERS plans are treated as side trusts that do not directly reduce the net pension liability.

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Town makes contributions to California Employer's Retiree Benefit Trust (CERBT), an agent multiple-employer defined benefit healthcare plan administered by CalPERS. The purpose of the CERBT Fund is to provide California government employers with a trust through which they may prefund retiree medical costs and Other Postemployment Benefits (OPEB). The Town uses CERBT 1 as its investment vehicle and requests disbursements on an as needed basis to reimburse the Town for the cost of retiree health insurance benefits. Benefit provisions and all other requirements are established by state statute and Town ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office, 400 P Street, Sacramento, CA 95814.

In accordance with the Public Employees' Medical and Hospital Care Act (PEMHCA), employees qualify for retiree health benefits upon five (5) years of service if they meet the vesting requirements as

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

set forth by CalPERS and take a service or disability retirement from Town employment. Additionally, the employee must actually draw a CalPERS pension within ninety (90) days of separation from the Town, provided the employee remains with the Town's health plan through COBRA. For employees who retire on or after February 1, 2016, at Medicare eligibility, the Town will align contributions to the full cost of the employee's enrollment, including enrollment of family members, in a health benefits plan or plans up to a maximum of 100% Single Party and 90% Dependents for Kaiser Bay Area Basic/Medicare/Combo per month. During negotiations in fiscal year 2018/19, the Town's discretionary retiree medical benefit contribution was eliminated for all future hires.

Upon retirement, employees have the option to roll over their sick leave accrual into a Town managed fund. Employees can request reimbursement of medical expenses from the fund up to the value of their sick leave at retirement.

Employees Covered by Benefit Terms

At June 30, 2023 (the measurement date), the benefit terms covered the following employees:

Active employees	148
Inactive employees - receiving benefits	149
Inactive employees - not receiving benefits	43
Total employees	340

Contributions

The contribution requirements of Plan members and the Town are established and may be amended by the Town. The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined annually by the Town Council. For the fiscal year ended June 30, 2023, the Town contributed \$1,733,337 from the General Fund. During the measurement period ended June 30, 2022, the Town contributed \$1,754,922 to the Plan and benefit payments were \$1,591,150. Plan members receiving benefits contributed did not make any contributions.

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

Actuarial Assumptions

The following summarized the actuarial assumptions for the OPEB plan included in this fiscal year:

Valuation Date:	June 30, 2021
Measurement Date:	June 30, 2022
Actuarial Cost Method:	Entry-Age Normal
Amortization Period:	16 year fixed period for 2022/23
Asset Valuation Method:	Level percentage of payroll, closed
Actuarial Assumptions:	
Discount Rate	6.25%
Inflation	2.50%
Salary Increases	2.75%
Investment Rate of Return	6.25%
Healthcare Trend Rate	Non-Medicare - 6.50% for 2023, decreasing to an ultimate rate of 3.75% in 2076 Medicare (Non-Kaiser) - 5.65% for 2023, decreasing to an ultimate rate of 3.75% in 2076 Medicare (Kaiser) - 4.60% for 2023, decreasing to an ultimate rate of 3.75% in 2076
Mortality	CalPERS 2000-2019 Experience Study Mortality projected fully generational with Scale MP-2021
Retirement	CalPERS 2000-2019 Experience Study Tier 1 Actives in insurance program: 100% Tier 1 Actives in cash allocation program: 80% Tier 2 Actives in insurance program: 60% Tier 2 Actives in cash allocation program: Agency service < 3 months: 60% Agency service >= 3 months: 40% Waived retirees aged <65: 20% Waived retirees aged ≥65: 0%

Assumption Changes:

None

Discount Rate

The discount rate used to measure the total OPEB liability was 6.25 percent. The projection of cash flows used to determine the discount rate assumed that Town contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

Net OPEB Liability

The Town's net OPEB liability was measured as of June 30, 2022 (measurement date) and was determined by an actuarial valuation as of June 30, 2022 (valuation date) for the fiscal year ended June 30, 2023 (reporting date).

Changes in the Net OPEB Liability

The following summarizes the changes in the net OPEB liability during the year ended June 30, 2023:

Fiscal Year Ended June 30, 2023 (Measurement Date June 30, 2022)	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2022	\$ 28,720,003	\$ 26,228,423	\$ 2,491,580
Service cost	955,115	-	955,115
Interest in Total OPEB Liability	1,804,972	-	1,804,972
Employer contributions	-	1,754,922	(1,754,922)
Net investment income	-	(3,510,434)	3,510,434
Administrative expenses	-	(21,454)	21,454
Benefit payments	(1,591,150)	(1,591,150)	-
Net changes	1,168,937	(3,368,116)	4,537,053
Balance at June 30, 2023	\$ 29,888,940	\$ 22,860,307	\$ 7,028,633
Covered Employee Payroll	\$ 16,987,042		
Total OPEB Liability as a % of Covered Employee Payroll	175.95%		
Plan Fid. Net Position as a % of Total OPEB Liability	76.48%		
Service Cost as a % of Covered Employee Payroll	5.62%		
Net OPEB Liability as a % of Covered Employee Payroll	41.38%		
Contributions as a % of Cov. Emp. Payroll	10.33%		

Deferred Inflows and Outflows of Resources

At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ -	\$ 1,729,077
Difference between actual and expected earnings	1,869,601	-
Change in assumptions	703,092	388,845
OPEB contribution subsequent to measurement date	1,733,337	-
Totals	\$ 4,306,030	\$ 2,117,922

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

Of the total amount reported as deferred outflows of resources related to OPEB, \$1,733,337 were the result of Town contributions subsequent to the measurement date and before the end of the fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	
2024	\$ (95,837)
2025	(104,501)
2026	(130,350)
2027	785,459
2028	-
Thereafter	-
Total	\$ 454,771

Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the table below.

Asset Class	Percentage of Portfolio	Long-Term Expected Rate of Return
Global Equity	49.00%	4.56%
Fixed Income	23.00%	1.56%
TIPS	5.00%	-0.08%
Commodities	3.00%	1.22%
REITs	20.00%	4.06%
Total	100.00%	

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

OPEB Expense

The following summarizes the OPEB expense by source during the year ended June 30, 2023:

Service cost	\$ 955,115
Interest in TOL	1,804,972
Expected investment income	(1,639,254)
Difference between actual and expected experience	(445,555)
Difference between actual and expected earnings	297,921
Change in assumptions	18,738
Administrative expenses	21,454
OPEB Expense	<u>\$ 1,013,391</u>

The following summarizes changes in the net OPEB liability as reconciled to OPEB expense during the year ended June 30, 2023:

Net OPEB liability ending	\$ 7,028,633
Net OPEB liability beginning	(2,491,580)
Change in net OPEB liability	4,537,053
Changes in deferred outflows	(1,693,828)
Changes in deferred inflows	(3,584,756)
Employer contributions and implicit subsidy	1,754,922
OPEB Expense	<u>\$ 1,013,391</u>

Sensitivity to Changes in the Discount Rate

The net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher, is as follows:

	Discount Rate		
	(1% Decrease)	6.25%	(1% Increase)
Net OPEB Liability (Asset)	\$ 10,608,076	\$ 7,028,633	\$ 4,038,280

Sensitivity to Changes in the Healthcare Cost Trend Rates

The net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than current healthcare cost trend rates, is as follows:

	Trend Rate		
	(1% Decrease)	Current	(1% Increase)
Net OPEB Liability (Asset)	\$ 4,445,533	\$ 7,028,633	\$ 9,938,167

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

NOTE 13 - RISK MANAGEMENT

The Town participates in the following public entity risk pools through formally organized and separate legal entities. The Town does not have an equity interest in the joint ventures. These entities exercise full powers and authority within the scope of the related agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Obligations and liabilities of the separate entities are not those of the Town, although the Town retains an ongoing financial interest or an ongoing financial responsibility.

Pooled Liability Assurance Network Joint Powers Authority (PLAN JPA)

The Town participates in PLAN, which covers general liability claims in the amount up to \$5,000,000 plus \$25,000,000 in excess liability for total coverage of \$30,000,000 per occurrence. The Town has a deductible or uninsured liability of up to \$50,000 per claim. PLAN also provides all risk property coverage of \$1,000,000,000, excluding flood and earthquake coverage. The Town has a \$5,000 deductible for property and vehicle damage. Once the Town's deductible is met, PLAN becomes responsible for payment of all claims up to the limit. Financial statements may be obtained from PLAN at 1750 Creekside Drive, Suite 200, Sacramento, CA, 95833.

Local Agency Workers' Compensation Joint Powers Authority (LAWCX)

The Town is a member of LAWCX for workers compensation claims coverage. The Town has a \$250,000 self-insured retention level or uninsured liability for all employees. Once the Town's deductible is met, LAWCX becomes responsible for claims up to \$5,000,000. For claims greater than \$5,000,000, LAWCX has a commercial policy providing coverage. Financial statements may be obtained from LAWCX at 1750 Creekside Oaks Dr., Suite 200, Sacramento, California, 95833. The Town has not significantly reduced its insurance coverage from the prior year and settlements have not exceeded insurance coverage for the past three years.

Liability for Uninsured Claims

The Town is required to record its liability for uninsured claims and to reflect the current portion of this liability as an expenditure in its financial statements. As discussed above, the Town has coverage for such claims, but it has retained the risk for the deductibles, or uninsured portion of these claims. The change in Workers' Compensation and Self-Insurance Service Funds' claims liabilities, is based on historical trend information provided by its third party administrator and was computed as follows as of June 30, 2023:

	Workers' Compensation Internal Service Fund	Self- Insurance Internal Service Fund	Total
Claims payable balance - June 30, 2021	\$ 1,495,482	\$ 200,590	\$ 1,696,072
Claims incurred	-	(119,883)	(119,883)
Claims paid	(130,924)	(61,150)	(192,074)
Claims payable balance - June 30, 2022	1,364,558	19,557	1,384,115
Claims incurred/adjustments	1,731,577	224,382	1,955,959
Claims paid	(1,127,156)	(86,210)	(1,213,366)
Claims payable balance - June 30, 2023	\$ 1,968,979	\$ 157,729	\$ 2,126,708

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Federal and State Grants - The Town participates in several federal and state grant programs. These are subject to examination by grantors and the amount, if any, of disallowed expenditures cannot be determined at this time. The Town expects such amounts, if any, to be immaterial.

Litigation - The Town is subject to litigation arising from the normal course of business. The Town Attorney believes there is no pending litigation which is likely to have a material adverse effect on the financial position of the Town.

Successor Agency - As of June 30, 2023, the Successor Agency trust fund reported a net deficit of \$6,187,788.

Encumbrances - As of June 30, 2023, the town had the following encumbered balances that were carried into the next fiscal year:

General Fund	\$ 797,302
Appropriated Reserves Fund	5,526,443
Nonmajor Governmental Funds	1,476,257
Internal Service Funds	125,253
Total Encumbrances	<u>\$ 7,925,255</u>

NOTE 15 - TOWN/SUCCESSOR AGENCY GRANTS, COOPERATIVE AGREEMENTS

Public Improvement Grants and Cooperative Agreements

In January of 2011, the Redevelopment Agency entered into a public improvement grant and cooperative agreement with the Town for the purpose of funding the acquisition of public land and designing and constructing various public improvements to be owned by the Town provided that the projects were in accordance with the Redevelopment Agency's five year implementation plan and redevelopment plan.

The improvement plan, as identified in the agreement, called for approximately \$24 million to be granted to the Town for the following projects:

- a. Expansion and improvement of current and new downtown parking
- b. Highway 9 improvements from Highway 17 to Monte Sereno
- c. Almond Grove Area street, sidewalk and other improvements
- d. Downtown Los Gatos gateways, signage, banners and art
- e. Storm drain, retaining wall, street and other improvements
- f. New Los Gatos library building

During the fiscal year ended June 30, 2012, the rights and obligations resulting from this cooperative agreement were transferred to the Successor Agency Trust Fund as a part of the Town's dissolution of its Redevelopment Agency.

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

Affordable Housing Cooperative Agreement

In March of 2011, the Redevelopment Agency entered into an affordable housing cooperative agreement with the Town for the purpose of funding affordable housing projects and programs to be developed and/or administered by the Town in accordance with the Redevelopment Agency's five year implementation plan and redevelopment plan. The improvement plan, as identified in the agreement, called for approximately \$16 million to be granted to the Town for the following projects:

- a. Development of affordable housing at 224 Main St.
- b. Development of affordable housing at Dittos Lane
- c. Partnership with Senior Housing Solutions for the creation of senior housing in Los Gatos
- d. Partnerships for the conversion of existing residential developments dedicated to affordable housing
- e. Grants to the Santa Clara County Housing Trust for the development of affordable housing.

During the fiscal year ended June 30, 2012, the rights and obligations resulting from this cooperative agreement were transferred to the Successor Agency Trust Fund as a part of the Town's dissolution of its Redevelopment Agency.

NOTE 16 - COVID19 PANDEMIC PROGRAMS

On March 11, 2021, the American Rescue Plan Act (ARPA) was signed into law by President Biden. The \$1.9 trillion package (the Act) provided financial aid to families, governments, businesses, schools, nonprofits and others impacted by the COVID19 public health crisis. Of the \$1.9 trillion, \$350 billion was directed toward state and local governments. All 19,000 municipal governments are entitled to a direct, noncompetitive federal formula grant from the U.S. Treasury Department. The portion allocated to cities, towns, and villages totals \$65.1 billion of which \$19.5 billion is obligated toward cities with less than 50,000 residents. The Act has allocated \$7,229,744 to the Town over a two-year period. The first tranche payment of \$3,614,862 was received on July 13, 2021, and the second payment was received on July 21, 2022. Section 603. Coronavirus Local Fiscal Recovery Fund of the Act identified four eligible uses for funding, as follows:

- A. to respond to the public health emergency with respect to the Coronavirus Disease 2019 (COVID19) or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality;
- B. to respond to workers performing essential work during the COVID19 public health emergency by providing premium pay to eligible workers of the metropolitan city, nonentitlement unit of local government, or county that are performing such essential work, or by providing grants to eligible employers that have eligible workers who perform essential work;
- C. for the provision of government services to the extent of the reduction in revenue of such metropolitan city, nonentitlement unit of local government, or county due to the COVID19 public health emergency relative to revenues collected in the most recent full fiscal year of the metropolitan city, nonentitlement unit of local government, or county prior to the emergency; or
- D. to make necessary investments in water, sewer, or broadband infrastructure.

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

During the fiscal year ended June 30, 2023, the Town recognized \$3,614,872 as operating grant revenue in the ARPA special revenue fund and transferred \$3,614,872 to other funds, reimbursing the Town for qualifying expenditures under the provisions of the Act.

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Required Supplementary Information

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ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

BENEFIT PLAN SCHEDULES

Schedule of Pension Plan Contributions

Schedule of Proportionate Share of Net Pension Liability – CalPERS Safety Cost Sharing Plan

Schedule of Proportionate Share of Net Pension Liability – CalPERS Misc. Agent-Multiple Employer Plan

Schedule of OPEB Contribution

Schedule of Changes in Net OPEB Liability

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ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2023

SCHEDULE OF PENSION PLAN CONTRIBUTIONS

Miscellaneous Agent Multiple-Employer Plan

Plan Measurement Date	2014	2015	2016	2017	2018	2019	2020	2021	2022
Fiscal Year Ended	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually Required Contributions	\$ 1,941,765	\$ 2,223,782	\$ 2,407,496	\$ 2,669,133	\$ 3,049,748	\$ 3,366,304	\$ 3,529,373	\$ 3,472,727	\$ 3,687,213
Contributions in Relation to Contractually Required Contributions	1,941,765	2,223,782	2,407,496	2,669,133	3,049,748	8,146,791	9,160,680	3,472,727	3,687,213
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (4,780,487)	\$ (5,631,307)	\$ -	\$ -
Covered Payroll	\$ 8,487,940	\$ 9,198,318	\$ 9,024,370	\$ 9,576,157	\$ 10,211,967	\$ 11,188,927	\$ 12,082,520	\$ 12,305,265	\$ 11,094,190
Contributions as a % of Covered Payroll	22.88%	24.18%	26.68%	27.87%	29.86%	72.81%	75.82%	28.22%	33.24%

Safety Cost Sharing Plan

Plan Measurement Date	2014	2015	2016	2017	2018	2019	2020	2021	2022
Fiscal Year Ended	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually Required Contributions	\$ 1,999,757	\$ 1,586,129	\$ 1,738,150	\$ 1,951,711	\$ 2,325,357	\$ 2,565,205	\$ 2,853,764	\$ 3,072,032	\$ 3,409,275
Contributions in Relation to Contractually Required Contributions	1,999,757	1,586,129	1,738,150	1,951,711	2,325,357	2,565,205	2,853,764	3,072,032	3,409,275
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 4,897,104	\$ 5,022,498	\$ 4,941,138	\$ 5,079,440	\$ 4,445,061	\$ 4,928,821	\$ 5,178,418	\$ 5,603,211	\$ 5,863,101
Contributions as a % of Covered Payroll	40.84%	31.58%	35.18%	38.42%	52.31%	52.05%	55.11%	54.83%	58.15%

Notes to Schedule:

Valuation Date: June 30, 2021

Assumptions Used: Entry Age Method used for Actuarial Cost Method
 Level Percentage of Payroll and Direct Rate Smoothing
 Remaining Amortization Period no more than 29 years
 Inflation Assumed at 2.30%
 Investment Rate of Returns set at 6.9%

The mortality table was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more

Fiscal year 2015 was the first year of implementation, therefore only nine years are shown.

The CalPERS discount rate was increased from 7.50% to 7.65% in FY2016, to 7.15% in FY2018 and then decreased to 6.9% in FY2023.

The CalPERS mortality assumptions were adjusted in fiscal year 2023.

**ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**SCHEDULE OF PROPORTIONARE SHARE OF NET PENSION LIABILITY
CALPERS SAFETY COST SHARING PLAN**

Safety Cost Sharing Plan									
Plan Measurement Date									
Fiscal Year Ended	2014 2015	2015 2016	2016 2017	2017 2018	2018 2019	2019 2020	2020 2021	2021 2022	2022 2023
Proportion of Net Pension Liability	0.28588%	0.14860%	0.22394%	0.22603%	0.23583%	0.24100%	0.24953%	0.30994%	0.27474%
Proportionate Share of Net Pension Liability	\$ 17,788,690	\$ 10,199,904	\$ 19,377,843	\$ 22,415,954	\$ 22,725,267	\$ 24,695,687	\$ 27,149,916	\$ 16,762,598	\$ 31,734,686
Covered Payroll	\$ 4,916,535	\$ 4,897,104	\$ 5,022,498	\$ 4,941,138	\$ 5,079,440	\$ 4,445,061	\$ 4,928,821	\$ 5,178,418	\$ 5,603,211
Proportionate Share of NPL as a % of Covered Payroll	361.81%	208.28%	385.82%	453.66%	447.40%	555.58%	550.84%	323.70%	566.37%
Plan's Fiduciary Net Position as a % of the TPL	78.83%	74.89%	74.89%	73.87%	74.52%	73.61%	72.46%	83.55%	71.34%

Fiscal year 2015 was the first year of implementation, therefore only nine years are shown.

The CalPERS discount rate was increased from 7.50% to 7.65% in FY2016, to 7.15% in FY2018 and then decreased to 6.9% in FY2023.

The CalPERS mortality assumptions were adjusted in fiscal year 2023.

ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2023

SCHEDULE OF PROPORTIONARE SHARE OF NET PENSION LIABILITY CALPERS MISCELLANEOUS AGENT-MULTPLE EMPLOYER PLAN

Measurement Date	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Pension liability									
Service cost	\$ 1,579,547	\$ 1,491,925	\$ 1,560,679	\$ 1,651,550	\$ 1,700,438	\$ 1,771,368	\$ 1,930,090	\$ 2,062,486	\$ 2,264,169
Interest	6,268,015	6,483,032	6,697,247	6,820,536	7,073,843	7,381,846	7,729,269	7,943,404	8,142,881
Diff. between expected and actual exp.	-	(623,495)	(357,870)	(892,479)	994,994	1,082,289	1,465,653	(581,801)	(108,166)
Changes of assumptions	-	(1,513,132)	-	5,481,432	(655,541)	-	-	-	3,399,004
Benefit payments (including refunds)	(4,241,487)	(4,748,786)	(4,953,756)	(5,138,083)	(5,448,374)	(5,720,232)	(5,958,101)	(6,339,615)	(6,623,114)
Net change in Total Pension Liability	3,606,075	1,089,544	2,946,300	7,922,956	3,665,360	4,515,271	5,166,911	3,084,474	7,074,774
Total Pension Liability - beginning	84,904,502	88,510,577	89,600,121	92,546,421	100,469,377	104,134,737	108,650,008	113,816,919	116,901,393
Total Pension Liability - ending	\$ 88,510,577	\$ 89,600,121	\$ 92,546,421	\$ 100,469,377	\$ 104,134,737	\$ 108,650,008	\$ 113,816,919	\$ 116,901,393	\$ 123,976,167
Plan fiduciary net position									
Employer contributions	\$ 1,796,079	\$ 1,941,765	\$ 2,223,782	\$ 2,407,496	\$ 2,669,104	\$ 3,049,748	\$ 8,146,791	\$ 9,160,680	\$ 3,472,727
Employee contributions	668,167	679,796	691,770	682,891	761,705	846,125	834,145	889,649	871,063
Plan to plan resource movement	-	22,561	(28,866)	-	(170)	-	-	-	-
Projected investment earnings	4,328,173	-	-	-	-	-	-	-	-
Diff. between est. and actual earnings	5,831,718	-	-	-	-	-	-	-	-
Net investment income	-	1,470,873	369,185	7,171,443	5,883,868	4,759,034	3,913,294	19,606,360	(7,988,150)
Benefit payments (including refunds)	(4,241,487)	(4,748,786)	(4,953,756)	(5,138,083)	(5,448,374)	(5,720,232)	(5,958,101)	(6,339,615)	(6,623,114)
Administrative expense	-	(74,706)	(40,462)	(95,455)	(108,582)	(52,260)	(107,303)	(82,856)	(66,142)
Adjsutments	-	-	-	-	(206,199)	170	-	-	-
Net change in plan fiduciary net position	8,382,650	(708,497)	(1,738,347)	5,028,292	3,551,352	2,882,585	6,828,826	23,234,218	(10,333,616)
Plan fiduciary net position - beginning	58,716,725	67,099,375	66,390,878	64,652,531	69,680,823	73,232,175	76,114,760	82,943,586	106,177,804
Plan fiduciary net position - ending	\$ 67,099,375	\$ 66,390,878	\$ 64,652,531	\$ 69,680,823	\$ 73,232,175	\$ 76,114,760	\$ 82,943,586	\$ 106,177,804	\$ 95,844,188
Net Pension liability (asset)	\$ 21,411,202	23,209,243	27,893,890	30,788,554	30,902,562	32,535,248	30,873,333	10,723,589	28,131,979
Plan fiduciary net position as a percentage of the total Pension liability	75.81%	74.10%	69.86%	69.36%	70.32%	70.05%	72.87%	90.83%	77.31%
Covered Payroll	\$ 8,406,315	\$ 8,487,940	\$ 9,198,318	\$ 9,024,370	\$ 9,576,157	\$ 10,211,967	\$ 11,188,927	\$ 12,082,520	\$ 12,305,265
Net Pension liability % of covered payroll	254.70%	273.44%	303.25%	341.17%	322.70%	318.60%	275.93%	88.75%	228.62% ¹

Other Notes

Fiscal year 2015 was the first year of implementation, therefore only nine years are shown.

ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2023

SCHEDULE OF OPEB CONTRIBUTIONS

Fiscal Year Ended	2018	2019	2020	2021	2022	2023
Actuarially determined contribution (ADC)	\$ 2,129,000	\$ 2,108,000	\$ 2,172,000	\$ 1,859,000	\$ 1,860,000	\$ 1,372,000
Less: actual contribution in relation to ADC	(2,935,000)	(2,406,636)	(2,508,306)	(2,096,847)	(1,754,922)	(1,733,337)
Contribution deficiency (excess)	\$ (806,000)	\$ (298,636)	\$ (336,306)	\$ (237,847)	\$ 105,078	\$ (361,337)
Covered employee payroll	\$ 16,192,060	\$ 17,338,201	\$ 17,406,541	\$ 17,982,237	\$ 16,987,042	\$ 17,809,965
Contrib. as a % of covered employee payroll	18.13%	13.88%	14.41%	11.66%	10.33%	9.73%

Notes to Schedule:

Assumptions and Methods

Valuation Date:	June 30, 2021
Measurement Date:	June 30, 2022
Actuarial Cost Method:	Entry-Age Normal Cost
Amortization Period:	16 year fixed period for 2022/23
Asset Valuation Method:	Level percentage of payroll, closed
Actuarial Assumptions:	
Discount Rate	6.25%
Inflation	2.50%
Salary Increases	2.75%
Investment Rate of Return	6.25%
Healthcare Trend Rate	Non-Medicare - 6.50% for 2023, decreasing to an ultimate rate of 3.75% in
Mortality	CalPERS 2000-2019 Experience Study
Retirement	CalPERS 2000-2019 Experience Study

Other Notes

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available. GASB 75 was adopted as of June 30, 2018.

In FY 2022, the discount rate was updated based on newer capital market assumptions

In FY 2022, decreased medical trend rate for Kaiser Senior Advantage

In FY 2022, demographic assumptions were updated to CalPERS 2000-2019 Experience Study

In FY 2022, the inflation rate decreased 25 basis points, decreasing discount rate, medical trend, and salary increases

In FY 2022, retiree and family participation rates at retirement updated

In FY 2022, the Implicit subsidy was added for Tier 1 Medicare eligible

In FY 2022, the mortality improvement scale was updated to Scale MP-2021

No changes in FY 2023

**ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

SCHEDULE OF CHANGES IN NET OPEB LIABILITY

Measurement Date	2017	2018	2019	2020	2021	2022
Total OPEB liability						
Service cost	\$ 1,134,000	\$ 1,168,227	\$ 1,203,274	\$ 1,159,152	\$ 1,115,309	\$ 955,115
Interest	1,607,000	1,706,270	1,814,072	1,887,105	1,956,034	1,804,972
Differences between expected & actual exp.	-	-	(149,297)	-	(2,521,500)	-
Changes of assumptions	-	-	(392,681)	(533,825)	1,054,638	-
Benefit payments	(1,269,000)	(1,326,313)	(1,298,623)	(1,399,933)	(1,494,906)	(1,591,150)
Net change in Total OPEB Liability	1,472,000	1,548,184	1,176,745	1,112,499	109,575	1,168,937
Total OPEB Liability - beginning	23,301,000	24,773,000	26,321,184	27,497,929	28,610,428	28,720,003
Total OPEB Liability - ending	\$ 24,773,000	\$ 26,321,184	\$ 27,497,929	\$ 28,610,428	\$ 28,720,003	\$ 29,888,940
Plan fiduciary net position						
Employer contributions	\$ 3,878,000	\$ 2,935,313	\$ 2,406,636	\$ 2,508,306	\$ 2,096,847	\$ 1,754,922
Net investment income	1,049,000	1,082,977	1,009,315	652,656	5,529,824	(3,510,434)
Benefit payments	(1,269,000)	(1,326,313)	(1,298,623)	(1,399,933)	(1,494,906)	(1,591,150)
Administrative expense	(14,000)	(34,261)	(11,502)	(17,357)	(18,556)	(21,454)
Net change in plan fiduciary net position	3,644,000	2,657,716	2,105,826	1,743,672	6,113,209	(3,368,116)
Plan fiduciary net position - beginning	9,964,000	13,608,000	16,265,716	18,371,542	20,115,214	26,228,423
Plan fiduciary net position - ending	\$ 13,608,000	\$ 16,265,716	\$ 18,371,542	\$ 20,115,214	\$ 26,228,423	\$ 22,860,307
Net OPEB liability (asset)	\$ 11,165,000	10,055,468	9,126,387	8,495,214	2,491,580	7,028,633
Plan fiduciary net position as a percentage of the total OPEB liability	54.93%	61.80%	66.81%	70.31%	91.32%	76.48%
Covered Employee Payroll	\$ 14,985,716	\$ 16,192,060	\$ 17,338,201	\$ 17,406,541	\$ 17,982,237	\$ 16,987,042
NOL as a % of cov. emp. payroll	74.50%	62.10%	52.64%	48.80%	13.86%	41.38%

Other Notes

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available. GASB 75 was adopted as of June 30, 2018.

Supplementary Information

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**ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**MAJOR GOVERNMENTAL FUND SCHEDULES
(OTHER THAN THE GENERAL FUND) AND
NONMAJOR GOVERNMENTAL FUNDS**

Schedule of Revenue, Expenditures and Changes in Fund Balances – Budget and Actual (GAAP):

Appropriated Reserves Fund is used to account for resources provided for capital projects not fully funded from other sources.

Capital Projects Funds:

Storm Drain Basin Funds were established to account for fees paid in conjunction with the development in specified drainage areas.

Construction Tax Funds were established to account for tax levies on building additions or alterations including capital improvements, underground utilities and parks.

Gas Tax Fund was established to account for revenue and expenditures under the State of California Streets and Highways Code Sections 2106, 2107 and 2107.5. The revenues must be used for the maintenance and construction of streets.

Special Revenue Funds:

Community Development Block Grant Fund was established to account for grant funds received and expended under the Community Development Act of 1974.

Non-Point Source Maintenance Fund was established to comply with obligations under the National Pollutant Discharge Elimination system permit issued by the California Regional Water Quality Control Board.

Lighting and Landscape Fund was established to account for maintenance of trees, landscaping, irrigation systems and lighting within the boundaries of Tract No. 8439.

LG Theatre Fund was established to account for monies received from rents on donated property and related expenditures.

Library Trust Fund was established to provide for the servicing of donations and bequests to the Town's Library Program.

**TOWN OF LOS GATOS
APPROPRIATED RESERVES FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (GAAP)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Licenses & permits	\$ 110,000	\$ 110,001	\$ 181,533	\$ 71,532
Intergovernmental	6,187,538	3,340,719	3,358,063	17,344
Charges for services	871,800	956,262	1,072,009	115,747
Developer fees	20,000	620,000	614,820	(5,180)
Interest	-	-	44,198	44,198
Use of Property	96,000	96,000	91,284	(4,716)
Other	2,900,000	-	-	-
Total Revenues	10,185,338	5,122,982	5,361,907	238,925
EXPENDITURES				
Capital outlay	13,949,982	6,710,867	6,722,633	(11,766)
Total Expenditures	13,949,982	6,710,867	6,722,633	(11,766)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,764,644)	(1,587,885)	(1,360,726)	227,159
OTHER FINANCING SOURCES (USES)				
Settlements	-	1,565,000	1,565,000	-
Transfers in	3,706,978	7,103,550	7,732,614	629,064
Transfers (out)	(427,616)	(427,616)	(427,616)	-
Total Other Financing Sources (Uses)	3,279,362	8,240,934	8,869,998	629,064
CHANGE IN FUND BALANCE	\$ (485,282)	\$ 6,653,049	7,509,272	\$ 856,223
BEGINNING FUND BALANCE			14,240,753	
ENDING FUND BALANCE			\$ 21,750,025	

TOWN OF LOS GATOS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2023

Item 1.

	CAPITAL PROJECTS FUNDS			
	Storm Drains	Construction Tax	Gas Tax	Total Capital Projects Funds
ASSETS				
Cash & investments	\$ 3,218,331	\$ 3,438,996	\$ 1,465,877	\$ 8,123,204
Restricted cash & investments	-	-	-	-
Receivables:				
Accounts	-	-	-	-
Intergovernmental receivable	-	-	205,368	205,368
Leases receivable	-	-	-	-
Long term notes receivable	-	-	-	-
Total Assets	\$ 3,218,331	\$ 3,438,996	\$ 1,671,245	\$ 8,328,572
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll and benefits	-	-	-	-
Due to other funds	-	-	-	-
Unearned revenue	-	-	-	-
Total Liabilities	-	-	-	-
DEFERRED INFLOWS OF RESOURCES				
Leases	-	-	-	-
FUND BALANCE				
Nonspendable - leases	-	-	-	-
Restricted for:				
Library	-	-	-	-
Repairs and maintenance	-	-	-	-
Capital projects	3,218,331	3,438,996	1,671,245	8,328,572
Committed to:				
Special revenue funds	-	-	-	-
Total Fund Balances	3,218,331	3,438,996	1,671,245	8,328,572
Total Liabilities and Fund Balances	\$ 3,218,331	\$ 3,438,996	\$ 1,671,245	\$ 8,328,572

(Continued)

TOWN OF LOS GATOS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2023

Item 1.

SPECIAL REVENUE FUNDS

	Community Development	Non-Point Source Maintenance	Lighting and Landscaping
ASSETS			
Cash & investments	\$ 94,412	\$ 580,929	\$ 183,129
Restricted cash & investments	58,344	-	-
Receivables:			
Accounts	-	52,426	-
Intergovernmental receivable	-	-	171
Leases receivable	-	-	-
Long term notes receivable	78,752	-	-
Total Assets	\$ 231,508	\$ 633,355	\$ 183,300
LIABILITIES			
Accounts payable	\$ 60	\$ 1,178	\$ 6,334
Accrued payroll and benefits	-	2,334	-
Due to other funds	-	-	-
Unearned revenue	64,795	-	-
Total Liabilities	64,855	3,512	6,334
DEFERRED INFLOWS OF RESOURCES			
Leases	-	-	-
FUND BALANCE			
Nonspendable - leases	-	-	-
Restricted for:			
Library	-	-	-
Repairs and maintenance	-	-	176,966
Capital projects	-	-	-
Committed to:			
Special revenue funds	166,653	629,843	-
Total Fund Balances	166,653	629,843	176,966
Total Liabilities and Fund Balances	\$ 231,508	\$ 633,355	\$ 183,300

(Continued)

TOWN OF LOS GATOS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2023

Item 1.

	SPECIAL REVENUE FUNDS			Total Nonmajor Governmental Funds
	LG Theatre	Library Trust	Total Special Revenue Funds	
ASSETS				
Cash & investments	\$ -	\$ 533,131	\$ 1,391,601	\$ 9,514,805
Restricted cash & investments	-	-	58,344	58,344
Receivables:				
Accounts	32,725	-	85,151	85,151
Intergovernmental receivable	-	-	171	205,539
Leases receivable	319,957	-	319,957	319,957
Long term notes receivable	-	-	78,752	78,752
Total Assets	\$ 352,682	\$ 533,131	\$ 1,933,976	\$ 10,262,548
LIABILITIES				
Accounts payable	\$ 6,189	\$ 2,957	\$ 16,718	\$ 16,718
Accrued payroll and benefits	-	-	2,334	2,334
Due to other funds	1,832	-	1,832	1,832
Unearned revenue	-	-	64,795	64,795
Total Liabilities	8,021	2,957	85,679	85,679
DEFERRED INFLOWS OF RESOURCES				
Leases	269,670	-	269,670	269,670
FUND BALANCE				
Nonspendable - leases	50,287	-	50,287	50,287
Restricted for:				
Library	-	530,174	530,174	530,174
Repairs and maintenance	-	-	176,966	176,966
Capital projects	-	-	-	8,328,572
Committed to:				
Special revenue funds	24,704	-	821,200	821,200
Total Fund Balances	74,991	530,174	1,578,627	9,907,199
Total Liabilities and Fund Balances	\$ 352,682	\$ 533,131	\$ 1,933,976	\$ 10,262,548

(Concluded)

**TOWN OF LOS GATOS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	CAPITAL PROJECTS FUNDS			
	Storm Drain	Construction Tax	Gas Tax	Total Capital Projects Funds
REVENUES				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	29,042	-	29,042
License and permits	161,830	-	-	161,830
Intergovernmental	-	-	1,597,057	1,597,057
Interest	55,771	58,440	20,481	134,692
Use of property	-	-	-	-
Other	-	49,000	-	49,000
Total Revenues	217,601	136,482	1,617,538	1,971,621
EXPENDITURES				
Current:				
Parks and public works	-	-	-	-
Library services	-	-	-	-
Sanitation and other	-	-	-	-
Capital Outlay	218,081	-	1,676,361	1,894,442
Total Expenditures	218,081	-	1,676,361	1,894,442
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(480)	136,482	(58,823)	77,179
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers (out)	-	-	(106,000)	(106,000)
Total Other Financing Sources (Uses)	-	-	(106,000)	(106,000)
Changes in Fund Balances	(480)	136,482	(164,823)	(28,821)
Fund Balances - Beginning of year	3,218,811	3,302,514	1,836,068	8,357,393
Fund Balances - End of year	\$ 3,218,331	\$ 3,438,996	\$ 1,671,245	\$ 8,328,572

(Continued)

TOWN OF LOS GATOS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Item 1.

	SPECIAL REVENUE FUNDS		
	Community Development	Non-Point Source Maintenance	Lighting and Landscaping
REVENUES			
Property Taxes	\$ -	\$ -	\$ 38,161
Other Taxes	-	-	-
License and permits	-	359,950	-
Intergovernmental	-	22,432	-
Interest	-	-	3,058
Use of property	-	-	-
Other	-	-	-
Total Revenues	-	382,382	41,219
EXPENDITURES			
Current:			
Parks and public works	-	-	33,572
Library services	-	-	-
Sanitation and other	-	204,097	-
Capital Outlay	-	-	-
Total Expenditures	-	204,097	33,572
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	178,285	7,647
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers (out)	-	-	(4,920)
Total Other Financing Sources (Uses)	-	-	(4,920)
Changes in Fund Balances	-	178,285	2,727
Fund Balances - Beginning of year	166,653	451,558	174,239
Fund Balances - End of year	\$ 166,653	\$ 629,843	\$ 176,966

(Continued)

**TOWN OF LOS GATOS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	SPECIAL REVENUE FUNDS			
	LG Theatre	Library Trust	Total Special Revenue Funds	Total
REVENUES				
Property Taxes	\$ -	\$ -	\$ 38,161	\$ 38,161
Other Taxes	-	-	-	29,042
License and permits	-	-	359,950	521,780
Intergovernmental	-	-	22,432	1,619,489
Interest	-	9,845	12,903	147,595
Use of property	108,237	-	108,237	108,237
Other	-	76,617	76,617	125,617
Total Revenues	108,237	86,462	618,300	2,589,921
EXPENDITURES				
Current:				
Parks and public works	52,746	-	86,318	86,318
Library services	-	111,541	111,541	111,541
Sanitation and other	-	-	204,097	204,097
Capital Outlay	-	-	-	1,894,442
Total Expenditures	52,746	111,541	401,956	2,296,398
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	55,491	(25,079)	216,344	293,523
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers (out)	-	-	(4,920)	(110,920)
Total Other Financing Sources (Uses)	-	-	(4,920)	(110,920)
Changes in Fund Balances	55,491	(25,079)	211,424	182,603
Fund Balances - Beginning of year	19,500	555,253	1,367,203	9,724,596
Fund Balances - End of year	\$ 74,991	\$ 530,174	\$ 1,578,627	\$ 9,907,199

(Concluded)

TOWN OF LOS GATOS
BUDGETED NONMAJOR FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (GAAP)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Item 1.

	STORM DRAIN			CONSTRUCTION TAX		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	30,000	29,042	(958)
License and permits	92,500	161,830	69,330	-	-	-
Intergovernmental	-	-	-	-	-	-
Interest	12,580	55,771	43,191	22,490	58,440	35,950
Use of property	-	-	-	-	-	-
Other	-	-	-	-	49,000	49,000
Total Revenues	105,080	217,601	112,521	52,490	136,482	83,992
EXPENDITURES						
Current:						
Parks and public works	-	-	-	-	-	-
Library services	-	-	-	-	-	-
Sanitation and other	-	-	-	-	-	-
Capital outlay	218,081	218,081	-	-	-	-
Total Expenditures	218,081	218,081	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(113,001)	(480)	112,521	52,490	136,482	83,992
OTHER FINANCING SOURCES (USES)						
Operating transfers in	-	-	-	-	-	-
Operating transfers (out)	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
CHANGE IN FUND BALANCE	<u>\$ (113,001)</u>	<u>(480)</u>	<u>\$ 112,521</u>	<u>\$ 52,490</u>	<u>136,482</u>	<u>\$ 83,992</u>
BEGINNING FUND BALANCE		<u>3,218,811</u>			<u>3,302,514</u>	
ENDING FUND BALANCE		<u>\$ 3,218,331</u>			<u>\$ 3,438,996</u>	

(Continued)

TOWN OF LOS GATOS
BUDGETED NONMAJOR FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (GAAP)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Item 1.

	GAS TAX			COMMUNITY DEVELOPMENT		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-	-	-
License and permits	-	-	-	-	-	-
Intergovernmental	1,535,078	1,597,057	61,979	-	-	-
Interest	1,335	20,481	19,146	-	-	-
Use of property	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Revenues	1,536,413	1,617,538	81,125	-	-	-
EXPENDITURES						
Current:						
Parks and public works	-	-	-	-	-	-
Library services	-	-	-	-	-	-
Sanitation and other	-	-	-	-	-	-
Capital outlay	1,676,361	1,676,361	-	-	-	-
Total Expenditures	1,676,361	1,676,361	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(139,948)	(58,823)	81,125	-	-	-
OTHER FINANCING SOURCES (USES)						
Operating transfers in	-	-	-	-	-	-
Operating transfers (out)	(106,000)	(106,000)	-	-	-	-
Total Other Financing Sources (Uses)	(106,000)	(106,000)	-	-	-	-
CHANGE IN FUND BALANCE	<u>\$ (245,948)</u>	<u>(164,823)</u>	<u>\$ 81,125</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
BEGINNING FUND BALANCE		1,836,068			166,653	
ENDING FUND BALANCE		<u>\$ 1,671,245</u>			<u>\$ 166,653</u>	

(Continued)

**TOWN OF LOS GATOS
BUDGETED NONMAJOR FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (GAAP)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Item 1.

	NON-POINT SOURCE MAINTENANCE			LIGHTING AND LANDSCAPING		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ 38,220	\$ 38,161	\$ (59)
Other taxes	-	-	-	-	-	-
License and permits	359,950	359,950	-	-	-	-
Intergovernmental	-	22,432	22,432	-	-	-
Interest	-	-	-	1,425	3,058	1,633
Use of property	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Revenues	359,950	382,382	22,432	39,645	41,219	1,574
EXPENDITURES						
Current:						
Parks and public works	-	-	-	42,764	33,572	9,192
Library services	-	-	-	-	-	-
Sanitation and other	198,372	204,097	(5,725)	-	-	-
Capital outlay	-	-	-	62,500	-	62,500
Total Expenditures	198,372	204,097	(5,725)	105,264	33,572	71,692
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	161,578	178,285	16,707	(65,619)	7,647	73,266
OTHER FINANCING SOURCES (USES)						
Operating transfers in	-	-	-	-	-	-
Operating transfers (out)	-	-	-	(4,920)	(4,920)	-
Total Other Financing Sources (Uses)	-	-	-	(4,920)	(4,920)	-
CHANGE IN FUND BALANCE	<u>\$ 161,578</u>	<u>178,285</u>	<u>\$ 16,707</u>	<u>\$ (70,539)</u>	<u>2,727</u>	<u>\$ 73,266</u>
BEGINNING FUND BALANCE		<u>451,558</u>			<u>174,239</u>	
ENDING FUND BALANCE		<u>\$ 629,843</u>			<u>\$ 176,966</u>	

(Continued)

**TOWN OF LOS GATOS
BUDGETED NONMAJOR FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (GAAP)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Item 1.

	LG Theatre			Library Trust		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-	-	-
License and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Interest	-	-	-	6,250	9,845	3,595
Use of property	68,400	108,237	39,837	-	-	-
Other	-	-	-	75,000	76,617	1,617
Total Revenues	68,400	108,237	39,837	81,250	86,462	5,212
EXPENDITURES						
Current:						
Parks and public works	55,814	52,746	3,068	-	-	-
Library services	-	-	-	105,500	111,541	(6,041)
Sanitation and other	-	-	-	-	-	-
Capital outlay	-	-	-	20,755	-	20,755
Total Expenditures	55,814	52,746	3,068	126,255	111,541	14,714
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	12,586	55,491	42,905	(45,005)	(25,079)	19,926
OTHER FINANCING SOURCES (USES)						
Operating transfers in	-	-	-	-	-	-
Operating transfers (out)	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
CHANGE IN FUND BALANCE	<u>\$ 12,586</u>	<u>55,491</u>	<u>\$ 42,905</u>	<u>\$ (45,005)</u>	<u>(25,079)</u>	<u>\$ 19,926</u>
BEGINNING FUND BALANCE		<u>19,500</u>			<u>555,253</u>	
ENDING FUND BALANCE		<u>\$ 74,991</u>			<u>\$ 530,174</u>	

(Continued)

TOWN OF LOS GATOS
BUDGETED NONMAJOR FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (GAAP)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Item 1.

	TOTALS		
	Budget	Actual	Variance Positive (Negative)
REVENUES			
Property taxes	\$ 38,220	\$ 38,161	\$ (59)
Other taxes	30,000	29,042	(958)
License and permits	452,450	521,780	69,330
Intergovernmental	1,535,078	1,619,489	84,411
Interest	44,080	147,595	103,515
Use of property	68,400	108,237	39,837
Other	75,000	125,617	50,617
Total Revenues	2,243,228	2,589,921	346,693
EXPENDITURES			
Current:			
Parks and public works	98,578	86,318	12,260
Library services	105,500	111,541	-
Sanitation and other	198,372	204,097	(5,725)
Capital outlay	1,977,697	1,894,442	83,255
Total Expenditures	2,380,147	2,296,398	89,790
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(136,919)	293,523	430,442
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	-
Operating transfers (out)	(110,920)	(110,920)	-
Total Other Financing Sources (Uses)	(110,920)	(110,920)	-
CHANGE IN FUND BALANCE	\$ (247,839)	182,603	\$ 430,442
BEGINNING FUND BALANCE		9,724,596	
ENDING FUND BALANCE		\$ 9,907,199	

(Concluded)

ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

PROPRIETARY FUNDS
INTERNAL SERVICE FUNDS

Internal service funds are used to finance and account for special activities and service performed by a designed department for other departments in the Town on a cost reimbursement basis.

The concept of major funds does not extend to internal service funds because they are used for internal activities only. In the Government-Wide Statement of Activities, the net revenues and expenses of the internal service funds are allocated to the Town departments or programs that generated them, thus eliminating internal service funds.

However, internal service funds are still presented separately in the fund financial statements and include the following funds:

Equipment Fund was established to account for the replacement of major Town equipment and all vehicle replacement.

Workers' Compensation Fund was established to account for future claims that may occur related to workers compensation injuries.

Self-Insurance Fund was established to account for future general liability claims against the Town.

Information Technology Fund was established to account for the replacement of management information computer systems and components.

Facilities Maintenance Fund was established to account for preventative maintenance and repair for all Town buildings.

TOWN OF LOS GATOS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2023

	Equipment	Workers' Comp	Self Insurance	Information Technology	Facilities Maintenance	Total
ASSETS						
Cash & Investments	\$ 2,401,161	\$ 2,371,205	\$ 386,654	\$ 2,462,357	\$ 379,020	\$ 8,000,397
Restricted Cash & Investments	-	115,981	-	-	-	115,981
Receivables:						
Accounts	30,531	2,000	-	18,054	24,853	75,438
Leases receivable	-	-	-	-	1,348,155	1,348,155
Subscription assets, net	-	-	-	713,438	-	713,438
Total Assets	<u>\$ 2,431,692</u>	<u>\$ 2,489,186</u>	<u>\$ 386,654</u>	<u>\$ 3,193,849</u>	<u>\$ 1,752,028</u>	<u>\$ 10,253,409</u>
LIABILITIES						
Accounts Payable	\$ 17,972	\$ 5,394	\$ 16,903	\$ 96,381	\$ 106,775	\$ 243,425
Due to Other Governments	-	-	-	-	59	59
Interest payable	-	-	-	27,915	-	27,915
Claims Payable	-	1,968,979	157,729	-	-	2,126,708
Subscription liabilities	-	-	-	594,935	-	594,935
Total Liabilities	<u>\$ 17,972</u>	<u>\$ 1,974,373</u>	<u>\$ 174,632</u>	<u>\$ 719,231</u>	<u>\$ 106,834</u>	<u>\$ 2,993,042</u>
Deferred Inflows of Resources						
Leases	\$ -	\$ -	\$ -	\$ -	\$ 717,495	\$ 717,495
NET POSITION						
Net investment in capital assets	\$ -	\$ -	\$ -	\$ 118,503	\$ -	\$ 118,503
Restricted for:						
Workers compensation claims	-	115,981	-	-	-	115,981
Unrestricted	2,413,720	398,832	212,022	2,356,115	927,699	6,308,388
Total Net Position	<u>\$ 2,413,720</u>	<u>\$ 514,813</u>	<u>\$ 212,022</u>	<u>\$ 2,474,618</u>	<u>\$ 927,699</u>	<u>\$ 6,542,872</u>

TOWN OF LOS GATOS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Equipment	Workers' Comp	Self Insurance	Information Technology	Facilities Maintenance	Total
OPERATING REVENUES						
Charges for services	\$ 639,367	\$ 967,013	\$ 397,216	\$ 753,356	\$ 938,492	\$ 3,695,444
Interest	-	5	-	-	-	5
Use of money and property	-	-	-	-	122,317	122,317
Other local taxes	-	-	-	-	28,322	28,322
Other revenue & reimbursements	78,919	165,757	-	1,745	988	247,409
Total Operating Revenues	718,286	1,132,775	397,216	755,101	1,090,119	4,093,497
OPERATING EXPENSES						
Insurance expenses	-	1,913,146	988,486	-	-	2,901,632
Services and supplies	526,961	-	-	306,771	1,334,225	2,167,957
Depreciation/amortization expense	-	-	-	202,422	-	202,422
Total Operating Expenses	526,961	1,913,146	988,486	509,193	1,334,225	5,272,011
Operating Income (loss)	191,325	(780,371)	(591,270)	245,908	(244,106)	(1,178,514)
NONOPERATING EXPENSES						
Interest expense	-	-	-	(29,221)	-	(29,221)
Income (loss) before transfers	191,325	(780,371)	(591,270)	216,687	(244,106)	(1,207,735)
Transfers (in)	-	-	-	-	243,325	243,325
Transfers (out)	-	-	-	(733,000)	-	(733,000)
Net Transfers	-	-	-	(733,000)	243,325	(489,675)
Change in Net Position	191,325	(780,371)	(591,270)	(516,313)	(781)	(1,697,410)
BEGINNING NET POSITION	2,222,395	1,295,184	803,292	2,990,931	928,480	8,240,282
ENDING NET POSITION	\$ 2,413,720	\$ 514,813	\$ 212,022	\$ 2,474,618	\$ 927,699	\$ 6,542,872

**TOWN OF LOS GATOS
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	Equipment	Workers' Comp	Self Insurance	Information Technology	Facilities Maintenance	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 692,308	\$ 965,018	\$ 397,216	\$ 753,443	\$ 1,124,868	\$ 3,932,853
Payments to suppliers and providers	(528,794)	(1,913,054)	(800,055)	(279,594)	(1,322,101)	(4,843,598)
Insurance reimbursements	-	165,757	-	-	-	165,757
Claims paid	-	604,421	(74,502)	-	-	529,919
Net Cash Provided (Used) by Operating Activities	163,514	(177,858)	(477,341)	473,849	(197,233)	(215,069)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in	-	-	-	-	243,325	243,325
Transfers out	-	-	-	(733,000)	-	(733,000)
Net Cash Provided (Used) by Noncapital Financing Activities	-	-	-	(733,000)	243,325	(489,675)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Interest paid	-	-	-	(1,306)	-	(1,306)
Acquisition of subscription assets	-	-	-	(320,925)	-	(320,925)
Net Cash Used by Capital and Related Financing Activities	-	-	-	(322,231)	-	(322,231)
Net Increase(Decrease) in Cash and Investments	163,514	(177,858)	(477,341)	(581,382)	46,092	(1,026,975)
Cash and investments - beginning of year	2,237,647	2,665,044	863,995	3,043,739	332,928	9,143,353
Cash and investments - end of year	\$ 2,401,161	\$ 2,487,186	\$ 386,654	\$ 2,462,357	\$ 379,020	\$ 8,116,378
Reconciliation of Operating Income to Cash Flows from Operating Activities:						
Operating Income	\$ 191,325	\$ (780,371)	\$ (591,270)	\$ 245,908	\$ (244,106)	\$ (1,178,514)
Adjustments to reconcile operating income to cash flows from operating activities:						
Depreciation/amortization	-	-	-	202,422	-	202,422
Change in assets and liabilities:						
Accounts receivable	(25,978)	(2,000)	-	(1,658)	-	(29,636)
Leases receivable	-	-	-	-	146,566	146,566
Deferred inflows of resources	-	-	-	-	(111,817)	(111,817)
Accounts payable	(1,833)	92	(24,243)	27,177	12,115	13,308
Due to other governments	-	-	-	-	9	9
Claims payable	-	604,421	138,172	-	-	742,593
Cash Flows From Operating Activities	\$ 163,514	\$ (177,858)	\$ (477,341)	\$ 473,849	\$ (197,233)	\$ (215,069)

Statistical Section

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STATISTICAL (UNAUDITED)

This part of the Town of Los Gatos Annual Comprehensive Financial Report (“ACFR”) presents the detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Town’s overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how Town’s financial performance and well-being have changed over time. (Schedule 1, Schedule 2, Schedule 3, and Schedule 4).

Revenue Capacity

These schedules contain information to help the reader assess one of the Town’s most significant local revenue source, the property tax (Schedule 5, Schedule 6, Schedule 7, and Schedule 8).

Debt Capacity

These schedules present information to help the reader assess the affordability of the Town’s current levels of outstanding debt and its ability to issue additional debt in the future (Schedule 9, Schedule 10, and Schedule 11)

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town’s financial activities take place (Schedule 12, Schedule 13, and schedule 14).

Operating Information

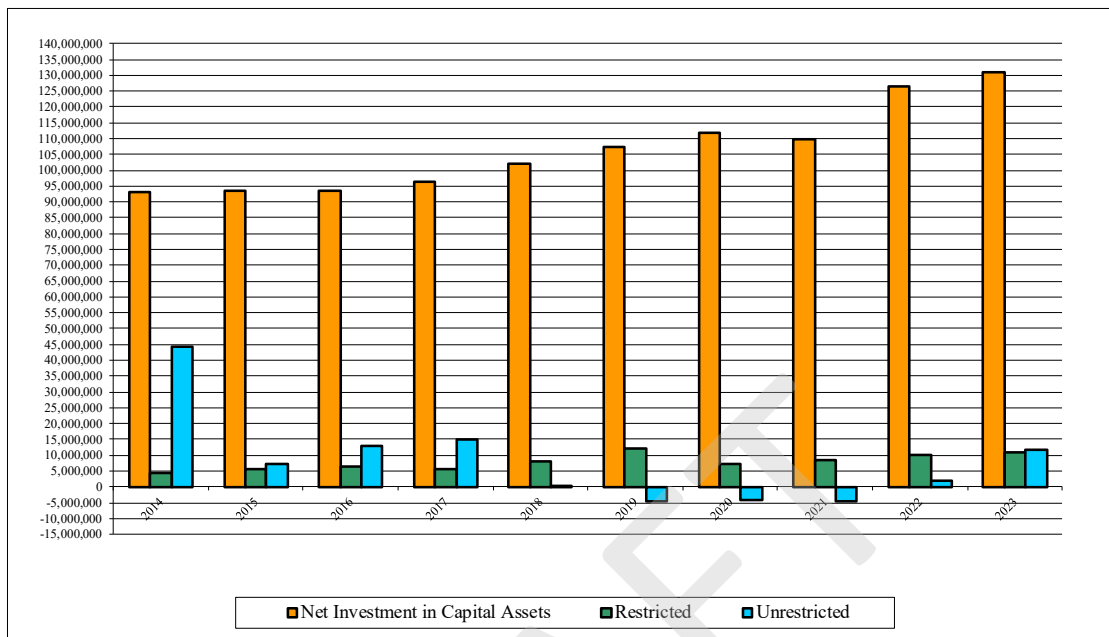
These schedules contain service and infrastructure data to help the reader understand how the information in the Town’s ACFR relates to the services the Town provides and activities it performs (Schedule 15 and Schedule 16).

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Town of Los Gatos
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

Schedule 1



Fiscal Year	Net Investment in Capital Assets	Restricted	Unrestricted	Total Net Position
2014	93,251,117	4,485,246	44,393,265	142,129,628
2015	93,687,029	5,663,182	7,180,919	106,531,130 (1)
2016	93,383,855	6,386,014	12,744,637	112,514,506
2017	96,265,652	5,627,707	15,134,420	117,027,779
2018	102,098,729	8,199,598	170,590	110,468,917 (2)
2019	107,542,588	11,918,688	-4,642,167	114,819,109 (3)
2020	111,700,225	7,117,984	-3,967,178	114,851,031
2021	109,894,936	8,358,267	-4,735,103	113,518,100
2022	126,418,275	10,203,412	1,785,294	138,406,981
2023	130,888,581	11,091,020	11,542,661	153,522,262

(1) The decrease in Restricted Net Position GASB 68 Implementation of Unfunded Pension Liability of Statement of Net Position.

(2) Net position was restated for FY 2018 for amounts placed into fiduciary funds, reclassified to General Fund Restricted Asset.

(3) The decrease in unrestricted net position resulted largely from the use of approximately \$8.0 million in unrestricted cash balances in the Town's GFAR fund during the year to invest in the Town's infrastructure and equipment.

Town of Los Gatos
 Changes in Net Position
 Last Ten Fiscal Years
 (Accrual Basis of Accounting)

Schedule 2

	Fiscal Year				
	2013/14	2014/15	2015/16	2016/17	2017/18
Expenses					
Governmental Activities:					
General Government	\$ 6,955,804	\$ 6,465,852	\$ 6,993,661	\$ 6,771,628	\$ 7,948,918
Public Safety	14,119,786	12,644,221	12,825,688	14,587,597	15,545,521
Parks and Public Works	8,154,616	8,069,352	8,320,623	9,502,707	10,047,003
Community Development	4,424,040	4,047,738	3,227,224	5,093,459	4,667,609
Library Services	2,234,431	2,553,414	2,522,142	2,868,748	3,087,684
Sanitation	363,180	491,359	528,580	466,762	536,296
Redevelopment	21,687	-	-	-	-
Interest and Fees	-	-	-	-	-
Total Governmental Activities	36,273,544	34,271,936	34,417,918	39,290,901	41,833,031
Program Revenues					
Charges for Services:					
General Government	2,179,077	1,888,213	1,517,012	1,669,020	1,701,146
Public Safety	3,206,579	3,529,166	3,278,585	2,076,688	1,888,359
Parks and Public Works	1,550,867	2,206,765	1,516,108	2,155,841	4,150,068
Community Development	5,156,061	5,027,497	4,359,146	3,803,626	3,456,390
Library Services	51,775	53,123	46,192	46,746	14,702
Sanitation	328,648	328,868	368,813	410,626	771,442
Operating Grants and Contributions:					
General Government	-	-	15,291	-	-
Public Safety	42,661	24,838	98,138	837,329	895,730
Parks and Public Works	994,096	907,745	749,300	665,779	953,294
Community Development	-	-	-	-	-
Library Services	14,662	4,062	12,228	-	57,200
Capital Grants and Contributions:					
General Government	-	176,705	-	-	-
Public Safety	-	-	-	-	-
Parks and Public Works	2,274,879	2,338,154	1,610,657	770,600	348,437
Community Development	19,360	-	-	9,280	-
Total Program Revenues	15,818,665	16,485,136	13,571,470	12,445,535	14,236,768
General Revenues and Special Items:					
Property Taxes	11,712,312	12,931,603	13,763,458	14,756,214	15,958,406
Sales Taxes	8,029,571	8,202,678	7,501,175	8,925,276	7,466,253
Franchise Taxes	-	2,215,430	2,258,892	2,366,908	2,474,814
Other Taxes	3,718,405	2,062,893	1,997,497	2,351,223	2,667,840
Motor Vehicle in Lieu	13,068	-	12,308	14,056	16,483
Developer Fees	-	-	-	-	-
Investment Earnings	772,200	428,772	698,324	192,260	333,120
Sale of Property	-	-	-	-	-
Miscellaneous	350,468	813,324	598,170	528,946	622,105
Insurance recoveries	-	-	-	-	-
Total General Revenues and Special Items	24,596,024	26,654,700	26,829,824	29,134,883	29,539,021
Change in Net Position	\$ 4,141,145	\$ 8,867,900	\$ 5,983,376	\$ 2,289,517	\$ 1,942,758

Continued

Town of Los Gatos
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

Schedule 2

	Fiscal Year				
	2018/19	2019/20	2020/21	2021/22	2022/23
Expenses					
Governmental Activities:					
General Government	\$ 8,163,991	\$ 7,405,368	\$ 7,086,377	\$ 15,681,345	\$ 10,522,568
Public Safety	16,635,726	20,446,188	19,808,230	15,093,308	17,428,923
Parks and Public Works	10,627,716	11,803,005	13,141,034	12,969,615	12,258,626
Community Development	5,064,637	5,001,958	6,846,834	5,827,001	5,215,961
Library Services	3,059,294	3,347,523	3,496,153	2,969,954	3,653,642
Sanitation	684,673	3,041	185,981	178,575	208,262
Redevelopment	-	-	-	-	-
Interest and Fees	-	-	-	-	29,221
Total Governmental Activities	44,236,037	48,007,083	50,564,609	52,719,798	49,317,203
Program Revenues					
Charges for Services:					
General Government	1,562,683	1,470,324	1,894,080	1,725,857	2,635,527
Public Safety	1,745,889	1,549,207	1,288,358	1,596,313	1,846,312
Parks and Public Works	2,910,936	3,674,222	4,209,048	5,090,014	3,590,936
Community Development	4,155,231	3,351,753	4,063,776	4,129,718	3,971,336
Library Services	9,476	11,522	-	521	2,039
Sanitation	966,130	231,323	299,478	231,323	359,950
Operating Grants and Contributions:					
General Government	-	12,290	-	2,766,833	-
Public Safety	826,643	952,045	1,061,344	1,144,226	4,622,373
Parks and Public Works	1,301,152	2,824,638	1,547,102	1,482,896	1,735,608
Community Development	-	15,864	223,129	670,929	616,937
Library Services	47,482	49,351	55,181	114,958	174,663
Capital Grants and Contributions:					
General Government	-	8,258	2,365	12,205,050	-
Public Safety	-	9,100	-	-	-
Parks and Public Works	146,792	832,755	843,980	10,021,156	3,915,175
Community Development	-	-	-	-	-
Total Program Revenues	13,672,414	14,992,652	15,487,841	41,179,794	23,470,856
General Revenues and Special Items:					
Property Taxes	17,321,347	18,330,426	19,878,835	21,132,098	22,746,842
Sales Taxes	8,158,152	7,531,425	7,933,604	8,483,673	8,806,477
Franchise Taxes	2,475,916	2,495,792	2,499,463	2,822,515	3,074,624
Other Taxes	2,726,743	1,911,774	1,126,887	2,042,580	2,292,008
Motor Vehicle in Lieu	14,689	24,526	23,058	35,624	34,406
Developer Fees	-	-	-	1,735,571	614,820
Investment Earnings	1,809,128	2,428,470	227,136	(1,278,978)	797,587
Sale of Property	-	-	-	-	-
Miscellaneous	2,407,840	323,940	1,528,039	755,400	1,029,864
Insurance recoveries	-	-	-	-	1,565,000
Total General Revenues and Special Items	34,913,815	33,046,353	33,217,022	35,728,483	40,961,628
Change in Net Position	\$ 4,350,192	\$ 31,922	\$ (1,859,746)	\$ 24,188,479	\$ 15,115,281

Concluded

Town of Los Gatos
Fund Balance, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year				
	2013/14	2014/15	2015/16	2016/17	2017/18
General Fund					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	1,206,851
Committed			20,019,187	15,129,925	12,953,399
Assigned	23,791,749	24,121,256	9,555,085	14,050,699	17,475,285
Unassigned	1,363,376	-	-	-	-
Total General Fund	<u>\$ 25,155,125</u>	<u>\$ 24,121,256</u>	<u>\$ 29,574,272</u>	<u>\$ 29,180,624</u>	<u>\$ 31,635,535</u>
All Other Governmental Funds					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	4,485,246	5,663,182	6,386,014	5,627,707	6,992,747
Committed	-	-	3,696,000	10,354,584	5,571,087
Assigned	8,191,823	15,346,558	11,099,076	7,928,994	6,361,403
Unassigned	183,045	206,875	-	-	-
Total All Other Governmental Funds	<u>\$ 12,860,114</u>	<u>\$ 21,216,615</u>	<u>\$ 21,181,090</u>	<u>\$ 23,911,285</u>	<u>\$ 18,925,237</u>
Total Fund Balances	<u>\$ 38,015,239</u>	<u>\$ 45,337,871</u>	<u>\$ 50,755,362</u>	<u>\$ 53,091,909</u>	<u>\$ 50,560,772</u>

Continued

Town of Los Gatos
Fund Balance, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

Schedule 3

	Fiscal Year				
	2018/19	2019/20	2020/21	2021/22	2022/23
General Fund					
Nonspendable	\$ -	\$ -	\$ 159,000	\$ 159,000	\$ 159,000
Restricted	5,015,316	669,978	-	690,000	1,444,501
Committed	15,070,944	15,387,706	11,220,970	12,283,132	13,150,130
Assigned	18,256,895	13,277,813	12,534,648	13,764,657	14,774,673
Unassigned	-	-	-	-	-
Total General Fund	<u>\$ 38,343,155</u>	<u>\$ 29,335,497</u>	<u>\$ 23,914,618</u>	<u>\$ 26,896,789</u>	<u>\$ 29,528,304</u>
All Other Governmental Funds					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 55,977
Restricted	6,903,372	6,448,006	8,562,653	9,383,483	9,530,538
Committed	2,579,997	-	-	637,711	2,590,257
Assigned	6,180,930	14,181,679	15,360,481	13,944,155	19,480,452
Unassigned	-	-	-	-	-
Total All Other Governmental Funds	<u>\$ 15,664,299</u>	<u>\$ 20,629,685</u>	<u>\$ 23,923,134</u>	<u>\$ 23,965,349</u>	<u>\$ 31,657,224</u>
Total Fund Balances	<u>\$ 54,007,454</u>	<u>\$ 49,965,182</u>	<u>\$ 47,837,752</u>	<u>\$ 50,862,138</u>	<u>\$ 61,185,528</u>

Concluded

Town of Los Gatos
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

Schedule 4

	Fiscal Year				
	2013/14	2014/15	2015/16	2016/17	2017/18
Revenues:					
Taxes	\$ 23,475,393	\$ 23,208,820	\$ 23,269,892	\$ 25,945,129	\$ 26,253,026
Licenses & Permits	5,343,265	6,467,771	5,442,133	5,075,503	5,937,044
Intergovernmental	2,440,127	2,921,002	2,573,475	1,715,580	2,124,903
Charges for Services	5,837,581	5,794,386	4,773,001	4,210,174	5,395,057
Fines and Forfeitures	795,720	868,564	879,277	917,105	676,212
Franchise Fees	-	2,215,430	2,258,892	2,366,908	2,474,814
Developer Fees	-	-	-	-	-
Investment Income	772,164	428,735	698,308	192,978	332,938
Use of Property	37,741	32,209	31,723	32,096	32,206
Other	3,648,277	3,130,975	2,396,992	1,011,939	640,844
Total Revenues	42,350,268	45,067,892	42,323,693	41,467,412	43,867,044
Expenditures:					
Current					
General Government	8,499,854	8,647,451	9,144,797	8,390,959	8,770,082
Public Safety	13,742,189	13,747,198	13,763,316	13,251,288	14,423,554
Parks and Public Works	5,611,283	5,840,097	6,307,266	6,633,748	7,125,686
Community Development	4,335,599	4,218,500	3,695,504	3,793,930	4,192,165
Library Services	2,131,438	2,268,844	2,332,268	2,508,677	2,529,017
Sanitation & Other	322,817	411,863	452,726	466,762	521,147
Capital Outlay	4,097,662	3,800,478	3,241,657	6,867,034	9,778,058
Debt Service					
Principal Repayment	-	-	-	-	-
Total Expenditures	38,740,842	38,934,431	38,937,534	41,912,398	47,339,709
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	3,609,426	6,133,461	3,386,159	(444,986)	(3,472,665)
Other Financing Sources(Uses):					
Transfers In	3,418,872	8,977,220	3,315,846	7,907,692	3,176,760
Transfers Out	(2,921,409)	(7,788,049)	(1,284,514)	(7,612,012)	(3,880,131)
Gain from Sale of Property	-	-	-	-	378,219
Insurance Recoveries	-	-	-	-	-
Issuance of Debt	-	-	-	4,435	-
Total Other Financing Sources(Uses)	497,463	1,189,171	2,031,332	300,115	(325,152)
Special Item:					
Extraordinary Gain (Loss) RDA Dissolution	-	-	-	-	-
Prepayment of Pension Obligations	(4,534,538)	-	-	-	-
Net Change in Fund Balances	\$ 4,106,889	\$ 7,322,632	\$ 5,417,491	\$ (144,871)	\$ (3,797,817)
Capitalized Capital Outlay	\$ 4,097,662	\$ 3,800,478	\$ 3,241,657	\$ 6,867,034	\$ 9,778,058
Debt Service as a Percentage					
of Non Capital Expenditures	0.00%	0.00%	0.00%	0.00%	0.00%

Continued

Town of Los Gatos
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

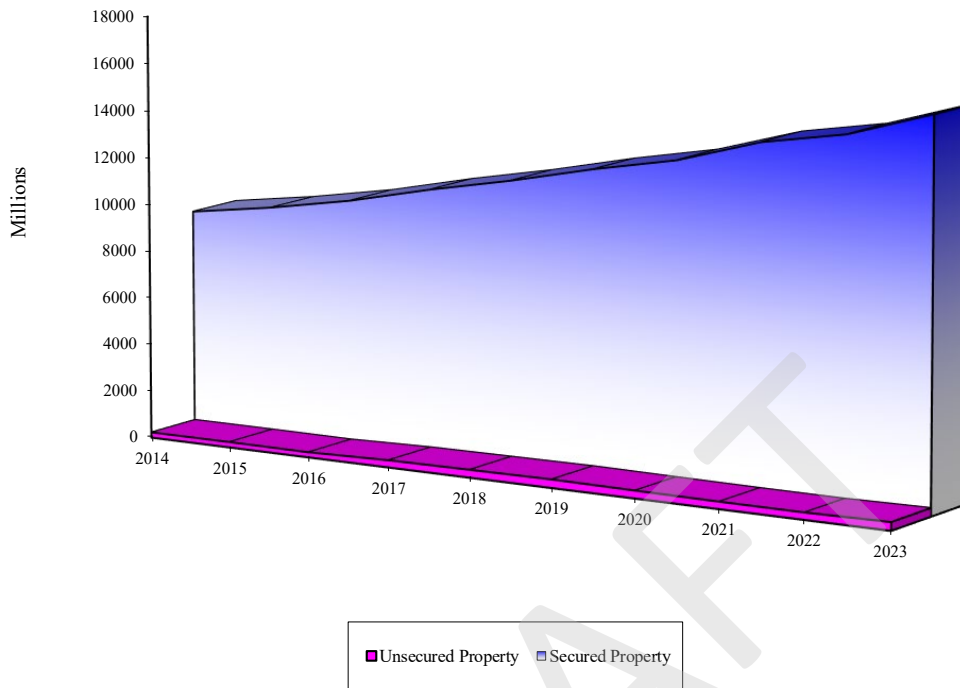
Schedule 4

	Fiscal Year				
	2018/19	2019/20	2020/21	2021/22	2022/23
Revenues:					
Taxes	\$ 28,244,329	\$ 27,811,665	\$ 28,977,919	\$ 31,627,593	\$ 33,851,411
Licenses & Permits	5,173,876	4,818,671	5,212,831	6,055,040	6,333,675
Intergovernmental	2,310,655	4,498,153	3,746,587	15,492,982	10,145,820
Charges for Services	5,584,504	5,309,470	6,035,659	6,925,359	5,718,714
Fines and Forfeitures	510,266	271,117	103,468	319,170	416,950
Franchise Fees	2,475,916	2,495,792	2,499,463	2,822,515	3,074,624
Developer Fees	-	-	-	1,735,571	614,820
Investment Income	1,809,164	2,428,453	227,940	(1,278,983)	797,582
Use of Property	32,960	31,039	40,372	144,901	237,647
Other	579,755	376,922	423,115	349,145	985,188
Total Revenues	46,721,425	48,041,282	47,267,354	64,193,293	62,176,431
Expenditures:					
Current					
General Government	8,004,254	13,024,146	14,040,134	15,953,968	8,828,779
Public Safety	14,945,407	15,793,815	16,570,836	16,451,190	18,446,048
Parks and Public Works	7,962,135	8,168,599	8,229,944	8,639,128	9,084,406
Community Development	4,577,495	4,473,790	5,195,302	6,313,511	5,065,412
Library Services	2,493,617	2,700,802	2,847,988	2,827,210	3,208,027
Sanitation & Other	628,240	162,837	166,173	194,969	204,097
Capital Outlay	7,888,914	7,861,972	5,707,439	10,478,670	8,917,075
Debt Service					
Principal Repayment	-	-	39,008	156,034	156,034
Total Expenditures	46,500,062	52,185,961	52,796,824	61,014,680	53,909,878
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	221,363	(4,144,679)	(5,529,470)	3,178,613	8,266,553
Other Financing Sources(Uses):					
Transfers In	4,264,131	8,935,260	4,053,535	8,154,307	11,886,022
Transfers Out	(3,323,756)	(8,628,719)	(3,940,015)	(8,310,685)	(11,396,347)
Gain from Sale of Property	1,912,316	1,566	1,201,369	2,151	2,162
Insurance Recoveries	-	-	-	-	1,565,000
Issuance of Debt	-	-	1,560,336	-	-
Total Other Financing Sources(Uses)	2,852,691	308,107	2,875,225	(154,227)	2,056,837
Special Item:					
Extraordinary Gain (Loss) RDA Dissolution	-	-	-	-	-
Prepayment of Pension Obligations	-	-	-	-	-
Net Change in Fund Balances	\$ 3,074,054	\$ (3,836,572)	\$ (2,654,245)	\$ 3,024,386	\$ 10,323,390
Debt Service as a Percentage					
of Non Capital Expenditures	0.00%	0.00%	0.08%	0.30%	0.35%

Concluded

Town of Los Gatos
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Schedule 5

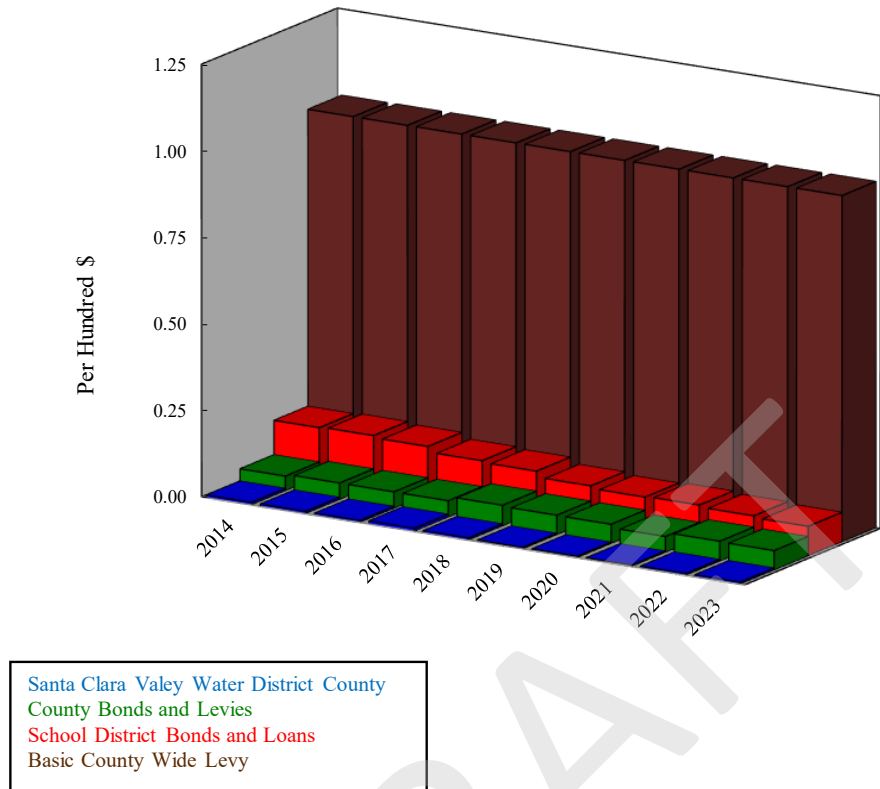


Fiscal Year	Utility and Unsecured Property	Percent Change	Secured Property	Percent Change	Total Assessed	Estimated Full Market	Total Direct Tax Rate
2014	\$ 224,079,502	6.06%	\$ 9,238,816,900	9.14%	\$ 9,462,896,402	\$ 36,955,267,600	1.0493
2015	227,331,042	1.45%	9,767,782,505	5.73%	9,995,113,547	39,071,130,020	1.0544
2016	217,035,545	-4.53%	10,417,804,357	6.65%	10,634,839,902	41,671,217,428	1.0533
2017	304,443,013	40.27%	11,240,554,198	7.90%	11,544,997,211	44,962,216,792	1.0560
2018	330,504,877	8.56%	11,969,049,272	6.48%	12,299,554,149	47,876,197,088	1.0659
2019	359,276,665	8.71%	12,795,393,103	6.90%	13,154,669,768	51,181,572,412	1.0607
2020	331,517,212	-7.73%	13,510,676,336	5.59%	13,842,193,548	54,042,705,344	1.0598
2021	308,749,655	-6.87%	14,599,669,332	8.06%	14,908,418,987	58,398,677,328	1.0494
2022	304,460,199	-1.39%	15,255,884,284	4.49%	15,560,344,483	61,023,537,136	1.0627
2023	357,370,065	17.38%	16,404,930,826	7.53%	16,762,300,891	65,619,723,304	1.0616

Source: Santa Clara County Assessed Value Report

Town of Los Gatos
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

Schedule 6



Fiscal Year	Basic County Wide Levy	County Bonds and Levies	Santa Clara Special Districts	School District Bonds and Loans	Total
2014	1.0000	0.0423	0.0070	0.1417	1.1910
2015	1.0000	0.0479	0.0065	0.1442	1.1986
2016	1.0000	0.0476	0.0057	0.1381	1.1914
2017	1.0000	0.0474	0.0086	0.1223	1.1783
2018	1.0000	0.0597	0.0062	0.1177	1.1836
2019	1.0000	0.0565	0.0042	0.1006	1.1613
2020	1.0000	0.0557	0.0041	0.0935	1.1533
2021	1.0000	0.0457	0.0037	0.0959	1.1453
2022	1.0000	0.0576	0.0051	0.0902	1.1529
2023	1.0000	0.0559	0.0057	0.0854	1.1470

Source: Santa Clara County Book of Tax Rates

Town of Los Gatos
Principle Property Tax Payers
Last Ten Fiscal Years *

ASSEESSEE NAME	2013/14		2014/15		2015/16		2016/17		2017/18	
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
750 University LLC	\$ 18,600,000	0.19%	\$ 19,000,000	0.18%	\$ 19,379,620	0.19%	\$ 19,675,159	0.18%	\$ 25,241,863	0.21%
980 JR LLC										
140 Toll House Hotel LLC										
Alberto Way Holdings LLC	23,607,964	0.24%	23,715,141	0.23%	24,188,966	0.23%	24,557,845	0.22%	25,048,998	0.21%
Ann R. Desantis	13,823,779	0.14%								
A W Los Gatos LLC										
Boccardo Corporation	38,617,912	0.40%	38,772,905	0.37%	21,617,318	0.21%	21,918,921	0.20%	22,211,650	0.19%
CH Realty IV Downing LP	19,916,443	0.20%								
CHL Ventures LP	-	0.00%								
D&K Los Gatos LLC	15,901,809	0.16%	15,974,003	0.15%	16,293,163	0.16%				
David A. and Shari Flick Trustee			15,388,884	0.15%						
Donahue Schriber Realty Group LP									53,872,083	0.45%
DS Downing Los Gatos LLC			20,006,861	0.19%	21,980,568	0.21%	22,315,770	0.20%		
DS Village Square							22,799,599	0.20%		
El Camino Hospital			20,803,609	0.20%	26,477,160	0.25%	26,880,933	0.24%	23,353,576	0.20%
Equestrian 3 Investments LLC									29,584,251	0.25%
Fox Creek Fund LLC										
Good Samaritan Hospital LP	19,710,897	0.20%	19,602,594	0.19%	19,880,366	0.19%	22,402,756	0.20%	22,516,823	0.19%
Grade Way Associations VI	15,094,623	0.15%	15,163,152	0.15%						
Green Eyes LLC	12,793,404	0.13%								
Grosvenor USA Ltd.	22,886,720	0.23%	22,990,624	0.22%	23,449,975	0.23%				
Health Care REIT Inc.	20,671,960	0.21%	20,765,810	0.20%	20,089,903	0.19%	20,396,274	0.18%		
Hercules Holding II LLC										
International Hotel									30,144,617	0.25%
Kay K. & Go Sasaki Sr., Trustee	22,752,809	0.23%			24,744,983	0.24%	25,122,131	0.22%	25,624,027	0.21%
Knowles Los Gatos LLC	47,986,850	0.49%	48,204,708	0.46%	49,167,836	0.47%	49,917,644	0.44%	50,915,995	0.43%
KSL Capital Partners	43,383,370	0.44%	43,580,326	0.42%	30,134,614	0.29%	30,105,945	0.27%	25,893,946	0.22%
Leland E Lester, Trustee							29,004,169	0.26%		
LG Business Park Bldg 3 LLC					61,947,284	0.59%			53,465,724	0.45%
LG Business Park Bldg 4 LLC									43,937,857	0.37%
LG Business Park LLC	47,276,977	0.48%	39,347,485	0.38%	17,507,261	0.17%	31,070,572	0.28%		
LG Hotel LLC			15,448,057	0.15%	15,497,395	0.15%				
Los Gatos Hotel Corp.	18,134,182	0.19%	15,573,314	0.15%	15,676,113	0.15%				
Lyon Baytree Apartments LLC	14,674,716	0.15%								
Paul H. Roskoph										
Preylock Los Gatos LLC										
Safeway Inc.									24,394,468	0.20%
San Jose Water Works	33,626,381	0.34%	36,693,453	0.35%	37,081,049	0.36%	38,710,728	0.34%	41,202,805	0.34%
Serramonte Corporate Center LLC										
SI 32 LLC			150,563,119	1.45%	141,348,894	1.36%	143,442,269	1.28%	146,317,944	1.22%
SF Los Gatos LLC										
Sobrato Interests IV LLC	169,809,676	1.74%	20,869,338	0.20%	44,930,482	0.43%	42,240,994	0.38%	43,071,837	0.36%
SRI Old Town LLC	30,981,771	0.32%	31,122,427	0.30%	31,744,252	0.30%	32,228,351	0.29%	32,872,917	0.27%
Summerhill N40 LLC										
Summerhill Prospect Avenue LLC							18,274,508	0.16%		
Wealthcap Los Gatos 121							109,100,000	0.97%	111,282,000	0.93%
Wealthcap Los Gatos 31							84,000,000	0.75%	85,680,000	0.72%
Total - Principal taxpayers	\$ 650,252,243	7.68%	\$ 394,337,473	6.49%	\$ 1,296,723,012	6.37%	\$ 814,164,568.00	7.24%	\$ 916,633,381	7.66%
Total - All real properties assessed by the Town (1)	\$9,237,887,980		\$9,766,765,025		\$10,416,786,877		\$11,239,536,718		\$11,968,031,792	

(1) Assessed value includes only net secured real properties.

(2) Excludes the value of tax-exempt properties

Source Data: California Municipal Statistics, Inc.

Continued

Town of Los Gatos
Principle Property Tax Payers
Last Ten Fiscal Years *

ASSEESSEE NAME	2018/19		2019/20		2020/21		2021/22		2022/23	
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
750 University LLC	\$ 25,746,699	0.20%	\$ 26,261,632	0.19%	\$ 26,786,863	0.18%	\$ 27,064,374	0.19%	\$ 27,605,660	0.17%
980 JR LLC	\$ 19,277,879	0.15%								
140 Toll House Hotel LLC					35,043,180	0.24%	35,499,104	0.24%	34,808,066	0.21%
Alberto Way Holdings LLC	25,549,975	0.20%	24,158,350	0.18%	24,641,514	0.17%	24,896,799	0.17%		
Ann R. Desantis										
A W Los Gatos LLC									26,749,500	0.16%
Boccardo Corporation	22,651,732	0.18%	23,099,314	0.17%					24,268,078	0.15%
CH Realty IV Downing LP										
CHL Ventures LP										
D&K Los Gatos LLC										
David A. and Shari Flick Trustee										
Donahue Schriber Realty Group LP	56,370,186	0.44%	57,497,587	0.43%	58,647,535	0.40%	59,255,121	0.41%	60,440,222	0.37%
DS Downing Los Gatos LLC										
DS Village Square										
El Camino Hospital	28,596,104	0.22%	30,789,155	0.23%	42,611,768	0.29%	50,456,560	0.35%	43,379,731	0.26%
Equestrian 3 Investments LLC	28,563,864	0.22%	25,525,880	0.19%	26,036,395	0.18%	26,306,130	0.18%	26,832,251	0.16%
Fox Creek Fund LLC	21,558,664	0.17%					27,231,335	0.19%	27,078,255	0.17%
Good Samaritan Hospital LP	22,934,274	0.18%	23,391,289	0.17%	23,846,402	0.16%	24,111,608	0.17%	24,569,780	0.15%
Grade Way Associations VI										
Green Eyes LLC										
Grosvenor USA Ltd.										
Health Care REIT Inc.										
Hercules Holding II LLC										
International Hotel	30,747,509	0.24%	31,362,458	0.23%	31,989,706	0.22%				
Kay K. & Go Sasaki Sr., Trustee	26,135,962	0.20%	28,864,942	0.21%	27,190,951	0.19%	27,471,495	0.19%	28,020,326	0.17%
Knowles Los Gatos LLC	51,934,313	0.41%	52,972,998	0.39%	54,032,455	0.37%	54,592,229	0.37%	55,684,072	0.34%
KSL Capital Partners	26,411,820	0.21%	33,069,058	0.24%	33,118,759	0.23%	33,037,818	0.23%	32,098,542	0.20%
Leland E Lester, Trustee										
LG Business Park Bldg 3 LLC										
LG Business Park Bldg 4 LLC										
LG Business Park LLC										
LG Hotel LLC										
Los Gatos Hotel Corp.										
Lyon Baytree Apartments LLC										
Paul H. Roskoph										
Preylock Los Gatos LLC			89,141,472	0.66%	95,880,000	0.66%	96,873,316	0.66%	98,810,782	0.60%
Safeway Inc.			25,752,231	0.19%	25,577,034	0.18%				
San Jose Water Works	46,150,577	0.36%	47,777,432	0.35%	49,649,154	0.34%	53,320,614	0.37%	51,657,625	0.31%
Serramonte Corporate Center LLC	200,844,610	1.57%	204,861,501	1.52%	208,958,729	1.43%	211,123,540	1.45%	215,346,008	1.31%
SI 32 LLC	149,208,182	1.17%	152,166,578	1.13%	155,181,793	1.06%	158,132,236	1.08%	159,929,209	0.97%
SF Los Gatos LLC							33,214,527	0.23%		
Sobrato Interests IV LLC	43,919,879	0.34%	44,781,377	0.33%	45,682,006	0.31%	46,155,127	0.32%	47,067,863	0.29%
SRI Old Town LLC	33,530,374	0.26%	34,200,980	0.25%	34,884,999	0.24%	35,246,406	0.24%	35,951,333	0.22%
Summerhill N40 LLC			56,244,782	0.42%	57,369,661	0.39%	59,462,462	0.41%	71,006,795	0.43%
Summerhill Prospect Avenue LLC										
Wealthcap Los Gatos 121	113,507,640	0.89%	115,777,792	0.86%	118,093,347	0.81%	119,316,793	0.82%	121,703,128	0.74%
Wealthcap Los Gatos 31	87,393,600	0.68%								
Total - Principal taxpayers	\$ 1,061,033,843	8.29%	\$ 1,127,696,808	8.35%	\$ 1,175,222,251	8.05%	\$ 1,202,767,594	8.24%	\$ 1,213,007,226	7.39%
Total - All real properties assessed by the Town (1)	\$12,793,751,423		\$13,509,034,656		\$14,598,027,652		\$15,254,242,604		\$16,403,289,146	

(1) Assessed value includes only net secured real properties.

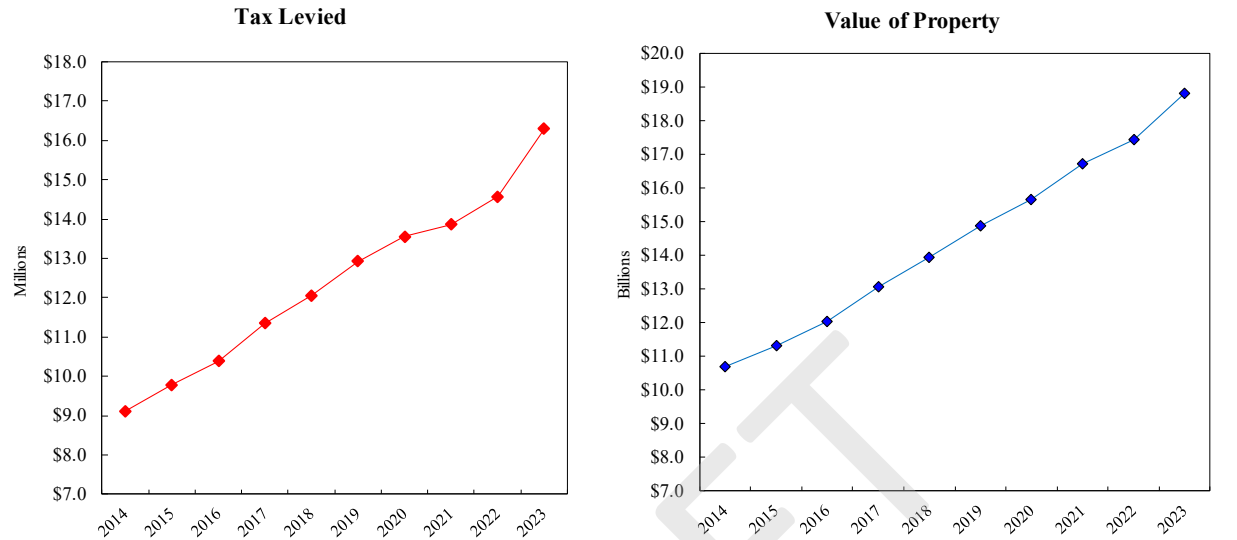
(2) Excludes the value of tax-exempt properties

Source Data: California Municipal Statistics, Inc.

Concluded

Town of Los Gatos
Property Tax Levies and Collections
Last Ten Fiscal Years

Schedule 8



Fiscal Year	Town Property Tax Levied and Collected	Redevelopment Property Tax Levied and Collected	Total Property Tax Levied and Collected	Value of Town Property subject to Local Tax Rate	Value of Redevelopment Agency Property Subject to Local Tax Rate	Value of Property Subject to Local Tax Rate
2014	\$ 9,120,626	\$ -	\$ 9,120,626	\$ 9,462,896,402	\$ 1,249,873,303	\$ 10,712,769,705
2015	9,787,519	-	9,787,519	9,995,113,547	1,318,214,863	11,313,328,410
2016	10,388,424	-	10,388,424	10,634,839,902	1,395,509,489	12,030,349,391
2017	11,345,588	-	11,345,588	11,544,997,211	1,537,577,241	13,082,574,452
2018	12,060,228	-	12,060,228	12,299,554,149	1,650,746,473	13,950,300,622
2019	12,924,592	-	12,924,592	13,154,669,768	1,717,358,555	14,872,028,323
2020	13,559,587	-	13,559,587	13,842,193,548	1,715,982,555	15,651,922,606
2021	13,864,271	-	13,864,271	14,908,418,987	1,809,729,058	16,718,148,045
2022	14,566,808	-	14,566,808	15,560,344,483	1,891,297,788	17,451,642,271
2023	16,300,797	-	16,300,797	16,762,300,891	2,047,530,717	18,809,831,608

Sources: Santa Clara County Auditor-Controller Office and the Town of Los Gatos

Town of Los Gatos
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Schedule 9

Governmental Activities					
Fiscal Year	PG&E Loan	Total Governmental Activities	Total Primary Government	Percentage of Personal Income	Per Capita
2014	-	-	-	0.0%	0.00
2015	-	-	-	0.0%	0.00
2016	-	-	-	0.0%	0.00
2017	-	-	-	0.0%	0.00
2018	-	-	-	0.0%	0.00
2019	-	-	-	0.0%	0.00
2020	-	-	-	0.0%	0.00
2021	\$ 1,508,325	\$ 1,508,325	\$ 1,508,325	56.2%	48.91
2022	\$ 1,352,291	\$ 1,352,291	\$ 1,352,291	44.3%	40.90
2023	\$ 1,196,257	\$ 1,196,257	\$ 1,196,257	34.7%	36.14

Debt was transferred to the Successor Agency Trust Fund as a part of the RDA dissolution in FY 2011

Town of Los Gatos
Direct and Overlapping Governmental Activities Debt
As of June 30, 2023

2022/23 Assessed Valuation:

\$16,762,300,891

Estimated Share
of Direct and
Overlapping Debt
at June 30, 2023

DIRECT AND OVERLAPPING BONDED DEBT:

Overlapping Tax & Assessment Debt

	% Applicable ⁽¹⁾	Total Debt at June 30, 2023	Estimated Share of Direct and Overlapping Debt at June 30, 2023
Santa Clara County	2.708%	\$ 1,041,125,000	\$ 28,193,665
West Valley-Mission Community College District	9.426%	\$ 694,320,000	\$ 65,446,603
Campbell Union High School District	7.776%	\$ 354,085,000	\$ 27,533,650
Los Gatos-Saratoga Joint Union High School District	36.333%	\$ 81,235,000	\$ 29,515,113
Cambrian School District	0.648%	\$ 96,314,944	\$ 624,121
Campbell Union School District	7.620%	\$ 205,899,324	\$ 15,689,528
Los Gatos Union School District	74.055%	\$ 62,020,000	\$ 45,928,911
Saratoga Union School District	0.032%	\$ 15,206,197	\$ 4,866
Union School District	20.230%	\$ 144,497,533	\$ 29,231,851
Midpeninsula Regional Open Space District	4.400%	\$ 82,680,000	\$ 3,637,920
Santa Clara Valley Water District Benefit Assessment District	2.708%	\$ 38,900,000	\$ 1,053,412
Total Overlapping Tax and Assessment Debt			\$ 246,859,640

Overlapping General Fund Debt

Santa Clara County General Fund Obligations	2.708%	\$ 1,120,404,570	\$ 30,340,556
Santa Clara County Pension Obligation Bonds	2.708%	\$ 329,741,844	\$ 8,929,409
Santa Clara County Board of Education Certificates of Participation	2.708%	\$ 935,000	\$ 25,320
West Valley-Mission Community College District General Fund Obligations	9.426%	\$ 8,160,000	\$ 769,162
Campbell Union High School District General Fund Obligations	7.776%	\$ 14,500,000	\$ 1,127,520
Los Gatos-Saratoga Joint Union High School District Certificates of Participation	36.333%	\$ 149,000	\$ 54,136
Campbell Union School District General Fund Obligations	7.620%	\$ 1,575,000	\$ 120,015
Saratoga Union School District Certificates of Participation	0.032%	\$ 1,905,000	\$ 610
Town of Los Gatos	100.000%	\$ -	\$ -
Santa Clara County Vector Control District Certificates of Participation	2.708%	\$ 1,230,000	\$ 33,308
Santa Clara County Central Fire Protection District Certificates of Participation	25.763%	\$ 27,755,000	\$ 7,150,521
Midpeninsula Regional Open Space Park District General Fund Obligations	4.400%	\$ 91,570,600	\$ 4,029,106
Total Gross Overlapping General Fund Debt			\$ 52,579,663
Less: Santa Clara County Supported Obligations			\$ 284,888
Total Overlapping General Fund Debt			\$ 52,294,775

Overlapping Tax Increment Debt (Successor Agency)

Town of Los Gatos Certificated of Participations	\$ 11,430,000
Total of Overlapping Tax Increment Debt	\$ 11,430,000

Total Direct Debt

Total Gross Overlapping Debt	\$ 310,869,303
Total Net Overlapping Debt	\$ 310,584,415

Gross Combined Total Debt	\$ 310,869,303 ⁽²⁾
Net Combined Total Debt	\$ 310,584,415

⁽¹⁾ The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue bonds and non-bonded capital lease obligations.

Ratios to 2022/23 Assessed Valuation:

Total Overlapping Tax and Assessment Debt: 1.47%

Total Direct Debt: 0.00%

Gross Combined Total Debt: 1.85%

Net Combined Total Debt: 1.85%

Ratios to Redevelopment Incremental Valuation (\$1,792,881,346):

Total Overlapping Tax Increment Debt: 0.64%

Source Data: California Municipal Statistics, Inc.

Town of Los Gatos
Legal Debt Margin Information,
Last Ten Fiscal Years
(In Thousands of Dollars)

Legal Debt Margin Calculation
for Fiscal Year 2022/23

Assessed Value	\$	16,762,300,891
Debt Limit		2,514,345,134
Debt Applicable to Limit:		
Legal Debt Margin	\$	<u>2,514,345,134</u>

	Fiscal Year									
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Debt Limit	\$1,263,138	\$1,379,254	\$1,444,943	\$1,556,252	\$1,679,736	\$1,789,097	\$2,076,329	\$2,236,263	\$2,334,052	\$2,514,345
Debt Applicable to Limit	-	-	-	-	-	-	-	-	1,352	1,196
Legal Debt Margin	<u>\$1,263,138</u>	<u>\$1,379,254</u>	<u>\$1,444,943</u>	<u>\$1,556,252</u>	<u>\$1,679,736</u>	<u>\$1,789,097</u>	<u>\$2,076,329</u>	<u>\$2,236,263</u>	<u>\$2,332,699</u>	<u>\$2,513,149</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.06%	0.05%

Notes:

- (1) The Town of Los Gatos is a general law city and has a debt limit of 15%.
(2) Excludes RDA assessed valuation and debt transferred to the Successor Agency trust as a part of the RDA dissolution.

Town of Los Gatos
Demographic and Economic Statistics
Last Ten Fiscal Years

Schedule 12

Fiscal Year Ended	Population (1)	Personal Income (thousands of dollars) (2)	Per Capita Personal Income (3)	Median Age (4)	Public School Enrollment (5)	County Unemployment Rate (6)
2014	30,443	\$ 2,267,912	74,497	45.80	6,522	5.7%
2015	30,505	\$ 2,197,885	72,050	46.10	6,622	3.8%
2016	31,376	\$ 2,286,087	72,861	46.30	6,646	3.5%
2017	31,314	\$ 2,281,569	72,861	46.50	6,631	3.8%
2018	30,601	\$ 2,290,638	74,855	46.81	6,588	2.6%
2019	30,998	\$ 2,365,178	76,301	46.72	6,544	2.6%
2020	31,439	\$ 2,546,748	81,006	46.83	6,520	10.7%
2021	30,836	\$ 2,686,155	87,111	46.83	6,180	5.2%
2022	33,062	\$ 3,055,987	92,432	46.67	6,000	2.2%
2023	33,102	\$ 3,443,767	104,035	46.76	5,895	3.7%

Source:

- (1) California State Dept. of Finance - Population Research Unit (January 2023)
- (2) California State Dept. of Finance - Estimate equals county per capita average times population
- (3) US Census Bureau - QuickFacts
- (4) Claritas demographic snapshot report
- (5) Los Gatos Saratoga Joint Union and Los Gatos Union Elementary School Districts
- (6) State of California, Employment Development Dept., Labor Market Info. Div.

Town of Los Gatos
Principal Employers
Last Ten Fiscal Years

Principal Employers	2013/14		2014/15		2015/16		2016/17		2017/18	
	Percentage of Total Town		Percentage of Total Town		Percentage of Total Town		Percentage of Total Town		Percentage of Total Town	
	Emp.	Employment	Emp.	Employment	Emp.	Employment	Emp.	Employment	Emp.	Employment
Columbia Health Care Assoc/Mission Oaks Hospital	2,000	13.52%	-	0.00%	-	0.00%	-	0.00%		0.00%
El Camino Hospital, Los Gatos	700	4.73%	560	3.73%	560	3.53%	560	3.49%	560	3.43%
Los Gatos Union School District	237	1.60%	273	1.82%	280	1.76%	274	1.71%	267	1.64%
Los Gatos-Saratoga High School District	256	1.73%	157	1.05%	157	0.99%	370	2.30%	367	2.25%
Netflix	825	5.58%	1,530	10.19%	1,976	12.45%	1,864	11.61%	2,117	12.98%
Safeway	250	1.69%	314	2.09%	314	1.98%	314	1.95%	314	1.92%
Alain Pinel Realtors	156	1.05%	156	1.04%	146	0.92%	148	0.92%	131	0.80%
Courtside Tennis Club	295	1.99%	440	2.93%	440	2.77%	468	2.91%	542	3.32%
Town of Los Gatos	144	0.97%	157	1.05%	158	1.00%	160	1.00%	159	0.97%
Whole Foods	-	0.00%	179	1.19%	179	1.13%	179	1.11%	179	1.10%
Vasona Creek Health Care Center	-	0.00%	233	1.55%	233	1.47%	233	1.45%	233	1.43%
Good Samaritan Regional Cancer Center	-	0.00%	200	1.33%	200	1.26%	200	1.25%	200	1.23%
Roku	-	0.00%	-	0.00%	487	3.07%	554	3.45%	664	4.07%
Terraces of Los Gatos	-	0.00%	-	0.00%	228	1.44%	228	1.42%	228	1.40%

Source: Town of Los Gatos, Finance
Department and Muniservices

Continued

Town of Los Gatos
Principal Employers
Last Ten Fiscal Years

	2018/19		2019/20		2020/21		2021/22		2022/23	
	Percentage of Total Town		Percentage of Total Town		Percentage of Total Town		Percentage of Total Town		Percentage of Total Town	
<u>Principal Employers</u>	Emp.	Employment	Emp.	Employment	Emp.	Employment	Emp.	Employment	Emp.	Employment
Columbia Health Care Assoc/Mission Oaks Hospital		0.00%		0.00%		0.00%		0.00%		0.00%
El Camino Hospital, Los Gatos	560	3.49%	560	3.49%	560	3.35%	517	3.09%	509	3.04%
Los Gatos Union School District	281	1.75%	281	1.75%	281	1.68%	281	1.68%	281	1.68%
Los Gatos-Saratoga High School District	367	2.28%	367	2.28%	320	1.92%	320	1.91%	320	1.91%
Netflix	2,314	14.41%	2,314	14.41%	2,524	15.11%	2,278	13.62%	2,263	13.53%
Safeway	314	1.95%	314	1.95%	314	1.88%	314	1.88%	314	1.88%
Alain Pinel Realtors	131	0.82%	131	0.82%		0.00%		0.00%		0.00%
Courtside Tennis Club	542	3.37%	542	3.37%	542	3.24%	542	3.24%	542	3.24%
Town of Los Gatos	160	1.00%	160	1.00%	161	0.96%	165	0.99%	163	0.97%
Whole Foods	125	0.78%	125	0.78%	125	0.75%	180	1.08%	132	0.79%
Vasona Creek Health Care Center	233	1.45%	233	1.45%	250	1.50%	250	1.49%	250	1.49%
Good Samaritan Regional Cancer Center	200	1.25%	200	1.25%	200	1.20%	200	1.20%	200	1.20%
Roku	516	3.21%	516	3.21%		0.00%		0.00%		0.00%
Terraces of Los Gatos	228	1.42%	228	1.42%	228	1.36%	200	1.20%	200	1.20%

Source: Town of Los Gatos, Finance
Department and Muniservices

Concluded

Town of Los Gatos
Full-time-Equivalent Employees by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
General Government	20.73	20.97	20.97	21.35	21.97	22.16	21.80	21.80	22.06	22.05
Police	57.50	60.00	59.00	59.00	59.00	59.00	60.00	60.00	60.00	60.00
Economic Development	0.50	0.63	0.63	0.63	0.75	0.75	0.75	0.75	0.75	0.75
Library	10.30	10.80	11.00	12.25	12.25	12.50	12.50	12.50	12.50	13.50
Planning	17.50	19.50	19.00	19.26	19.63	20.08	20.08	20.20	20.20	20.20
Public Works	31.50	32.00	33.50	33.50	34.50	34.50	34.50	34.75	34.75	36.75
Total	138.03	143.90	144.10	145.98	148.10	148.99	149.63	150.00	150.26	153.25

Full-time equivalent employment is calculated as one or more employee positions totaling one full year of service or approximately 2,080 hours a year.

Town of Los Gatos
Operating Indicators
Last Ten Fiscal Years

FUNCTION/PROGRAM

	Fiscal Year				
	2013/14	2014/15	2015/16	2016/17	2017/18
General government					
Building Permits Issued					
Residential Permits Issued	813	805	899	744	849
Residential Permits Value	87,307,822	76,896,111	85,000,754	53,625,891	63,083,249
Commercial Permits Issued	139	133	147	135	105
Commercial Permits Value	138,676,507	178,195,997	20,185,884	50,024,177	16,626,196
Publically Owned Permits Issued	-	-	-	-	-
Publically Owned Permits Value	-	-	-	-	-
Residential Parking Permits					
Number of Special Event Permits Issued	133	127	107	118	113
Number of Annual Permits Issued	1,376	1,570	1,363	1,251	1,342
City Clerk					
Number of Council Resolutions Passed	86	72	61	69	69
Number of Ordinances Passed	16	9	11	5	17
Number of Contracts Passed	196	222	283	240	262
General Services					
Number of Purchase Orders Issued	301	277	334	331	322
Police					
Physical Arrests	641	695	987	1,030	1,164
Parking Violations	14,421	13,321	13,975	12,863	11,784
Traffic Violations	4,747	4,633	5,400	4,634	4,757
DUI Arrests	62	48	58	60	51
Library					
Number of Library Visits	-	-	-	-	-
Annual Circulation	-	-	-	-	-
Number of Library Card holders	-	-	-	-	-
Circulated e-audiobooks	2,414	5,867	7,761	10,006	8,844
Other Public Works					
Street Resurfacing/Overlay/Reconstruction (miles)	10.0	1.8	8.0	10.0	2.6
ADA Compliance: Curb Ramps	19	23	11	30	68
Traffic Circles	-	1	1	1	1
Street Poles	1,611	1,609	1,609	1,609	1,762
Planning and Development Department					
Building & Safety Inspections Performed	12,764	11,652	8,655	14,722	13,918
Redevelopment: Number of active projects	-	-	-	-	-

Source: Town of Los Gatos, Finance Department

Continued

Town of Los Gatos
Operating Indicators
Last Ten Fiscal Years

FUNCTION/PROGRAM

	Fiscal Year				
	2018/19	2019/20	2020/21	2021/22	2022/23
General government					
Building Permits Issued					
Residential Permits Issued	814	898	1,128	1,144	1,118
Residential Permits Value	80,030,846	47,961,529	111,242,724	132,784,439	73,432,645
Commercial Permits Issued	122	92	68	117	84
Commercial Permits Value	13,295,999	12,389,688	37,285,259	23,442,964	19,422,918
Publicly Owned Permits Issued	-	-	-	-	-
Publicly Owned Permits Value	-	-	-	-	-
Residential Parking Permits					
Number of Special Event Permits Issued	78	-	-	-	- (1)
Number of Annual Permits Issued	1,395	1,400	1,568	1,958	1,827
City Clerk					
Number of Council Resolutions Passed	59	57	50	64	71
Number of Ordinances Passed	11	24	9	14	10
Number of Contracts Passed	245	242	205	296	275
General Services					
Number of Purchase Orders Issued	343	359	376	306	296
Police					
Physical Arrests	1,138	616	360	504	522
Parking Violations	6,817	4,023	1,584	4,678	8,569
Traffic Violations	2,877	1,225	764	1,245	1,427
DUI Arrests	70	64	23	49	42
Library					
Number of Library Visits	-	-	-	150,198	206,874 (3)
Annual Circulation	-	-	-	432,707	397,517 (3)
Number of Library Card holders	-	-	-	29,322	29,815 (3)
Circulated e-audiobooks	12,130	57,839	54,614	-	- (2)
Other Public Works					
Street Resurfacing/Overlay/Reconstruction (miles)	5.8	16.2	10.0	9.9	10.9
ADA Compliance: Curb Ramps	49	68	91	59	50
Traffic Circles	1	1	1	1	1
Street Poles	1,830	1,830	2,113	2,113	2,113
Planning and Development Department					
Building & Safety Inspections Performed	13,966	13,633	13,806	16,906	16,641
Redevelopment: Number of active projects	-	-	-	-	-

(1) The Town streamlined the special event application where multiple events require only one permit.

(2) Changed operating indicators to fully reflect Department's efficiency metrics starting FY 2021/22.

(3) New metrics being presented in FY 2021/22.

Town of Los Gatos
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Police										
Number of Stations	2	2	2	2	2	2	2	2	2	2
Number of Patrol Units	14	14	14	14	14	14	14	14	14	14
Parking Enforcement Vehicles	2	2	2	2	2	2	2	2	2	2
Other Public Works										
Streets (miles)	132	132	132	132	132	132	132	132	132	112 ⁽¹⁾
Streetlights	1,611	1,609	1,609	1,609	1,762	1,830	1,830	2,113	2,113	2,113
Traffic Signals	29	29	30	30	30	31	31	31	31	31
Parks and Recreation										
Number of Parks	12	12	12	12	12	N/A	N/A	N/A	N/A	N/A
Number of Community Centers	1	1	1	1	1	1	1	1	1	1
Number of Parks & Open Spaces	N/A	N/A	N/A	N/A	N/A	17	17	17	17	17
Parking										
Number of Parking Garages	1	1	1	1	1	1	1	1	1	1
Number of Parking Lots	22	22	22	22	22	22	22	22	22	22
Number of Off Street Parking Garage Spaces	1,126	1,126	1,126	1,126	1,126	N/A	N/A	N/A	N/A	N/A
Number of Downtown Off-Street Parking Spaces	N/A	N/A	N/A	N/A	N/A	1,269	1,269	1,269	1,269	1,269

(1) Based on Metropolitan Transportation Commission (MTC)
funded Pavement Technical Assistance Program
(P-TAP) inventory for year 2022.

Other Independent Auditor's Reports

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

To the Honorable Mayor and Members of the
Town Council of the Town of Los Gatos
Los Gatos, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Town of Los Gatos (the "Town") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 27, 2023.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not



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express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

C & A LLP

Morgan Hill, California
November 27, 2023

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**TOWN OF LOS GATOS
FINANCE COMMISSION REPORT**

MEETING DATE: 12/04/2023

Item 1.

ITEM NO: 1
ADDENDUM

DATE: November 30, 2023
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Review the Draft Annual Comprehensive Financial Report (ACFR) for the
Preceding Fiscal Year and Provide Written Comments and Recommendations
Prior to Presenting to the Town Council

REMARKS:

A typographical error was identified after the publication of the Draft Annual Comprehensive Financial Report (ACFR). The sentence on page 2 should read as follows:

General Fund revenues (not including transfers in) increased 8.5% from the prior year. Property tax revenues remain the largest and most consistent source of support for General Fund operations, comprising approximately 44.9% of General Fund revenues in FY 2022/23.

The correct ACFR is in Attachment 2 and is posted to the Finance Department website:
<https://www.losgatosca.gov/DocumentCenter/View/37029/Draft--FY-2022-23-Annual-Comprehensive-Financial-Report>

Attachment 3 contains Commissioner communications.

Attachment (previously distributed with the staff report):

1. Draft FY 2022/23 Annual Comprehensive Financial Report

Attachment Distributed with this Addendum:

2. Corrected Draft FY 2022/23 Annual Comprehensive Financial Report
3. Commissioners Communication received before 11 am November 30, 2023

PREPARED BY: Gitta Ungvari
Finance Director

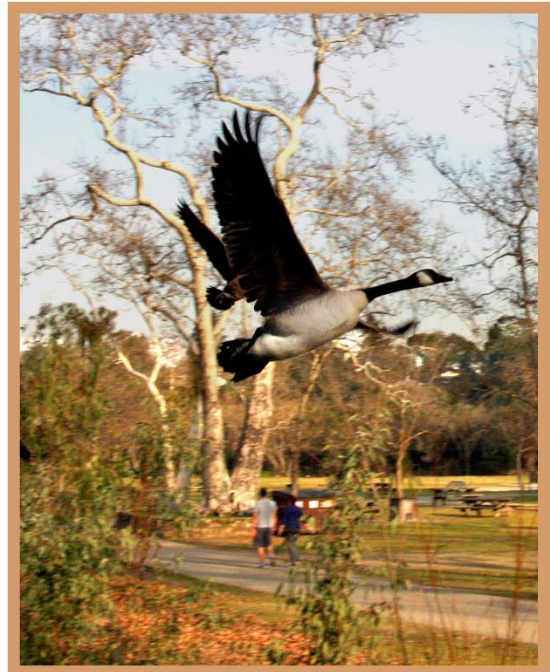
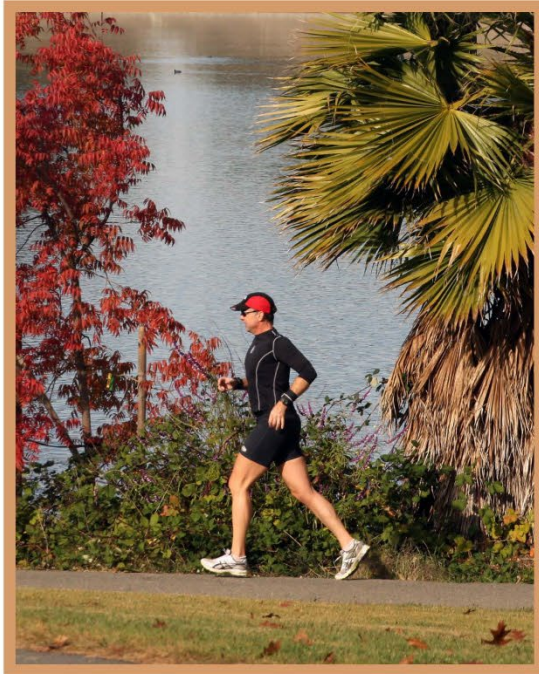
Reviewed by: Town Manager, Assistant Town Manager, and Town Attorney



TOWN OF LOS GATOS

Item 1.

CALIFORNIA



Annual Comprehensive Financial Report

Fiscal Year ending June 30, 2023

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Old Town Los Gatos Image—Ricky Pan

**TOWN OF LOS GATOS
CALIFORNIA**

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2023**

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**PREPARED BY THE
OFFICE OF THE TOWN MANAGER**

TOWN HISTORY

Los Gatos is located at the base of the Santa Cruz Mountains at the southwest edge of Santa Clara County and approximately 50 miles south of San Francisco. The natural landscape includes picturesque hillsides, creeks, and valley flatlands. Los Gatos is in an area once occupied by Indigenous People, who lived sustainably in the area rich with fertile soils, abundant wildlife, and other natural resources.

The name Los Gatos comes from “El Rancho de Los Gatos,” a ranch established in 1839 by a Mexican land grant and so named because of the large number of mountain lions in the area. In 1854, James Alexander Forbes purchased some of this land and built a flour mill. In 1860, the first hotel was opened to provide a stage stop on the toll road which had been built between San Jose and Santa Cruz.

Wheat production gave way to orchards, and rapid growth ensued when the railroad reached Los Gatos in 1878. The residential subdivisions of Broadway, Bayview, Fairview, and Almond Grove were built in the 1880's. By 1887, the population had grown to 1,500 and the Los Gatos community voted to incorporate.

Fruit industries faded slowly during the Depression and World War II, but the postwar period brought an influx of people, producing residential and commercial development. Highway 17 was constructed through the center of town, opening in 1940. Growth levelled off in the early 1970's, leaving Los Gatos with its small-town atmosphere and pedestrian-oriented downtown.

Because of its distance from other centers of population, Los Gatos developed as a complete community including residential, business, and industrial elements. Preserving Los Gatos as a complete and well-balanced community has been and remains a prominent goal of residents. From the first 100-acre town site in 1890 with a population of 1,652, Los Gatos grew slowly so that by 1963 the area was 6.3 square miles, with a population of 11,750. Today Los Gatos covers nearly 15 square miles and has a population of about 33,102. This growth over the first 80 years resulted in a human scale community with narrow streets and small buildings.

As it exists now, Los Gatos' boundaries encompass a wide variety of terrain, ranging from level land to steep and densely wooded hillsides. The sharp visual contrasts among these features and charming architecture create the picturesque setting of the Town. In the midst of the growth of Silicon Valley, Los Gatos attracts people with a preference for the Town's distinctive, high quality natural and urban environment.

TOWN VISION STATEMENT

The Town of Los Gatos's Vision Statement articulates the future Los Gatos and reflects the high ideals identified by the community:

Residents are united in their desire to maintain a high quality of life and preserve the character of the Town. The overall community consensus is that Los Gatos be a full-service community that is also environmentally sensitive; that Los Gatos maintains a balanced, well-designed mix of residential, commercial, service and open space uses, fostering a pedestrian-oriented community with a small town, village-like character; that Los Gatos supports an active business community that provides a wide variety of goods and services and a broad range of employment opportunities, eliminating the need to travel to other communities; and that Los Gatos provides a well-run, efficient municipal government that is fiscally healthy, with high levels of public safety, recreational, art and cultural amenities and is connected to high quality education.

ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2023

TABLE OF CONTENTS

INTRODUCTORY SECTION:

Letter of Transmittal	1
Organization Chart	7
Principal Officers	8
GFOA Award	9

FINANCIAL SECTION:

<i>Independent Auditor's Report</i>	13
<i>Management's Discussion and Analysis</i>	18
<i>Basic Financial Statements:</i>	
Government-Wide Financial Statements:	40
Statement of Net Position	41
Statement of Activities	42
Fund Financial Statements:	
Governmental Funds:	43
Balance Sheet	44
Reconciliation of the Governmental Funds Balance Sheet to the	
Statement of Net Position	45
Statement of Revenues, Expenditures and Changes in Fund Balances	46
Reconciliation of Governmental Funds Statement of Revenues, Expenditures,	
and Changes in Fund Balances to the Statement of Activities	47
Statement of Revenue, Expenditures and Changes in Fund Balances –	
Budget and Actual (GAAP) General Fund	48
Statement of Revenue, Expenditures and Changes in Fund Balances –	
Budget and Actual (GAAP) ARPA Fund	49
Proprietary Funds – Internal Service Funds:	50
Statement of Net Position	51
Statement of Revenue, Expenses and Changes in Net Position	52
Statement of Cash Flows	53
Fiduciary Funds:	54
Statement of Fiduciary Net Position	55
Statement of Changes in Fiduciary Net Position	56
Notes to the Basic Financial Statements	58

REQUIRED SUPPLEMENTARY INFORMATION:

Schedule of Pension Plan Contributions	101
Schedule of Proportionate Share of Net Pension Liability – CalPERS Safety	
Cost Sharing Plan	102
Schedule of Proportionate Share of Net Pension Liability – CalPERS Misc.	
Agent-Multiple Employer Plan	103
Schedule of OPEB Contributions	104
Schedule of Changes in Net OPEB Liability	105

ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2023

TABLE OF CONTENTS

SUPPLEMENTARY INFORMATION:

Major Governmental Fund Schedules (other than the General Fund):

Schedule of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual (GAAP) Appropriated Reserves Fund.....	109
-----------------------------------------------------------------------------------------------------------------------------	-----

Nonmajor Governmental Funds:

Combining Balance Sheets.....	110
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	113
Budgeted Nonmajor Funds Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (GAAP)	116

Internal Service Funds:

Combining Statement of Fiduciary Net Position.....	122
Combining Statement of Revenue, Expenses and Changes in Net Position.....	123
Combining Statement of Cash Flows	124

STATISTICAL SECTION	127
Net Position by Component.....	129
Changes in Net Position	130
Fund Balances, Governmental Funds	132
Changes in Fund Balances, Governmental Funds	134
Assessed Value and Estimated Actual Value of Taxable Property	136
Direct and Overlapping Property Tax Rates.....	137
Principal Property Tax Payers	138
Property Tax Levies and Collections.....	140
Ratios of Outstanding Debt by Type	141
Direct and Overlapping Governmental Activities Debt.....	142
Legal Debt Margin	143
Demographic and Economic Statistics.....	144
Principal Employers	145
Full-time Equivalent Town Government Employees by Function/Program	147
Operating Indicators by Function/Program	148
Capital Assets Statistics by Function/Program.....	150

OTHER INDEPENDENT AUDITOR'S REPORTS:

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	152
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INTRODUCTORY SECTION

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TOWN OF LOS GATOS

OFFICE OF THE TOWN MANAGER

Phone: (408) 354-6832

FAX: (408) 399-5786

November 27, 2023

Honorable Mayor and Town Council and Residents of Los Gatos,

I am pleased to submit the Town's Annual Comprehensive Financial Report (ACFR) for the fiscal year ending June 30, 2023. In coordination with the Town Manager's Office, this report was prepared by the Finance Department, which assumes responsibility for the accuracy of the data, the completeness and fairness of the presentation, and all disclosures. The information in this report presents the reader with a comprehensive view of the Town's financial position and the results of its operations for the fiscal year ending June 30, 2023, along with additional disclosures and financial information designed to enable the reader to gain an understanding of the Town's financial activities.

This report was prepared as prescribed in Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (GASB 34). This GASB Statement requires management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditor's Report.

This Annual Comprehensive Financial Report is organized into three sections:

- I. The Introductory Section includes the table of contents, letter of transmittal, listing of elected officials, Town administrative personnel, and an organization chart delineating organizational structure.
- II. The Financial Section includes the Independent Auditor's opinion, the MD&A, the basic financial statements, notes to the financial statements, combining statements of non-major funds, and required supplemental information.
- III. The Statistical Section includes both financial and non-financial data about the Town.

The Annual Comprehensive Financial Report is prepared in accordance with Generally Accepted Accounting Principles (GAAP) promulgated by the Governmental Accounting

Standards Board (GASB) and includes the audit report of Chavan & Associates, the Town's independent certified public accountants.

This Annual Comprehensive Financial Report will be submitted to the Government Finance Officers Association for consideration of its Achievement of Excellence Award in financial reporting certification. This award is granted only to entities whose reports meet the highest standards of municipal financial reporting.

THE REPORTING ENTITY AND ITS SERVICES

Los Gatos is a general law Town, incorporated under the legal framework of California in 1887. The Town is located in the foothills and level terrain of southwestern Santa Clara Valley, referred to internationally as "Silicon Valley." From the first 100-acre Town site and an 1890 population of 1,652, Los Gatos grew slowly so that by 1963 the area was 6.3 square miles with a population of 11,750. Today Los Gatos covers approximately 15 square miles with a population of 33,102 (California Department of Finance, January 2023). The growth over the last 80 years resulted in a community with vibrant business districts, well-maintained neighborhoods, and lovely parks and open spaces. Preserving the unique charm of Los Gatos as a complete and well-balanced community while meeting its economic and housing needs, has been, and remains a key goal for the Town.

The Town maintains a Council-Manager form of government which combines the strong political leadership of elected officials with the strong managerial experience of an appointed Town Manager. Five Council members are elected at large for staggered four-year terms to govern the Town. The Mayor and Vice Mayor are appointed by the Council from its own ranks and serve one-year terms. The Town Manager and Town Attorney are appointed and supervised directly by the Council. The Town Manager oversees all municipal services such as Public Safety, Parks and Public Works, Community Development, Library, and Town Administration including Human Resources, Information Technology, and Finance.

ECONOMIC CONDITIONS AND OUTLOOK

This past year, the Town continued to see a modest return to economic normalcy after the initial economic impacts associated with the pandemic. However, the Town's economically sensitive Transient Occupancy Tax (TOT) revenues remain near historic lows and Sales Tax receipts are flattening. Property Tax revenues remained steady and remote work remained viable for certain occupations.

General Fund revenues (not including transfers in) increased 8.5% from the prior year. Property tax revenues remain the largest and most consistent source of support for General Fund operations, comprising approximately 44.9% of General Fund revenues in FY 2022/23. For FY 2022/23 property tax receipts of \$22.7 million were \$1.6 million higher than the prior year's collection, reflecting the continued desirability of the Town, its environment, culture, and educational opportunities.

The Town also relies heavily on sales tax revenues to support General Fund operations, comprising approximately 17.4% of General Fund revenues in FY 2022/23. For FY 2022/23 sales tax receipts of \$8.8 million were \$0.3 million higher than the prior year's collection. Sales tax revenues were supported by the continued resurgence of the restaurant sector. The Town's 1/8 cent District Sales Tax continued to perform well as the District Tax captures a larger share of the increase in online sales versus the County pool collections.

In addition to the Town's revenue sources, the Town benefited from the federal American Rescue Plan Act (ARPA). The Act allocated \$7,229,744 to the Town over a two-year period. The Town has received both payments. During the fiscal year ended June 30, 2023, the Town recognized \$3,614,872 as operating grant revenue in the ARPA special revenue fund and transferred \$3,614,872 to other funds, reimbursing the Town for qualifying expenditures under the provisions of the Act. For more information regarding the two federal programs please refer to Note 16.

As with most municipalities, services are provided directly by employees to the Town's residents, businesses, and visitors. As a service delivery enterprise, the cost of salaries and benefits are a significant portion of the Town's expenditures. Salaries are largely dictated by regional market forces as evidenced by fierce competition for talent in the San Francisco Bay Area, and inflationary pressures nationwide. During FY 2021/22, the Town successfully completed negotiations with all bargaining units. While important for the consistent delivery of high quality services for the Town, these actions exacerbated an already existing imbalance between revenues and expenditures.

The Town also continues to adjust and prepare for pension employer costs to continue to be a primary expense in conjunction with salaries. The Town's pension plans over the past several decades, like all other CalPERS participants, have experienced changes in actuarial assumptions, demographic changes, and volatile investment returns which have outweighed any positive plan experiences. The outcome of these unfavorable economic and demographic conditions is the creation of unfunded pension and Other Post-Employment Benefits (OPEB) obligations for the Town. According to the 2022 CalPERS actuarial valuations, the unfunded actuarial liability for pensions was \$59.9 million and \$7.0 million for OPEB as of June 30, 2022.

To address the escalation in pension costs, current and previous Councils have allocated additional discretionary pension funding totaling \$10.4 million. These additional discretionary payments will ultimately yield an approximate \$12.7 million in pension contribution savings. In addition to the management of the Town's pension obligations, prior Councils have worked to curb cost escalation in Other Post-Employment Benefits (OPEB). In 2009, the Town initiated prefunding of retiree healthcare benefits and has since established approximately \$24.3 million in OPEB assets from zero in 2009.

In addition, it should be noted that the net pension obligation varies annually depending upon the plan's actual investment earnings compared to the assumed rate of return during the plan's measurement periods. The Net Pension Obligation (NPO) reported in the Town's ACFRs has experienced a high degree of variability in recent years, with Net Pension Obligation reported in the

June 30, 2017 ACFR in the amount of \$33.4 million rising to \$58.02 million in fiscal year 2020/21, and decreasing to \$27.48 million in FY 2021/22. The NPO reported in this year's financial statements (ACFR 2022/23) has increased 52.6% to the current NPO of \$59.86 million. Due to CalPERS preliminary returns of 5.8%, staff expects the NPO to rise in the next fiscal year reporting period.

Readers are cautioned that in considering the amount of the pension and OPEB liabilities and other actuarial data as reported by CalPERS and the Town's actuary, this is "forward looking" information. Such "forward looking" information reflects the judgment of the Board of Administration of CalPERS, its actuaries, and the Town's actuary as to the amount of assets which the pension and OPEB plans will be required to accumulate to fund future benefits. These judgments are based upon a variety of assumptions, one or more of which may prove to be inaccurate or that may change with the future experience of the pension and OPEB plans. The actuarial methods and assumptions could be changed by CalPERS and the Town's actuary at any time based on their professional judgement. Such changes could cause the Town's obligations to the pension and OPEB plans to be higher or lower in any particular year. This sensitivity to changes in actuarial assumptions is especially evident in changes to the Discount Rate as illustrated in Note 11 and changes to Healthcare Trend and Discount rates as illustrated in Note 12.

For detailed information about the Town employees' retirement plan please refer to Note 11 of the Notes to Basic Financial Statements Section. For detailed information about the Town OPEB obligations please refer to Note 12 of the Notes to Basic Financial Statements Section. In addition, the Town provides extensive information on pension and OPEB information on the Town's website.

Despite revenue constraints and increasing costs associated with unfunded federal and state mandates, the Town has managed to maintain high service levels and balanced budget through prudent fiscal management. The Town continues its outreach to the community, the League of California Cities, and local legislators to prevent and limit any future revenue losses and mandated cost increases.

MAJOR CAPITAL PROJECT INITIATIVES

Major capital asset and infrastructure initiatives were once again the priority for the fiscal year. Approximately \$9.5 million in Town infrastructure and other capital asset improvements and contributions were invested in FY 2022/23, including \$3.4 million in Town-wide street projects to improve the pavement condition, \$0.7 million adding subscription right of use of assets by GASB 96 implementation, \$0.6 million equipment adds, and \$0.3 million for storm drain and park improvements. In addition, \$4.5 million was invested in construction in progress including, roads, bridges, storm drains, park, pathways, building improvements, and downtown revitalization efforts.

Additional infrastructure improvements are scheduled in accordance with the Town's approved Capital Improvement Plan, and will continue into future years. All of these improvements are funded either through grants, or via revenues accumulated from prior year budget savings and/or excess revenues per Town Council Policy.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

The effectiveness of internal controls is a primary consideration in the development and evaluation of the Town's accounting system. Internal accounting controls are designed to provide reasonable but not absolute assurance regarding:

- 1) safeguarding of assets against loss from unauthorized loss or disposition,
- 2) accuracy and reliability of accounting data, and
- 3) adherence to managerial policy.

The concept of reasonable assurance recognizes that the cost of internal controls should not outweigh the benefits, and that management must make estimates and judgments in evaluating these costs and benefits.

All governmental fund types use the modified accrual basis of accounting. This means that revenues are recorded when measurable and available rather than when received. Measurable means the amount can be determined and available means the cash is received within sixty days after the end of the fiscal year. Expenditures are recorded when the liability is incurred, rather than when paid. An exception to this rule is principal and interest on general long-term debt, which is not recognized by debt service funds until it is due.

Proprietary (internal service) funds are accounted for using the accrual basis of accounting, similar to that used by corporations. Proprietary fund revenues are recognized when they are earned rather than when the cash is received, even if the cash is not available and proprietary fund expenses are recognized when they are incurred. With the implementation of GASB 34, the Town prepares its Basic Financial Statements on the accrual basis. Internal accounting procedures have been developed to provide reasonable assurance regarding the safeguarding of assets and the reliability of financial records for preparing financial statements and maintaining asset accountability.

An annual operating budget, five-year budget forecast, and five-year capital improvement plan is adopted by the Town Council consistent with generally accepted accounting principles. All budget adjustments and transfers between funds must be approved by the Town Council during the fiscal year. The Town Manager is authorized to transfer unencumbered appropriations within a budget category, within a fund. Appropriations are valid for each fiscal year and lapse at year-end.

AWARDS

The Town's Annual Comprehensive Financial Report for the fiscal year ended June 30, 2022 was awarded a Certificate of Achievement for Excellence in Financial Reporting by the national Government Finance Officers Association. This is the 28th consecutive year that the Town has received the award. This prestigious award recognizes the report's conformance with strict accounting and reporting standards established by the Government Accounting Standards Board and

government finance organizations. This award is annual in nature and valid for one year only. This year's report will be submitted for award consideration by this organization, as we believe it continues to meet these standards.

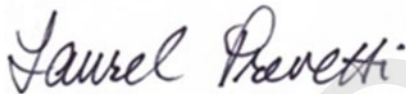
INDEPENDENT AUDIT

State law requires an annual audit of the Town's accounts by independent certified public accountants. The accounting firm of Chavan & Associates LLP performs this function for the Town of Los Gatos, and their report is included in the financial section of the ACFR.

ACKNOWLEDGEMENTS

The preparation of this Annual Comprehensive Financial Report, as presented herein, is the result of the combined efforts and dedicated services of the excellent staff of the Department of Finance. Special thanks to Eric Lemon, Finance and Accounting Manager; Mark Gaeta, Accountant; Eagled'Or Am Accountant, Melissa Ynegas, Finance Analyst; Diane Howard, Finance Analyst; and Wayne Chen, Administrative Technician for their efforts in preparing this report. The Town's Finance Commission is also recognized for its contributions to strengthening the ACFR through its review, discussion, and comments.

Respectfully submitted,



Laurel Prevetti
Town Manager

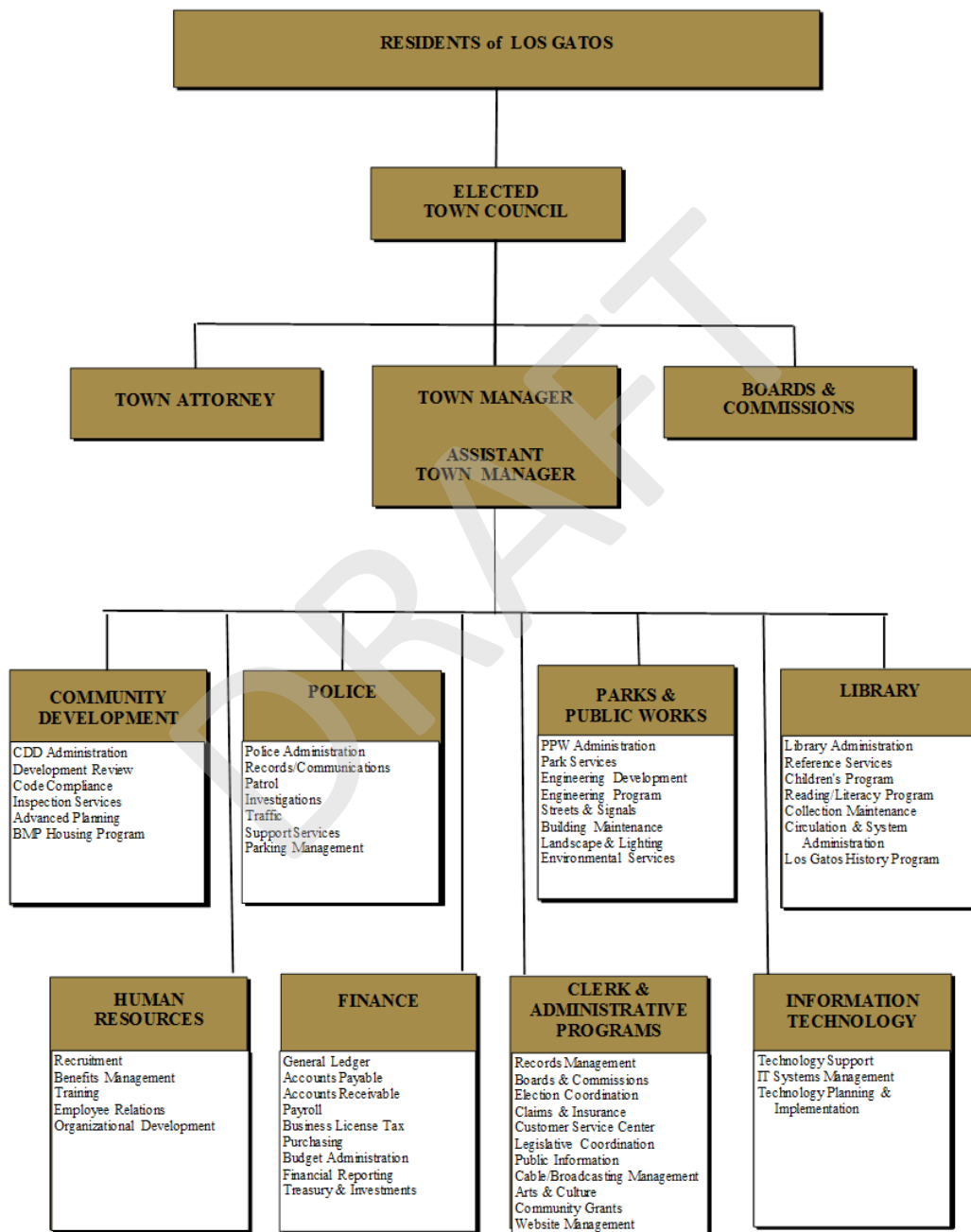


Gitta Ungvari
Director of Finance



Town of Los Gatos

Organizational Structure



**TOWN OF LOS GATOS
PRINCIPAL OFFICERS
JUNE 30, 2023**

TOWN COUNCIL

Mayor

Vice Mayor

Council Member

Council Member

Council Member

Maria Ristow
Mary Badame
Matthew Hudes
Rob Moore
Rob Rennie

COUNCIL APPOINTEES

Town Manager

Town Attorney

Laurel Prevetti
Gabrielle Whelan

APPOINTED OFFICIALS

Assistant Town Manager

Chief of Police

Community Development Director

Parks and Public Works Director

Library Director

Finance Director

Human Resources Director

Katy Nomura
Jamie Field
Joel Paulson
Nicolle Burnham
Ryan Baker
Gitta Ungvari
Salina Flores



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Town of Los Gatos
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO

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FINANCIAL SECTION

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Chavan and Associates, LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the
Town Council of the Town of Los Gatos
Los Gatos, California

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, General Fund budgetary statement, and the aggregate remaining fund information of the Town of Los Gatos (the "Town"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, General Fund budgetary statement, and the aggregate remaining fund information of the Town of Los Gatos, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of a Matter

As discussed in Note 1 to the financial statements, for the year ended June 30, 2023, the Town adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 96, Subscription-Based Information Technology Arrangements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and GAGAS, we:

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

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

Required Supplementary Information

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



Chavan and Associates, LLP
Certified Public Accountants

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual fund financial statements, schedules, and other information listed in the supplementary information section of the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

The Town's management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2023 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town's internal control over financial reporting and compliance.

C & A LLP

Chavan & Associates, LLP
Certified Public Accountants
November 27, 2023
Morgan Hill, California

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Management's Discussion and Analysis

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Town of Los Gatos's Annual Comprehensive Financial Report (ACFR) presents Management's Discussion and Analysis (MD&A) of the Town's financial performance during the fiscal year that ended on June 30, 2023. This analysis should be read in conjunction with the Transmittal Letter at the front of this report and the accompanying Basic Financial Statements.

FINANCIAL HIGHLIGHTS

- Town assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of Fiscal Year (FY) 2022/23 by \$153,522,262 (total net position).
- The Town's total net position increased by \$15,115,281 during the fiscal year largely as a result of net expenses over revenues in governmental activities of \$25.8 million combined with general revenue collection of \$39.4 million, and \$1.6 million litigation settlement.
- The increase in long-term liabilities was mostly attributed to the increase in net pension liabilities of \$32.4 million. The increase was due to each plan's actual investment earnings of negative 7.5%, which were significantly lower than the actuarial return assumptions during the plans' measurement period (July 1, 2021 through June 30, 2022).
- Total pension expense calculated for the Town's miscellaneous and safety plans is \$5,870,044. A more detailed discussion of the Town's unfunded pension liabilities can be found in Note 11.
- Reported unrestricted net position is \$11,542,661 compared to \$1,785,294 the prior year. Unrestricted net position represents all resources not included as net investment in capital or restricted assets.
- During FY 2022/23, the Town implemented GASB Statement No. 96 Subscription-Based Information Technology Agreements. As a result, the Town recorded subscription right of use assets totaling \$915,860 and subscription liabilities totaling \$653,681. See Note 8 for additional information.
- The Town received \$7,229,744 from the American Rescue Plan Act (ARPA) grant. For FY 2020/21, \$200K of ARPA proceeds were recognized as revenue to reimburse the Town for qualifying expenditures under the provisions of the Act including boosting economic recovery, providing rent forgiveness, and directing grants to non-profit and social welfare organizations. For FY 2021/22 and FY 2022/23, the Town recognized \$3.4 million and \$3.6 million respectively in ARPA revenues related to recovery of revenue loss.
- The Town's economically sensitive major revenues of property tax, sales tax, and franchise fees were able to record gains from amounts reported the prior fiscal year. Property taxes

collected increased \$1.6 million, sales taxes and franchise fees increased \$0.3 million. Business License Tax increased by \$0.9 million based on the new voter-approved business license tax ordinance.

- FY 2022/23 Transient Occupancy Tax (TOT) revenue collection increased by \$0.3 million compared to the level collected in FY 2021/22. However, FY 2022/23 inflows of \$2.2 million is still \$0.5 million lower than FY 2018/19 level of TOT collection.
- Total expenses as reported in the Statement of Activities decreased \$3.4 million from the prior year. The decrease was primarily driven by the fact that prior year General Government expenses included a one-time pass-through fire safety grant payment. In addition, other factors included Pension and OPEB expense credits of \$2.0 million calculated under accounting standards and allocated for FY 2022/23 compared to a \$4.4 million credit for the prior fiscal year.
- The cost of all governmental activities as presented in the Statement of Activities this year was \$49.3 million. The Town's governmental program revenues were \$23.5 million including charges for services of \$12.4 million, operating grants and contributions of \$7.2 million, and capital grants and contributions of \$3.9 million. After taking governmental program revenues into consideration, the net amount of taxpayer supported governmental activities was \$25.8 million. The Town paid for the remaining "public benefit" portion of governmental activities from total taxes and general revenues of \$39.4 million.
- At the end of FY 2022/23, the General Fund balance was \$29,528,304 compared to \$26,896,789 in the prior year. The ending fund balance of \$29,528,304 represents approximately 65.8% of General Fund expenditures for the current fiscal year excluding transfers-out to the Town's capital projects funds and internal service funds. The \$2.6 million increase in General Fund ending fund balances was primarily due to the combined effect of favorable year end increases in economically sensitive revenues coupled with operational savings, and approximately \$3.1 million net transfer to the Town's capital projects fund to provide resources for Town infrastructure improvements.
- Fund balances for all governmental funds at year end were \$61,185,528, an increase of approximately \$10.3 million or (20.3%) from the prior year. Governmental fund balances increased primarily due to General Fund increases of \$2.6 million and \$7.5 million for the General Fund Appropriated Reserve, including the General Fund Support, Capital Grants received, litigation settlement, and 50% of the Measure G proceeds.
- At fiscal year end, the Town's General Fund restricted cash assets reported a \$1.4 million balance in the Town's IRS Section 115 Pension Trust.
- As of June 30, 2023, the Town's investment in capital assets for its governmental activities was \$132,679,773 net of accumulated depreciation/amortization (\$106,613,671

depreciable/amortizable and \$26,066,102 nondepreciable). During FY 2022/23, the Town's investment and contribution in capitalized assets were \$9.1 million with depreciation totaling \$4.2 million. The Capital asset increased by \$4.9 million for the current year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the ACFR contains the following information: Independent Auditor's Report, Management's Discussion and Analysis (this section), the Basic Financial Statements, and the Required Supplementary Information. The ACFR also includes a Supplementary Information section, which presents combining and budgetary schedules for individual nonmajor funds. The Basic Financial Statements are comprised of three components: 1) Government-Wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Financial Statements. The Management's Discussion and Analysis is intended to be an introduction to the Basic Financial Statements.

Government-Wide Financial Statements

The Government-Wide Financial Statements present the financial picture of the Town from an economic resources measurement focus using the accrual basis of accounting. An economic resources measurement focus is when a body of financial statements report all inflows, outflows, and balances affecting or reflecting an entity's net position.

The Statement of Net Position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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

Both of the Government-Wide Financial Statements distinguish functions of the Town 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 activity*). The governmental activities of the Town include public safety, parks and public works, community development, library, community services, debt service, and general government. Governmental activities typically include financial data for all governmental funds. Internal service funds are typically incorporated into governmental activities as well. Business-type activities typically include financial data for all enterprise funds. The Town has no enterprise funds and therefore reports no business-type activities.

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 Town, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Town are segregated into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds – The Town’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and other financial assets that can readily be converted to cash. The Governmental Fund Statements provide a detailed short-term view of the Town’s general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town’s operations. 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*.

Proprietary funds – The Town maintains one type of proprietary fund: Internal Service Funds. Proprietary funds are reported using the accrual basis of accounting. Internal Service Funds are an accounting tool used to accumulate and allocate costs internally among the Town’s various functions. The Town uses Internal Service Funds to account for its fleet of vehicles, computer equipment, risk management activities, and other items. Internal Service Funds help smooth the variability of certain expenses and insulate the Town from large unanticipated costs. The Internal Service Funds are included within governmental activities in the Government-Wide Financial Statements.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the Town. Fiduciary funds are not reflected in the Government-Wide Financial Statements because the resources of those funds are not available to support the Town’s own programs.

Included in fiduciary funds is the Redevelopment Successor Agency private-purpose Trust Fund created upon the dissolution of the former Redevelopment Agency (RDA) in 2012. The Trust Fund was created to hold the assets of the former Redevelopment Agency until they are transferred for governmental purposes to other entities or distributed to the underlying taxing jurisdictions in Santa Clara County after the payment of enforceable obligations. Additional information on the dissolution of the RDA and this fiduciary fund can be found in Note 15 in the notes to basic financial statements.

Notes to Basic Financial Statements

The notes provide additional information to facilitate a full understanding of the data provided in the Government-Wide and Fund Financial Statements.

ANALYSIS OF GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Government-Wide Financial Statements provide long-term and short-term information about the Town's overall financial condition. This analysis addresses the financial statements of the Town as a whole, utilizing data from throughout the ACFR to describe the changes between 2022 and 2023. Given the unique nature of the economic impacts of the COVID-19 pandemic during the reporting period, 2021 data have also been provided for additional context.

Net Position Discussion

As shown below, the Town's combined net position for the year ended June 30, 2023 was \$153.5 million, reflecting an increase of approximately \$15.1 million to the prior year's net position of \$138.4 million. In general, net position can serve as an important indicator of whether the Town's overall financial condition is improving or deteriorating over time.

Town of Los Gatos Net Position Governmental Activities For the Year Ended June 30, 2023			
	2023	2022	2021
Current and other Assets	\$ 85,489,167	\$ 78,302,210	\$ 72,065,091
Capital Assets	132,679,773	127,770,566	111,416,264
Total Assets	\$ 218,168,940	\$ 206,072,776	\$ 183,481,355
Deferred Outflows - Pension/OPEB	29,526,262	13,232,279	19,746,595
Current Liabilities	15,857,589	17,537,678	16,334,887
Long-Term Liabilities Outstanding	71,847,737	34,368,351	71,339,626
Total Liabilities	\$ 87,705,326	\$ 51,906,029	\$ 87,674,513
Deferred Inflows - Pension/OPEB	6,467,614	28,992,045	2,335,387
Net Position			
Net Investment in Capital Assets	130,623,654	126,418,275	109,894,936
Restricted	11,091,020	10,203,412	8,269,330
Unrestricted	11,807,588	1,785,294	(4,646,166)
Total Net Position	\$ 153,522,262	\$ 138,406,981	\$ 113,518,100

Current and other assets increased \$7.2 million from the prior year, primarily due to an \$6.2 million increase in cash/restricted cash and investments, \$0.4 million increase in accounts receivable, \$0.3 million increase in land held for resale.

Capital assets increased \$4.9 million to \$132.7 million for the year reflecting current year's capital asset additions/retirements less the annual depreciation/amortization expense. Capital infrastructure activity includes the following:

- \$3.4 million in street repair and resurfacing and curb and gutter work Town-wide;
- \$4.5 million construction in progress as detailed under "Capital Assets" section of this MD&A;
- \$0.8 million added for equipment, storm drain and park improvements; and
- \$0.9 million added in subscription right of use of asset by implementing GASB 96 subscription-based information technology agreements.

Deferred Outflows for Pension and Other Post-Employment Benefits (OPEB) increased \$16.3 million primarily due to the difference between projected assumed investment returns and actual investment earnings on pension and OPEB investments, changes in assumptions, and the change in the Town's proportionate share for the pooled safety pension plan.

Long-term liabilities increased by \$37.5 million. The increase is primarily due to a pension liability increase of \$32.4 million and an increase of OPEB liabilities of \$4.5 million. See Note 11 and Note 12 in the Notes to the Financial Statements for more information on Town's pension and OPEB plans.

In addition, the implementation of GASB 96 subscription right of use of asset added \$0.4 million to the total liabilities.

Deferred Inflows decreased by \$22.5 million, resulting primarily from the difference between projected assumed investment returns and actual investment earnings on pension and OPEB investments. The pension inflows decreased \$19.0 million and the OPEB plan decreased \$3.5 million.

The largest segment of the Town's net position, representing \$130.9 million of net position, reflects the net investment in capital assets (e.g., land, buildings, infrastructure, subscription, and equipment) less accumulated depreciation/amortization and related outstanding debt used to acquire those assets. The Town uses these capital assets to provide infrastructure and services to the residents. Therefore, they do not represent a liquid financial resource to the Town and consequently are not readily available for funding current obligations.

Restricted net position totaled approximately \$11.1 million representing approximately \$8.8 million for capital projects and maintenance, \$1.4 million for restricted pension trust, \$0.5 million placed in a special revenue trust accounts for Library services, \$0.2 million for Lighting and Landscaping assessment districts, and \$0.1 million for workers' compensation.

As of June 30, 2023, unrestricted net position reports an approximate \$9.8 million increase from the prior year to an ending balance of \$11.5 million.

Governmental Activities

Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange revenues. The Statement of Activities is intended to illustrate how the cost of governmental activities is financed and determine the annual change in net position.

Town of Los Gatos
Statement of Activities
For the Year Ended June 30, 2023

	2023	2022	2021
Revenues:			
Program revenues:			
Charges for Services	\$ 12,390,750	\$ 12,773,746	\$ 11,353,932
Operating Grants and Contributions	7,149,581	6,179,842	3,287,564
Capital Grants and Contributions	3,915,175	22,226,206	846,345
General Revenues:			
Property Taxes	22,746,842	21,132,098	19,878,835
Sales Taxes	8,806,477	8,483,673	7,933,604
Franchise Taxes	3,074,624	2,822,515	2,499,463
Other Taxes	2,292,008	2,042,580	1,126,887
Motor Vehicle in Lieu	34,406	35,624	23,058
Developer Fee	614,820	1,735,571	-
Investment Earnings	797,587	(1,278,978)	227,136
Miscellaneous	1,045,214	755,400	1,528,039
Special Items			
Litigation Settlement Proceeds	1,565,000	-	-
Total Revenues	64,432,484	76,908,277	48,704,863
Expenses:			
Police Department	17,428,923	15,093,308	19,808,230
Parks and Public Works	12,258,626	12,969,615	13,141,034
General Government	10,522,568	15,681,345	7,452,136
Community Development	5,215,961	5,827,001	6,481,075
Library Services	3,653,642	2,969,954	3,496,153
Sanitation	208,262	178,575	185,981
Interest and Fees	29,221	-	-
Total Expenses	49,317,203	52,719,798	50,564,609
Change in Net Position	15,115,281	24,188,479	(1,859,746)
Net Position - Beginning	138,406,981	113,518,100	115,377,846
Prior Period Adjustment - Principal Payments	-	13,003	-
Prior Period Adjustment - GASB 87 Leases	-	687,399	-
Net Position - Beginning, Adjusted	-	114,218,502	-
Net Position, Ending	\$ 153,522,262	\$ 138,406,981	\$ 113,518,100

Governmental Activities Revenue Discussion

The Statement of Activities shown above details how the \$64.4 million in Governmental Activities revenues and contributions were derived. As categorized in the Statement of Activities as program revenues, approximately \$12.4 million or 19.2% of the revenues were recorded from fees paid by residents/businesses who directly benefited from the program or service. Another \$11.1 million or 17.2% of the revenues were sourced from operating/capital grants and contributions. Significant grants and contributions include \$3.6 million in recognized ARPA, \$0.8 million gas tax, \$0.7 million in Road Maintenance and Repair Account from the State proceeds, and \$0.5 million Prop 172 Public Safety allocations. The Town has received \$1.6 million settlement from Santa Clara County and responsible contractors related to the Shannon Road litigation. The remaining \$39.4 million or 61.2% represents general revenues of the Town, including taxes, intergovernmental revenues, and other miscellaneous revenues.

Program revenues decreased by approximately \$17.7 million from the prior year. This is largely due to a \$18.3 million decrease in capital grants and contributions, \$0.4 million decreases from charges for services, and \$1.0 million revenue increases in operating grants and contributions.

The Town's General Revenues related to Governmental Activities increased by approximately \$3.7 million from the prior year. The increase is attributable to a combination of approximately \$2.1 million increase in investment earnings including the mark-to-market value adjustments on the Town portfolio investment, \$1.6 million increase in property taxes, a \$0.3 million increase in sales tax, \$0.3 million increase in franchise fees, \$0.2 million increases in Transient Occupancy Tax (TOT). The increases were offset by \$1.1 million decrease in pass through developer contributions.

Property tax is the largest individual revenue source for the Town and collections finished the year \$1.6 million higher than the previous year. This increase was mostly due to an increase of \$1.8 million in general property tax collection, \$0.3 million increase in Vehicle License Fee (VLF) Property Tax In-Lieu fee, a \$73K decrease in secured taxes received as a rebate of excess property taxes collected and available from the State of California's Educational Revenue Augmentation Fund (ERAF), and \$0.4 million decrease in property transfer tax reflecting the current mortgage rate environment. It is important to note that assessed valuations for FY 2022/23 were established on the tax roll in January 2022 and collected in FY 2022/23.

At \$8.8 million, sales taxes represent the second largest individual revenue source for the Town. Sales taxes increased \$0.3 million from the previous year largely due the continued resurgence of the restaurant sector. The increase was aided by the Town's 1/8 cent District Tax which captures a larger share of the increase in online sales versus those receipts provided by the County pool collections.

Franchise taxes, the Town's third largest revenue source, finished the year at \$3.1 million, reflecting an increase of \$0.3 million from the previous fiscal year.

Investment earnings increased \$2.1 million from the prior year. The primary factor responsible for this increase was the higher total mark-to-market value above historical investment cost than the prior year for the Town's investment portfolio. These unrealized gains/losses are recognized as investment income/loss as a result of the mark to market value procedure required by GASB 31. The FY 2021/22 actual GASB 31 adjustment reduced interest earnings by \$1,577,168, while the FY 2022/23 GASB 31 adjustment was \$1,573,971. After the reversal of the FY 2021/22 adjustments there was a gain of \$3,197. Per the Town Council General Fund Reserve Policy, \$10,000 or more unrealized investment gains that have been recorded in the financial statement are required to be reserved.

Governmental Activities Expenses Discussion

The Town provides residents, businesses, and visitors with an array of high quality municipal services. General government strategic support is comprised of six Departments (Town Council, Town Clerk, Town Manager, Town Attorney, Human Resources, Information Technology, and Finance) which provide in information technology, executive management, economic vitality, legal, records management, risk management, human resources, finance, and accounting services. The Town's Police Department (public safety) provides general law enforcement, crime prevention, dispatch, and responses to emergency and non-emergency calls for service. Parks and Public Works provides engineering, construction, and maintenance of public streets, street lighting, Town-owned buildings, parks, and related infrastructure; as well as traffic engineering and engineering evaluation of private development proposals. Community Development provides planning and zoning services; and building plan check and inspection; and code compliance services. The Library Department provides library, local history, and cultural services to the community.

Total expenses of \$49.3 million as reported in the Statement of Activities decreased by \$3.4 million from \$52.7 million the prior year. The decrease was primarily driven by the fact that prior year General Government expenses included a one-time pass-through fire safety grant payment. In addition, other factors included Pension and OPEB expense credits of \$2.0 million calculated under accounting standards and allocated to FY 2022/23 compared to a \$4.4 million credit for the prior fiscal year. The calculated pension and OPEB expense credits of \$2.0 million was applied across all operating Departments as follows:

- Public Safety - \$1.9 million
- Parks and Public Works - \$36K
- General Government - \$35K
- Community Development - \$20K
- Library - \$13K
- Non-Point Source/Sanitation - \$1K

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

Governmental Funds

Recognizing the financial resources measurement focus, the Town's Governmental Funds provide information on near-term inflows and outflows, and balances of spendable resources. This information is useful in assessing the Town's financing requirements and may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Unlike the Statement of Activities which does not include transfers, the Governmental Funds Balance Sheet does include transfers in and out.

Fund Balance – As discussed below, the Town's Governmental Funds Balance Sheet reports the following fund balances.

Restricted Fund Balance – The Town has \$11 million in fund balance classified as restricted to indicate that it has an externally imposed restrictions on how the money may be spent. Of the \$11 million restricted fund balance, \$8.6 million is restricted for capital projects, \$1.4 million for pension, \$0.5 million for Library special revenue trust accounts, and \$0.2 million for maintenance and repairs.

Committed Fund Balance – The Town has \$15.7 million in fund balance classified as committed to indicate that the Town Council previously committed how the money will be spent. Of the \$15.7 million, \$12.3 million is for budget stabilization (\$6.13 million) and catastrophe response (\$6.13 million).

Assigned Fund Balance – The Town has \$34.3 million in fund balance which is not restricted or committed and is classified as assigned to indicate the Town Council's intent to be used for specific purposes. The largest assignments of fund balance are the Reserve for Capital/Special Projects with a balance of approximately \$10.4 million and the Capital Projects Reserve of \$19.1 million which are the primary funding sources for the Town's five-year capital improvement plan and special projects as budgeted by the Town.

Additional information on the Town's Fund Balance can be found in Note 10 of the Notes to the Financial Statements.

Major Governmental Funds results for the year included the following:

TOWN OF LOS GATOS
TOTAL GOVERNMENTAL FUNDS REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2023

REVENUES	2023	2022	2021
Property Taxes	\$ 22,781,248	\$ 21,167,722	\$ 19,917,428
Sales Taxes	8,806,477	8,483,673	7,933,604
Other Taxes	2,263,686	1,976,198	1,126,887
Licenses & Permits	6,333,675	6,055,040	5,212,831
Intergovernmental	10,145,820	15,492,982	3,746,587
Charges for Services	5,718,714	6,925,359	6,035,659
Fines and Forfeitures	416,950	319,170	103,468
Franchise Fees	3,074,624	2,822,515	2,499,463
Developer Fees	614,820	1,735,571	-
Interest	797,582	(1,278,983)	227,940
Use of Property	237,647	144,901	40,372
Other	985,188	349,145	423,115
Total Revenues	\$ 62,176,431	\$ 64,193,293	\$ 47,267,354
EXPENDITURES			
Current:			
Public Safety	\$ 18,446,048	\$ 16,451,190	\$ 16,570,836
General Government	8,828,779	15,953,968	14,040,134
Parks and Public Works	9,084,406	8,639,128	8,229,944
Community Development	5,065,412	6,313,511	5,195,302
Library Services	3,208,027	2,827,210	2,847,988
Sanitation and Other	204,097	194,969	166,173
Capital Outlay	8,917,075	10,478,670	5,746,447
Debt Service			
Principal	156,034	156,034	-
Total Expenditures	\$ 53,909,878	\$ 61,014,680	\$ 52,796,824
Excess Revenues over Expenditures	\$ 8,266,553	\$ 3,178,613	\$ (5,529,470)
Settlements	1,565,000	-	-
Proceeds from sales of assets	2,162	2,151	1,201,369
Proceeds from issuance of debt	-	-	1,560,336
Transfers in	11,886,022	8,154,307	4,053,535
Transfers out	(11,396,347)	(8,310,685)	(3,940,015)
Total Other Financing Sources (Uses)	\$ 2,056,837	\$ (154,227)	\$ 2,875,225
Net Changes in Fund Balances	10,323,390	3,024,386	(2,654,245)
Beginning/Ending Fund Balances As Restated	\$ 50,862,138	\$ 47,837,752	50491997
Ending Fund Balances	\$ 61,185,528	\$ 50,862,138	\$ 47,837,752

Overall, total Governmental Funds revenues finished \$2.0 million or 3.1% lower than the prior year, while total expenditures finished \$7.1 million or 11.6% lower than the prior year. One of the main reasons for the decreases are because prior year revenues and expenses included the one-time State pass-through wildfire grant in the amount of \$6.9 million. The approximate \$10.3 million increase in Total Governmental Fund balance is the net result.

General Fund revenues totaled \$50.6 million or nearly 81.4% of the total \$62.2 million in Total Governmental Fund revenues.

Total Governmental Funds revenues decreased by \$2.0 million, resulting from the net effect of:

- \$2.0 million increase in investment earning including the mark-to-market value adjustments on the Town portfolio investment;
- \$1.6 million increase in property tax collections;
- \$0.7 million increase in use of property and other receipts;
- \$0.3 million increase in sales tax collection;
- \$0.3 million increase in TOT collection;
- \$0.3 million increase in licenses and permits;
- \$0.3 million increase in franchise fees;
- \$98K increase in fines and forfeitures;
- \$1.1 million decrease in development fees since prior year included the affordable housing loan;
- \$1.2 million decrease in charge of services reflecting current development activities; and
- \$5.3 million decrease in intergovernmental revenue, including the \$3.6 million ARPA proceeds compared to prior year which had a \$6.9 million pass-through grant and \$3.4 million ARPA proceeds.

Governmental Funds expenditures decreased by \$7.1 million. General Fund expenditures represent approximately \$44.9 million or 83.3% of the Total Governmental Fund expenditures of \$53.9 million compared to \$43.3 million of General Fund expenditures and total Governmental Funds expenditures of \$61.0 million in the prior year.

Increases in Public Safety expenditures from the prior year of approximately \$2.0 million were primarily due to salary and benefit cost increases resulting from labor negotiations and mandated increases in employer pension contribution rates.

Increases in Parks and Public Works and Library services expenditures from prior year of approximately \$0.8 million were primarily due to salary and benefit cost increases resulting from labor negotiations and mandated increases in employer pension contribution rates.

Decreases in Community Development were primarily due to fact that prior year expensed the \$1.2 million affordable housing loan through the Below Market Housing program.

The \$7.1 million decrease in general governmental expenditures was mainly attributable to the fact that prior year included the one-time \$6.9 million State pass-through wildfire safety grant.

Appropriated Reserves Fund capital projects fund balances increased \$7.5 million from the prior year, reflecting increased capital activity during the fiscal year. The \$1.4 million of general government and capital outlay expenditures above operating revenues was offset by \$8.9 million from other financing sources, including \$1.6 million in settlement, and \$7.3 million net transfers.

Proprietary Funds

The Town's Proprietary Funds (Internal Service Funds) presented in the Fund Financial Statements section provide similar information to the Government-Wide Financial Statements and include individual segment information.

Total net position in the Internal Service Funds decreased by \$1.7 million, a combined effect of GASB 96 expense increase adjustment of \$0.2 million, a \$0.2 million increase in equipment replacement net position, a \$1.7 million decrease in FY 2022/23 due to excess expenses over revenues for workers' compensation, information technology, and general liability costs including administration, insurance premiums, and claims expense.

GENERAL FUND BUDGETARY HIGHLIGHTS

Changes to the Original Budget

Comparing the FY 2022/23 original budget (i.e., the Adopted Budget) General Fund revenues of \$45,537,337 to the final adjusted budget of \$50,272,274 indicates a net increase of approximately \$4.7 million. Additions to the original revenue budget included adjustments approved by Town Council throughout the fiscal year.

Original Budget General Fund (GF) Revenues	Misc. Adjustments & Mid-Year Adjustments	Final Budget GF Revenues
\$45,537,337	\$4,734,937	\$50,272,274

The increase in General Fund revenue appropriations occurred primarily from the following sample of revenue budget adjustments made during the fiscal year:

- \$1.6 million property tax revenue budget increase in line with the estimates and forecasts provided to the Town quarterly from Santa Clara County Assessor's Office;
- \$1.3 million revenue increases for charges for services including \$0.8 million development related pass-through revenues, \$0.4 million revenue budget increase regarding the purchasing and the preparation of reselling the Bersano Lane Below Market Unit, \$47K revenue budget increase from two local school districts for the School Resource Officer contract;

- \$0.9 million Business License Tax revenue budget increase based on the estimated collection per the new business license tax;
- \$0.7 million Transient Occupancy Tax (TOT) revenue budget increase based on actual receipts;
- \$0.2 million interest revenue budget increase;
- \$0.2 million Franchise Fee revenue budget increase to recognize actual collection trend for electric, gas, and garbage franchise fees;
- \$0.2 million intergovernmental revenue budget increase for recognizing operating grants for Community Development and Library Department and increased Prop 172 Public Safety Sales Tax proceeds;
- \$65K revenue budget increase to recognize Solid Waste Fees;
- \$50K additional encroachment revenue budget increase based on current development activity;
- \$25K fines and forfeitures revenue budget increase to recognize current parking citation revenue collection;
- \$0.2 million sales tax revenues budget decrease based on MuniServices, the Town sales tax consultant, quarterly sales tax update based on actual receipts and most likely scenario projection;
- \$0.3 million net decrease in other revenue based on \$0.3 million revenue increase to recognize affordable housing loan repayment proceeds; \$0.2 million General Fund salary reimbursement revenue increase for capital project staff work; \$0.1 million revenue increase to recognize additional proceeds from the Police Foundation, opioid settlement, and Town benches; and offset with \$0.9 million Other Post-Employment Benefit (OPEB) Trust withdrawal revenue decrease as FY 2022/23 budget balancing was not needed; and
- \$20K budget revenue decrease for not collecting parking revenue in Oak Meadow Park.

Comparing the FY 2022/23 original budget (i.e., the Adopted Budget) General Fund expenditures of \$47,354,218 (excluding budgeted transfers-out and debt payments that are reimbursed) to the final adjusted budget of \$50,204,894 indicates a net increase of approximately \$2.9 million. Additions to the original expenditure budget included adjustments approved by Town Council throughout the fiscal year.

Original Budget GF Expenditures	Misc. Adjustments & Mid-Year Adjustments	Final GF Expenditure Budget
\$47,354,218	\$2,850,676	\$50,204,894

The increase in General Fund expense appropriations occurred primarily from the following sample of budget adjustments made during the fiscal year.

- \$0.7 million expenditure increase for development related pass through activities;
- \$0.4 million for the Bersano Lane affordable unit repurchase and preparation of resell;
- \$0.3 million expenditure increase for Community Grants to recognize Council authorized General Fund Council Priorities – Economic Recovery reserve spending in the FY 2022/23;

- \$0.3 million expenditure increase for redepositing the first affordable loan payment to the Below Market Housing Deposit account;
- \$0.2 million expenditure increase to cover the cost for special studies related to Diversity, Equity, and Inclusion (DEI) prior year carry forward services; General Plan update Environment Impact Report; and the Housing Element related consultant work;
- \$0.1 million expenditure increase to recognize increased cost related the retiree medical services due to additional recent retirements;
- \$0.2 million temporary salary reimbursement from capital projects;
- \$0.2 million for PG&E loan principal payment;
- \$0.1 million to recognize the proceeds and spend for Library operating grants;
- \$0.1 million increase for additional legal expenses;
- \$64K expenditure increase for executive recruitment services;
- \$53K expenditure increase for additional traffic signalization expenditures;
- \$50K to recognize and spend the additional support from the Police Foundation;
- \$32K expenditure increase for third party business license processing services;
- \$37K for landscape maintenance; and
- \$10K expenditure budget expense for park benches.

Variance with the Final General Fund Budget

The General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual (GAAP) for Fiscal Year Ended June 30, 2023 reports an approximate overall favorable variance with the final budget of approximately \$5.7 million. This favorable variance was created largely by the net effect of the following factors:

- Actual revenues ended the fiscal year at \$0.3 million above final budgeted revenues. The \$0.3 million total variance represents a combined effect:
 - \$0.5 million favorable variance in license and permit revenues;
 - \$0.4 million favorable variance in franchise fees;
 - \$0.3 million favorable variance in intergovernmental revenues;
 - \$0.3 million favorable variance in property tax;
 - \$0.2 million favorable variance in fines and forfeitures;
 - \$7.5K unfavorable difference in use of property and other revenues;
 - \$64K unfavorable variance in interest;
 - \$0.1 million unfavorable variance in TOT;
 - \$0.2 million unfavorable variance in sales tax;
 - \$0.9 million unfavorable variance in charges for services.
- Actual expenditures ended the fiscal year at \$5.3 million below final budgeted expenditures. Significant factors affecting actual expenditures include:
 - Public safety expenditures had a favorable variance of approximately \$0.8 million. \$0.7 million in savings is reflective of limited term vacancies in Police Captain, Police Officers, Dispatchers, Police Record Specialist, Senior Parking Control

Officer, and Police Records and Communication Manager positions, savings of \$79K in miscellaneous operating savings, and \$74K salary-related internal service charges savings.

- Community Development expenditures reflected a \$1.5 million favorable variance. \$1.1 million of the variance is related pass-through activities supported with developer deposits in the Below Market Program, development review; building inspection, and special studies activities. Corresponding pass-through revenues were lower as demonstrated above. Not counting the pass-through activities related savings, Community Development operating expenditures include \$0.5 million combined savings on vacancies and miscellaneous operating expenditures. Associate Planner and Permit Counter Technician positions were partially unfilled during the fiscal year.
- Administrative Services reflected a favorable balance of approximately \$0.5 million in savings in salary and benefits due to partial year vacancies in the Deputy Clerk, Emergency Manager, Special Event Coordinator, IT Technician, Assistant Town Manager, Accountant, HR Analyst, and Finance and Accounting Manager positions.
- Parks and Public Works reflects a total favorable variance of approximately \$1.4 million largely due to vacancies savings due to partial year vacancies in the Parks and Public Works Director, Senior Civil Engineer, Town Engineer, Assistant Engineer, Lead Maintenance Worker positions totaling \$0.9 million. The FY 2022/23 budget included a one-time 1 FTE hire ahead Lead Maintenance Position that was not filled due to delayed retirement. The position is defunded in FY 2023/24. The Department realized additional positive variance reflecting actual pass-through activities (\$0.3 million), and other miscellaneous operational savings (\$55K).
- Library services reflected a favorable variance of \$0.2 million due mainly to salary and benefit savings from partial staff vacancies in the Librarian, Senior Library Page positions, and other temporary vacancies, and other miscellaneous operational savings.
- Town Attorney reflected a favorable balance of approximately \$0.1 million in large measure due to savings in salary and benefits due to partial year vacancies of the Legal Administrative position, membership savings, and decreased travel and training activity.
- Town Council reflected a favorable balance of approximately \$31K due to benefit savings, decreased travel and training activity, and other miscellaneous operational savings.

CAPITAL ASSETS

As of June 30, 2023, the Town's investment in capital assets for its governmental activity is recorded at \$132,679,773 (net of accumulated depreciation/amortization). The investment in capital assets includes land, buildings and improvements, infrastructure, construction in progress, subscription right of use asset, machinery and equipment. Capital assets increased \$4.9 million net of depreciation expense totaling approximately \$4.2 million for the year.

- \$3.4 million in street repair and resurfacing and curb and gutter work Town-wide;
- \$0.9 million in subscription right of use of asset by implementing GASB 96 subscription-based information technology agreements;
- \$0.6 million equipment adds Town-wide;
- \$0.3 million storm drain improvements;
- \$36K for park improvements; and
- \$4.5 million of construction in progress including:
 - \$0.8 million for building replacement at Corporation Yard;
 - \$0.7 million for downtown revitalization;
 - \$0.6 million for Highway 17 capacity improvements;
 - \$0.5 million for Town-wide traffic signal improvements;
 - \$0.4 million for Library battery power supply;
 - \$0.4 million for bridges;
 - \$0.3 million for Adult Recreation Center HVAC and floor replacement;
 - \$0.2 million for Enterprise Recourse Program implementation;
 - \$0.1 million for Highway 9 Los Gatos connection trail projects;
 - \$74K for curb and gutter work Town-wide;
 - \$73K in street repair in resurfacing;
 - \$57K equipment for fire suppression and IT disaster recovery;
 - \$52K in building improvements Town-wide;
 - \$44K in parking lots improvements;
 - \$17K Recreation Building ADA Restroom Improvements; and
 - \$14K for park improvements.

Capital Assets
Town of Los Gatos
For the Year Ended June 30, 2023

	Governmental Activities
Infrastructure	\$ 67,077,784
Subscription Right of Use Assets	713,438
Buildings	28,846,606
Land	26,066,103
Equipment	2,462,694
Construction in Progress	7,513,148
	<u>\$ 132,679,773</u>

Additional information on the Town's capital assets is found in Note 6 of this Financial Report.

LONG-TERM DEBT

The Town generally incurs long-term debt to finance projects or purchase assets, which will have useful lives equal to or greater than the related debt. The Town long-term debt is related to the PG&E on-bill financing loan used for facility efficiency project updates, totaling \$1.2 million at 6/30/2023. The long-term debt in the Successor Agency Trust Fund is related to the 2002 COP and 2010 COP, totaling \$11.7 million. Additional information on the Town's Long-Term Debt is found in Note 7 of this Financial Report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

A product of an ongoing examination of how the Town provides cost-effective services, the Town's budget emphasizes outcomes or results for the community and allows for longer-term financial planning decisions.

During the development and adoption of the Town's FY 2023/24 budget, the Town Council and management considered the following factors:

- The FY 2023/24 Proposed Budget endeavored to maintain essential public services while controlling operational costs in light of the Five-Year Financial Forecast, which predicts operating shortfalls in subsequent fiscal years. Providing current service levels to the community in future fiscal years will require a strong return to pre-pandemic performance of the Town's economically sensitive revenues and/or revenue enhancements as identified as one of the Town Council's Strategic Priorities.
- For FY 2023/24, the Proposed Operating Budget was balanced utilizing two primary budget balancing strategies. The first was direction to all Departments to develop a status quo budget. To that end, the Departments programmed existing resources by either maintaining current structures or realigning operations to remain effective. This proved exceptionally difficult as vendor, supply, and other costs rose beyond FY 2022/23 levels. In addition,

Departments were provided guidance to enhance capacity where necessary through limited non-benefited personnel options when possible. The second strategy includes a 4.6% vacancy factor, while Council directed that staff continue to hire for all vacant positions. The 4.6% salary savings represents approximately \$1.7 million projected saving.

- Several Strategic Priorities are not one-time projects, but rather are ongoing commitments due to their critical significance to ensure the Town's fiscal sustainability, infrastructure stability, and the safety and quality of life for Los Gatos residents, businesses, and visitors. These commitments include continuing to address the Town's fiscal challenges; implementing the Comprehensive Parking Study; and fostering emergency preparedness and community wildfire resilience.
- In terms of capital projects, the Town Council stated its capital budget priorities to continue implementation of the Downtown Parking Roadmap, continue mobility improvements for all transportation modes, manage the vegetation on Town lands to protect against wildfire, and advance other needed improvements. All of these efforts support improving and enhancing transportation options, public safety, and quality of life within the context of prudent fiscal management.
- Other Strategic Priorities will position the Town well for its future while celebrating the special aspects of Los Gatos. Such Priorities include continuing to enhance economic and community vitality; focusing on traffic safety for all users; and investing in key wildfire mitigation.
- Specific trends affecting the fund balance forecast include:
 - General property tax collections represent approximately 34.9% (not including the State's property tax "backfill" shifts) of the Town's General Fund revenues. Property tax collections are expected to increase 3.6% in FY 2023/24 from the prior year's estimated tax collections. This increase reflects the continued strong property assessment values through the Town. This forecast is based on data from the Santa Clara County Tax Assessor's Office. The Town closely monitors its actual collection and other legislative changes regarding property tax.
 - The Town anticipates an increase in sales tax for FY 2023/24. General sales tax estimates of \$7.9 million and \$1.3 million in dedicated district sales tax revenue for FY 2023/24 were budgeted reflecting a 2.2% combined increase from the prior year's expected sales tax budget.
 - The Town's investment portfolio yield was 3.19% as of June 30, 2023 which trended significantly higher than the average yield of 1.37% of June 30, 2022. Prevailing interest rates are rising based on Federal Reserve actions.
 - Transient Occupancy Tax (TOT) is expected to increase by 3% from FY 2022/23 estimated revenues. The Town's TOT revenue, like other municipalities, was impacted heavily by

the pandemic. Since FY 2021/22, people started to travel again, increasing the revenues year by year. The Town's TOT revenue has historically been primarily driven by business travel. During the pandemic, TOT experienced the most significant percentage decline. Due to a rebound in leisure "staycation" travel and modest improvements in business travel, current TOT collections are trending higher than anticipated and average occupancy rates are increasing as well.

- The Town's pension plans over the past several decades, like all other CalPERS participants, have experienced volatile investment returns, changes in actuarial assumptions, and demographic shifts which have outweighed any positive plan experiences. To address this unfunded status, the Town took proactive steps including initiating the prefunding of OPEB obligations, budgeting and programming additional discretionary pension payments to accelerate reduction of unfunded liabilities, and partnering with the Town's employee groups to eliminate the existing retiree healthcare benefit for new employees. Even with these proactive steps, the Town continues to be impacted by the continuing rising cost of pension related benefits. Over the next five fiscal years, the Town's five-year forecast includes increasing pension costs due to actual realized investment returns, further changes in actuarial assumptions or lowering the discount rate. The Town's net pension liability is \$28.1 million for the safety cost sharing plan and \$31.7 million for the miscellaneous plan based upon data from CalPERS as of 6/30/2022.
- To illustrate the sensitivity of the net pension liability to changes in the discount rate, CalPERS estimates that a 1% reduction in the discount rate from 6.8% to 5.8% would increase the total net pension liability for both Miscellaneous and Safety by \$31.5 million. Conversely, an increase in the discount rate from 6.8% to 7.8% would decrease the total net pension liability for both Miscellaneous and Safety by \$25.9 million.
- In addition, CalPERS provides a hypothetical termination liability estimate of the plans should the contract with CalPERS be terminated. The plan liability on a termination basis is calculated differently from the plans' ongoing funding liability. Since no future employer contributions would be made in the hypothetical termination, benefit payments are secured by risk-free assets. For the Miscellaneous plan, a 2.5% termination return rate results in a \$156.6 million termination liability. For the Safety Classic and PEPRAs plans, a 2.25% termination return rate results in a \$161.5 million termination liability.
- For detailed information about the Town employees' retirement plan please refer to Note 11 of the Notes to Basic Financial Statements Section.

REQUESTS FOR INFORMATION

This financial report is designed to provide residents, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. Questions about this report or requests for any additional information, should be directed to Gitta Ungvari, Finance Director, at 110 East Main Street, Los Gatos, California, 95030; email at gungvari@losgatosca.gov; or phone at (408) 354-6805.

DRAFT

Basic Financial Statements

DRAFT

**ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES**

The Statement of Net Position, Statement of Activities, fund financial statements, and the notes to financial statements comprise the Basic Financial Statements of the Town.

The purpose of the Statement of Net Position and the Statement of Activities is to summarize the entire financial activities and financial position of the Town. They are prepared on the same basis of accounting (accrual) used by most businesses, which means they include all the Town's assets and liabilities, as well as its revenues and expenses. The effect of the entire Town's transactions is accounted for, regardless of when cash changes hands, and all material internal transactions between funds have been eliminated.

The Statement of Net Position report the Town's total assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term debt, and presents similar information to the old balance sheet format while focusing the reader on the composition of the Town's net position (assets minus liabilities). The Statement of Net Position summarizes the financial position of the Town's governmental activities in a single column.

The Town's governmental activities include the activities of the General Fund, Special Revenue Funds, Capital Projects Funds, and Debt Service Funds. These funds are serviced by the Town's Internal Service Funds; therefore internal service activities are consolidated with governmental activities after eliminating inter-fund transactions and balances.

The Statement of Activities reports increases and decreases in the Town's net position and is prepared on the full accrual basis of accounting, which means it includes all the Town's revenues and expenses regardless of when cash changed hands. This differs from the "modified accrual" basis of accounting used in the fund financial statements, which reflect only current assets, current liabilities, available revenues, and measurable expenditures.

The format of the Statement of Activities presents the Town's expenses before revenues and by program. Program revenues (revenues generated directly by specific programs) are deducted from program expenses to arrive at the net expense of each governmental program, which is offset by general revenues as listed before the change in net position. From these components, the change in net position is computed and reconciled to the Statement of Net Position.

Both of these statements include the financial activities of the Town.

TOWN OF LOS GATOS, CALIFORNIA
STATEMENT OF NET POSITION
JUNE 30, 2023

Item 1.

	Governmental Activities
ASSETS	
Cash and investments	\$ 74,859,048
Restricted cash and investments	1,574,488
Receivables:	
Accounts	2,721,849
Interest	349,806
Intergovernmental	2,438,400
Other assets	153,868
Land held for resale	344,338
Long-term leases receivable	1,909,618
Long-term notes receivables	1,137,752
Capital Assets:	
Nondepreciable	26,066,102
Depreciable, net of accumulated depreciation	106,613,671
Total Assets	<u>\$ 218,168,940</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension adjustments	\$ 25,220,232
OPEB adjustments	4,306,030
Total Deferred Outflows of Resources	<u>\$ 29,526,262</u>
LIABILITIES	
Accounts payable	\$ 2,134,177
Accrued payroll and benefits	447,965
Interest payable	27,915
Due to other governments	69,895
Unearned Revenue	4,201,551
Deposits	6,849,378
Claims payable	2,126,708
Long-term liabilities:	
Due within one year	
Compensated absences	292,795
Subscription liabilities	149,154
Loans payable	156,034
Due in more than one year	
Net OPEB liability	7,028,633
Net pension liabilities	59,866,665
Compensated absences	2,868,452
Subscription liabilities	445,781
Loans payable	1,040,223
Total Liabilities	<u>\$ 87,705,326</u>
DEFERRED INFLOWS OF RESOURCES	
Leases	1,222,981
Pension adjustments	3,126,711
OPEB adjustments	2,117,922
Total Deferred Inflows of Resources	<u>\$ 6,467,614</u>
NET POSITION	
Net investment in capital assets	\$ 130,888,581
Restricted for:	
Library	530,174
Capital projects	8,328,572
Land held for resale	44,338
Lighting and landscape repairs and maintenance	176,966
Pensions	1,400,163
VTA	494,826
Worker's compensation claims	115,981
Total Restricted Net Position	<u>11,091,020</u>
Unrestricted	<u>11,542,661</u>
Total Net Position	<u>\$ 153,522,262</u>

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

TOWN OF LOS GATOS, CALIFORNIA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Item 1.

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for	Operating	Capital	Revenues and
		Services	Grants and	Grants and	Changes in
			Contributions	Contributions	Net Position
					Governmental
					Activities
Governmental Activities:					
General government	\$ 10,522,568	\$ 2,635,527	\$ -	\$ -	\$ (7,887,041)
Public safety	17,428,923	1,846,312	4,622,373	-	(10,960,238)
Parks and public works	12,258,626	3,590,936	1,735,608	3,915,175	(3,016,907)
Community development	5,215,961	3,971,336	616,937	-	(627,688)
Library services	3,653,642	2,039	174,663	-	(3,476,940)
Sanitation	208,262	359,950	-	-	151,688
Interest and fees	29,221	-	-	-	(29,221)
Total Governmental Activities	\$ 49,317,203	\$ 12,406,100	\$ 7,149,581	\$ 3,915,175	(25,846,347)
General revenues:					
Taxes:					
Property taxes					22,746,842
Sales taxes					8,806,477
Franchise taxes					3,074,624
Other taxes					2,292,008
Motor vehicle in lieu					34,406
Developer fees					614,820
Investment earnings					797,587
Miscellaneous					1,029,864
Total general revenues					39,396,628
Special items:					
Settlements					1,565,000
Total general revenues and special items					40,961,628
Change in Net Position					15,115,281
Net Position - Beginning					138,406,981
Net Position - Ending					\$ 153,522,262

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

ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

FUND FINANCIAL STATEMENTS &
MAJOR GOVERNMENTAL FUNDS

Fund Financial Statements:

The Fund Financial Statements only present major funds individually while nonmajor funds are combined in a single column. Major funds are generally defined as having significant activities or balances in the current year.

Major Governmental Funds:

The Town determined that the following funds were major funds for the year ended June 30, 2023. Individual non-major funds can be found in the supplemental section.

General Fund is the general operating fund of the Town and is used to account for all financial resources except those required to be accounted for in another fund.

Appropriated Reserves Fund is used to account for resources provided for capital projects not fully funded from other sources.

ARPA Fund was established to account for monies received under the American Rescue Plan Act of 2021 to respond to the COVID19 emergency.

TOWN OF LOS GATOS, CALIFORNIA
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2023

Item 1.

	General	Appropriated Reserves	ARPA	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash & investments	\$ 33,591,832	\$ 23,752,014	\$ -	\$ 9,514,805	\$ 66,858,651
Restricted cash & investments	1,400,163	-	-	58,344	1,458,507
Receivables:					
Accounts	1,482,426	1,078,834	-	85,151	2,646,411
Interest	349,806	-	-	-	349,806
Intergovernmental	1,885,545	347,316	-	205,539	2,438,400
Other assets	153,868	-	-	-	153,868
Due from other funds	1,832	-	-	-	1,832
Land held for resale	344,338	-	-	-	344,338
Leases receivable	-	241,506	-	319,957	561,463
Long term note receivable	1,059,000	-	-	78,752	1,137,752
Total Assets	\$ 40,268,810	\$ 25,419,670	\$ -	\$ 10,262,548	\$ 75,951,028
LIABILITIES					
Accounts payable	\$ 616,131	\$ 1,257,903	\$ -	\$ 16,718	\$ 1,890,752
Accrued payroll and benefits	445,631	-	-	2,334	447,965
Due to other governments	69,836	-	-	-	69,836
Unearned revenue	2,759,530	1,377,226	-	64,795	4,201,551
Deposits	6,849,378	-	-	-	6,849,378
Due to other funds	-	-	-	1,832	1,832
Total Liabilities	10,740,506	2,635,129	-	85,679	13,461,314
DEFERRED INFLOWS OF RESOURCES					
Leases	-	235,816	-	269,670	505,486
Unavailable revenue	-	798,700	-	-	798,700
Total Deferred Inflows of Resources	-	1,034,516	-	269,670	1,304,186
FUND BALANCE					
Nonspendable:					
Loans receivable	159,000	-	-	-	159,000
Leases receivable	-	5,690	-	50,287	55,977
Restricted for:					
Library	-	-	-	530,174	530,174
Capital projects	-	-	-	8,328,572	8,328,572
Land held for resale	44,338	-	-	-	44,338
Repairs and maintenance	-	-	-	176,966	176,966
Pensions	1,400,163	-	-	-	1,400,163
VTA	-	494,826	-	-	494,826
Committed to:					
Budget stabilization	6,129,774	-	-	-	6,129,774
Catastrophic	6,129,775	-	-	-	6,129,775
Pensions/OPEB	300,000	-	-	-	300,000
Measure G 2018 district sales tax	590,581	1,769,057	-	-	2,359,638
Special revenue funds	-	-	-	821,200	821,200
Assigned to:					
Open Space	410,000	152,000	-	-	562,000
Parking	-	100,000	-	-	100,000
Sustainability	140,553	-	-	-	140,553
Capital/Special projects	10,359,577	19,178,452	-	-	29,538,029
Carryover encumbrances	37,698	-	-	-	37,698
Comcast PEG	-	50,000	-	-	50,000
ERAF Risk	689,608	-	-	-	689,608
Economic recovery	1,556,614	-	-	-	1,556,614
Compensated Absences	1,580,623	-	-	-	1,580,623
Total Fund Balances	29,528,304	21,750,025	-	9,907,199	61,185,528
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 40,268,810	\$ 25,419,670	\$ -	\$ 10,262,548	\$ 75,951,028

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

TOWN OF LOS GATOS, CALIFORNIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET
POSITION – GOVERNMENTAL ACTIVITIES
JUNE 30, 2023

Fund Balance - Total Governmental Funds \$ 61,185,528

Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds because of the following:

CAPITAL ASSETS

Capital assets used in the Governmental Activities are not financial resources and, therefore, are not reported in the Governmental Funds. 131,966,335

ALLOCATION OF INTERNAL SERVICE FUND NET POSITION

Internal service funds are used by management to charge the cost of management of certain activities such as insurance, central services and maintenance to individual governmental funds. The net current assets of the internal service funds are therefore included as Governmental Activities in the Statement of Net Position. 6,542,872

DEFERED OUTFLOWS AND INFLOWS OF RESOURCES

The differences from benefit plan assumptions and estimates versus actuals are not included in the plan's actuarial study until the next fiscal year and are reported as deferred inflows or deferred outflows of resources in the statement of net position.

Deferred outflows of resources:

PERS Miscellaneous Plan adjustments	\$ 10,459,160	
PERS Safety Plan adjustments	14,761,072	
OPEB plan adjustments	<u>4,306,030</u>	29,526,262

Deferred Inflows of resources:

PERS Miscellaneous Plan adjustments	\$ (160,064)	
PERS Safety Plan adjustments	(2,966,647)	
OPEB plan adjustments	<u>(2,117,922)</u>	(5,244,633)

DEFERRED INFLOWS OF RESOURCES

Revenues from grants that are funded in this fiscal year that will not be collected for several months after the Town's fiscal year end are not considered available and are classified as deferred inflows of resources in the governmental funds. 798,700

LONG-TERM LIABILITIES

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the Governmental Funds.

Loans payable	\$ (1,196,257)	
Net Pension Liabilities	(59,866,665)	
Net OPEB Liability	(7,028,633)	
Compensated absences	<u>(3,161,247)</u>	(71,252,802)

Net Position - Governmental Activities \$ 153,522,262

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

TOWN OF LOS GATOS, CALIFORNIA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	General	Appropriated Reserves	ARPA	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Property Taxes	\$ 22,743,087	\$ -	\$ -	\$ 38,161	\$ 22,781,248
Sales Taxes	8,806,477	-	-	-	8,806,477
Other Taxes	2,234,644	-	-	29,042	2,263,686
Licenses & Permits	5,630,362	181,533	-	521,780	6,333,675
Intergovernmental	1,553,396	3,358,063	3,614,872	1,619,489	10,145,820
Charges for Services	4,646,705	1,072,009	-	-	5,718,714
Fines and Forfeitures	416,950	-	-	-	416,950
Franchise Fees	3,074,624	-	-	-	3,074,624
Developer Fees	-	614,820	-	-	614,820
Interest	605,789	44,198	-	147,595	797,582
Use of Property	38,126	91,284	-	108,237	237,647
Other	859,571	-	-	125,617	985,188
Total Revenues	50,609,731	5,361,907	3,614,872	2,589,921	62,176,431
EXPENDITURES					
Current:					
General Government	8,828,779	-	-	-	8,828,779
Public Safety	18,446,048	-	-	-	18,446,048
Parks and Public Works	8,998,088	-	-	86,318	9,084,406
Community Development	5,065,412	-	-	-	5,065,412
Library Services	3,096,486	-	-	111,541	3,208,027
Sanitation and Other	-	-	-	204,097	204,097
Capital Outlay	300,000	6,722,633	-	1,894,442	8,917,075
Debt service:					
Principal	156,034	-	-	-	156,034
Total Expenditures	44,890,847	6,722,633	-	2,296,398	53,909,878
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,718,884	(1,360,726)	3,614,872	293,523	8,266,553
OTHER FINANCING SOURCES (USES)					
Settlements	-	1,565,000	-	-	1,565,000
Gain from sale of assets	2,162	-	-	-	2,162
Transfers in	4,153,408	7,732,614	-	-	11,886,022
Transfers (out)	(7,242,939)	(427,616)	(3,614,872)	(110,920)	(11,396,347)
Total Other Financing Sources (Uses)	(3,087,369)	8,869,998	(3,614,872)	(110,920)	2,056,837
NET CHANGES IN FUND BALANCES	2,631,515	7,509,272	-	182,603	10,323,390
BEGINNING FUND BALANCES	26,896,789	14,240,753	-	9,724,596	50,862,138
ENDING FUND BALANCES	\$ 29,528,304	\$ 21,750,025	\$ -	\$ 9,907,199	\$ 61,185,528

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

**TOWN OF LOS GATOS, CALIFORNIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 10,323,390
Amounts reported for Governmental Activities in the Statement of Activities are different because of the following:	
CAPITAL ASSET TRANSACTIONS	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.	
Expenditures for capital assets (additions)	\$ 8,598,811
Current year depreciation	<u>(3,950,198)</u> 4,648,613
Gains and losses from the disposal of capital assets are not considered current financial resources and are not recorded in the governmental fund statement of revenues and expenditures but are recorded in the government-wide statement of activities because they are economic resources.	
	(452,844)
LONG-TERM DEBT PROCEEDS AND PAYMENTS	
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	
Certificates of participation	156,034
UNAVAILABLE REVENUE	
Revenues from grants that are funded in this fiscal year that will not be collected for several months after the Town's fiscal year end are not considered available and are classified as deferred inflows of resources in the governmental funds.	
	293,000
COMPENSATED ABSENCES	
In governmental funds, compensated absences such as vacations and sick leave are expenditures when taken. However, in the Government Wide Statement of Activities, the current year change in the compensated absences liability is reported.	
	(122,954)
OPEB PLAN CONTRIBUTIONS AND EXPENSE	
In governmental funds, actual contributions to OPEB plans are reported as expenditures in the year incurred. However, in the Government-Wide Statement of Activities, only the current year OPEB expense as noted in the plans' valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources.	
	719,946
PENSION PLAN CONTRIBUTIONS AND EXPENSE	
In governmental funds, actual contributions to pension plans are reported as expenditures in the year incurred. However, in the Government-Wide Statement of Activities, only the current year pension expense as noted in the plans' valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources.	
	1,247,506
ALLOCATION ON INTERNAL SERVICE FUND ACTIVITY	
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service fund is reported with governmental activities.	
	<u>(1,697,410)</u>
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ 15,115,281</u>

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

TOWN OF LOS GATOS, CALIFORNIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (GAAP)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Property Taxes	\$ 20,907,894	\$ 22,484,118	\$ 22,743,087	\$ 258,969
Sales Taxes	9,174,944	8,959,134	8,806,477	(152,657)
Other Taxes	1,649,460	2,355,547	2,234,644	(120,903)
Licenses & Permits	4,122,529	5,140,684	5,630,362	489,678
Intergovernmental	1,051,814	1,273,910	1,553,396	279,486
Charges for Services	4,257,261	5,540,465	4,646,705	(893,760)
Fines and Forfeitures	201,750	226,750	416,950	190,200
Franchise Fees	2,493,870	2,716,470	3,074,624	358,154
Interest	432,947	670,021	605,789	(64,232)
Use of Property	41,211	41,211	38,126	(3,085)
Other	1,203,657	863,964	859,571	(4,393)
Total Revenues	45,537,337	50,272,274	50,609,731	337,457
EXPENDITURES				
Current:				
General Government:				
Town Council	217,238	217,240	186,337	30,903
Town Attorney	707,555	811,427	699,143	112,284
Administrative Services	5,298,494	5,759,393	5,302,281	457,112
Non-Departmental	3,194,526	3,334,931	2,641,018	693,913
Total General Government	9,417,813	10,122,991	8,828,779	1,294,212
Public Safety	19,225,985	19,331,330	18,446,048	885,282
Parks & Public Works	9,798,967	10,368,194	8,998,088	1,370,106
Community Development	5,772,004	6,543,199	5,065,412	1,477,787
Library Services	3,139,449	3,247,730	3,096,486	151,244
Capital Outlay	-	435,416	300,000	135,416
Debt Service:				
Principal	-	156,034	156,034	-
Total Expenditures	47,354,218	50,204,894	44,890,847	5,314,047
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>(1,816,881)</u>	<u>67,380</u>	<u>5,718,884</u>	<u>5,651,504</u>
OTHER FINANCING SOURCES (USES)				
Gain from sale of assets	600	600	2,162	1,562
Transfers In	2,183,817	3,381,544	4,153,408	771,864
Transfers Out	(3,006,978)	(5,842,011)	(7,242,939)	(1,400,928)
Total Other Financing Sources (Uses)	<u>(822,561)</u>	<u>(2,459,867)</u>	<u>(3,087,369)</u>	<u>(627,502)</u>
NET CHANGES IN FUND BALANCE	<u>\$ (2,639,442)</u>	<u>\$ (2,392,487)</u>	<u>2,631,515</u>	<u>\$ 5,024,002</u>
BEGINNING FUND BALANCE			<u>26,896,789</u>	
ENDING FUND BALANCE			<u>\$ 29,528,304</u>	

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

TOWN OF LOS GATOS, CALIFORNIA
ARPA FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (GAAP)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 1,304,696	\$ 3,614,872	\$ 3,614,872	\$ -
Total Revenues	1,304,696	3,614,872	3,614,872	-
EXPENDITURES				
Current:	-	-	-	-
Total Expenditures	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,304,696	3,614,872	3,614,872	-
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	-	-
Operating transfers (out)	(1,304,696)	(3,614,872)	(3,614,872)	-
Total Other Financing Sources (Uses)	(1,304,696)	(3,614,872)	(3,614,872)	-
CHANGE IN FUND BALANCE	\$ -	\$ -	-	\$ -
BEGINNING FUND BALANCE			-	
ENDING FUND BALANCE			\$ -	

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

**TOWN OF LOS GATOS, CALIFORNIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Item 1.

**PROPRIETARY FUNDS -
INTERNAL SERVICE FUNDS**

Internal service funds account for Town operations financed and operated in a manner similar to a private business enterprise. The intent of the Town is that the cost of providing goods and services to other Town funds be financed through user charges to those funds.

The concept of major funds does not extend to internal service funds because they are used for internal activities only. In the Government-Wide Statement of Activities, the net revenues and expenses of the internal service funds are allocated to the Town Departments or programs that generated them, thus eliminating internal service funds.

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TOWN OF LOS GATOS, CALIFORNIA
PROPRIETARY FUNDS -
STATEMENT OF NET POSITION
JUNE 30, 2023

Item 1.

	Governmental Activities Internal Service Funds
ASSETS	
Current Assets:	
Cash & investments	\$ 8,000,397
Restricted cash & investments	115,981
Accounts Receivable	75,438
Total current assets	<u>8,191,816</u>
Noncurrent Assets:	
Leases receivable	1,348,155
Subscription assets, net	713,438
Total noncurrent assets	<u>2,061,593</u>
Total Assets	<u>\$ 10,253,409</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 243,425
Due to other governments	59
Interest payable	27,915
Subscription liabilities - Current	149,154
Total current liabilities	<u>420,553</u>
Noncurrent liabilities:	
Claims payable	2,126,708
Subscription liabilities	445,781
Total noncurrent liabilities	<u>2,572,489</u>
Total Liabilities	<u>\$ 2,993,042</u>
DEFERRED INFLOWS OF RESOURCES	
Leases	<u>\$ 717,495</u>
NET POSITION	
Net Investment in capital assets	\$ 118,503
Restricted for workers compensation claims	115,981
Unrestricted	6,308,388
Total Net Position	<u>\$ 6,542,872</u>

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

**TOWN OF LOS GATOS, CALIFORNIA
 PROPRIETARY FUNDS -
 STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN NET POSITION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	Governmental Activities Internal Service Funds
OPERATING REVENUES	
Charges for services	\$ 3,695,444
Interest	5
Use of money and property	122,317
Other local taxes	28,322
Other revenue and reimbursements	247,409
Total Operating Revenues	<u>4,093,497</u>
OPERATING EXPENSES	
Insurance expenses	2,901,632
Services and Supplies	2,167,957
Depreciation/amortization	202,422
Total Operating Expenses	<u>5,272,011</u>
Operating Income (Loss)	(1,178,514)
NONOPERATING EXPENSES	
Interest expense	<u>(29,221)</u>
Income (loss) before transfers	<u>(1,207,735)</u>
Transfers in	243,325
Transfers out	<u>(733,000)</u>
Net transfers	<u>(489,675)</u>
Change in Net Position	(1,697,410)
BEGINNING NET POSITION	<u>8,240,282</u>
ENDING NET POSITION	<u>\$ 6,542,872</u>

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

**TOWN OF LOS GATOS, CALIFORNIA
PROPRIETARY FUNDS -
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Item 1.

	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 3,932,853
Payments to suppliers	(4,843,598)
Insurance reimbursements	165,757
Claims paid	529,919
Net cash provided (used) by operating activities	<u>(215,069)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers In	243,325
Transfers Out	(733,000)
Net cash provided (used) by noncapital financing activities	<u>(489,675)</u>
CASH FLOWS FROM CAPITAL RELATED FINANCING ACTIVITIES	
Interest paid	(1,306)
Acquisition of subscription assets	(320,925)
Net cash provided (used) by capital related financing activities	<u>(322,231)</u>
Net Increase(Decrease) in Cash and Investments	(1,026,975)
Cash and investments - beginning of year	9,143,353
Cash and investments - end of year	<u>\$ 8,116,378</u>
Reconciliation of Operating Income to Cash Flows	
from Operating Activities:	
Operating Income	\$ (1,178,514)
Adjustments to reconcile operating income to cash flows	
from operating activities:	
Depreciation/amortization	202,422
Change in assets and liabilities:	
Accounts receivables	(29,636)
Leases receivable	146,566
Deferred inflows of resources	(111,817)
Accounts payable	13,308
Due to other governments	9
Claims payable	742,593
Cash Flows From Operating Activities	<u>\$ (215,069)</u>
Cash and cash equivalents:	
Cash and investments	\$ 8,000,397
Restricted cash and investments	115,981
Total cash and cash equivalents	<u>\$ 8,116,378</u>

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

ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

FIDUCIARY FUNDS

Trust funds are used to account for assets held by the Town as a trustee agent for individuals, private organizations and other governments. The financial activities of these funds are excluded from the government-wide financial statements but are presented in separate Fiduciary Fund financial statements.

RDA Successor Agency Private Purpose Trust Fund was established to account for the assets and liabilities transferred from the dissolution of the Town's former Redevelopment Agency and the continuing operations related to existing Redevelopment Agency obligations.

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**TOWN OF LOS GATOS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2023**

	RDA Successor Agency
ASSETS	
Cash and investments	\$ 1,954,332
Restricted cash and investments	2,023,185
Loans receivable	622,082
Capital assets:	
Depreciable, net of accumulated depreciation	1,118,623
Total Assets	\$ 5,718,222
LIABILITIES	
Accounts payable	\$ 24
Interest payable	212,406
Long-term debt:	
Due within one year	1,415,000
Due in more than one year	10,278,580
Total Liabilities	\$ 11,906,010
NET POSITION	
Restricted for RDA	\$ (6,187,788)
Total Net Position	\$ (6,187,788)

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

**TOWN OF LOS GATOS
PRIVATE PURPOSE TRUST FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	RDA Successor Agency
ADDITIONS	
Property taxes	\$ 1,942,119
Investment earnings	80,795
	<hr/>
Total Additions	2,022,914
	<hr/>
DEDUCTIONS	
Program expenses of former RDA	5,640
Interest and fiscal agency expenses of RDA	495,843
Depreciation expense	101,693
	<hr/>
Total Deductions	603,176
	<hr/>
CHANGE IN NET POSITION	1,419,738
	<hr/>
NET POSITION - BEGINNING OF YEAR	(7,607,526)
	<hr/>
NET POSITION - END OF YEAR	<u>\$ (6,187,788)</u>

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

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Notes to Basic Financial Statements

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TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Financial Reporting Entity

The Town of Los Gatos (the “Town”) operates under a Council-Manager form of government and provides the following services; public safety (including police and emergency management), parks and public works, community development, library, public improvements, planning and zoning, and general administration services. Redevelopment services were provided primary through the Redevelopment Agency of the Town which was dissolved on February 1, 2012.

The Town is largely a residential community located in the foothills of the Santa Cruz Mountains and was incorporated as a municipal corporation in 1887. The Town’s population as of January 1, 2023, was 33,102.

As required by generally accepted accounting principles, these financial statements present the Town as the Primary Government and any component units for which the Town is considered financially accountable.

B. Description of Blended Component Units

The Town did not report any component units as a part of the primary government because the Town Council was not the governing body of any entities and no separate entity provided services entirely to the Town.

C. Description of Joint Ventures and Public Entity Risk Pool

As described in Note 11, the Town participates in two joint ventures and public entity risk pool activities through formally organized separate legal entities. The financial activities of the Pooled Liability Assurance Network Joint Powers Authority (PLAN JPA) and the Local Agency Workers’ Compensation Excess Joint Powers Authority (“LAWCX”) are not included in the accompanying basic financial statements as boards separate from and independent of the Town administer them.

D. Basis of Presentation

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

The accompanying financial statements are presented on the basis set forth in Government Accounting Standards Board Statements No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, No. 36, *Recipient Reporting for Certain Non-exchange Revenues, an Amendment of GASB Statement No. 33*, No. 37, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments; Omnibus*, and No. 38, *Certain Financial Statement Note Disclosures*.

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

These Statements require that the financial statements described below be presented.

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary government (the Town). These statements include the financial activities of the overall Town government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements present *governmental activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meet the operational needs of a particular program, and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Town's funds, including fiduciary funds and blended component units. Separate statements for each fund category—*governmental*, *proprietary* and *fiduciary*—are presented. The emphasis of fund financial statements is on major individual governmental funds, each of which is displayed in a separate column. All remaining governmental are aggregated and reported as nonmajor funds.

Internal service funds of the Town (which provide services primarily to other funds of the Town) are presented, in summary form, as part of the proprietary fund financial statements. Since the principal users of the internal services are the Town's governmental activities, financial activities of the internal service funds are presented in the governmental activities column when presented at the government-wide level. The costs of these services are allocated to the appropriate function/program in the Statement of Activities.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

E. Major Funds

GASB defines major funds and requires that the Town's major governmental funds be identified and presented separately in the fund financial statements. All other funds, called nonmajor funds, are combined and reported in a single column, regardless of their fund-type.

Major funds are defined as funds that have assets, deferred outflows of resources, liabilities, deferred outflows of resources, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The Town may also select other funds it believes should be presented as major funds.

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

The Town reported the following major governmental funds in the accompanying financial statements:

General Fund is the general operating fund of the Town and is used to account for all financial resources except those required to be accounted for in another fund.

Appropriated Reserves Fund is used to account for resources provided for capital projects not fully funded from other sources.

ARPA Fund was established to account for monies received under the American Rescue Plan Act of 2021 to respond to the COVID19 emergency.

The Town also reports the following fund types:

Internal Service Funds are used to account for services that are provided to other departments on a cost-reimbursement basis. Those services include workers compensation, self-insurance, facilities maintenance, information technology, and equipment.

Fiduciary Funds include Private-Purpose Trust Funds and agency funds used to account for assets held by the Town as an agent for individuals, private organizations, and other governments. The financial activities of this fund are excluded from the government-wide financial statement but are presented in a separate Fiduciary Fund financial statement.

The Town reported the following Fiduciary Funds in the accompanying financial statements:

RDA Successor Agency Private Purpose Trust Fund accounts for the assets, liabilities, and operations transferred from the dissolution of the Town's Redevelopment Agency, which includes the following:

- Certificates of Participation issued to finance several capital improvement projects throughout the Town.
- Redevelopment projects and related property tax revenue.
- Affordable Housing Set-Aside Program obligations.
- Repayment of obligations incurred by the Town's Redevelopment Agency prior to its dissolution.

F. Basis of Accounting

The government-wide and fiduciary fund (except for agency funds) financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable*

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

and *available*. The Town considers property tax revenues reported in the governmental funds to be available if the revenues are collected or are reasonably expected to be collected within sixty days after year-end. For revenues other than property taxes, the Town generally applies the sixty-day period rule when considering the *measurable* and *available* criteria. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which is recognized upon becoming due and payable; and except for claims, judgments, and compensated absences, which are recognized when estimable and probable. Governmental capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Those revenues susceptible to accrual are property and sales taxes, certain intergovernmental revenues, and interest revenue. Fines, forfeitures, licenses and permits, and charges for services are not susceptible to accrual because they are not measurable until received in cash.

Non-exchange transactions, in which the Town gives or receives value without directly, receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Town may fund programs with a combination of cost-reimbursement grants, categorical block grants and/or general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenditures. The Town's policy is to first apply restricted grant resources to such programs followed by general revenues as necessary.

Certain indirect costs are included in program expenses reported for individual functions and activities.

The Town applies all applicable GASB pronouncements for certain accounting and financial reporting guidance including those applicable to accounting and reporting for proprietary operations. In December of 2010, GASB issued *GASB No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates pronouncements issued on or before November 30, 1989 into GASB authoritative literature. This includes pronouncements by the Financial Accounting Standards Board (FASB), Accounting Principles Board Opinions (APB), and the Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure, unless those pronouncements conflict with or contradict with GASB pronouncements.

Pensions - For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Town's California Public Employees' Retirement System (CalPERS) plans (the Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 to June 30, 2022

Other Postemployment Benefit (OPEB) Expense

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense information about the fiduciary net position of the Town's Retiree Benefits Plan (the OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value. Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 to June 30, 2022

Cash and Cash Equivalents - The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State of California statutes and the Town's investment policy authorize the Town to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, collateralized, non-negotiable certificates of deposits, commercial paper rated A-1/P-1, medium-term corporate notes rated A or its equivalent or better by Moody's or Standard & Poor's, asset backed corporate notes, bankers' acceptances, mutual funds, and the State Treasurer's investment pool (Local Agency Investment Fund).

The Town does not enter into repurchase or reverse repurchase agreements.

Restricted Cash and Investments - Certain restricted cash and investments are held by fiscal agents for pension stabilization, worker's compensation insurance, and Successor Agency debt service obligations.

Investments - Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. In determining this amount, three valuation techniques are available:

- **Market approach** - This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.
- **Cost approach** - This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.
- **Income approach** - This approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs have been maximized in fair value measures, and unobservable inputs have been minimized.

Materials, Supplies and Deposits (Other Assets) - These assets are held for consumption and are stated at cost using the first-in, first-out method. The costs are recorded as expenditures at the time the item is consumed.

Interfund Receivables and Payables - Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “advances to/advances from other funds.” All other outstanding balances between funds are reported as “due to/from other funds.”

Advances - Advances between funds and due from/to other funds are offset by a nonspendable fund balance in applicable Town funds to indicate the extent to which they are not available for appropriation and are not expendable available financial resources.

Capital Assets - Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets or donated works of art and similar items should be reported at acquisition value rather than fair value. Also, note that capital assets received in a service concession arrangement should be reported at acquisition value rather than fair value. Capital assets, including infrastructure, are recorded if acquisition or construction costs exceeds \$10,000.

As required by GASB, the Town depreciates and amortizes capital assets with limited useful lives over their estimated useful lives. The purpose of depreciation/amortization is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year’s pro rata share of the cost of capital assets. The Town depreciates/amortizes using the straight-line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated.

Intangible right-to-use lease assets are amortized over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that the university has determined is reasonably certain of being exercised, then the lease asset is amortized over the useful life of the

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

underlying asset. Intangible right-to-use subscription assets are amortized over the shorter of the subscription term or the useful life of the underlying IT asset.

The Town has assigned the useful lives listed below to capital assets:

Buildings	25-40 years
Improvements	25-40 years
Machinery and equipment	2-20 years
Furniture and fixtures	5-12 years
Software	5-7 years
Infrastructure	20-40 years

Major capital outlay for capital assets and improvements are capitalized as projects are constructed.

Capital assets may be acquired using federal and state grants, contributions from developers, and contributions or grants from other governments. GASB 34 requires that these contributed assets be accounted for as revenue at the time they are contributed.

Leases Receivable - The Town's leases receivable are measured at the present value of lease payments expected to be received during the lease terms. The present value, net of accumulated amortization, is reported as deferred inflows of resources is recorded for leases. Deferred inflows of resources are recorded at the initiation of the leases in an amount equal to the initial recording of the leases receivable, plus incentive payments received. Amounts recorded as deferred inflows of resources from the leases are amortized on a straight-line basis over the term of the lease.

Deferred Compensation Plan - The Town established a deferred compensation plan created in accordance with California Government Code Section 53212 and Internal Revenue Code Section 457. The plan, available to all Town employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Deferred compensation plans are not reported as part of the Town's assets or liabilities, as the deferred compensation plan trustees hold those funds in trust on behalf of employees until the employees are eligible to receive the benefits.

Compensated Absences - Accumulated Vacation, Sick Pay, and Other Employee Benefits are accrued as earned. Upon termination, employees are paid for all unused vacation at their current hourly rates. Sick leave earned is cashed out based on the following schedule for employees with at least 150 hours accrued and up to a maximum amount as specified under labor contract provisions:

For employees under contract 1-59 months	25.0%
For employees under contract 60-119 months	37.5%
For employees under contract 120 months or more	50.0%

The Town's liability for compensated absences is determined annually. For all governmental funds, amounts expected to be paid out of current financial resources are recorded as liabilities of each fund;

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

the long-term portion is recorded in the Statement of Net Position. The changes of the compensated absences were as follows:

Beginning Balance	\$ 3,038,293
Additions	1,118,885
Payments	<u>(995,931)</u>
Ending Balance	<u>\$ 3,161,247</u>
Compensated Absences Current Portion	<u>\$ 292,795</u>

Compensated absences are liquidated by the fund that has recorded the liability. The long-term portion of governmental activities compensated absences is liquidated primarily by the General Fund. Only compensated absences related to terminated employees are reported in the fund financial statements.

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

Long-Term Liabilities - In the government-wide financial statements and private-purpose trust funds long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Subscription Based Information Technology Arrangements - The Town recognizes subscription liabilities with an initial, individual value of \$100,000 or more. The Town uses its estimated incremental borrowing rate to measure subscription liabilities unless it can readily determine the interest rate in the arrangement. The Town's estimated incremental borrowing rate is calculated as described above. The Town's estimated incremental borrowing rate is based on its most recent public debt issuance.

Deferred Outflows/Deferred Inflows of Resources - Deferred outflows of resources is a consumption of net assets by the Town that is applicable to a future reporting period, for example, contributions to pension and OPEB plans that are after the actuarial measurement date.

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

Deferred inflows of resources is an acquisition of net assets by the Town that is applicable to a future reporting period, for example, unavailable revenue.

Net Position - In the government-wide financial statements, net position is classified in the following categories:

Net Investment in Capital Assets - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets. In addition, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also are included in the net investment in capital assets component of net position.

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

Unrestricted Net Position - This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

Fund Balances - The Town does not have a policy identifying a minimum unassigned fund balance. Because amounts in the nonspendable, restricted, committed, and assigned categories are subject to varying constraints on their use, the remaining fund balances are otherwise unassigned.

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Town classifies governmental fund balances as follows:

Nonspendable includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end. Committed fund balances are imposed by the Town Council.

Assigned includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Town Manager or the Finance Director.

Unassigned includes fund balances within the funds which have not been classified within the above-mentioned categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

unassigned fund balance amount. However, in governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

The Town uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Town would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent asset and liabilities at the dates of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting periods. Actual results could differ from those estimates.

Subsequent Events - Management has considered subsequent events through November 27, 2023, the date which the financial statements were available to be issued. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no non-recognized subsequent events that require disclosure.

Property Tax Levy, Collection and Maximum Rates - State of California Constitution Article XIII A provides that the combined maximum property tax rate on any given property may not exceed 1% of its assessed value unless an additional amount for general obligation debt has been approved by voters. Assessed value is calculated at 100% of market value as defined by Article XIII A and may be adjusted by no more than 2% per year unless the property is sold, transferred, or substantially improved. The State Legislature has determined the method of distribution of receipts from a 1% tax levy among the counties, cities, school districts and other districts.

The County of Santa Clara assesses properties, bills for and collects property taxes on the following schedule:

	<u>Secured</u>	<u>Unsecured</u>
Valuation/lien dates	January 1	January 1
Levy dates	January 1	January 1
Due dates (delinquent as of)	50% on November 1 (December 10) 50% on February 1 (April 10)	March 1 (August 31)

The term "unsecured" refers to taxes on personal property other than land and buildings. These taxes are secured by liens on the property being taxed. Property taxes levied are recorded as revenue and receivables when they are collected during the fiscal year of levy or within 60 days of year-end.

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

Budgets and Budgetary Accounting - The Town follows the procedures below when establishing the budgetary data reflected in the financial statements:

1. The Town Manager submits to the Town Council a proposed operating and capital improvement budget for the fiscal year commencing the following July 1. The budgets include the proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through adoption of Town resolution by Council.
4. The Town Manager is authorized to implement the programs as approved in the adopted budget. Within a specific fund, the Town Manager may transfer appropriations between categories, departments, projects and programs as needed to implement the adopted budget, whereas the Town Council must authorize budget increases and decreases, and transfers between funds.
5. Budgets are adopted on a basis consistent with generally accepted accounting principles except for proprietary funds which budget for capital outlays but not depreciation. Budgets were adopted for the General Fund, Special Revenue Funds, Internal Service Funds, and Capital Projects Funds.
6. Budgeted amounts are as originally adopted or as amended by Town Council. Individual amendments were not material in relation to original appropriations.

Excess of Expenditures over Appropriations - There were no significant expenditures in excess of budget during for the year ended June 30, 2023.

Encumbrances - Under encumbrance accounting, purchase orders, contract and other commitments for expenditures are recorded in order to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of formal budgetary integration in all funds. Encumbrances outstanding at year-end are reported as commitments or assignments of fund balances since they do not constitute expenditures or liabilities; unexpended and unencumbered appropriations lapse at year end in all funds. Encumbered appropriations are carried forward to the following year.

Reclassifications - Certain accounts in the prior-year financial statements have been reclassified for the presentation in the current-year financial statements.

G. Accounting and Reporting Changes

GASB Statement No. 96, *Subscription-based Information Technology Arrangements*.

During the year, the Town implemented GASB Statement No. 96, *Subscription-based Information Technology Arrangements*. GASB Statement No. 96 is an accounting pronouncement issued by the Governmental Accounting Standards Board (GASB) that provides guidance on how the costs and investments for subscription-based information technology arrangements (SBITAs) are accounted for and disclosed by governmental entities. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

Statement No. 87, *Leases*, as amended. As a result, the Town recorded intangible right of use subscription assets of \$915,860 and corresponding subscription lease liabilities of \$653,681. The details of the related assets and liabilities can be found in Notes 6 and 8.

H. Upcoming Accounting and Reporting Changes

The Town is currently analyzing its accounting practices to determine the potential impact on the financial statements of the following recent GASB Statements:

GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*

This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement also prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections in previously issued financial statements. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 101, *Compensated Absences*

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

NOTE 2 - CASH AND INVESTMENTS

The Town pools cash from all sources and all funds except Restricted Cash and Investments so that it can be invested at the maximum yield, consistent with safety and liquidity, while existing funds have cash available for expenditures.

Cash and Investments Defined

The Town includes only cash deposits in banks as cash. Investments in LAIF and government securities mutual funds are net in the order of liquidity, since they may be withdrawn without penalty. U.S. Treasuries, U.S. Agencies and Certificates of Deposit are the Town's least liquid investments, since they must be held to maturity.

Cash Deposits with Banks and Custodial Credit Risk

California Law requires banks and savings and loan institutions to pledge government securities with a fair value of 110% of the Town's cash on deposit, first trust deed mortgage notes with a value of 150% of the deposit, or letters of credit issued by the Federal Home Loan Bank of San Francisco with a value of 100% of the deposit as collateral. Under California Law this collateral is held in the Town's name and places the Town ahead of general creditors of the institution. The Town's cash deposits are collateralized under this law.

The bank balance of the Town's cash deposits was \$14,306,396 and the carrying amount was \$14,200,094 as of June 30, 2023. The bank balance and the carrying amount differed due to deposits in transit and outstanding checks.

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

Investments

The Town and its fiscal agent invest in individual investments and in investment pools. Individual investments are evidenced by specific identifiable pieces of paper called “securities instruments,” or by an electronic entry registering the owner in the records of the institution issuing the security, called the book entry system. In order to maximize security, the Town employs the Trust department of a bank as the custodian of all its investments, regardless of their form.

Fair Value Measurements

GASB 72 established a hierarchy of inputs to the valuation techniques above. This hierarchy has three levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable
- Level 3 inputs are unobservable inputs, such as a property valuation or an appraisal.

Local Agency Investment Fund (LAIF)

The Town invests in the California State Treasurer’s Local Agency Investment Fund. LAIF, established in 1977, is regulated by California Government Code Section 16429 and under the day to day administration of the State Treasurer. As of June 30, 2023, LAIF had approximately \$180 billion in investments that were fully invested in non-derivative financial products. These investments are described as follows:

1. Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and / or that have embedded forwards or options.
2. Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

Risk Disclosures

Interest Rate Risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to the changes in market interest rates. One of the ways that the Town manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is provided in the summary of cash and investments table on the following page that shows the distribution of the Town's investments by maturity.

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

Credit Risk is the risk of loss due to the failure of the security issuer. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The summary of cash and investments table on the following page shows the minimum rating under the actual rating of the Town's investments at year end.

Custodial Credit Risk is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town's investment in money market fund and LAIF is not categorized as to custodial credit risk. Its U.S. Government Agency Securities investment is held by a third-party financial institution under the third party's trust department's name and thus not exposed to custodial credit risk.

Concentration of Credit Risk is the risk that the Town's investments are exposed because the types of investments have been too limited. The Town's Policy states that, with the exception of US Treasury securities and LAIF, no more than 50% of the Town's total investment portfolio will be invested in one single security type or with a single financial institution. The Town was in compliance with this policy as of June 30, 2023.

The following table summarizes the Towns policy related to maturities and concentration of investments:

Investment Type	Maximum Maturity	Maximum Portfolio Percentage
US Treasury Obligations	5 years	None
US Agency Obligations	5 years	None
Bankers Acceptances	180 days	30%
Commercial Paper	270 days	25%
Medium Term Notes	5 years	30%
Collateralized CD's	5 years	30%
CA LAIF	NA	\$65 million
Money Market Funds	NA	20%

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

The following is a summary of the Town's Cash and Investments (stated at fair value) as of June 30, 2023:

Description	Available for Operations	Restricted	Total	Concentration of Credit Risk	Rating	Input Level	Time to Mature (Years)	Weighted Average Maturity
Government Bonds	17,124,763	-	17,124,763	27.35%	n/a	2	0-3	1.16
Government Agencies	15,611,400	-	15,611,400	24.93%	n/a	2	0-4	1.90
Corporate Bonds	13,042,387	-	13,042,387	20.83%	A3	2	0-3	1.54
Mutual Funds	56,542	-	56,542	0.09%	Not Rated	2	n/a	n/a
LAIF	16,775,794	-	16,775,794	26.79%	Not Rated	n/a	n/a	n/a
Total Investments	62,610,886	-	62,610,886	100.00%				
Cash Deposits with Banks	14,182,701	2,197,510	16,380,211					
Money Market Accounts	17,393	-	17,393					
Pension Trust	-	1,400,163	1,400,163					
Cash on Hand at Town	2,400	-	2,400					
Total Cash and Investments	76,813,380	3,597,673	80,411,053					

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted by Town debt or Agency agreements.

Description	Total Town	Fiduciary Funds	Totals
Cash and Investments Available for Operations	\$ 74,859,048	\$ 1,954,332	\$ 76,813,380
Restricted Cash and Investments	1,574,488	2,023,185	3,597,673
Total Cash and Investments	\$ 76,433,536	\$ 3,977,517	\$ 80,411,053

NOTE 3 - LONG-TERM NOTES RECEIVABLE

The Town had the following long-term notes receivable as of June 30, 2023:

Description	Interest Rate	Maturity	Balance
General Fund:			
Rehab Loan to Charities	Various	Various	\$ 159,000
BMP Loans	Various	Various	900,000
Total General Fund			1,059,000
Community Development Block Grant Fund (CDBG):			
Housing Conservation	0-5%	Various	78,752
Total CDBG			78,752
Total Long-Term Notes Receivable - Government-Wide Statement of Net Position			1,137,752
Successor Agency Affordable Housing:			
Project Match	Various	Various	622,082
Total Long-Term Notes Receivable			\$ 1,759,834

BMP Loans - The purpose of the Below Market Price (BMP) Housing Program is to provide adequate housing for Los Gatos residents, regardless of age, income, race, or ethnic background. As required by the State, the Town plans and facilitates the construction of housing adequate for future populations

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

consistent with environmental limitations and in a proper relationship to community facilities, open space, transportation, and small-town character.

Active Home Loans and Housing Conservation Loans - The Town used CDBG Funds (funded through federal grants) to assist low- and moderate-income homeowners to improve their homes and to fund low-income housing rental properties acquisition and rehabilitation. These loans are secured by deeds of trust.

Project Match - The Successor Agency has a loan agreement with Project Match, a nonprofit benefit corporation, to acquire and rehabilitate four- or five-bedroom single family homes. The property is to provide affordable housing rental to very low-income senior households. The loan receivable is evidenced by a promissory note and secured by a deed of trust. From inception of the loan through June 30, 2023, no interest or principal payments have been made.

NOTE 4 - LEASES RECEIVABLE

In March of 2021, the Town entered into a five-year lease with Tesla Motor Cars (Tesla) allowing Tesla to use Town property at the North Lot for charging stations. Under the lease, Tesla pays the Town \$96,000 per year during the term of the lease. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 2%. The outstanding balance on the lease at year end was \$241,506.

In January of 2010, the Town entered into a twenty-year lease with the Los Gatos Saratoga Recreation (LGS) allowing LGS to use the property at 123 East Main Street. Under the lease, LGS paid the Town \$19,950 per year at the beginning of the lease. After cumulative CPI adjustments, the payment in the final year of the lease will be \$30,216. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 6.6%. The outstanding balance on the lease at year end was \$148,858.

In January of 2010, the Town entered into a twenty-year lease with the Los Gatos Saratoga Recreation (LGS) allowing LGS to use the property at 208 East Main Street. Under the lease, LGS paid the Town \$90,000 per year at the beginning of the lease. After cumulative CPI adjustments, the payment in the final year of the lease will be \$243,435. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 6.6%. The outstanding balance on the lease at year end was \$1,199,297.

In December of 2022, the Town entered into a fifty-five-month lease with CineLux Theaters allowing CineLux Theaters to use the Los Gatos Theatre building. Under the lease, CineLux Theaters pays the Town up to \$120,000 per year during the term of the lease. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 5.99%. The outstanding balance on the lease at year end was \$319,957.

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

The following summarizes the leases as of June 30, 2023:

Description	Tesla		LGS 123 E. Main St		LGS 208 E. Main St	
	Lease Receivable	Deferred Inflows of Resources	Lease Receivable	Deferred Inflows of Resources	Lease Receivable	Deferred Inflows of Resources
Beginning Balance	\$ 331,696	\$ 327,100	\$ 165,056	\$ 96,396	\$ 1,329,665	\$ 732,916
Additions	-	-	-	-	-	-
Current Amortization	-	(91,284)	-	(12,997)	-	(98,820)
Current Principal Payments	(90,190)	-	(16,198)	-	(130,368)	-
Ending Balance	\$ 241,506	\$ 235,816	\$ 148,858	\$ 83,399	\$ 1,199,297	\$ 634,096

Description	Los Gatos Theatre		Totals	
	Lease Receivable	Deferred Inflows of Resources	Lease Receivable	Deferred Inflows of Resources
Beginning Balance	\$ -	\$ -	\$ 1,826,417	\$ 1,156,412
Additions	319,957	308,997	319,957	308,997
Current Amortization	-	(39,327)	-	(242,428)
Current Principal Payments	-	-	(236,756)	-
Ending Balance	\$ 319,957	\$ 269,670	\$ 1,909,618	\$ 1,222,981

NOTE 5 - INTERFUND TRANSACTIONS

Transfers - With Council approval resources may be transferred from one fund to another. Transfers routinely reimburse funds that have made an expenditure on behalf of another fund. Transfers may also be made to pay for capital projects or capital outlays, lease or debt service payments, operating expenses and low and moderate-income housing projects. Transfers between funds during the fiscal year ended June 30, 2023 were as follows:

Transfers Out			Transfers In		
Opinion Unit	Program Title	Amount	Opinion Unit	Program Title	Description
General Fund	Non-Departmental	\$ 3,006,978	Appropriated Reserves	GFAR	Adopted Budget Support
General Fund	Non-Departmental	463,572	Appropriated Reserves	Downtown Revitalization	Parklets
General Fund	Non-Departmental	243,325	Internal Service	Facilities	Rent Waivers
General Fund	Non-Departmental	2,900,000	Appropriated Reserves	GFAR	Capital projects
General Fund	Measure G Program	629,064	Appropriated Reserves	GFAR	Capital projects
Nonmajor	Blackwell District	460	General	Non-Departmental	Admin Support
Nonmajor	Kennedy Meadows	1,510	General	Non-Departmental	Admin Support
Nonmajor	Gemini Court	610	General	Non-Departmental	Admin Support
Nonmajor	Santa Rosa Heights	660	General	Non-Departmental	Admin Support
Nonmajor	Vasona Heights	1,430	General	Non-Departmental	Admin Support
Nonmajor	Hillbrook Drive	250	General	Non-Departmental	Admin Support
ARPA	ARPA	3,614,872	General	Patrol	Revenue loss, public safety
Appropriated Reserves	GFAR	102,000	General	Non-Departmental	Admin Support
Appropriated Reserves	GFAR	97,808	General	Town Engineering	Engineering Support
Appropriated Reserves	GFAR	217,808	General	PPW Admin	Engineering Support
Appropriated Reserves	Traffic Mitigation	10,000	General	Non-Departmental	Admin Support
Nonmajor	Gas Tax	106,000	General	Non-Departmental	Admin Support
Internal Service	Information Technology	700,000	Appropriated Reserves	GFAR	Ent. Res. Planning Software Update
Internal Service	Information Technology	33,000	Appropriated Reserves	ERP Upgrade	Ent. Res. Planning Software Update
Total Transfers		\$ 12,129,347			

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

Inter-fund Receivables and Payables - Amounts due to or due from other funds reflect inter-fund balances for services rendered or short-term loans expected to be repaid in the next fiscal year. Advances to or from other funds are long-term loans between funds that are to be repaid in their entirety over several years.

NOTE 6 - CAPITAL ASSETS

Changes in the Town's capital assets during the fiscal year are shown as follows:

	Balance at June 30, 2022	Additions	Retirements	Balance at June 30, 2023
Nondepreciable/Amortizable Capital Assets:				
Land	\$ 26,066,103	\$ -	\$ -	\$ 26,066,103
Construction in Progress	7,778,075	-	(264,927)	7,513,148
Total Nondepreciable/Amortizable	33,844,178	-	(264,927)	33,579,251
Depreciable/Amortizable Capital Assets:				
Subscription Right of Use Assets	-	915,860	-	915,860
Buildings and Improvements	39,613,623	313,377	(24,225)	39,902,775
Equipment & Vehicle	12,555,617	592,001	(195,324)	12,952,294
Infrastructure	108,726,852	7,958,361	(385,255)	116,299,958
Total Depreciable/Amortizable	160,896,092	9,779,599	(604,804)	170,070,887
Less Accumulated Depreciation/Amortization for:				
Subscription Right of Use Assets	-	202,422	-	202,422
Buildings and Improvements	10,131,701	924,468	-	11,056,169
Equipment & Vehicle	10,044,744	596,816	(151,960)	10,489,600
Infrastructure	46,793,259	2,428,915	-	49,222,174
Total Accumulated Depreciation/Amortization	66,969,704	4,152,621	(151,960)	70,970,365
Net Depreciable/Amortizable Capital Assets	93,926,388	5,626,978	(452,844)	99,100,522
Capital Assets, Net	\$ 127,770,566	\$ 5,626,978	\$ (717,771)	\$ 132,679,773

Depreciation/amortization expense is charged to functions and programs based on their usage of the related assets. The amount allocated to each function or program is as follows:

Governmental Activities	Depreciation/ Amortization Expense
General Government	\$ 473,698
Public Safety	498,187
Parks & Public Works	2,704,539
Community Development	76,379
Library	398,642
Sanitation	1,176
Total Governmental Activities	<u>\$ 4,152,621</u>

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

Changes in the RDA Successor Agency trust fund capital assets during the fiscal year are shown as follows:

	Balance at June 30, 2022	Adjustments and Additions	Retirements	Balance at June 30, 2023
Depreciable/Amortizable Capital Assets:				
Buildings and Improvements	\$ 4,067,708	\$ -	\$ -	\$ 4,067,708
Less Accumulated Depreciation/Amortization for:				
Buildings and Improvements	2,847,392	101,693	-	2,949,085
Net Depreciable/Amortizable Capital Assets	1,220,316	(101,693)	-	1,118,623
Capital Assets, Net	\$ 1,220,316	\$ (101,693)	\$ -	\$ 1,118,623

NOTE 7 - LONG-TERM OBLIGATIONS

The Town generally incurs long-term debt to finance projects or purchase assets, which will have useful lives equal to or greater than the related debt.

The following summarizes the changes in long-term debt in the Town during the fiscal year ended June 30, 2023:

Long-Term Debt	Interest Rate	Maturity Date	Original Issue	Beginning Balance	Additions/ Adjustments	Deletions	Ending Balance
Direct Borrowings:							
PG& Loan	0%	2031	\$ 1,560,336	\$ 1,352,291	\$ -	\$ 156,034	\$ 1,196,257
Due Within One Year							156,034
Due in More Than One Year							<u>\$ 1,040,223</u>

Future debt service requirements of the PG&E loan were as follows:

For the Year Ending June 30,	Principal	Interest	Total
2024	\$ 156,034	\$ -	\$ 156,034
2025	156,034	-	156,034
2026	156,034	-	156,034
2027	156,034	-	156,034
2028	156,034	-	156,034
2029-2033	416,087	-	416,087
Total Debt Service	<u>\$ 1,196,257</u>	<u>\$ -</u>	<u>\$ 1,196,257</u>

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

The following summarizes the changes in long-term debt in the Successor Agency trust fund during the fiscal year ended June 30, 2023:

Long-Term Debt	Interest Rate	Maturity Date	Original Issue	Beginning Balance	Deletions	Ending Balance
2002 COP	2.5-5%	2031	\$ 10,725,000	\$ 5,280,000	\$ 420,000	\$ 4,860,000
2010 COP	2.5-4.25%	2028	15,675,000	7,505,000	935,000	6,570,000
Subtotal COP's			26,400,000	12,785,000	1,355,000	11,430,000
Premiums			753,095	301,235	37,655	263,580
Total Long-Term Debt			<u>\$ 27,153,095</u>	<u>\$ 13,086,235</u>	<u>\$ 1,392,655</u>	<u>\$ 11,693,580</u>
Due Within One Year						1,415,000
Due in More Than One Year						<u>\$ 10,278,580</u>

2002 Certificates of Participation (2002 COPs) - On July 18, 2002, the Town and the Los Gatos Redevelopment Agency issued \$10,725,000 in 2002 COPs, Series A, to finance the acquisition, construction, rehabilitation, equipping, and improvement of several capital improvement projects. The Town had pledged lease payments of real property and facilities comprised of the Parks and Public Works Service Center and Baseball Field, as well as Parking Lot No. 1, 2, and 3, as collateral for the repayment of the Certificates. Principal payments are due annually on August 1st, with interest payments due semi-annually on February 1st and August 1st.

2010 Certificates of Participation (2010 COPs) - On June 1, 2010, \$15,675,000 of 2010 COPs were issued to finance the acquisition, construction, and improvement of a library on the Town's Civic Center campus, to be owned and operated by the Town. Principal payments are due annually on August 1, with interest payments due semi-annually on February 1 and August 1.

To assist the Town in paying the cost of acquisition and construction of various projects, the Town and its Redevelopment Agency entered into lease and reimbursement agreements in 2002 and 2010. Under the agreements, the Agency will use available net tax increment revenues resulting from the projects' effect on land values to repay the Town for all lease payments made by the Town to the Agency under the lease agreements for the projects. Net tax increment revenues are all taxes allocated to and paid into the Successor Agency private-purpose trust fund.

Future debt service requirements of the Certificates of Participation were as follows:

For the Year Ending June 30,	Principal	Interest	Total
2024	\$ 1,415,000	\$ 479,550	\$ 1,894,550
2025	1,485,000	417,300	1,902,300
2026	1,550,000	351,850	1,901,850
2027	1,625,000	283,375	1,908,375
2028	1,705,000	210,819	1,915,819
2029-2033	3,650,000	275,656	3,925,656
Total Debt Service	<u>\$ 11,430,000</u>	<u>\$ 2,018,550</u>	<u>\$ 13,448,550</u>

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

The Successor Agency must maintain a required amount of cash and investments with the trustee under the terms of the COPs issues. These funds are pledged as reserves to be used if the Successor Agency fails to meet its obligations under the COPs issue and totaled \$2,023,185 as of June 30, 2023. The California Government Code requires these funds to be invested in accordance with Town ordinance, bond indentures or State statutes. All these funds have been invested as permitted under the Code.

NOTE 8 - SUBSCRIPTION-BASED INFORMATION TECHNOLOGY AGREEMENTS

The following summarizes the terms of the Town's subscription-based information technology agreements as of June 30, 2023:

Terms	Accela	Microsoft
Start	7/1/2021	7/1/2022
End	6/30/2026	7/1/2025
Annual Rate	4.66%	4.92%
Prepayments	\$ 227,179	\$ -
Implementation Cost	\$ 35,000	\$ -
Principal Paid	\$ -	\$ 58,747
Interest Paid	\$ 15,957	\$ 13,264
Lease Amortization	\$ 149,337	\$ 53,085

The following summarizes the Town's subscription right of use assets as of June 30, 2023:

Subscription Right of Use Assets	Accela	Microsoft	Total
Beginning	\$ -	\$ -	\$ -
Additions	597,350	318,510	915,860
Deletions	-	-	-
Ending	597,350	318,510	915,860
Accumulated Amortization	(149,337)	(53,085)	(202,422)
Subscription ROA, Net	<u>\$ 448,013</u>	<u>\$ 265,425</u>	<u>\$ 713,438</u>

The following summarizes the Town's subscription liabilities as of June 30, 2023:

Subscription Liabilities	Accela	Microsoft	Total
Beginning	\$ -	\$ -	\$ -
Additions	335,172	318,509	653,681
Deletions	-	(58,747)	(58,747)
Ending	335,172	259,762	594,934
Due Within One Year	102,174	46,980	149,154
Due in More Than One Year	<u>\$ 232,998</u>	<u>\$ 212,782</u>	<u>\$ 445,780</u>

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

NOTE 9 - SPECIAL ASSESSMENT DISTRICT DEBT WITHOUT COMMITMENT

Special assessment districts are established in various parts of the Town to provide improvements to properties located in those districts. Properties are assessed for the cost of the improvements. These assessments are payable over the term of the debt issued to finance the improvements and are used to pay debt service on debt issued to fund the improvements. The Town is acting only as an agent and has no legal liability with respect to the payment of any indebtedness of the Downtown Parking Assessment District. There was no non-obligated debt outstanding as of June 30, 2023.

NOTE 10 - FUND BALANCES

Fund balance for governmental funds is reported in classifications (nonspendable, restricted, committed, assigned, and unassigned) that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. As of June 30, 2023, fund balances were classified as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Nonspendable				
Loans Receivable	\$ 159,000	\$ -	\$ -	\$ 159,000
Leases	-	146,167	(90,190)	55,977
Total Nonspendable	<u>159,000</u>	<u>146,167</u>	<u>(90,190)</u>	<u>214,977</u>
Restricted:				
Library	555,253	86,459	(111,538)	530,174
Capital projects	8,357,393	1,971,621	(2,000,442)	8,328,572
Land held for resale	-	344,338	-	344,338
Repairs and maintenance	174,239	41,219	(38,492)	176,966
Pensions	690,000	711,618	(1,455)	1,400,163
VTA	296,598	596,607	(398,379)	494,826
Total Restricted	<u>10,073,483</u>	<u>3,751,862</u>	<u>(2,550,306)</u>	<u>11,275,039</u>
Committed:				
Budget stabilization and catastrophes	5,991,566	138,208	-	6,129,774
Catastrophic	5,991,566	138,209	-	6,129,775
Pension/OPEB Reserve	300,000	-	-	300,000
Measure G 2018 District Sales Tax - Residual	-	590,581	-	590,581
Measure G 2018 District Sales Tax - Capital	-	1,769,057	-	1,769,057
Special revenue funds	637,711	382,382	(198,893)	821,200
Total Committed	<u>12,920,843</u>	<u>3,018,437</u>	<u>(198,893)</u>	<u>15,740,387</u>
Assigned:				
Open Space	562,000	-	-	562,000
Parking	100,000	-	-	100,000
Sustainability	140,553	-	-	140,553
Capital/Special projects	24,713,386	14,231,906	(9,707,263)	29,238,029
Carryover encumbrances	33,145	4,553	-	37,698
Comcast PEG	50,000	-	-	50,000
ERAF Risk	-	2,298,692	(1,609,084)	689,608
Economic recovery	-	1,556,614	-	1,556,614
Compensated Absences	1,519,147	61,476	-	1,580,623
Measure G 2018 District Sales Tax - Residual	590,581	-	(590,581)	-
Total Assigned	<u>27,708,812</u>	<u>18,153,241</u>	<u>(11,906,928)</u>	<u>33,955,125</u>
Total Fund Balance - Gov't Funds	<u>\$ 50,862,138</u>	<u>\$ 25,069,707</u>	<u>\$ (14,746,317)</u>	<u>\$ 61,185,528</u>

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

Nonspendable

Loans receivable nonspendable fund balance reflects long-term loans that are offset by unearned and deferred amounts.

Leases nonspendable fund balance reflects leases receivable that are offset by unearned and deferred amounts.

Restricted

Library reflects fund balance from donations and bequests held in trust for the benefit of the Town's library.

Capital Outlay funded from storm drain fees, construction taxes and debt proceeds are legally restricted for major capital projects.

Repairs and Maintenance reflects legally restricted balances for repairs and maintenance of lighting and landscape property and open space property that are financed with special tax assessments on the benefiting property.

Pension restricted are amounts paid into a separate legal trust for the Town's Miscellaneous and Safety pension plans administered by CALPERS.

VTa are funds provided by the Valley Transportation Authority's Measure B restricted for the pavement/crack seal rehabilitation project.

Committed

Budget Stabilization and Catastrophic fund balance has been committed per Town Council resolution. The Town Council has established by resolution the budget stabilization arrangement and the catastrophe arrangement. The total balances in these arrangements are to be maintained at 25% of annual General Fund ongoing, operating expenditures, excluding one-time expenditures, divided equally between both arrangements. When either arrangement is used, Town Council will develop a 1 to 5-year reserve replenishment plan to meet the minimum threshold of 25% of General Fund ongoing, operating expenditures, excluding onetime expenditures.

The arrangements can be used when:

- Unforeseen emergencies, such as a disaster or catastrophic event occur.
- Significant decrease in property or sales tax, or other economically sensitive revenues.
- Loss of businesses considered to be significant sales tax generators.
- Reductions in revenue due to actions by the state /federal government.
- Workflow/technical system improvements to reduce ongoing personnel costs and enhance customer service.
- One-time maintenance of service levels due to significant economic budget constraints
- One-time transitional costs associated with organizational restructuring to secure long-term personnel cost savings.

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

Should any of the events listed above occur that require the expenditure of Town resources beyond those provided for in the annual budget, the Town Manager or designee shall have authority to approve catastrophic or budget stabilization arrangement appropriations. The Town Manager or designee shall then present to the Town Council a budget amendment confirming the nature of the event and authorizing the appropriation of reserve funds.

Pension/OPEB Reserve committed fund balance will be used to fund net pension liabilities for the Town's Miscellaneous and Safety pension plans administered by CALPERS. Town policy provides, to the extent possible, that additional annual deposits be calculated committed with the goal of moving the payment of the unfunded pension liability from a 29-year to a 20-year amortization period.

Special Revenue Fund committed fund balance will be used for the activities of the respective special revenue funds.

Assigned

Open Space assigned fund balance will be used to make selective open space acquisitions.

Parking assigned fund balance will be used to mitigate parking issues within the Town.

Sustainability assigned fund balance will be used to fund ongoing sustainability initiatives and programs.

Capital/Special Projects assigned fund balance will be used for the acquisition and construction of capital facilities as well as special projects or activities as directed by the Town Council.

Carryover Encumbrances assigned fund balance are unspent commitments carried through to future periods.

Comcast PEG assigned fund balance will be used to fund capital improvements linked to the televising of Council and Planning Commission meetings.

Education Realignment Augmentation Fund (ERAF) assigned fund balance has been established to set-aside thirty percent of the anticipated ERAF proceeds from FY 2022/23 until a lawsuit between the State and the School Districts concludes.

Economic Recovery assigned fund balance has been established, after utilizing ARPA replacement revenues, to account for General Fund revenues set-aside for essential government services, economic recovery and business support, enhanced senior services, capital program augmentations, and other one-time uses.

Compensated Absences assigned fund balance will be used for vacation and sick-pay benefits owed to employees as of June 30, 2023 that were not an obligation of the General Fund because of their long-term nature.

Measure G 2018 District Sales Tax assigned fund balances for operational and capital will be used to track receipt and use of the 1/8 cents District tax funds collected by the Town for operational and capital expenditures.

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

NOTE 11 - EMPLOYEES' RETIREMENT PLAN

The following summarizes the pension balances as of year-end:

	Defined Benefit Plans		Total
	Misc	Safety	
Deferred outflows of resources	\$ 10,459,160	\$ 14,761,072	\$ 25,220,232
Deferred inflows of resources	\$ 160,064	\$ 2,966,647	\$ 3,126,711
Net pension liabilities	\$ 28,131,979	\$ 31,734,686	\$ 59,866,665
Pension expense (credit)	\$ 4,239,084	\$ 1,630,960	\$ 5,870,044

Plan Descriptions

All qualified employees are eligible to participate in the Town's pooled Safety Plan, a cost-sharing multiple-employer defined benefit pension plan and the Town's Miscellaneous (all other) Plan, an agent Multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and Town resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. Audited financial statements of CalPERS can be obtained from its website <https://www.calpers.ca.gov/page/formspublications>. The Town relies upon actuarial and investment data provided by CalPERS for inclusion and analysis in this report.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for nonduty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, Lump Sum, or the 1959 Survivor Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2023, are summarized as follows:

	Miscellaneous			Safety (Police)	
	Tier 1	Tier 2	PEPRA	Tier 1	PEPRA
Benefit formula	2.5% @ 55	2% @ 60	2% @ 62	3.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 Years	5 Years	5 Years	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life	Monthly for Life	Monthly for Life	Monthly for Life
Retirement age	55	60	62	50	57
Monthly benefits as a					
% of eligible compensation	2.0% to 2.5%	1% to 2.5%	1.5% to 2.5%	3.00%	2-2.70%
Required employee contribution rates	8.00%	7% to 8%	7.25%	9.000%	13.75%
Required employer contribution rates	10.20%	10.20%	14.43%	25.64%	13.66%
Required payment of unfunded liability	\$2,515,583	\$2,515,583	\$2,515,583	\$2,317,133	\$19,258

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

Employees Covered

At June 30, 2023, the following employees were covered by the benefit terms for the Plans:

	Miscellaneous	Safety
Active	119	37
Transferred	101	13
Separated	91	3
Retired	255	88
Total	566	141

Contributions

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

For the year ended June 30, 2023, pension expense for each Plan was as follows:

	Miscellaneous	Safety
Contributions - employer	\$ 3,687,213	\$ 3,409,275

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

As of June 30, 2023, the Town reported net pension liabilities for each plan as follows:

	Proportionate Share of Net Pension Liability/(Asset)
Miscellaneous	\$ 28,131,979
Safety	31,734,686
Total	\$ 59,866,665

The Town's net pension liability for the Safety Plan is measured as the proportionate share of the net pension liability while the Miscellaneous plan's net pension liability is a direct calculation based on its actuarial study and is not proportionate. The net pension liability of all the Plans are measured as of June 30, 2022, and the total pension liability for the Plans used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. The Town's proportion of the net pension liability for the Safety Plan was based on a projection of the Town's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

determined. The Town's proportionate share of the net pension liability for the Safety Plan as of June 30, 2022 and 2023 was as follows:

	Safety
Proportion - June 30, 2022	0.47764%
Proportion - June 30, 2023	0.46183%
Change - Increase/(Decrease)	-0.01581%

For the year ended June 30, 2023, the Town recognized a pension expense of \$5,870,044.

The following is a summary of the changes in the total pension liability, fiduciary net position and net pension liability of the Town's Miscellaneous Plan as of June 30, 2023:

	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Beginning Balance	\$ 116,901,393	\$ 106,177,804	\$ 10,723,589
Service Costs	2,264,169	-	2,264,169
Interest on Total Pension Liability	8,142,881	-	8,142,881
Changes of Assumptions	3,399,004	-	3,399,004
Difference Between Actual and Expected Experience	(108,166)	-	(108,166)
Employer Contributions	-	3,472,727	(3,472,727)
Employee Contributions	-	871,063	(871,063)
Net Investment Income	-	(7,988,150)	7,988,150
Employee Contribution Refunds and Benefit Payments	(6,623,114)	(6,623,114)	-
Administrative Expenses	-	(66,142)	66,142
Net Changes	7,074,774	(10,333,616)	17,408,390
Ending Balance	\$ 123,976,167	\$ 95,844,188	\$ 28,131,979

At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous		Safety	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 1,982,752	\$ -	\$ 3,199,817	\$ -
Differences between Expected and Actual Experience	-	160,064	1,313,383	344,614
Differences between Projected and Actual Investment Earnings	4,789,195	-	5,011,351	-
Differences between Employer's Contributions and Proportionate Share of Contributions	-	-	-	2,622,034
Change in Employer's Proportion	-	-	1,827,246	-
Pension Contributions Made Subsequent to Measurement Date	3,687,213	-	3,409,275	-
Total	\$ 10,459,160	\$ 160,064	\$ 14,761,072	\$ 2,966,647

The Town reported \$7,096,488 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

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

Fiscal Year Ending June 30:	Deferred Outflows/(Inflows) of Resources		
	Miscellaneous	Safety	Total
2024	\$ 2,018,125	\$ 2,351,878	\$ 4,370,003
2025	1,211,056	1,908,394	3,119,450
2026	336,478	1,067,890	1,404,368
2027	3,046,224	3,056,988	6,103,212
2028	-	-	-
Thereafter	-	-	-
Total	\$ 6,611,883	\$ 8,385,150	\$ 14,997,033

Actuarial Assumptions

The total pension liabilities in the June 30, 2021 actuarial valuations were determined using the following actuarial assumptions:

	<u>Safety</u>	<u>Miscellaneous</u>
Valuation Date	June 30, 2021	June 30, 2021
Measurement Date	June 30, 2022	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	6.90%	6.90%
Inflation	2.50%	2.50%
Payroll Growth	2.75%	2.75%
Projected Salary Increase	(1)	(1)
Investment Rate of Return	6.9% (2)	6.9% (2)
Mortality	(3)	(3)

- (1) Varies by entry age and service
- (2) Net of pension plan investment expenses, including inflation
- (3) Derived using CalPERS' membership data for all funds

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2021 valuation are based on CalPERS experience studies which can found on the CalPERS website.

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

Discount Rate

The discount rate used to measure the total pension liability was 6.9 percent for the Plans. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plans, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 6.9 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 6.9 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

Long-Term Expected Rate of Return

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class (a)	Assumed Asset Allocation	Long-Term Expected Real Return (1)(2)
Global Equity Cap Weighted	30.00%	4.45%
Global Equity NonCap Weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
Total	100.00%	

(1) An expected inflation of 2.3% used for this period.

(2) Figures are based on the 2021-22 Asset Liability Study.

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

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

The following presents the Town's net pension liability for the Plans, calculated using the discount rate for the Plans, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Miscellaneous</u>	<u>Safety</u>
1% Decrease	5.90%	5.90%
Net Pension Liability	\$ 44,383,072	47,026,609
Current	6.90%	6.90%
Net Pension Liability	\$ 28,131,979	31,734,686
1% Increase	7.90%	7.90%
Net Pension Liability	\$ 14,764,600	19,236,994

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plans

As of June 30, 2023, the Town reported a payable of \$21,030 and \$24,723 for the outstanding amount of contributions to the Miscellaneous Agent Multiple Employer Plan and the Safety Cost Sharing Plan.

IRS Section 115 Trust

During the fiscal year ending June 30, 2020, the Town established an IRS Section 115 Trust with the CalPERS California Employer' Pension Prefunding Trust (CEPPT) program. In fiscal year 2023, the Town reported \$1,400,163 as restricted cash with fiscal agent within the General Fund. Per GASB, amounts placed in trusts for CalPERS plans are treated as side trusts that do not directly reduce the net pension liability.

NOTE 12 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Town makes contributions to California Employer's Retiree Benefit Trust (CERBT), an agent multiple-employer defined benefit healthcare plan administered by CalPERS. The purpose of the CERBT Fund is to provide California government employers with a trust through which they may prefund retiree medical costs and Other Postemployment Benefits (OPEB). The Town uses CERBT 1 as its investment vehicle and requests disbursements on an as needed basis to reimburse the Town for the cost of retiree health insurance benefits. Benefit provisions and all other requirements are established by state statute and Town ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office, 400 P Street, Sacramento, CA 95814.

In accordance with the Public Employees' Medical and Hospital Care Act (PEMHCA), employees qualify for retiree health benefits upon five (5) years of service if they meet the vesting requirements as

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

set forth by CalPERS and take a service or disability retirement from Town employment. Additionally, the employee must actually draw a CalPERS pension within ninety (90) days of separation from the Town, provided the employee remains with the Town's health plan through COBRA. For employees who retire on or after February 1, 2016, at Medicare eligibility, the Town will align contributions to the full cost of the employee's enrollment, including enrollment of family members, in a health benefits plan or plans up to a maximum of 100% Single Party and 90% Dependents for Kaiser Bay Area Basic/Medicare/Combo per month. During negotiations in fiscal year 2018/19, the Town's discretionary retiree medical benefit contribution was eliminated for all future hires.

Upon retirement, employees have the option to roll over their sick leave accrual into a Town managed fund. Employees can request reimbursement of medical expenses from the fund up to the value of their sick leave at retirement.

Employees Covered by Benefit Terms

At June 30, 2023 (the measurement date), the benefit terms covered the following employees:

Active employees	148
Inactive employees - receiving benefits	149
Inactive employees - not receiving benefits	43
Total employees	340

Contributions

The contribution requirements of Plan members and the Town are established and may be amended by the Town. The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined annually by the Town Council. For the fiscal year ended June 30, 2023, the Town contributed \$1,733,337 from the General Fund. During the measurement period ended June 30, 2022, the Town contributed \$1,754,922 to the Plan and benefit payments were \$1,591,150. Plan members receiving benefits contributed did not make any contributions.

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

Actuarial Assumptions

The following summarized the actuarial assumptions for the OPEB plan included in this fiscal year:

Valuation Date:	June 30, 2021
Measurement Date:	June 30, 2022
Actuarial Cost Method:	Entry-Age Normal
Amortization Period:	16 year fixed period for 2022/23
Asset Valuation Method:	Level percentage of payroll, closed
Actuarial Assumptions:	
Discount Rate	6.25%
Inflation	2.50%
Salary Increases	2.75%
Investment Rate of Return	6.25%
Healthcare Trend Rate	Non-Medicare - 6.50% for 2023, decreasing to an ultimate rate of 3.75% in 2076 Medicare (Non-Kaiser) - 5.65% for 2023, decreasing to an ultimate rate of 3.75% in 2076 Medicare (Kaiser) - 4.60% for 2023, decreasing to an ultimate rate of 3.75% in 2076
Mortality	CalPERS 2000-2019 Experience Study Mortality projected fully generational with Scale MP-2021
Retirement	CalPERS 2000-2019 Experience Study Tier 1 Actives in insurance program: 100% Tier 1 Actives in cash allocation program: 80% Tier 2 Actives in insurance program: 60% Tier 2 Actives in cash allocation program: Agency service < 3 months: 60% Agency service >= 3 months: 40% Waived retirees aged <65: 20% Waived retirees aged ≥65: 0%

Assumption Changes:

None

Discount Rate

The discount rate used to measure the total OPEB liability was 6.25 percent. The projection of cash flows used to determine the discount rate assumed that Town contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

Net OPEB Liability

The Town's net OPEB liability was measured as of June 30, 2022 (measurement date) and was determined by an actuarial valuation as of June 30, 2022 (valuation date) for the fiscal year ended June 30, 2023 (reporting date).

Changes in the Net OPEB Liability

The following summarizes the changes in the net OPEB liability during the year ended June 30, 2023:

Fiscal Year Ended June 30, 2023 (Measurement Date June 30, 2022)	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2022	\$ 28,720,003	\$ 26,228,423	\$ 2,491,580
Service cost	955,115	-	955,115
Interest in Total OPEB Liability	1,804,972	-	1,804,972
Employer contributions	-	1,754,922	(1,754,922)
Net investment income	-	(3,510,434)	3,510,434
Administrative expenses	-	(21,454)	21,454
Benefit payments	(1,591,150)	(1,591,150)	-
Net changes	1,168,937	(3,368,116)	4,537,053
Balance at June 30, 2023	\$ 29,888,940	\$ 22,860,307	\$ 7,028,633
Covered Employee Payroll	\$ 16,987,042		
Total OPEB Liability as a % of Covered Employee Payroll	175.95%		
Plan Fid. Net Position as a % of Total OPEB Liability	76.48%		
Service Cost as a % of Covered Employee Payroll	5.62%		
Net OPEB Liability as a % of Covered Employee Payroll	41.38%		
Contributions as a % of Cov. Emp. Payroll	10.33%		

Deferred Inflows and Outflows of Resources

At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ -	\$ 1,729,077
Difference between actual and expected earnings	1,869,601	-
Change in assumptions	703,092	388,845
OPEB contribution subsequent to measurement date	1,733,337	-
Totals	\$ 4,306,030	\$ 2,117,922

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

Of the total amount reported as deferred outflows of resources related to OPEB, \$1,733,337 were the result of Town contributions subsequent to the measurement date and before the end of the fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	
2024	\$ (95,837)
2025	(104,501)
2026	(130,350)
2027	785,459
2028	-
Thereafter	-
Total	\$ 454,771

Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the table below.

Asset Class	Percentage of Portfolio	Long-Term Expected Rate of Return
Global Equity	49.00%	4.56%
Fixed Income	23.00%	1.56%
TIPS	5.00%	-0.08%
Commodities	3.00%	1.22%
REITs	20.00%	4.06%
Total	100.00%	

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

OPEB Expense

The following summarizes the OPEB expense by source during the year ended June 30, 2023:

Service cost	\$ 955,115
Interest in TOL	1,804,972
Expected investment income	(1,639,254)
Difference between actual and expected experience	(445,555)
Difference between actual and expected earnings	297,921
Change in assumptions	18,738
Administrative expenses	21,454
OPEB Expense	<u>\$ 1,013,391</u>

The following summarizes changes in the net OPEB liability as reconciled to OPEB expense during the year ended June 30, 2023:

Net OPEB liability ending	\$ 7,028,633
Net OPEB liability beginning	(2,491,580)
Change in net OPEB liability	4,537,053
Changes in deferred outflows	(1,693,828)
Changes in deferred inflows	(3,584,756)
Employer contributions and implicit subsidy	1,754,922
OPEB Expense	<u>\$ 1,013,391</u>

Sensitivity to Changes in the Discount Rate

The net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher, is as follows:

	Discount Rate		
	(1% Decrease)	6.25%	(1% Increase)
Net OPEB Liability (Asset)	\$ 10,608,076	\$ 7,028,633	\$ 4,038,280

Sensitivity to Changes in the Healthcare Cost Trend Rates

The net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than current healthcare cost trend rates, is as follows:

	Trend Rate		
	(1% Decrease)	Current	(1% Increase)
Net OPEB Liability (Asset)	\$ 4,445,533	\$ 7,028,633	\$ 9,938,167

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

NOTE 13 - RISK MANAGEMENT

The Town participates in the following public entity risk pools through formally organized and separate legal entities. The Town does not have an equity interest in the joint ventures. These entities exercise full powers and authority within the scope of the related agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Obligations and liabilities of the separate entities are not those of the Town, although the Town retains an ongoing financial interest or an ongoing financial responsibility.

Pooled Liability Assurance Network Joint Powers Authority (PLAN JPA)

The Town participates in PLAN, which covers general liability claims in the amount up to \$5,000,000 plus \$25,000,000 in excess liability for total coverage of \$30,000,000 per occurrence. The Town has a deductible or uninsured liability of up to \$50,000 per claim. PLAN also provides all risk property coverage of \$1,000,000,000, excluding flood and earthquake coverage. The Town has a \$5,000 deductible for property and vehicle damage. Once the Town's deductible is met, PLAN becomes responsible for payment of all claims up to the limit. Financial statements may be obtained from PLAN at 1750 Creekside Drive, Suite 200, Sacramento, CA, 95833.

Local Agency Workers' Compensation Joint Powers Authority (LAWCX)

The Town is a member of LAWCX for workers compensation claims coverage. The Town has a \$250,000 self-insured retention level or uninsured liability for all employees. Once the Town's deductible is met, LAWCX becomes responsible for claims up to \$5,000,000. For claims greater than \$5,000,000, LAWCX has a commercial policy providing coverage. Financial statements may be obtained from LAWCX at 1750 Creekside Oaks Dr., Suite 200, Sacramento, California, 95833. The Town has not significantly reduced its insurance coverage from the prior year and settlements have not exceeded insurance coverage for the past three years.

Liability for Uninsured Claims

The Town is required to record its liability for uninsured claims and to reflect the current portion of this liability as an expenditure in its financial statements. As discussed above, the Town has coverage for such claims, but it has retained the risk for the deductibles, or uninsured portion of these claims. The change in Workers' Compensation and Self-Insurance Service Funds' claims liabilities, is based on historical trend information provided by its third party administrator and was computed as follows as of June 30, 2023:

	Workers' Compensation Internal Service Fund	Self- Insurance Internal Service Fund	Total
Claims payable balance - June 30, 2021	\$ 1,495,482	\$ 200,590	\$ 1,696,072
Claims incurred	-	(119,883)	(119,883)
Claims paid	(130,924)	(61,150)	(192,074)
Claims payable balance - June 30, 2022	1,364,558	19,557	1,384,115
Claims incurred/adjustments	1,731,577	224,382	1,955,959
Claims paid	(1,127,156)	(86,210)	(1,213,366)
Claims payable balance - June 30, 2023	\$ 1,968,979	\$ 157,729	\$ 2,126,708

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Federal and State Grants - The Town participates in several federal and state grant programs. These are subject to examination by grantors and the amount, if any, of disallowed expenditures cannot be determined at this time. The Town expects such amounts, if any, to be immaterial.

Litigation - The Town is subject to litigation arising from the normal course of business. The Town Attorney believes there is no pending litigation which is likely to have a material adverse effect on the financial position of the Town.

Successor Agency - As of June 30, 2023, the Successor Agency trust fund reported a net deficit of \$6,187,788.

Encumbrances - As of June 30, 2023, the town had the following encumbered balances that were carried into the next fiscal year:

General Fund	\$ 797,302
Appropriated Reserves Fund	5,526,443
Nonmajor Governmental Funds	1,476,257
Internal Service Funds	125,253
Total Encumbrances	<u>\$ 7,925,255</u>

NOTE 15 - TOWN/SUCCESSOR AGENCY GRANTS, COOPERATIVE AGREEMENTS

Public Improvement Grants and Cooperative Agreements

In January of 2011, the Redevelopment Agency entered into a public improvement grant and cooperative agreement with the Town for the purpose of funding the acquisition of public land and designing and constructing various public improvements to be owned by the Town provided that the projects were in accordance with the Redevelopment Agency's five year implementation plan and redevelopment plan.

The improvement plan, as identified in the agreement, called for approximately \$24 million to be granted to the Town for the following projects:

- a. Expansion and improvement of current and new downtown parking
- b. Highway 9 improvements from Highway 17 to Monte Sereno
- c. Almond Grove Area street, sidewalk and other improvements
- d. Downtown Los Gatos gateways, signage, banners and art
- e. Storm drain, retaining wall, street and other improvements
- f. New Los Gatos library building

During the fiscal year ended June 30, 2012, the rights and obligations resulting from this cooperative agreement were transferred to the Successor Agency Trust Fund as a part of the Town's dissolution of its Redevelopment Agency.

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

Affordable Housing Cooperative Agreement

In March of 2011, the Redevelopment Agency entered into an affordable housing cooperative agreement with the Town for the purpose of funding affordable housing projects and programs to be developed and/or administered by the Town in accordance with the Redevelopment Agency's five year implementation plan and redevelopment plan. The improvement plan, as identified in the agreement, called for approximately \$16 million to be granted to the Town for the following projects:

- a. Development of affordable housing at 224 Main St.
- b. Development of affordable housing at Dittos Lane
- c. Partnership with Senior Housing Solutions for the creation of senior housing in Los Gatos
- d. Partnerships for the conversion of existing residential developments dedicated to affordable housing
- e. Grants to the Santa Clara County Housing Trust for the development of affordable housing.

During the fiscal year ended June 30, 2012, the rights and obligations resulting from this cooperative agreement were transferred to the Successor Agency Trust Fund as a part of the Town's dissolution of its Redevelopment Agency.

NOTE 16 - COVID19 PANDEMIC PROGRAMS

On March 11, 2021, the American Rescue Plan Act (ARPA) was signed into law by President Biden. The \$1.9 trillion package (the Act) provided financial aid to families, governments, businesses, schools, nonprofits and others impacted by the COVID19 public health crisis. Of the \$1.9 trillion, \$350 billion was directed toward state and local governments. All 19,000 municipal governments are entitled to a direct, noncompetitive federal formula grant from the U.S. Treasury Department. The portion allocated to cities, towns, and villages totals \$65.1 billion of which \$19.5 billion is obligated toward cities with less than 50,000 residents. The Act has allocated \$7,229,744 to the Town over a two-year period. The first tranche payment of \$3,614,862 was received on July 13, 2021, and the second payment was received on July 21, 2022. Section 603. Coronavirus Local Fiscal Recovery Fund of the Act identified four eligible uses for funding, as follows:

- A. to respond to the public health emergency with respect to the Coronavirus Disease 2019 (COVID19) or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality;
- B. to respond to workers performing essential work during the COVID19 public health emergency by providing premium pay to eligible workers of the metropolitan city, nonentitlement unit of local government, or county that are performing such essential work, or by providing grants to eligible employers that have eligible workers who perform essential work;
- C. for the provision of government services to the extent of the reduction in revenue of such metropolitan city, nonentitlement unit of local government, or county due to the COVID19 public health emergency relative to revenues collected in the most recent full fiscal year of the metropolitan city, nonentitlement unit of local government, or county prior to the emergency; or
- D. to make necessary investments in water, sewer, or broadband infrastructure.

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

Item 1.

During the fiscal year ended June 30, 2023, the Town recognized \$3,614,872 as operating grant revenue in the ARPA special revenue fund and transferred \$3,614,872 to other funds, reimbursing the Town for qualifying expenditures under the provisions of the Act.

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Required Supplementary Information

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ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

BENEFIT PLAN SCHEDULES

Schedule of Pension Plan Contributions

Schedule of Proportionate Share of Net Pension Liability – CalPERS Safety Cost Sharing Plan

Schedule of Proportionate Share of Net Pension Liability – CalPERS Misc. Agent-Multiple Employer Plan

Schedule of OPEB Contribution

Schedule of Changes in Net OPEB Liability

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ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2023

SCHEDULE OF PENSION PLAN CONTRIBUTIONS

Miscellaneous Agent Multiple-Employer Plan

Plan Measurement Date	2014	2015	2016	2017	2018	2019	2020	2021	2022
Fiscal Year Ended	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually Required Contributions	\$ 1,941,765	\$ 2,223,782	\$ 2,407,496	\$ 2,669,133	\$ 3,049,748	\$ 3,366,304	\$ 3,529,373	\$ 3,472,727	\$ 3,687,213
Contributions in Relation to Contractually Required Contributions	1,941,765	2,223,782	2,407,496	2,669,133	3,049,748	8,146,791	9,160,680	3,472,727	3,687,213
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (4,780,487)	\$ (5,631,307)	\$ -	\$ -
Covered Payroll	\$ 8,487,940	\$ 9,198,318	\$ 9,024,370	\$ 9,576,157	\$ 10,211,967	\$ 11,188,927	\$ 12,082,520	\$ 12,305,265	\$ 11,094,190
Contributions as a % of Covered Payroll	22.88%	24.18%	26.68%	27.87%	29.86%	72.81%	75.82%	28.22%	33.24%

Safety Cost Sharing Plan

Plan Measurement Date	2014	2015	2016	2017	2018	2019	2020	2021	2022
Fiscal Year Ended	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually Required Contributions	\$ 1,999,757	\$ 1,586,129	\$ 1,738,150	\$ 1,951,711	\$ 2,325,357	\$ 2,565,205	\$ 2,853,764	\$ 3,072,032	\$ 3,409,275
Contributions in Relation to Contractually Required Contributions	1,999,757	1,586,129	1,738,150	1,951,711	2,325,357	2,565,205	2,853,764	3,072,032	3,409,275
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 4,897,104	\$ 5,022,498	\$ 4,941,138	\$ 5,079,440	\$ 4,445,061	\$ 4,928,821	\$ 5,178,418	\$ 5,603,211	\$ 5,863,101
Contributions as a % of Covered Payroll	40.84%	31.58%	35.18%	38.42%	52.31%	52.05%	55.11%	54.83%	58.15%

Notes to Schedule:

Valuation Date: June 30, 2021

Assumptions Used: Entry Age Method used for Actuarial Cost Method
 Level Percentage of Payroll and Direct Rate Smoothing
 Remaining Amortization Period no more than 29 years
 Inflation Assumed at 2.30%
 Investment Rate of Returns set at 6.9%

The mortality table was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more

Fiscal year 2015 was the first year of implementation, therefore only nine years are shown.

The CalPERS discount rate was increased from 7.50% to 7.65% in FY2016, to 7.15% in FY2018 and then decreased to 6.9% in FY2023.

The CalPERS mortality assumptions were adjusted in fiscal year 2023.

**ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**SCHEDULE OF PROPORTIONARE SHARE OF NET PENSION LIABILITY
CALPERS SAFETY COST SHARING PLAN**

Safety Cost Sharing Plan									
Plan Measurement Date									
Fiscal Year Ended	2014 2015	2015 2016	2016 2017	2017 2018	2018 2019	2019 2020	2020 2021	2021 2022	2022 2023
Proportion of Net Pension Liability	0.28588%	0.14860%	0.22394%	0.22603%	0.23583%	0.24100%	0.24953%	0.30994%	0.27474%
Proportionate Share of Net Pension Liability	\$ 17,788,690	\$ 10,199,904	\$ 19,377,843	\$ 22,415,954	\$ 22,725,267	\$ 24,695,687	\$ 27,149,916	\$ 16,762,598	\$ 31,734,686
Covered Payroll	\$ 4,916,535	\$ 4,897,104	\$ 5,022,498	\$ 4,941,138	\$ 5,079,440	\$ 4,445,061	\$ 4,928,821	\$ 5,178,418	\$ 5,603,211
Proportionate Share of NPL as a % of Covered Payroll	361.81%	208.28%	385.82%	453.66%	447.40%	555.58%	550.84%	323.70%	566.37%
Plan's Fiduciary Net Position as a % of the TPL	78.83%	74.89%	74.89%	73.87%	74.52%	73.61%	72.46%	83.55%	71.34%

Fiscal year 2015 was the first year of implementation, therefore only nine years are shown.

The CalPERS discount rate was increased from 7.50% to 7.65% in FY2016, to 7.15% in FY2018 and then decreased to 6.9% in FY2023.

The CalPERS mortality assumptions were adjusted in fiscal year 2023.

ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2023

SCHEDULE OF PROPORTIONARE SHARE OF NET PENSION LIABILITY CALPERS MISCELLANEOUS AGENT-MULTPLE EMPLOYER PLAN

Measurement Date	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Pension liability									
Service cost	\$ 1,579,547	\$ 1,491,925	\$ 1,560,679	\$ 1,651,550	\$ 1,700,438	\$ 1,771,368	\$ 1,930,090	\$ 2,062,486	\$ 2,264,169
Interest	6,268,015	6,483,032	6,697,247	6,820,536	7,073,843	7,381,846	7,729,269	7,943,404	8,142,881
Diff. between expected and actual exp.	-	(623,495)	(357,870)	(892,479)	994,994	1,082,289	1,465,653	(581,801)	(108,166)
Changes of assumptions	-	(1,513,132)	-	5,481,432	(655,541)	-	-	-	3,399,004
Benefit payments (including refunds)	(4,241,487)	(4,748,786)	(4,953,756)	(5,138,083)	(5,448,374)	(5,720,232)	(5,958,101)	(6,339,615)	(6,623,114)
Net change in Total Pension Liability	3,606,075	1,089,544	2,946,300	7,922,956	3,665,360	4,515,271	5,166,911	3,084,474	7,074,774
Total Pension Liability - beginning	84,904,502	88,510,577	89,600,121	92,546,421	100,469,377	104,134,737	108,650,008	113,816,919	116,901,393
Total Pension Liability - ending	\$ 88,510,577	\$ 89,600,121	\$ 92,546,421	\$ 100,469,377	\$ 104,134,737	\$ 108,650,008	\$ 113,816,919	\$ 116,901,393	\$ 123,976,167
Plan fiduciary net position									
Employer contributions	\$ 1,796,079	\$ 1,941,765	\$ 2,223,782	\$ 2,407,496	\$ 2,669,104	\$ 3,049,748	\$ 8,146,791	\$ 9,160,680	\$ 3,472,727
Employee contributions	668,167	679,796	691,770	682,891	761,705	846,125	834,145	889,649	871,063
Plan to plan resource movement	-	22,561	(28,866)	-	(170)	-	-	-	-
Projected investment earnings	4,328,173	-	-	-	-	-	-	-	-
Diff. between est. and actual earnings	5,831,718	-	-	-	-	-	-	-	-
Net investment income	-	1,470,873	369,185	7,171,443	5,883,868	4,759,034	3,913,294	19,606,360	(7,988,150)
Benefit payments (including refunds)	(4,241,487)	(4,748,786)	(4,953,756)	(5,138,083)	(5,448,374)	(5,720,232)	(5,958,101)	(6,339,615)	(6,623,114)
Administrative expense	-	(74,706)	(40,462)	(95,455)	(108,582)	(52,260)	(107,303)	(82,856)	(66,142)
Adjstments	-	-	-	-	(206,199)	170	-	-	-
Net change in plan fiduciary net position	8,382,650	(708,497)	(1,738,347)	5,028,292	3,551,352	2,882,585	6,828,826	23,234,218	(10,333,616)
Plan fiduciary net position - beginning	58,716,725	67,099,375	66,390,878	64,652,531	69,680,823	73,232,175	76,114,760	82,943,586	106,177,804
Plan fiduciary net position - ending	\$ 67,099,375	\$ 66,390,878	\$ 64,652,531	\$ 69,680,823	\$ 73,232,175	\$ 76,114,760	\$ 82,943,586	\$ 106,177,804	\$ 95,844,188
Net Pension liability (asset)	\$ 21,411,202	23,209,243	27,893,890	30,788,554	30,902,562	32,535,248	30,873,333	10,723,589	28,131,979
Plan fiduciary net position as a percentage of the total Pension liability	75.81%	74.10%	69.86%	69.36%	70.32%	70.05%	72.87%	90.83%	77.31%
Covered Payroll	\$ 8,406,315	\$ 8,487,940	\$ 9,198,318	\$ 9,024,370	\$ 9,576,157	\$ 10,211,967	\$ 11,188,927	\$ 12,082,520	\$ 12,305,265
Net Pension liability % of covered payroll	254.70%	273.44%	303.25%	341.17%	322.70%	318.60%	275.93%	88.75%	228.62% ¹

Other Notes

Fiscal year 2015 was the first year of implementation, therefore only nine years are shown.

ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2023

SCHEDULE OF OPEB CONTRIBUTIONS

Fiscal Year Ended	2018	2019	2020	2021	2022	2023
Actuarially determined contribution (ADC)	\$ 2,129,000	\$ 2,108,000	\$ 2,172,000	\$ 1,859,000	\$ 1,860,000	\$ 1,372,000
Less: actual contribution in relation to ADC	(2,935,000)	(2,406,636)	(2,508,306)	(2,096,847)	(1,754,922)	(1,733,337)
Contribution deficiency (excess)	\$ (806,000)	\$ (298,636)	\$ (336,306)	\$ (237,847)	\$ 105,078	\$ (361,337)
Covered employee payroll	\$ 16,192,060	\$ 17,338,201	\$ 17,406,541	\$ 17,982,237	\$ 16,987,042	\$ 17,809,965
Contrib. as a % of covered employee payroll	18.13%	13.88%	14.41%	11.66%	10.33%	9.73%

Notes to Schedule:

Assumptions and Methods

Valuation Date:	June 30, 2021
Measurement Date:	June 30, 2022
Actuarial Cost Method:	Entry-Age Normal Cost
Amortization Period:	16 year fixed period for 2022/23
Asset Valuation Method:	Level percentage of payroll, closed
Actuarial Assumptions:	
Discount Rate	6.25%
Inflation	2.50%
Salary Increases	2.75%
Investment Rate of Return	6.25%
Healthcare Trend Rate	Non-Medicare - 6.50% for 2023, decreasing to an ultimate rate of 3.75% in
Mortality	CalPERS 2000-2019 Experience Study
Retirement	CalPERS 2000-2019 Experience Study

Other Notes

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available. GASB 75 was adopted as of June 30, 2018.

In FY 2022, the discount rate was updated based on newer capital market assumptions

In FY 2022, decreased medical trend rate for Kaiser Senior Advantage

In FY 2022, demographic assumptions were updated to CalPERS 2000-2019 Experience Study

In FY 2022, the inflation rate decreased 25 basis points, decreasing discount rate, medical trend, and salary increases

In FY 2022, retiree and family participation rates at retirement updated

In FY 2022, the Implicit subsidy was added for Tier 1 Medicare eligible

In FY 2022, the mortality improvement scale was updated to Scale MP-2021

No changes in FY 2023

**ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

SCHEDULE OF CHANGES IN NET OPEB LIABILITY

Measurement Date	2017	2018	2019	2020	2021	2022
Total OPEB liability						
Service cost	\$ 1,134,000	\$ 1,168,227	\$ 1,203,274	\$ 1,159,152	\$ 1,115,309	\$ 955,115
Interest	1,607,000	1,706,270	1,814,072	1,887,105	1,956,034	1,804,972
Differences between expected & actual exp.	-	-	(149,297)	-	(2,521,500)	-
Changes of assumptions	-	-	(392,681)	(533,825)	1,054,638	-
Benefit payments	(1,269,000)	(1,326,313)	(1,298,623)	(1,399,933)	(1,494,906)	(1,591,150)
Net change in Total OPEB Liability	1,472,000	1,548,184	1,176,745	1,112,499	109,575	1,168,937
Total OPEB Liability - beginning	23,301,000	24,773,000	26,321,184	27,497,929	28,610,428	28,720,003
Total OPEB Liability - ending	\$ 24,773,000	\$ 26,321,184	\$ 27,497,929	\$ 28,610,428	\$ 28,720,003	\$ 29,888,940
Plan fiduciary net position						
Employer contributions	\$ 3,878,000	\$ 2,935,313	\$ 2,406,636	\$ 2,508,306	\$ 2,096,847	\$ 1,754,922
Net investment income	1,049,000	1,082,977	1,009,315	652,656	5,529,824	(3,510,434)
Benefit payments	(1,269,000)	(1,326,313)	(1,298,623)	(1,399,933)	(1,494,906)	(1,591,150)
Administrative expense	(14,000)	(34,261)	(11,502)	(17,357)	(18,556)	(21,454)
Net change in plan fiduciary net position	3,644,000	2,657,716	2,105,826	1,743,672	6,113,209	(3,368,116)
Plan fiduciary net position - beginning	9,964,000	13,608,000	16,265,716	18,371,542	20,115,214	26,228,423
Plan fiduciary net position - ending	\$ 13,608,000	\$ 16,265,716	\$ 18,371,542	\$ 20,115,214	\$ 26,228,423	\$ 22,860,307
Net OPEB liability (asset)	\$ 11,165,000	10,055,468	9,126,387	8,495,214	2,491,580	7,028,633
Plan fiduciary net position as a percentage of the total OPEB liability	54.93%	61.80%	66.81%	70.31%	91.32%	76.48%
Covered Employee Payroll	\$ 14,985,716	\$ 16,192,060	\$ 17,338,201	\$ 17,406,541	\$ 17,982,237	\$ 16,987,042
NOL as a % of cov. emp. payroll	74.50%	62.10%	52.64%	48.80%	13.86%	41.38%

Other Notes

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available. GASB 75 was adopted as of June 30, 2018.

Supplementary Information

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ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

MAJOR GOVERNMENTAL FUND SCHEDULES
(OTHER THAN THE GENERAL FUND) AND
NONMAJOR GOVERNMENTAL FUNDS

Schedule of Revenue, Expenditures and Changes in Fund Balances – Budget and Actual (GAAP):

Appropriated Reserves Fund is used to account for resources provided for capital projects not fully funded from other sources.

Capital Projects Funds:

Storm Drain Basin Funds were established to account for fees paid in conjunction with the development in specified drainage areas.

Construction Tax Funds were established to account for tax levies on building additions or alterations including capital improvements, underground utilities and parks.

Gas Tax Fund was established to account for revenue and expenditures under the State of California Streets and Highways Code Sections 2106, 2107 and 2107.5. The revenues must be used for the maintenance and construction of streets.

Special Revenue Funds:

Community Development Block Grant Fund was established to account for grant funds received and expended under the Community Development Act of 1974.

Non-Point Source Maintenance Fund was established to comply with obligations under the National Pollutant Discharge Elimination system permit issued by the California Regional Water Quality Control Board.

Lighting and Landscape Fund was established to account for maintenance of trees, landscaping, irrigation systems and lighting within the boundaries of Tract No. 8439.

LG Theatre Fund was established to account for monies received from rents on donated property and related expenditures.

Library Trust Fund was established to provide for the servicing of donations and bequests to the Town's Library Program.

**TOWN OF LOS GATOS
APPROPRIATED RESERVES FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (GAAP)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Licenses & permits	\$ 110,000	\$ 110,001	\$ 181,533	\$ 71,532
Intergovernmental	6,187,538	3,340,719	3,358,063	17,344
Charges for services	871,800	956,262	1,072,009	115,747
Developer fees	20,000	620,000	614,820	(5,180)
Interest	-	-	44,198	44,198
Use of Property	96,000	96,000	91,284	(4,716)
Other	2,900,000	-	-	-
Total Revenues	10,185,338	5,122,982	5,361,907	238,925
EXPENDITURES				
Capital outlay	13,949,982	6,710,867	6,722,633	(11,766)
Total Expenditures	13,949,982	6,710,867	6,722,633	(11,766)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,764,644)	(1,587,885)	(1,360,726)	227,159
OTHER FINANCING SOURCES (USES)				
Settlements	-	1,565,000	1,565,000	-
Transfers in	3,706,978	7,103,550	7,732,614	629,064
Transfers (out)	(427,616)	(427,616)	(427,616)	-
Total Other Financing Sources (Uses)	3,279,362	8,240,934	8,869,998	629,064
CHANGE IN FUND BALANCE	\$ (485,282)	\$ 6,653,049	7,509,272	\$ 856,223
BEGINNING FUND BALANCE			14,240,753	
ENDING FUND BALANCE			\$ 21,750,025	

TOWN OF LOS GATOS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2023

Item 1.

	CAPITAL PROJECTS FUNDS			
	Storm Drains	Construction Tax	Gas Tax	Total Capital Projects Funds
ASSETS				
Cash & investments	\$ 3,218,331	\$ 3,438,996	\$ 1,465,877	\$ 8,123,204
Restricted cash & investments	-	-	-	-
Receivables:				
Accounts	-	-	-	-
Intergovernmental receivable	-	-	205,368	205,368
Leases receivable	-	-	-	-
Long term notes receivable	-	-	-	-
Total Assets	\$ 3,218,331	\$ 3,438,996	\$ 1,671,245	\$ 8,328,572
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll and benefits	-	-	-	-
Due to other funds	-	-	-	-
Unearned revenue	-	-	-	-
Total Liabilities	-	-	-	-
DEFERRED INFLOWS OF RESOURCES				
Leases	-	-	-	-
FUND BALANCE				
Nonspendable - leases	-	-	-	-
Restricted for:				
Library	-	-	-	-
Repairs and maintenance	-	-	-	-
Capital projects	3,218,331	3,438,996	1,671,245	8,328,572
Committed to:				
Special revenue funds	-	-	-	-
Total Fund Balances	3,218,331	3,438,996	1,671,245	8,328,572
Total Liabilities and Fund Balances	\$ 3,218,331	\$ 3,438,996	\$ 1,671,245	\$ 8,328,572

(Continued)

TOWN OF LOS GATOS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2023

Item 1.

SPECIAL REVENUE FUNDS

	Community Development	Non-Point Source Maintenance	Lighting and Landscaping
ASSETS			
Cash & investments	\$ 94,412	\$ 580,929	\$ 183,129
Restricted cash & investments	58,344	-	-
Receivables:			
Accounts	-	52,426	-
Intergovernmental receivable	-	-	171
Leases receivable	-	-	-
Long term notes receivable	78,752	-	-
Total Assets	<u>\$ 231,508</u>	<u>\$ 633,355</u>	<u>\$ 183,300</u>
LIABILITIES			
Accounts payable	\$ 60	\$ 1,178	\$ 6,334
Accrued payroll and benefits	-	2,334	-
Due to other funds	-	-	-
Unearned revenue	64,795	-	-
Total Liabilities	<u>64,855</u>	<u>3,512</u>	<u>6,334</u>
DEFERRED INFLOWS OF RESOURCES			
Leases	-	-	-
FUND BALANCE			
Nonspendable - leases	-	-	-
Restricted for:			
Library	-	-	-
Repairs and maintenance	-	-	176,966
Capital projects	-	-	-
Committed to:			
Special revenue funds	166,653	629,843	-
Total Fund Balances	<u>166,653</u>	<u>629,843</u>	<u>176,966</u>
Total Liabilities and Fund Balances	<u>\$ 231,508</u>	<u>\$ 633,355</u>	<u>\$ 183,300</u>

(Continued)

TOWN OF LOS GATOS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2023

Item 1.

	SPECIAL REVENUE FUNDS			Total
	LG Theatre	Library Trust	Total Special Revenue Funds	Nonmajor Governmental Funds
ASSETS				
Cash & investments	\$ -	\$ 533,131	\$ 1,391,601	\$ 9,514,805
Restricted cash & investments	-	-	58,344	58,344
Receivables:				
Accounts	32,725	-	85,151	85,151
Intergovernmental receivable	-	-	171	205,539
Leases receivable	319,957	-	319,957	319,957
Long term notes receivable	-	-	78,752	78,752
Total Assets	\$ 352,682	\$ 533,131	\$ 1,933,976	\$ 10,262,548
LIABILITIES				
Accounts payable	\$ 6,189	\$ 2,957	\$ 16,718	\$ 16,718
Accrued payroll and benefits	-	-	2,334	2,334
Due to other funds	1,832	-	1,832	1,832
Unearned revenue	-	-	64,795	64,795
Total Liabilities	8,021	2,957	85,679	85,679
DEFERRED INFLOWS OF RESOURCES				
Leases	269,670	-	269,670	269,670
FUND BALANCE				
Nonspendable - leases	50,287	-	50,287	50,287
Restricted for:				
Library	-	530,174	530,174	530,174
Repairs and maintenance	-	-	176,966	176,966
Capital projects	-	-	-	8,328,572
Committed to:				
Special revenue funds	24,704	-	821,200	821,200
Total Fund Balances	74,991	530,174	1,578,627	9,907,199
Total Liabilities and Fund Balances	\$ 352,682	\$ 533,131	\$ 1,933,976	\$ 10,262,548

(Concluded)

**TOWN OF LOS GATOS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	CAPITAL PROJECTS FUNDS			
	Storm Drain	Construction Tax	Gas Tax	Total Capital Projects Funds
REVENUES				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	29,042	-	29,042
License and permits	161,830	-	-	161,830
Intergovernmental	-	-	1,597,057	1,597,057
Interest	55,771	58,440	20,481	134,692
Use of property	-	-	-	-
Other	-	49,000	-	49,000
Total Revenues	217,601	136,482	1,617,538	1,971,621
EXPENDITURES				
Current:				
Parks and public works	-	-	-	-
Library services	-	-	-	-
Sanitation and other	-	-	-	-
Capital Outlay	218,081	-	1,676,361	1,894,442
Total Expenditures	218,081	-	1,676,361	1,894,442
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(480)	136,482	(58,823)	77,179
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers (out)	-	-	(106,000)	(106,000)
Total Other Financing Sources (Uses)	-	-	(106,000)	(106,000)
Changes in Fund Balances	(480)	136,482	(164,823)	(28,821)
Fund Balances - Beginning of year	3,218,811	3,302,514	1,836,068	8,357,393
Fund Balances - End of year	\$ 3,218,331	\$ 3,438,996	\$ 1,671,245	\$ 8,328,572

(Continued)

TOWN OF LOS GATOS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Item 1.

	SPECIAL REVENUE FUNDS		
	Community Development	Non-Point Source Maintenance	Lighting and Landscaping
REVENUES			
Property Taxes	\$ -	\$ -	\$ 38,161
Other Taxes	-	-	-
License and permits	-	359,950	-
Intergovernmental	-	22,432	-
Interest	-	-	3,058
Use of property	-	-	-
Other	-	-	-
Total Revenues	-	382,382	41,219
EXPENDITURES			
Current:			
Parks and public works	-	-	33,572
Library services	-	-	-
Sanitation and other	-	204,097	-
Capital Outlay	-	-	-
Total Expenditures	-	204,097	33,572
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	178,285	7,647
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers (out)	-	-	(4,920)
Total Other Financing Sources (Uses)	-	-	(4,920)
Changes in Fund Balances	-	178,285	2,727
Fund Balances - Beginning of year	166,653	451,558	174,239
Fund Balances - End of year	\$ 166,653	\$ 629,843	\$ 176,966

(Continued)

**TOWN OF LOS GATOS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	SPECIAL REVENUE FUNDS			
	LG Theatre	Library Trust	Total Special Revenue Funds	Total
REVENUES				
Property Taxes	\$ -	\$ -	\$ 38,161	\$ 38,161
Other Taxes	-	-	-	29,042
License and permits	-	-	359,950	521,780
Intergovernmental	-	-	22,432	1,619,489
Interest	-	9,845	12,903	147,595
Use of property	108,237	-	108,237	108,237
Other	-	76,617	76,617	125,617
Total Revenues	108,237	86,462	618,300	2,589,921
EXPENDITURES				
Current:				
Parks and public works	52,746	-	86,318	86,318
Library services	-	111,541	111,541	111,541
Sanitation and other	-	-	204,097	204,097
Capital Outlay	-	-	-	1,894,442
Total Expenditures	52,746	111,541	401,956	2,296,398
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	55,491	(25,079)	216,344	293,523
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers (out)	-	-	(4,920)	(110,920)
Total Other Financing Sources (Uses)	-	-	(4,920)	(110,920)
Changes in Fund Balances	55,491	(25,079)	211,424	182,603
Fund Balances - Beginning of year	19,500	555,253	1,367,203	9,724,596
Fund Balances - End of year	\$ 74,991	\$ 530,174	\$ 1,578,627	\$ 9,907,199

(Concluded)

**TOWN OF LOS GATOS
BUDGETED NONMAJOR FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (GAAP)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Item 1.

	STORM DRAIN			CONSTRUCTION TAX		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	30,000	29,042	(958)
License and permits	92,500	161,830	69,330	-	-	-
Intergovernmental	-	-	-	-	-	-
Interest	12,580	55,771	43,191	22,490	58,440	35,950
Use of property	-	-	-	-	-	-
Other	-	-	-	-	49,000	49,000
Total Revenues	105,080	217,601	112,521	52,490	136,482	83,992
EXPENDITURES						
Current:						
Parks and public works	-	-	-	-	-	-
Library services	-	-	-	-	-	-
Sanitation and other	-	-	-	-	-	-
Capital outlay	218,081	218,081	-	-	-	-
Total Expenditures	218,081	218,081	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(113,001)	(480)	112,521	52,490	136,482	83,992
OTHER FINANCING SOURCES (USES)						
Operating transfers in	-	-	-	-	-	-
Operating transfers (out)	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
CHANGE IN FUND BALANCE	<u>\$ (113,001)</u>	<u>(480)</u>	<u>\$ 112,521</u>	<u>\$ 52,490</u>	<u>136,482</u>	<u>\$ 83,992</u>
BEGINNING FUND BALANCE		3,218,811			3,302,514	
ENDING FUND BALANCE		<u>\$ 3,218,331</u>			<u>\$ 3,438,996</u>	

(Continued)

TOWN OF LOS GATOS
BUDGETED NONMAJOR FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (GAAP)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Item 1.

	GAS TAX			COMMUNITY DEVELOPMENT		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-	-	-
License and permits	-	-	-	-	-	-
Intergovernmental	1,535,078	1,597,057	61,979	-	-	-
Interest	1,335	20,481	19,146	-	-	-
Use of property	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Revenues	1,536,413	1,617,538	81,125	-	-	-
EXPENDITURES						
Current:						
Parks and public works	-	-	-	-	-	-
Library services	-	-	-	-	-	-
Sanitation and other	-	-	-	-	-	-
Capital outlay	1,676,361	1,676,361	-	-	-	-
Total Expenditures	1,676,361	1,676,361	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(139,948)	(58,823)	81,125	-	-	-
OTHER FINANCING SOURCES (USES)						
Operating transfers in	-	-	-	-	-	-
Operating transfers (out)	(106,000)	(106,000)	-	-	-	-
Total Other Financing Sources (Uses)	(106,000)	(106,000)	-	-	-	-
CHANGE IN FUND BALANCE	<u>\$ (245,948)</u>	<u>(164,823)</u>	<u>\$ 81,125</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
BEGINNING FUND BALANCE		1,836,068			166,653	
ENDING FUND BALANCE		<u>\$ 1,671,245</u>			<u>\$ 166,653</u>	

(Continued)

TOWN OF LOS GATOS
BUDGETED NONMAJOR FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (GAAP)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	NON-POINT SOURCE MAINTENANCE			LIGHTING AND LANDSCAPING		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ 38,220	\$ 38,161	\$ (59)
Other taxes	-	-	-	-	-	-
License and permits	359,950	359,950	-	-	-	-
Intergovernmental	-	22,432	22,432	-	-	-
Interest	-	-	-	1,425	3,058	1,633
Use of property	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Revenues	359,950	382,382	22,432	39,645	41,219	1,574
EXPENDITURES						
Current:						
Parks and public works	-	-	-	42,764	33,572	9,192
Library services	-	-	-	-	-	-
Sanitation and other	198,372	204,097	(5,725)	-	-	-
Capital outlay	-	-	-	62,500	-	62,500
Total Expenditures	198,372	204,097	(5,725)	105,264	33,572	71,692
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	161,578	178,285	16,707	(65,619)	7,647	73,266
OTHER FINANCING SOURCES (USES)						
Operating transfers in	-	-	-	-	-	-
Operating transfers (out)	-	-	-	(4,920)	(4,920)	-
Total Other Financing Sources (Uses)	-	-	-	(4,920)	(4,920)	-
CHANGE IN FUND BALANCE	<u>\$ 161,578</u>	<u>178,285</u>	<u>\$ 16,707</u>	<u>\$ (70,539)</u>	<u>2,727</u>	<u>\$ 73,266</u>
BEGINNING FUND BALANCE		<u>451,558</u>			<u>174,239</u>	
ENDING FUND BALANCE		<u>\$ 629,843</u>			<u>\$ 176,966</u>	

(Continued)

**TOWN OF LOS GATOS
BUDGETED NONMAJOR FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (GAAP)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Item 1.

	LG Theatre			Library Trust		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-	-	-
License and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Interest	-	-	-	6,250	9,845	3,595
Use of property	68,400	108,237	39,837	-	-	-
Other	-	-	-	75,000	76,617	1,617
Total Revenues	68,400	108,237	39,837	81,250	86,462	5,212
EXPENDITURES						
Current:						
Parks and public works	55,814	52,746	3,068	-	-	-
Library services	-	-	-	105,500	111,541	(6,041)
Sanitation and other	-	-	-	-	-	-
Capital outlay	-	-	-	20,755	-	20,755
Total Expenditures	55,814	52,746	3,068	126,255	111,541	14,714
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	12,586	55,491	42,905	(45,005)	(25,079)	19,926
OTHER FINANCING SOURCES (USES)						
Operating transfers in	-	-	-	-	-	-
Operating transfers (out)	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
CHANGE IN FUND BALANCE	<u>\$ 12,586</u>	<u>55,491</u>	<u>\$ 42,905</u>	<u>\$ (45,005)</u>	<u>(25,079)</u>	<u>\$ 19,926</u>
BEGINNING FUND BALANCE		<u>19,500</u>			<u>555,253</u>	
ENDING FUND BALANCE		<u>\$ 74,991</u>			<u>\$ 530,174</u>	

(Continued)

TOWN OF LOS GATOS
BUDGETED NONMAJOR FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (GAAP)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Item 1.

	TOTALS		
	Budget	Actual	Variance Positive (Negative)
REVENUES			
Property taxes	\$ 38,220	\$ 38,161	\$ (59)
Other taxes	30,000	29,042	(958)
License and permits	452,450	521,780	69,330
Intergovernmental	1,535,078	1,619,489	84,411
Interest	44,080	147,595	103,515
Use of property	68,400	108,237	39,837
Other	75,000	125,617	50,617
Total Revenues	2,243,228	2,589,921	346,693
EXPENDITURES			
Current:			
Parks and public works	98,578	86,318	12,260
Library services	105,500	111,541	-
Sanitation and other	198,372	204,097	(5,725)
Capital outlay	1,977,697	1,894,442	83,255
Total Expenditures	2,380,147	2,296,398	89,790
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(136,919)	293,523	430,442
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	-
Operating transfers (out)	(110,920)	(110,920)	-
Total Other Financing Sources (Uses)	(110,920)	(110,920)	-
CHANGE IN FUND BALANCE	\$ (247,839)	182,603	\$ 430,442
BEGINNING FUND BALANCE		9,724,596	
ENDING FUND BALANCE		\$ 9,907,199	

(Concluded)

ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

PROPRIETARY FUNDS
INTERNAL SERVICE FUNDS

Internal service funds are used to finance and account for special activities and service performed by a designed department for other departments in the Town on a cost reimbursement basis.

The concept of major funds does not extend to internal service funds because they are used for internal activities only. In the Government-Wide Statement of Activities, the net revenues and expenses of the internal service funds are allocated to the Town departments or programs that generated them, thus eliminating internal service funds.

However, internal service funds are still presented separately in the fund financial statements and include the following funds:

Equipment Fund was established to account for the replacement of major Town equipment and all vehicle replacement.

Workers' Compensation Fund was established to account for future claims that may occur related to workers compensation injuries.

Self-Insurance Fund was established to account for future general liability claims against the Town.

Information Technology Fund was established to account for the replacement of management information computer systems and components.

Facilities Maintenance Fund was established to account for preventative maintenance and repair for all Town buildings.

TOWN OF LOS GATOS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2023

	Equipment	Workers' Comp	Self Insurance	Information Technology	Facilities Maintenance	Total
ASSETS						
Cash & Investments	\$ 2,401,161	\$ 2,371,205	\$ 386,654	\$ 2,462,357	\$ 379,020	\$ 8,000,397
Restricted Cash & Investments	-	115,981	-	-	-	115,981
Receivables:						
Accounts	30,531	2,000	-	18,054	24,853	75,438
Leases receivable	-	-	-	-	1,348,155	1,348,155
Subscription assets, net	-	-	-	713,438	-	713,438
Total Assets	\$ 2,431,692	\$ 2,489,186	\$ 386,654	\$ 3,193,849	\$ 1,752,028	\$ 10,253,409
LIABILITIES						
Accounts Payable	\$ 17,972	\$ 5,394	\$ 16,903	\$ 96,381	\$ 106,775	\$ 243,425
Due to Other Governments	-	-	-	-	59	59
Interest payable	-	-	-	27,915	-	27,915
Claims Payable	-	1,968,979	157,729	-	-	2,126,708
Subscription liabilities	-	-	-	594,935	-	594,935
Total Liabilities	\$ 17,972	\$ 1,974,373	\$ 174,632	\$ 719,231	\$ 106,834	\$ 2,993,042
Deferred Inflows of Resources						
Leases	\$ -	\$ -	\$ -	\$ -	\$ 717,495	\$ 717,495
NET POSITION						
Net investment in capital assets	\$ -	\$ -	\$ -	\$ 118,503	\$ -	\$ 118,503
Restricted for:						
Workers compensation claims	-	115,981	-	-	-	115,981
Unrestricted	2,413,720	398,832	212,022	2,356,115	927,699	6,308,388
Total Net Position	\$ 2,413,720	\$ 514,813	\$ 212,022	\$ 2,474,618	\$ 927,699	\$ 6,542,872

TOWN OF LOS GATOS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Equipment	Workers' Comp	Self Insurance	Information Technology	Facilities Maintenance	Total
OPERATING REVENUES						
Charges for services	\$ 639,367	\$ 967,013	\$ 397,216	\$ 753,356	\$ 938,492	\$ 3,695,444
Interest	-	5	-	-	-	5
Use of money and property	-	-	-	-	122,317	122,317
Other local taxes	-	-	-	-	28,322	28,322
Other revenue & reimbursements	78,919	165,757	-	1,745	988	247,409
Total Operating Revenues	718,286	1,132,775	397,216	755,101	1,090,119	4,093,497
OPERATING EXPENSES						
Insurance expenses	-	1,913,146	988,486	-	-	2,901,632
Services and supplies	526,961	-	-	306,771	1,334,225	2,167,957
Depreciation/amortization expense	-	-	-	202,422	-	202,422
Total Operating Expenses	526,961	1,913,146	988,486	509,193	1,334,225	5,272,011
Operating Income (loss)	191,325	(780,371)	(591,270)	245,908	(244,106)	(1,178,514)
NONOPERATING EXPENSES						
Interest expense	-	-	-	(29,221)	-	(29,221)
Income (loss) before transfers	191,325	(780,371)	(591,270)	216,687	(244,106)	(1,207,735)
Transfers (in)	-	-	-	-	243,325	243,325
Transfers (out)	-	-	-	(733,000)	-	(733,000)
Net Transfers	-	-	-	(733,000)	243,325	(489,675)
Change in Net Position	191,325	(780,371)	(591,270)	(516,313)	(781)	(1,697,410)
BEGINNING NET POSITION	2,222,395	1,295,184	803,292	2,990,931	928,480	8,240,282
ENDING NET POSITION	\$ 2,413,720	\$ 514,813	\$ 212,022	\$ 2,474,618	\$ 927,699	\$ 6,542,872

**TOWN OF LOS GATOS
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	Equipment	Workers' Comp	Self Insurance	Information Technology	Facilities Maintenance	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 692,308	\$ 965,018	\$ 397,216	\$ 753,443	\$ 1,124,868	\$ 3,932,853
Payments to suppliers and providers	(528,794)	(1,913,054)	(800,055)	(279,594)	(1,322,101)	(4,843,598)
Insurance reimbursements	-	165,757	-	-	-	165,757
Claims paid	-	604,421	(74,502)	-	-	529,919
Net Cash Provided (Used) by Operating Activities	163,514	(177,858)	(477,341)	473,849	(197,233)	(215,069)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in	-	-	-	-	243,325	243,325
Transfers out	-	-	-	(733,000)	-	(733,000)
Net Cash Provided (Used) by Noncapital Financing Activities	-	-	-	(733,000)	243,325	(489,675)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Interest paid	-	-	-	(1,306)	-	(1,306)
Acquisition of subscription assets	-	-	-	(320,925)	-	(320,925)
Net Cash Used by Capital and Related Financing Activities	-	-	-	(322,231)	-	(322,231)
Net Increase(Decrease) in Cash and Investments	163,514	(177,858)	(477,341)	(581,382)	46,092	(1,026,975)
Cash and investments - beginning of year	2,237,647	2,665,044	863,995	3,043,739	332,928	9,143,353
Cash and investments - end of year	\$ 2,401,161	\$ 2,487,186	\$ 386,654	\$ 2,462,357	\$ 379,020	\$ 8,116,378
Reconciliation of Operating Income to Cash Flows from Operating Activities:						
Operating Income	\$ 191,325	\$ (780,371)	\$ (591,270)	\$ 245,908	\$ (244,106)	\$ (1,178,514)
Adjustments to reconcile operating income to cash flows from operating activities:						
Depreciation/amortization	-	-	-	202,422	-	202,422
Change in assets and liabilities:						
Accounts receivable	(25,978)	(2,000)	-	(1,658)	-	(29,636)
Leases receivable	-	-	-	-	146,566	146,566
Deferred inflows of resources	-	-	-	-	(111,817)	(111,817)
Accounts payable	(1,833)	92	(24,243)	27,177	12,115	13,308
Due to other governments	-	-	-	-	9	9
Claims payable	-	604,421	138,172	-	-	742,593
Cash Flows From Operating Activities	\$ 163,514	\$ (177,858)	\$ (477,341)	\$ 473,849	\$ (197,233)	\$ (215,069)

Statistical Section

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STATISTICAL (UNAUDITED)

This part of the Town of Los Gatos Annual Comprehensive Financial Report (“ACFR”) presents the detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Town’s overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how Town’s financial performance and well-being have changed over time. (Schedule 1, Schedule 2, Schedule 3, and Schedule 4).

Revenue Capacity

These schedules contain information to help the reader assess one of the Town’s most significant local revenue source, the property tax (Schedule 5, Schedule 6, Schedule 7, and Schedule 8).

Debt Capacity

These schedules present information to help the reader assess the affordability of the Town’s current levels of outstanding debt and its ability to issue additional debt in the future (Schedule 9, Schedule 10, and Schedule 11)

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town’s financial activities take place (Schedule 12, Schedule 13, and schedule 14).

Operating Information

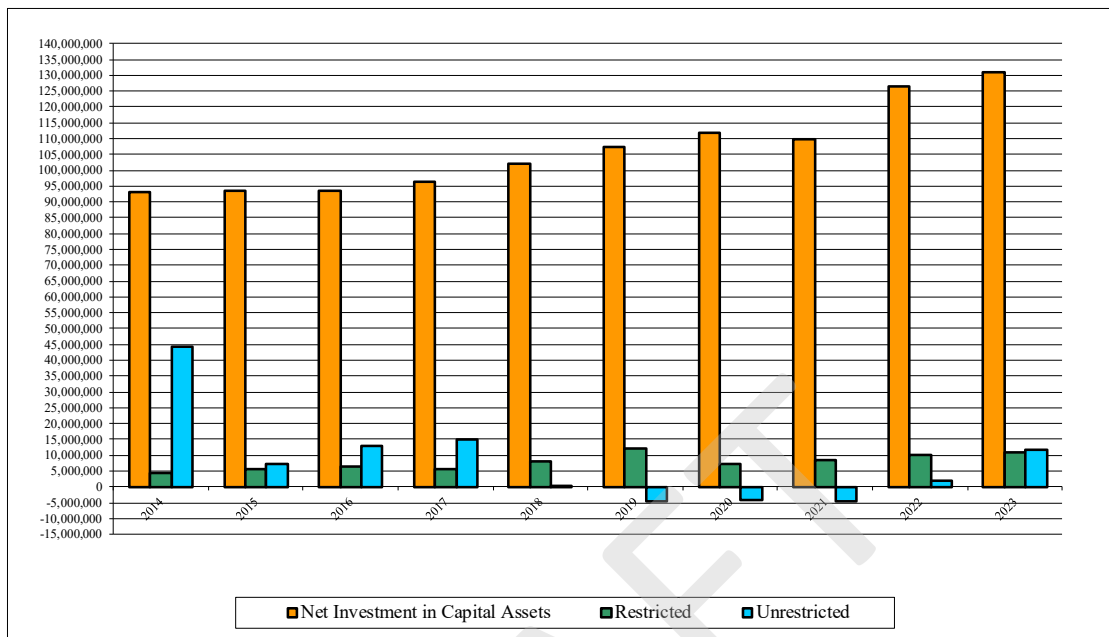
These schedules contain service and infrastructure data to help the reader understand how the information in the Town’s ACFR relates to the services the Town provides and activities it performs (Schedule 15 and Schedule 16).

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Town of Los Gatos
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

Schedule 1



Fiscal Year	Net Investment in Capital Assets	Restricted	Unrestricted	Total Net Position
2014	93,251,117	4,485,246	44,393,265	142,129,628
2015	93,687,029	5,663,182	7,180,919	106,531,130 (1)
2016	93,383,855	6,386,014	12,744,637	112,514,506
2017	96,265,652	5,627,707	15,134,420	117,027,779
2018	102,098,729	8,199,598	170,590	110,468,917 (2)
2019	107,542,588	11,918,688	-4,642,167	114,819,109 (3)
2020	111,700,225	7,117,984	-3,967,178	114,851,031
2021	109,894,936	8,358,267	-4,735,103	113,518,100
2022	126,418,275	10,203,412	1,785,294	138,406,981
2023	130,888,581	11,091,020	11,542,661	153,522,262

(1) The decrease in Restricted Net Position GASB 68 Implementation of Unfunded Pension Liability of Statement of Net Position.

(2) Net position was restated for FY 2018 for amounts placed into fiduciary funds, reclassified to General Fund Restricted Asset.

(3) The decrease in unrestricted net position resulted largely from the use of approximately \$8.0 million in unrestricted cash balances in the Town's GFAR fund during the year to invest in the Town's infrastructure and equipment.

Town of Los Gatos
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

Schedule 2

	Fiscal Year				
	2013/14	2014/15	2015/16	2016/17	2017/18
Expenses					
Governmental Activities:					
General Government	\$ 6,955,804	\$ 6,465,852	\$ 6,993,661	\$ 6,771,628	\$ 7,948,918
Public Safety	14,119,786	12,644,221	12,825,688	14,587,597	15,545,521
Parks and Public Works	8,154,616	8,069,352	8,320,623	9,502,707	10,047,003
Community Development	4,424,040	4,047,738	3,227,224	5,093,459	4,667,609
Library Services	2,234,431	2,553,414	2,522,142	2,868,748	3,087,684
Sanitation	363,180	491,359	528,580	466,762	536,296
Redevelopment	21,687	-	-	-	-
Interest and Fees	-	-	-	-	-
Total Governmental Activities	36,273,544	34,271,936	34,417,918	39,290,901	41,833,031
Program Revenues					
Charges for Services:					
General Government	2,179,077	1,888,213	1,517,012	1,669,020	1,701,146
Public Safety	3,206,579	3,529,166	3,278,585	2,076,688	1,888,359
Parks and Public Works	1,550,867	2,206,765	1,516,108	2,155,841	4,150,068
Community Development	5,156,061	5,027,497	4,359,146	3,803,626	3,456,390
Library Services	51,775	53,123	46,192	46,746	14,702
Sanitation	328,648	328,868	368,813	410,626	771,442
Operating Grants and Contributions:					
General Government	-	-	15,291	-	-
Public Safety	42,661	24,838	98,138	837,329	895,730
Parks and Public Works	994,096	907,745	749,300	665,779	953,294
Community Development	-	-	-	-	-
Library Services	14,662	4,062	12,228	-	57,200
Capital Grants and Contributions:					
General Government	-	176,705	-	-	-
Public Safety	-	-	-	-	-
Parks and Public Works	2,274,879	2,338,154	1,610,657	770,600	348,437
Community Development	19,360	-	-	9,280	-
Total Program Revenues	15,818,665	16,485,136	13,571,470	12,445,535	14,236,768
General Revenues and Special Items:					
Property Taxes	11,712,312	12,931,603	13,763,458	14,756,214	15,958,406
Sales Taxes	8,029,571	8,202,678	7,501,175	8,925,276	7,466,253
Franchise Taxes	-	2,215,430	2,258,892	2,366,908	2,474,814
Other Taxes	3,718,405	2,062,893	1,997,497	2,351,223	2,667,840
Motor Vehicle in Lieu	13,068	-	12,308	14,056	16,483
Developer Fees	-	-	-	-	-
Investment Earnings	772,200	428,772	698,324	192,260	333,120
Sale of Property	-	-	-	-	-
Miscellaneous	350,468	813,324	598,170	528,946	622,105
Insurance recoveries	-	-	-	-	-
Total General Revenues and Special Items	24,596,024	26,654,700	26,829,824	29,134,883	29,539,021
Change in Net Position	\$ 4,141,145	\$ 8,867,900	\$ 5,983,376	\$ 2,289,517	\$ 1,942,758

Continued

Town of Los Gatos
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

Schedule 2

	Fiscal Year				
	2018/19	2019/20	2020/21	2021/22	2022/23
Expenses					
Governmental Activities:					
General Government	\$ 8,163,991	\$ 7,405,368	\$ 7,086,377	\$ 15,681,345	\$ 10,522,568
Public Safety	16,635,726	20,446,188	19,808,230	15,093,308	17,428,923
Parks and Public Works	10,627,716	11,803,005	13,141,034	12,969,615	12,258,626
Community Development	5,064,637	5,001,958	6,846,834	5,827,001	5,215,961
Library Services	3,059,294	3,347,523	3,496,153	2,969,954	3,653,642
Sanitation	684,673	3,041	185,981	178,575	208,262
Redevelopment	-	-	-	-	-
Interest and Fees	-	-	-	-	29,221
Total Governmental Activities	<u>44,236,037</u>	<u>48,007,083</u>	<u>50,564,609</u>	<u>52,719,798</u>	<u>49,317,203</u>
Program Revenues					
Charges for Services:					
General Government	1,562,683	1,470,324	1,894,080	1,725,857	2,635,527
Public Safety	1,745,889	1,549,207	1,288,358	1,596,313	1,846,312
Parks and Public Works	2,910,936	3,674,222	4,209,048	5,090,014	3,590,936
Community Development	4,155,231	3,351,753	4,063,776	4,129,718	3,971,336
Library Services	9,476	11,522	-	521	2,039
Sanitation	966,130	231,323	299,478	231,323	359,950
Operating Grants and Contributions:					
General Government	-	12,290	-	2,766,833	-
Public Safety	826,643	952,045	1,061,344	1,144,226	4,622,373
Parks and Public Works	1,301,152	2,824,638	1,547,102	1,482,896	1,735,608
Community Development	-	15,864	223,129	670,929	616,937
Library Services	47,482	49,351	55,181	114,958	174,663
Capital Grants and Contributions:					
General Government	-	8,258	2,365	12,205,050	-
Public Safety	-	9,100	-	-	-
Parks and Public Works	146,792	832,755	843,980	10,021,156	3,915,175
Community Development	-	-	-	-	-
Total Program Revenues	<u>13,672,414</u>	<u>14,992,652</u>	<u>15,487,841</u>	<u>41,179,794</u>	<u>23,470,856</u>
General Revenues and Special Items:					
Property Taxes	17,321,347	18,330,426	19,878,835	21,132,098	22,746,842
Sales Taxes	8,158,152	7,531,425	7,933,604	8,483,673	8,806,477
Franchise Taxes	2,475,916	2,495,792	2,499,463	2,822,515	3,074,624
Other Taxes	2,726,743	1,911,774	1,126,887	2,042,580	2,292,008
Motor Vehicle in Lieu	14,689	24,526	23,058	35,624	34,406
Developer Fees	-	-	-	1,735,571	614,820
Investment Earnings	1,809,128	2,428,470	227,136	(1,278,978)	797,587
Sale of Property	-	-	-	-	-
Miscellaneous	2,407,840	323,940	1,528,039	755,400	1,029,864
Insurance recoveries	-	-	-	-	1,565,000
Total General Revenues and Special Items	<u>34,913,815</u>	<u>33,046,353</u>	<u>33,217,022</u>	<u>35,728,483</u>	<u>40,961,628</u>
Change in Net Position	<u>\$ 4,350,192</u>	<u>\$ 31,922</u>	<u>\$ (1,859,746)</u>	<u>\$ 24,188,479</u>	<u>\$ 15,115,281</u>

Concluded

Town of Los Gatos
Fund Balance, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year				
	2013/14	2014/15	2015/16	2016/17	2017/18
General Fund					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	1,206,851
Committed			20,019,187	15,129,925	12,953,399
Assigned	23,791,749	24,121,256	9,555,085	14,050,699	17,475,285
Unassigned	1,363,376	-	-	-	-
Total General Fund	<u>\$ 25,155,125</u>	<u>\$ 24,121,256</u>	<u>\$ 29,574,272</u>	<u>\$ 29,180,624</u>	<u>\$ 31,635,535</u>
All Other Governmental Funds					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	4,485,246	5,663,182	6,386,014	5,627,707	6,992,747
Committed	-	-	3,696,000	10,354,584	5,571,087
Assigned	8,191,823	15,346,558	11,099,076	7,928,994	6,361,403
Unassigned	183,045	206,875	-	-	-
Total All Other Governmental Funds	<u>\$ 12,860,114</u>	<u>\$ 21,216,615</u>	<u>\$ 21,181,090</u>	<u>\$ 23,911,285</u>	<u>\$ 18,925,237</u>
Total Fund Balances	<u>\$ 38,015,239</u>	<u>\$ 45,337,871</u>	<u>\$ 50,755,362</u>	<u>\$ 53,091,909</u>	<u>\$ 50,560,772</u>

Continued

Town of Los Gatos
Fund Balance, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

Schedule 3

	Fiscal Year				
	2018/19	2019/20	2020/21	2021/22	2022/23
General Fund					
Nonspendable	\$ -	\$ -	\$ 159,000	\$ 159,000	\$ 159,000
Restricted	5,015,316	669,978	-	690,000	1,444,501
Committed	15,070,944	15,387,706	11,220,970	12,283,132	13,150,130
Assigned	18,256,895	13,277,813	12,534,648	13,764,657	14,774,673
Unassigned	-	-	-	-	-
Total General Fund	<u>\$ 38,343,155</u>	<u>\$ 29,335,497</u>	<u>\$ 23,914,618</u>	<u>\$ 26,896,789</u>	<u>\$ 29,528,304</u>
All Other Governmental Funds					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 55,977
Restricted	6,903,372	6,448,006	8,562,653	9,383,483	9,530,538
Committed	2,579,997	-	-	637,711	2,590,257
Assigned	6,180,930	14,181,679	15,360,481	13,944,155	19,480,452
Unassigned	-	-	-	-	-
Total All Other Governmental Funds	<u>\$ 15,664,299</u>	<u>\$ 20,629,685</u>	<u>\$ 23,923,134</u>	<u>\$ 23,965,349</u>	<u>\$ 31,657,224</u>
Total Fund Balances	<u>\$ 54,007,454</u>	<u>\$ 49,965,182</u>	<u>\$ 47,837,752</u>	<u>\$ 50,862,138</u>	<u>\$ 61,185,528</u>

Concluded

Town of Los Gatos
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

Schedule 4

	Fiscal Year				
	2013/14	2014/15	2015/16	2016/17	2017/18
Revenues:					
Taxes	\$ 23,475,393	\$ 23,208,820	\$ 23,269,892	\$ 25,945,129	\$ 26,253,026
Licenses & Permits	5,343,265	6,467,771	5,442,133	5,075,503	5,937,044
Intergovernmental	2,440,127	2,921,002	2,573,475	1,715,580	2,124,903
Charges for Services	5,837,581	5,794,386	4,773,001	4,210,174	5,395,057
Fines and Forfeitures	795,720	868,564	879,277	917,105	676,212
Franchise Fees	-	2,215,430	2,258,892	2,366,908	2,474,814
Developer Fees	-	-	-	-	-
Investment Income	772,164	428,735	698,308	192,978	332,938
Use of Property	37,741	32,209	31,723	32,096	32,206
Other	3,648,277	3,130,975	2,396,992	1,011,939	640,844
Total Revenues	42,350,268	45,067,892	42,323,693	41,467,412	43,867,044
Expenditures:					
Current					
General Government	8,499,854	8,647,451	9,144,797	8,390,959	8,770,082
Public Safety	13,742,189	13,747,198	13,763,316	13,251,288	14,423,554
Parks and Public Works	5,611,283	5,840,097	6,307,266	6,633,748	7,125,686
Community Development	4,335,599	4,218,500	3,695,504	3,793,930	4,192,165
Library Services	2,131,438	2,268,844	2,332,268	2,508,677	2,529,017
Sanitation & Other	322,817	411,863	452,726	466,762	521,147
Capital Outlay	4,097,662	3,800,478	3,241,657	6,867,034	9,778,058
Debt Service					
Principal Repayment	-	-	-	-	-
Total Expenditures	38,740,842	38,934,431	38,937,534	41,912,398	47,339,709
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	3,609,426	6,133,461	3,386,159	(444,986)	(3,472,665)
Other Financing Sources(Uses):					
Transfers In	3,418,872	8,977,220	3,315,846	7,907,692	3,176,760
Transfers Out	(2,921,409)	(7,788,049)	(1,284,514)	(7,612,012)	(3,880,131)
Gain from Sale of Property	-	-	-	-	378,219
Insurance Recoveries	-	-	-	-	-
Issuance of Debt	-	-	-	4,435	-
Total Other Financing Sources(Uses)	497,463	1,189,171	2,031,332	300,115	(325,152)
Special Item:					
Extraordinary Gain (Loss) RDA Dissolution	-	-	-	-	-
Prepayment of Pension Obligations	(4,534,538)	-	-	-	-
Net Change in Fund Balances	\$ 4,106,889	\$ 7,322,632	\$ 5,417,491	\$ (144,871)	\$ (3,797,817)
Capitalized Capital Outlay	\$ 4,097,662	\$ 3,800,478	\$ 3,241,657	\$ 6,867,034	\$ 9,778,058
Debt Service as a Percentage					
of Non Capital Expenditures	0.00%	0.00%	0.00%	0.00%	0.00%

Continued

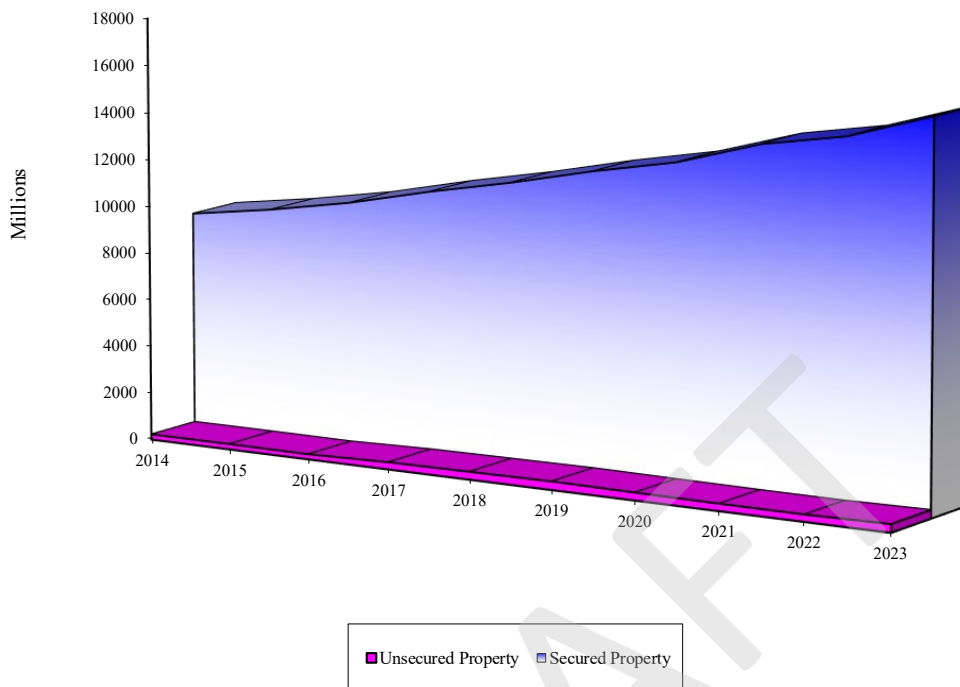
Town of Los Gatos
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

Schedule 4

	Fiscal Year				
	2018/19	2019/20	2020/21	2021/22	2022/23
Revenues:					
Taxes	\$ 28,244,329	\$ 27,811,665	\$ 28,977,919	\$ 31,627,593	\$ 33,851,411
Licenses & Permits	5,173,876	4,818,671	5,212,831	6,055,040	6,333,675
Intergovernmental	2,310,655	4,498,153	3,746,587	15,492,982	10,145,820
Charges for Services	5,584,504	5,309,470	6,035,659	6,925,359	5,718,714
Fines and Forfeitures	510,266	271,117	103,468	319,170	416,950
Franchise Fees	2,475,916	2,495,792	2,499,463	2,822,515	3,074,624
Developer Fees	-	-	-	1,735,571	614,820
Investment Income	1,809,164	2,428,453	227,940	(1,278,983)	797,582
Use of Property	32,960	31,039	40,372	144,901	237,647
Other	579,755	376,922	423,115	349,145	985,188
Total Revenues	46,721,425	48,041,282	47,267,354	64,193,293	62,176,431
Expenditures:					
Current					
General Government	8,004,254	13,024,146	14,040,134	15,953,968	8,828,779
Public Safety	14,945,407	15,793,815	16,570,836	16,451,190	18,446,048
Parks and Public Works	7,962,135	8,168,599	8,229,944	8,639,128	9,084,406
Community Development	4,577,495	4,473,790	5,195,302	6,313,511	5,065,412
Library Services	2,493,617	2,700,802	2,847,988	2,827,210	3,208,027
Sanitation & Other	628,240	162,837	166,173	194,969	204,097
Capital Outlay	7,888,914	7,861,972	5,707,439	10,478,670	8,917,075
Debt Service					
Principal Repayment	-	-	39,008	156,034	156,034
Total Expenditures	46,500,062	52,185,961	52,796,824	61,014,680	53,909,878
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	221,363	(4,144,679)	(5,529,470)	3,178,613	8,266,553
Other Financing Sources(Uses):					
Transfers In	4,264,131	8,935,260	4,053,535	8,154,307	11,886,022
Transfers Out	(3,323,756)	(8,628,719)	(3,940,015)	(8,310,685)	(11,396,347)
Gain from Sale of Property	1,912,316	1,566	1,201,369	2,151	2,162
Insurance Recoveries	-	-	-	-	1,565,000
Issuance of Debt	-	-	1,560,336	-	-
Total Other Financing Sources(Uses)	2,852,691	308,107	2,875,225	(154,227)	2,056,837
Special Item:					
Extraordinary Gain (Loss) RDA Dissolution	-	-	-	-	-
Prepayment of Pension Obligations	-	-	-	-	-
Net Change in Fund Balances	\$ 3,074,054	\$ (3,836,572)	\$ (2,654,245)	\$ 3,024,386	\$ 10,323,390
Debt Service as a Percentage					
of Non Capital Expenditures	0.00%	0.00%	0.08%	0.30%	0.35%

Concluded

Town of Los Gatos
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

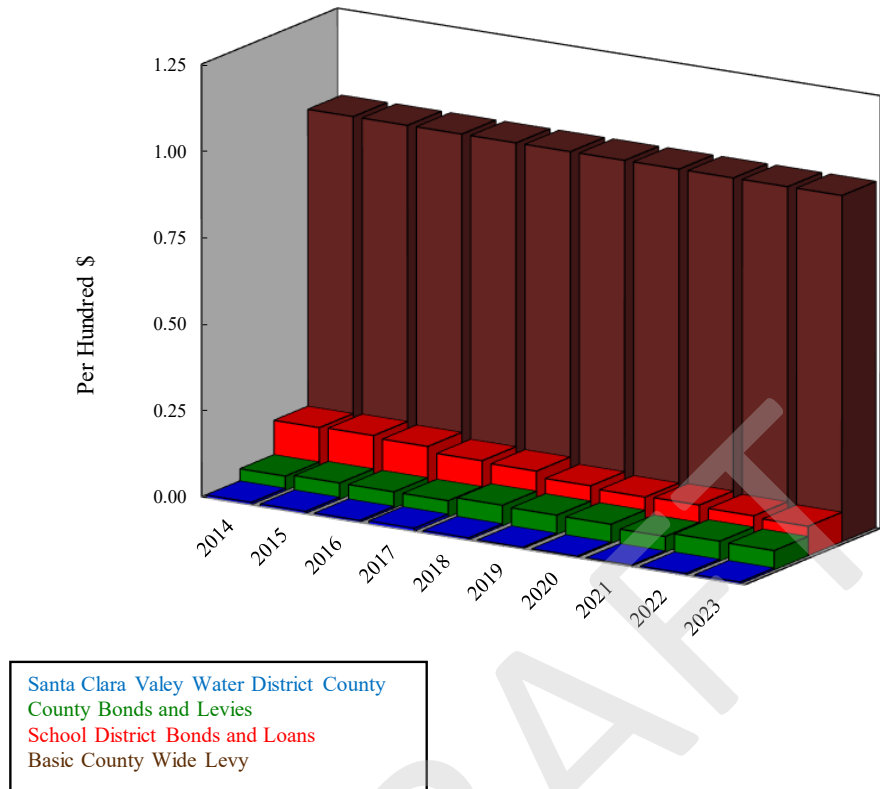


Fiscal Year	Utility and Unsecured Property	Percent Change	Secured Property	Percent Change	Total Assessed	Estimated Full Market	Total Direct Tax Rate
2014	\$ 224,079,502	6.06%	\$ 9,238,816,900	9.14%	\$ 9,462,896,402	\$ 36,955,267,600	1.0493
2015	227,331,042	1.45%	9,767,782,505	5.73%	9,995,113,547	39,071,130,020	1.0544
2016	217,035,545	-4.53%	10,417,804,357	6.65%	10,634,839,902	41,671,217,428	1.0533
2017	304,443,013	40.27%	11,240,554,198	7.90%	11,544,997,211	44,962,216,792	1.0560
2018	330,504,877	8.56%	11,969,049,272	6.48%	12,299,554,149	47,876,197,088	1.0659
2019	359,276,665	8.71%	12,795,393,103	6.90%	13,154,669,768	51,181,572,412	1.0607
2020	331,517,212	-7.73%	13,510,676,336	5.59%	13,842,193,548	54,042,705,344	1.0598
2021	308,749,655	-6.87%	14,599,669,332	8.06%	14,908,418,987	58,398,677,328	1.0494
2022	304,460,199	-1.39%	15,255,884,284	4.49%	15,560,344,483	61,023,537,136	1.0627
2023	357,370,065	17.38%	16,404,930,826	7.53%	16,762,300,891	65,619,723,304	1.0616

Source: Santa Clara County Assessed Value Report

Town of Los Gatos
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

Schedule 6



Fiscal Year	Basic County Wide Levy	County Bonds and Levies	Santa Clara Special Districts	School District Bonds and Loans	Total
2014	1.0000	0.0423	0.0070	0.1417	1.1910
2015	1.0000	0.0479	0.0065	0.1442	1.1986
2016	1.0000	0.0476	0.0057	0.1381	1.1914
2017	1.0000	0.0474	0.0086	0.1223	1.1783
2018	1.0000	0.0597	0.0062	0.1177	1.1836
2019	1.0000	0.0565	0.0042	0.1006	1.1613
2020	1.0000	0.0557	0.0041	0.0935	1.1533
2021	1.0000	0.0457	0.0037	0.0959	1.1453
2022	1.0000	0.0576	0.0051	0.0902	1.1529
2023	1.0000	0.0559	0.0057	0.0854	1.1470

Source: Santa Clara County Book of Tax Rates

Town of Los Gatos
Principle Property Tax Payers
Last Ten Fiscal Years *

ASSEESSEE NAME	2013/14		2014/15		2015/16		2016/17		2017/18	
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
750 University LLC	\$ 18,600,000	0.19%	\$ 19,000,000	0.18%	\$ 19,379,620	0.19%	\$ 19,675,159	0.18%	\$ 25,241,863	0.21%
980 JR LLC										
140 Toll House Hotel LLC										
Alberto Way Holdings LLC	23,607,964	0.24%	23,715,141	0.23%	24,188,966	0.23%	24,557,845	0.22%	25,048,998	0.21%
Ann R. Desantis	13,823,779	0.14%								
A W Los Gatos LLC										
Boccardo Corporation	38,617,912	0.40%	38,772,905	0.37%	21,617,318	0.21%	21,918,921	0.20%	22,211,650	0.19%
CH Realty IV Downing LP	19,916,443	0.20%								
CHL Ventures LP	-	0.00%								
D&K Los Gatos LLC	15,901,809	0.16%	15,974,003	0.15%	16,293,163	0.16%				
David A. and Shari Flick Trustee			15,388,884	0.15%						
Donahue Schriber Realty Group LP									53,872,083	0.45%
DS Downing Los Gatos LLC			20,006,861	0.19%	21,980,568	0.21%	22,315,770	0.20%		
DS Village Square							22,799,599	0.20%		
El Camino Hospital			20,803,609	0.20%	26,477,160	0.25%	26,880,933	0.24%	23,353,576	0.20%
Equestrian 3 Investments LLC									29,584,251	0.25%
Fox Creek Fund LLC										
Good Samaritan Hospital LP	19,710,897	0.20%	19,602,594	0.19%	19,880,366	0.19%	22,402,756	0.20%	22,516,823	0.19%
Grade Way Associations VI	15,094,623	0.15%	15,163,152	0.15%						
Green Eyes LLC	12,793,404	0.13%								
Grosvenor USA Ltd.	22,886,720	0.23%	22,990,624	0.22%	23,449,975	0.23%				
Health Care REIT Inc.	20,671,960	0.21%	20,765,810	0.20%	20,089,903	0.19%	20,396,274	0.18%		
Hercules Holding II LLC										
International Hotel									30,144,617	0.25%
Kay K. & Go Sasaki Sr., Trustee	22,752,809	0.23%			24,744,983	0.24%	25,122,131	0.22%	25,624,027	0.21%
Knowles Los Gatos LLC	47,986,850	0.49%	48,204,708	0.46%	49,167,836	0.47%	49,917,644	0.44%	50,915,995	0.43%
KSL Capital Partners	43,383,370	0.44%	43,580,326	0.42%	30,134,614	0.29%	30,105,945	0.27%	25,893,946	0.22%
Leland E Lester, Trustee							29,004,169	0.26%		
LG Business Park Bldg 3 LLC					61,947,284	0.59%			53,465,724	0.45%
LG Business Park Bldg 4 LLC									43,937,857	0.37%
LG Business Park LLC	47,276,977	0.48%	39,347,485	0.38%	17,507,261	0.17%	31,070,572	0.28%		
LG Hotel LLC			15,448,057	0.15%	15,497,395	0.15%				
Los Gatos Hotel Corp.	18,134,182	0.19%	15,573,314	0.15%	15,676,113	0.15%				
Lyon Baytree Apartments LLC	14,674,716	0.15%								
Paul H. Roskoph										
Preylock Los Gatos LLC										
Safeway Inc.									24,394,468	0.20%
San Jose Water Works	33,626,381	0.34%	36,693,453	0.35%	37,081,049	0.36%	38,710,728	0.34%	41,202,805	0.34%
Serramonte Corporate Center LLC										
SI 32 LLC			150,563,119	1.45%	141,348,894	1.36%	143,442,269	1.28%	146,317,944	1.22%
SF Los Gatos LLC										
Sobrato Interests IV LLC	169,809,676	1.74%	20,869,338	0.20%	44,930,482	0.43%	42,240,994	0.38%	43,071,837	0.36%
SRI Old Town LLC	30,981,771	0.32%	31,122,427	0.30%	31,744,252	0.30%	32,228,351	0.29%	32,872,917	0.27%
Summerhill N40 LLC										
Summerhill Prospect Avenue LLC							18,274,508	0.16%		
Wealthcap Los Gatos 121							109,100,000	0.97%	111,282,000	0.93%
Wealthcap Los Gatos 31							84,000,000	0.75%	85,680,000	0.72%
Total - Principal taxpayers	\$ 650,252,243	7.68%	\$ 394,337,473	6.49%	\$ 1,296,723,012	6.37%	\$ 814,164,568.00	7.24%	\$ 916,633,381	7.66%
Total - All real properties assessed by the Town (1)	\$9,237,887,980		\$9,766,765,025		\$10,416,786,877		\$11,239,536,718		\$11,968,031,792	

(1) Assessed value includes only net secured real properties.

(2) Excludes the value of tax-exempt properties

Source Data: California Municipal Statistics, Inc.

Continued

Town of Los Gatos
Principle Property Tax Payers
Last Ten Fiscal Years *

ASSEESSEE NAME	2018/19		2019/20		2020/21		2021/22		2022/23	
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
750 University LLC	\$ 25,746,699	0.20%	\$ 26,261,632	0.19%	\$ 26,786,863	0.18%	\$ 27,064,374	0.19%	\$ 27,605,660	0.17%
980 JR LLC	\$ 19,277,879	0.15%								
140 Toll House Hotel LLC					35,043,180	0.24%	35,499,104	0.24%	34,808,066	0.21%
Alberto Way Holdings LLC	25,549,975	0.20%	24,158,350	0.18%	24,641,514	0.17%	24,896,799	0.17%		
Ann R. Desantis										
A W Los Gatos LLC									26,749,500	0.16%
Boccardo Corporation	22,651,732	0.18%	23,099,314	0.17%					24,268,078	0.15%
CH Realty IV Downing LP										
CHL Ventures LP										
D&K Los Gatos LLC										
David A. and Shari Flick Trustee										
Donahue Schriber Realty Group LP	56,370,186	0.44%	57,497,587	0.43%	58,647,535	0.40%	59,255,121	0.41%	60,440,222	0.37%
DS Downing Los Gatos LLC										
DS Village Square										
El Camino Hospital	28,596,104	0.22%	30,789,155	0.23%	42,611,768	0.29%	50,456,560	0.35%	43,379,731	0.26%
Equestrian 3 Investments LLC	28,563,864	0.22%	25,525,880	0.19%	26,036,395	0.18%	26,306,130	0.18%	26,832,251	0.16%
Fox Creek Fund LLC	21,558,664	0.17%					27,231,335	0.19%	27,078,255	0.17%
Good Samaritan Hospital LP	22,934,274	0.18%	23,391,289	0.17%	23,846,402	0.16%	24,111,608	0.17%	24,569,780	0.15%
Grade Way Associations VI										
Green Eyes LLC										
Grosvenor USA Ltd.										
Health Care REIT Inc.										
Hercules Holding II LLC										
International Hotel	30,747,509	0.24%	31,362,458	0.23%	31,989,706	0.22%				
Kay K. & Go Sasaki Sr., Trustee	26,135,962	0.20%	28,864,942	0.21%	27,190,951	0.19%	27,471,495	0.19%	28,020,326	0.17%
Knowles Los Gatos LLC	51,934,313	0.41%	52,972,998	0.39%	54,032,455	0.37%	54,592,229	0.37%	55,684,072	0.34%
KSL Capital Partners	26,411,820	0.21%	33,069,058	0.24%	33,118,759	0.23%	33,037,818	0.23%	32,098,542	0.20%
Leland E Lester, Trustee										
LG Business Park Bldg 3 LLC										
LG Business Park Bldg 4 LLC										
LG Business Park LLC										
LG Hotel LLC										
Los Gatos Hotel Corp.										
Lyon Baytree Apartments LLC										
Paul H. Roskoph										
Preylock Los Gatos LLC			89,141,472	0.66%	95,880,000	0.66%	96,873,316	0.66%	98,810,782	0.60%
Safeway Inc.			25,752,231	0.19%	25,577,034	0.18%				
San Jose Water Works	46,150,577	0.36%	47,777,432	0.35%	49,649,154	0.34%	53,320,614	0.37%	51,657,625	0.31%
Serramonte Corporate Center LLC	200,844,610	1.57%	204,861,501	1.52%	208,958,729	1.43%	211,123,540	1.45%	215,346,008	1.31%
SI 32 LLC	149,208,182	1.17%	152,166,578	1.13%	155,181,793	1.06%	158,132,236	1.08%	159,929,209	0.97%
SF Los Gatos LLC							33,214,527	0.23%		
Sobrato Interests IV LLC	43,919,879	0.34%	44,781,377	0.33%	45,682,006	0.31%	46,155,127	0.32%	47,067,863	0.29%
SRI Old Town LLC	33,530,374	0.26%	34,200,980	0.25%	34,884,999	0.24%	35,246,406	0.24%	35,951,333	0.22%
Summerhill N40 LLC			56,244,782	0.42%	57,369,661	0.39%	59,462,462	0.41%	71,006,795	0.43%
Summerhill Prospect Avenue LLC										
Wealthcap Los Gatos 121	113,507,640	0.89%	115,777,792	0.86%	118,093,347	0.81%	119,316,793	0.82%	121,703,128	0.74%
Wealthcap Los Gatos 31	87,393,600	0.68%								
Total - Principal taxpayers	\$ 1,061,033,843	8.29%	\$ 1,127,696,808	8.35%	\$ 1,175,222,251	8.05%	\$ 1,202,767,594	8.24%	\$ 1,213,007,226	7.39%
Total - All real properties assessed by the Town (1)	\$12,793,751,423		\$13,509,034,656		\$14,598,027,652		\$15,254,242,604		\$16,403,289,146	

(1) Assessed value includes only net secured real properties.

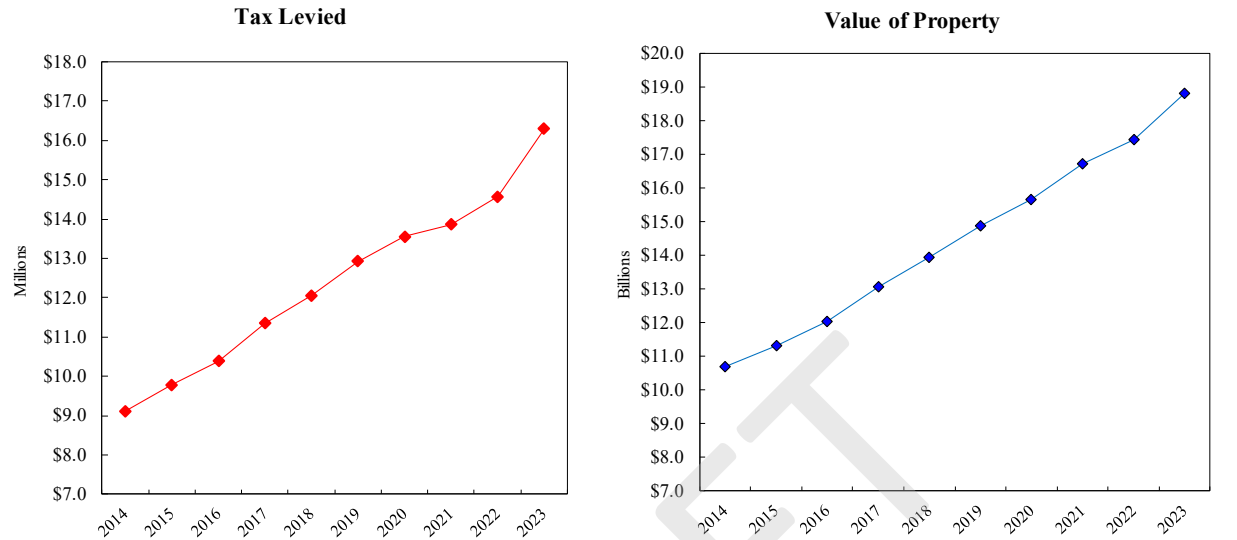
(2) Excludes the value of tax-exempt properties

Source Data: California Municipal Statistics, Inc.

Concluded

Town of Los Gatos
Property Tax Levies and Collections
Last Ten Fiscal Years

Schedule 8



Fiscal Year	Town Property Tax Levied and Collected	Redevelopment Property Tax Levied and Collected	Total Property Tax Levied and Collected	Value of Town Property subject to Local Tax Rate	Value of Redevelopment Agency Property Subject to Local Tax Rate	Value of Property Subject to Local Tax Rate
2014	\$ 9,120,626	\$ -	\$ 9,120,626	\$ 9,462,896,402	\$ 1,249,873,303	\$ 10,712,769,705
2015	9,787,519	-	9,787,519	9,995,113,547	1,318,214,863	11,313,328,410
2016	10,388,424	-	10,388,424	10,634,839,902	1,395,509,489	12,030,349,391
2017	11,345,588	-	11,345,588	11,544,997,211	1,537,577,241	13,082,574,452
2018	12,060,228	-	12,060,228	12,299,554,149	1,650,746,473	13,950,300,622
2019	12,924,592	-	12,924,592	13,154,669,768	1,717,358,555	14,872,028,323
2020	13,559,587	-	13,559,587	13,842,193,548	1,715,982,555	15,651,922,606
2021	13,864,271	-	13,864,271	14,908,418,987	1,809,729,058	16,718,148,045
2022	14,566,808	-	14,566,808	15,560,344,483	1,891,297,788	17,451,642,271
2023	16,300,797	-	16,300,797	16,762,300,891	2,047,530,717	18,809,831,608

Sources: Santa Clara County Auditor-Controller Office and the Town of Los Gatos

Town of Los Gatos
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Schedule 9

Governmental Activities					
Fiscal Year	PG&E Loan	Total Governmental Activities	Total Primary Government	Percentage of Personal Income	Per Capita
2014	-	-	-	0.0%	0.00
2015	-	-	-	0.0%	0.00
2016	-	-	-	0.0%	0.00
2017	-	-	-	0.0%	0.00
2018	-	-	-	0.0%	0.00
2019	-	-	-	0.0%	0.00
2020	-	-	-	0.0%	0.00
2021	\$ 1,508,325	\$ 1,508,325	\$ 1,508,325	56.2%	48.91
2022	\$ 1,352,291	\$ 1,352,291	\$ 1,352,291	44.3%	40.90
2023	\$ 1,196,257	\$ 1,196,257	\$ 1,196,257	34.7%	36.14

Debt was transferred to the Successor Agency Trust Fund as a part of the RDA dissolution in FY 2011

Town of Los Gatos
Direct and Overlapping Governmental Activities Debt
As of June 30, 2023

2022/23 Assessed Valuation:

\$16,762,300,891

Estimated Share
of Direct and
Overlapping Debt
at June 30, 2023

DIRECT AND OVERLAPPING BONDED DEBT:

Overlapping Tax & Assessment Debt

	% Applicable ⁽¹⁾	Total Debt at June 30, 2023	
Santa Clara County	2.708%	\$ 1,041,125,000	\$ 28,193,665
West Valley-Mission Community College District	9.426%	\$ 694,320,000	\$ 65,446,603
Campbell Union High School District	7.776%	\$ 354,085,000	\$ 27,533,650
Los Gatos-Saratoga Joint Union High School District	36.333%	\$ 81,235,000	\$ 29,515,113
Cambrian School District	0.648%	\$ 96,314,944	\$ 624,121
Campbell Union School District	7.620%	\$ 205,899,324	\$ 15,689,528
Los Gatos Union School District	74.055%	\$ 62,020,000	\$ 45,928,911
Saratoga Union School District	0.032%	\$ 15,206,197	\$ 4,866
Union School District	20.230%	\$ 144,497,533	\$ 29,231,851
Midpeninsula Regional Open Space District	4.400%	\$ 82,680,000	\$ 3,637,920
Santa Clara Valley Water District Benefit Assessment District	2.708%	\$ 38,900,000	\$ 1,053,412
Total Overlapping Tax and Assessment Debt			\$ 246,859,640

Overlapping General Fund Debt

Santa Clara County General Fund Obligations	2.708%	\$ 1,120,404,570	\$ 30,340,556
Santa Clara County Pension Obligation Bonds	2.708%	\$ 329,741,844	\$ 8,929,409
Santa Clara County Board of Education Certificates of Participation	2.708%	\$ 935,000	\$ 25,320
West Valley-Mission Community College District General Fund Obligations	9.426%	\$ 8,160,000	\$ 769,162
Campbell Union High School District General Fund Obligations	7.776%	\$ 14,500,000	\$ 1,127,520
Los Gatos-Saratoga Joint Union High School District Certificates of Participation	36.333%	\$ 149,000	\$ 54,136
Campbell Union School District General Fund Obligations	7.620%	\$ 1,575,000	\$ 120,015
Saratoga Union School District Certificates of Participation	0.032%	\$ 1,905,000	\$ 610
Town of Los Gatos	100.000%	\$ -	\$ -
Santa Clara County Vector Control District Certificates of Participation	2.708%	\$ 1,230,000	\$ 33,308
Santa Clara County Central Fire Protection District Certificates of Participation	25.763%	\$ 27,755,000	\$ 7,150,521
Midpeninsula Regional Open Space Park District General Fund Obligations	4.400%	\$ 91,570,600	\$ 4,029,106
Total Gross Overlapping General Fund Debt			\$ 52,579,663
Less: Santa Clara County Supported Obligations			\$ 284,888
Total Overlapping General Fund Debt			\$ 52,294,775

Overlapping Tax Increment Debt (Successor Agency)

Town of Los Gatos Certificated of Participations	\$ 11,430,000
Total of Overlapping Tax Increment Debt	\$ 11,430,000

Total Direct Debt

Total Gross Overlapping Debt	\$ 310,869,303
Total Net Overlapping Debt	\$ 310,584,415

Gross Combined Total Debt	\$ 310,869,303 ⁽²⁾
Net Combined Total Debt	\$ 310,584,415

⁽¹⁾ The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.

⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue bonds and non-bonded capital lease obligations.

Ratios to 2022/23 Assessed Valuation:

Total Overlapping Tax and Assessment Debt: 1.47%
Total Direct Debt: 0.00%
Gross Combined Total Debt: 1.85%
Net Combined Total Debt: 1.85%

Ratios to Redevelopment Incremental Valuation (\$1,792,881,346):

Total Overlapping Tax Increment Debt: 0.64%

Source Data: California Municipal Statistics, Inc.

Town of Los Gatos
Legal Debt Margin Information,
Last Ten Fiscal Years
(In Thousands of Dollars)

Legal Debt Margin Calculation
for Fiscal Year 2022/23

Assessed Value	\$	16,762,300,891
Debt Limit		2,514,345,134
Debt Applicable to Limit:		
Legal Debt Margin	\$	<u>2,514,345,134</u>

	Fiscal Year									
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Debt Limit	\$1,263,138	\$1,379,254	\$1,444,943	\$1,556,252	\$1,679,736	\$1,789,097	\$2,076,329	\$2,236,263	\$2,334,052	\$2,514,345
Debt Applicable to Limit	-	-	-	-	-	-	-	-	1,352	1,196
Legal Debt Margin	<u>\$1,263,138</u>	<u>\$1,379,254</u>	<u>\$1,444,943</u>	<u>\$1,556,252</u>	<u>\$1,679,736</u>	<u>\$1,789,097</u>	<u>\$2,076,329</u>	<u>\$2,236,263</u>	<u>\$2,332,699</u>	<u>\$2,513,149</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.06%	0.05%

Notes:

- (1) The Town of Los Gatos is a general law city and has a debt limit of 15%.
(2) Excludes RDA assessed valuation and debt transferred to the Successor Agency trust as a part of the RDA dissolution.

Town of Los Gatos
Demographic and Economic Statistics
Last Ten Fiscal Years

Schedule 12

Fiscal Year Ended	Population (1)	Personal Income (thousands of dollars) (2)	Per Capita Personal Income (3)	Median Age (4)	Public School Enrollment (5)	County Unemployment Rate (6)
2014	30,443	\$ 2,267,912	74,497	45.80	6,522	5.7%
2015	30,505	\$ 2,197,885	72,050	46.10	6,622	3.8%
2016	31,376	\$ 2,286,087	72,861	46.30	6,646	3.5%
2017	31,314	\$ 2,281,569	72,861	46.50	6,631	3.8%
2018	30,601	\$ 2,290,638	74,855	46.81	6,588	2.6%
2019	30,998	\$ 2,365,178	76,301	46.72	6,544	2.6%
2020	31,439	\$ 2,546,748	81,006	46.83	6,520	10.7%
2021	30,836	\$ 2,686,155	87,111	46.83	6,180	5.2%
2022	33,062	\$ 3,055,987	92,432	46.67	6,000	2.2%
2023	33,102	\$ 3,443,767	104,035	46.76	5,895	3.7%

Source:

- (1) California State Dept. of Finance - Population Research Unit (January 2023)
- (2) California State Dept. of Finance - Estimate equals county per capita average times population
- (3) US Census Bureau - QuickFacts
- (4) Claritas demographic snapshot report
- (5) Los Gatos Saratoga Joint Union and Los Gatos Union Elementary School Districts
- (6) State of California, Employment Development Dept., Labor Market Info. Div.

Town of Los Gatos
Principal Employers
Last Ten Fiscal Years

Principal Employers	2013/14		2014/15		2015/16		2016/17		2017/18	
	Percentage of Total Town		Percentage of Total Town		Percentage of Total Town		Percentage of Total Town		Percentage of Total Town	
	Emp.	Employment	Emp.	Employment	Emp.	Employment	Emp.	Employment	Emp.	Employment
Columbia Health Care Assoc/Mission Oaks Hospital	2,000	13.52%	-	0.00%	-	0.00%	-	0.00%		0.00%
El Camino Hospital, Los Gatos	700	4.73%	560	3.73%	560	3.53%	560	3.49%	560	3.43%
Los Gatos Union School District	237	1.60%	273	1.82%	280	1.76%	274	1.71%	267	1.64%
Los Gatos-Saratoga High School District	256	1.73%	157	1.05%	157	0.99%	370	2.30%	367	2.25%
Netflix	825	5.58%	1,530	10.19%	1,976	12.45%	1,864	11.61%	2,117	12.98%
Safeway	250	1.69%	314	2.09%	314	1.98%	314	1.95%	314	1.92%
Alain Pinel Realtors	156	1.05%	156	1.04%	146	0.92%	148	0.92%	131	0.80%
Courtside Tennis Club	295	1.99%	440	2.93%	440	2.77%	468	2.91%	542	3.32%
Town of Los Gatos	144	0.97%	157	1.05%	158	1.00%	160	1.00%	159	0.97%
Whole Foods	-	0.00%	179	1.19%	179	1.13%	179	1.11%	179	1.10%
Vasona Creek Health Care Center	-	0.00%	233	1.55%	233	1.47%	233	1.45%	233	1.43%
Good Samaritan Regional Cancer Center	-	0.00%	200	1.33%	200	1.26%	200	1.25%	200	1.23%
Roku	-	0.00%	-	0.00%	487	3.07%	554	3.45%	664	4.07%
Terraces of Los Gatos	-	0.00%	-	0.00%	228	1.44%	228	1.42%	228	1.40%

Source: Town of Los Gatos, Finance
Department and Muniservices

Continued

Town of Los Gatos
Principal Employers
Last Ten Fiscal Years

	2018/19		2019/20		2020/21		2021/22		2022/23	
	Percentage of Total Town		Percentage of Total Town		Percentage of Total Town		Percentage of Total Town		Percentage of Total Town	
<u>Principal Employers</u>	Emp.	Employment	Emp.	Employment	Emp.	Employment	Emp.	Employment	Emp.	Employment
Columbia Health Care Assoc/Mission Oaks Hospital		0.00%		0.00%		0.00%		0.00%		0.00%
El Camino Hospital, Los Gatos	560	3.49%	560	3.49%	560	3.35%	517	3.09%	509	3.04%
Los Gatos Union School District	281	1.75%	281	1.75%	281	1.68%	281	1.68%	281	1.68%
Los Gatos-Saratoga High School District	367	2.28%	367	2.28%	320	1.92%	320	1.91%	320	1.91%
Netflix	2,314	14.41%	2,314	14.41%	2,524	15.11%	2,278	13.62%	2,263	13.53%
Safeway	314	1.95%	314	1.95%	314	1.88%	314	1.88%	314	1.88%
Alain Pinel Realtors	131	0.82%	131	0.82%		0.00%		0.00%		0.00%
Courtside Tennis Club	542	3.37%	542	3.37%	542	3.24%	542	3.24%	542	3.24%
Town of Los Gatos	160	1.00%	160	1.00%	161	0.96%	165	0.99%	163	0.97%
Whole Foods	125	0.78%	125	0.78%	125	0.75%	180	1.08%	132	0.79%
Vasona Creek Health Care Center	233	1.45%	233	1.45%	250	1.50%	250	1.49%	250	1.49%
Good Samaritan Regional Cancer Center	200	1.25%	200	1.25%	200	1.20%	200	1.20%	200	1.20%
Roku	516	3.21%	516	3.21%		0.00%		0.00%		0.00%
Terraces of Los Gatos	228	1.42%	228	1.42%	228	1.36%	200	1.20%	200	1.20%

Source: Town of Los Gatos, Finance
Department and Muniservices

Concluded

Town of Los Gatos
 Full-time-Equivalent Employees by Function/Program
 Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
General Government	20.73	20.97	20.97	21.35	21.97	22.16	21.80	21.80	22.06	22.05
Police	57.50	60.00	59.00	59.00	59.00	59.00	60.00	60.00	60.00	60.00
Economic Development	0.50	0.63	0.63	0.63	0.75	0.75	0.75	0.75	0.75	0.75
Library	10.30	10.80	11.00	12.25	12.25	12.50	12.50	12.50	12.50	13.50
Planning	17.50	19.50	19.00	19.26	19.63	20.08	20.08	20.20	20.20	20.20
Public Works	31.50	32.00	33.50	33.50	34.50	34.50	34.50	34.75	34.75	36.75
Total	138.03	143.90	144.10	145.98	148.10	148.99	149.63	150.00	150.26	153.25

Full-time equivalent employment is calculated as one or more employee positions totaling one full year of service or approximately 2,080 hours a year.

Town of Los Gatos
Operating Indicators
Last Ten Fiscal Years

FUNCTION/PROGRAM

	Fiscal Year				
	2013/14	2014/15	2015/16	2016/17	2017/18
General government					
Building Permits Issued					
Residential Permits Issued	813	805	899	744	849
Residential Permits Value	87,307,822	76,896,111	85,000,754	53,625,891	63,083,249
Commercial Permits Issued	139	133	147	135	105
Commercial Permits Value	138,676,507	178,195,997	20,185,884	50,024,177	16,626,196
Publically Owned Permits Issued	-	-	-	-	-
Publically Owned Permits Value	-	-	-	-	-
Residential Parking Permits					
Number of Special Event Permits Issued	133	127	107	118	113
Number of Annual Permits Issued	1,376	1,570	1,363	1,251	1,342
City Clerk					
Number of Council Resolutions Passed	86	72	61	69	69
Number of Ordinances Passed	16	9	11	5	17
Number of Contracts Passed	196	222	283	240	262
General Services					
Number of Purchase Orders Issued	301	277	334	331	322
Police					
Physical Arrests	641	695	987	1,030	1,164
Parking Violations	14,421	13,321	13,975	12,863	11,784
Traffic Violations	4,747	4,633	5,400	4,634	4,757
DUI Arrests	62	48	58	60	51
Library					
Number of Library Visits	-	-	-	-	-
Annual Circulation	-	-	-	-	-
Number of Library Card holders	-	-	-	-	-
Circulated e-audiobooks	2,414	5,867	7,761	10,006	8,844
Other Public Works					
Street Resurfacing/Overlay/Reconstruction (miles)	10.0	1.8	8.0	10.0	2.6
ADA Compliance: Curb Ramps	19	23	11	30	68
Traffic Circles	-	1	1	1	1
Street Poles	1,611	1,609	1,609	1,609	1,762
Planning and Development Department					
Building & Safety Inspections Performed	12,764	11,652	8,655	14,722	13,918
Redevelopment: Number of active projects	-	-	-	-	-

Source: Town of Los Gatos, Finance Department

Continued

Town of Los Gatos
Operating Indicators
Last Ten Fiscal Years

FUNCTION/PROGRAM

	Fiscal Year				
	2018/19	2019/20	2020/21	2021/22	2022/23
General government					
Building Permits Issued					
Residential Permits Issued	814	898	1,128	1,144	1,118
Residential Permits Value	80,030,846	47,961,529	111,242,724	132,784,439	73,432,645
Commercial Permits Issued	122	92	68	117	84
Commercial Permits Value	13,295,999	12,389,688	37,285,259	23,442,964	19,422,918
Publicly Owned Permits Issued	-	-	-	-	-
Publicly Owned Permits Value	-	-	-	-	-
Residential Parking Permits					
Number of Special Event Permits Issued	78	-	-	-	- (1)
Number of Annual Permits Issued	1,395	1,400	1,568	1,958	1,827
City Clerk					
Number of Council Resolutions Passed	59	57	50	64	71
Number of Ordinances Passed	11	24	9	14	10
Number of Contracts Passed	245	242	205	296	275
General Services					
Number of Purchase Orders Issued	343	359	376	306	296
Police					
Physical Arrests	1,138	616	360	504	522
Parking Violations	6,817	4,023	1,584	4,678	8,569
Traffic Violations	2,877	1,225	764	1,245	1,427
DUI Arrests	70	64	23	49	42
Library					
Number of Library Visits	-	-	-	150,198	206,874 (3)
Annual Circulation	-	-	-	432,707	397,517 (3)
Number of Library Card holders	-	-	-	29,322	29,815 (3)
Circulated e-audiobooks	12,130	57,839	54,614	-	- (2)
Other Public Works					
Street Resurfacing/Overlay/Reconstruction (miles)	5.8	16.2	10.0	9.9	10.9
ADA Compliance: Curb Ramps	49	68	91	59	50
Traffic Circles	1	1	1	1	1
Street Poles	1,830	1,830	2,113	2,113	2,113
Planning and Development Department					
Building & Safety Inspections Performed	13,966	13,633	13,806	16,906	16,641
Redevelopment: Number of active projects	-	-	-	-	-

(1) The Town streamlined the special event application where multiple events require only one permit.

(2) Changed operating indicators to fully reflect Department's efficiency metrics starting FY 2021/22.

(3) New metrics being presented in FY 2021/22.

Town of Los Gatos
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Schedule 16

Function/Program	Fiscal Year									
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Police										
Number of Stations	2	2	2	2	2	2	2	2	2	2
Number of Patrol Units	14	14	14	14	14	14	14	14	14	14
Parking Enforcement Vehicles	2	2	2	2	2	2	2	2	2	2
Other Public Works										
Streets (miles)	132	132	132	132	132	132	132	132	132	112 ⁽¹⁾
Streetlights	1,611	1,609	1,609	1,609	1,762	1,830	1,830	2,113	2,113	2,113
Traffic Signals	29	29	30	30	30	31	31	31	31	31
Parks and Recreation										
Number of Parks	12	12	12	12	12	N/A	N/A	N/A	N/A	N/A
Number of Community Centers	1	1	1	1	1	1	1	1	1	1
Number of Parks & Open Spaces	N/A	N/A	N/A	N/A	N/A	17	17	17	17	17
Parking										
Number of Parking Garages	1	1	1	1	1	1	1	1	1	1
Number of Parking Lots	22	22	22	22	22	22	22	22	22	22
Number of Off Street Parking Garage Spaces	1,126	1,126	1,126	1,126	1,126	N/A	N/A	N/A	N/A	N/A
Number of Downtown Off-Street Parking Spaces	N/A	N/A	N/A	N/A	N/A	1,269	1,269	1,269	1,269	1,269

(1) Based on Metropolitan Transportation Commission (MTC)
funded Pavement Technical Assistance Program
(P-TAP) inventory for year 2022.

Other Independent Auditor's Reports

DRAFT



Chavan and Associates, LLP
Certified Public Accountants

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

To the Honorable Mayor and Members of the
Town Council of the Town of Los Gatos
Los Gatos, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Town of Los Gatos (the "Town") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 27, 2023.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not



Chavan and Associates, LLP
Certified Public Accountants

express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

C & A LLP

Morgan Hill, California
November 27, 2023

DRAFT

DRAFT



From: [Rick Tinsley](#)
To: [Gitta Ungvari](#)
Cc: [Rick Tinsley](#)
Subject: ACFR Comments
Date: Wednesday, November 29, 2023 3:05:40 PM

[EXTERNAL SENDER]

Hi Gitta,

Here are a couple of comments on the ACFR. Please share with the other Commissioners.

Page 2, last paragraph: Prop tax is listed as 4.9% of GF revenues. I think there is a digit missing, right?

Page 32,33: Actual expenditures ended the fiscal year at \$5.3 million below final budgeted expenditures. It is worth noting that ~\$3.4M of the \$5.3M of favorable variance is due to vacancies. This chronic variance(due to budget padding) should be somewhat smaller in the 2023-2024 budget with the addition of a modest vacancy factor of 4.6% which corresponds to ~\$1.7M (as described on page 36).

Thanks,

Rick

From: Phil Koen [REDACTED]
Sent: Thursday, November 30, 2023 7:47 AM
To: Wendy Wood <WWood@losgatosca.gov>
Subject: Summary - Statement No. 34 (2).pdf

[EXTERNAL SENDER]

Hello Wendy,

I believe it would be informative to distribute the attached summary of GASB 34 to all members of the FC so they gain a better understanding of the importance of a well written and easily understood Management Discussion and Analysis section of the ACFR. At our up coming meeting I will be asking the FC for feedback on the current MD&A draft.

Thank you.

SUMMARY OF STATEMENT NO. 34



STATEMENT NO. 34
BASIC FINANCIAL STATEMENTS—AND MANAGEMENT'S DISCUSSION AND ANALYSIS—FOR STATE AND LOCAL GOVERNMENTS
(ISSUED 6/99)

Preface

This Statement establishes new financial reporting requirements for state and local governments throughout the United States. When implemented, it will create new information and will restructure much of the information that governments have presented in the past. We developed these new requirements to make annual reports more comprehensive and easier to understand and use.

The GASB's first concepts Statement,* issued in 1987 after extensive due process, identifies what we believe are the most important objectives of financial reporting by governments. Some of those objectives reaffirm the importance of information that governments already include in their annual reports. Other objectives point to a need for new information. For this reason, this Statement requires governments to retain some of the information they currently report, but also requires them to reach beyond the familiar to new and different information. This Statement will result in reports that accomplish many of the objectives we emphasized in that concepts Statement.

*GASB Concepts Statement No. 1. *Objectives of Financial Reporting*

Retaining the familiar

Annual reports currently provide information about funds. Most funds are established by governing bodies (such as state legislatures, city councils, or school boards) to show restrictions on the planned use of resources or to measure, *in the short term*, the revenues and expenditures arising from certain activities. Concepts Statement 1 noted that annual reports should allow users to assess a government's accountability by assisting them in determining compliance with finance-related laws, rules, and regulations. For this reason and others, this Statement requires governments to continue to present financial statements that provide information about funds. The focus of these statements has been sharpened, however, by requiring governments to report information about the most important, or "major," funds, including a government's general fund. In current annual reports, fund information is reported in the aggregate by fund type, which often makes it difficult for users to assess accountability.

fund statements also will continue to measure and report the "operating results" of many funds by measuring cash on hand and other assets that can easily be converted to cash. These statements show the performance *in the short term* of individual funds using the same measures that many governments use when financing their current operations. For example, if a government issues fifteen-year debt to build a school, it does not collect taxes in the first year sufficient to repay the *entire* debt; it evaluates and collects what is needed to make that year's required payments. On the other hand, when governments charge a fee to users for services—as is done for most water or electric utilities—fund information will continue to be based on accrual accounting (discussed below) so that all costs of providing services are measured.

Showing budgetary compliance is an important component of government's accountability. Many citizens regard less of the professional participation in the process of establishing the original annual operating budgets of state and local governments. Governments will be required to continue to provide budgetary comparison information in their annual reports. An important change, however, is the requirement to add the government's *original* budget to that comparison. Many governments revise their original budgets over the course of the year for a variety of reasons. Requiring governments to report their original budget in

STANDARDS & GUIDANCE

Pronouncements

Implementation Guides (Issued June 2015 or Later)

GARS

addition to the *revised* budget adds a new analytical dimension and increases the usefulness of the budgetary comparison. Budgetary changes are not, by their nature, undesirable. However, we believe that the information will be important in the interest of accountability to those who are aware of, and perhaps made decisions based on, the original budget. It will also allow users to assess the government's ability to estimate and manage its general resources.

Bringing in New Information

Financial managers of governments are knowledgeable about the transactions, events, and conditions that are reflected in the government's financial report and of the scope of the operations that govern its operations. For the first time, those financial managers will be asked to share their insights in a required management's discussion and analysis (referred to as MD&A) by giving readers an objective and easily readable analysis of the government's *financial* performance for the year. This analysis should provide users with the information they need to help them assess whether the government's financial position has improved or deteriorated as a result of the year's operations.

Financial managers also will be in a better position to provide this analysis because for the first time the annual report will also include new government-wide financial statements, prepared using accrual accounting for all of the government's activities. Most governmental entities and private sector companies use accrual accounting. It measures not just current assets and liabilities but also long-term assets and liabilities (such as capital assets, including infrastructure, and general obligation debt). It also reports *all* revenues and *all* costs of providing services each year, not just those received or paid in the current year or soon after year end.

These government-wide financial statements will help users:

- Assess the finances of the government in its entirety, including the year's operating results
- Determine whether the government's overall financial position improved or deteriorated
- Evaluate whether the government's current year revenues were sufficient to pay for current year services
- See the cost of providing services to its citizenry
- See how the government finances its programs through user fees and other program revenues versus general tax revenues
- Understand the extent to which the government has invested in capital assets, including roads, bridges, and other infrastructure assets
- Make better comparisons between governments.

In short, the new annual reports should give government officials a new and more comprehensive way to demonstrate their stewardship in the long term *in addition to* the way they currently demonstrate their stewardship in the short term and through the budgetary process.

* * *

The GASB expresses its thanks to the thousands of preparers, auditors, academics, and users of governmental financial statements who have participated during the past decade in the research, consideration, and deliberations that have preceded the publication of this Statement. We especially appreciate the input of those who participated by becoming members of our various task forces, which began work on this and related projects as early as 1985.

The GASB is responsible for developing standards of state and local governmental accounting and financial reporting that will (a) result in useful information for users of financial reports and (b) guide and educate the public, including issuers, auditors, and users of those financial reports. We have an open decision-making process that encourages broad public participation.

Summary

This Statement establishes financial reporting standards for state and local governments, including states, cities, towns, villages, and special purpose governments such as school districts and public utilities. It establishes that the basic financial statements and required supplementary information (RSI) for general purpose governments should consist of:

- *Management's discussion and analysis (MD&A).* MD&A should introduce the basic financial statements and provide an analytical overview of the government's financial activities. Although this

RS , governments are requ red to present MD&A *before* the bas c nanc a statements.

- *Basic financial statements.* he bas c nanc a statements shou d nc ude:
 - *Government wide financial statements*, cons st ng of a statement of net assets and a statement of act v t es. Prepared us ng the econom c resources measurement focus and the accrua bas s of account ng, these statements shou d report a of the assets, ab t es, revenues, expenses, and ga ns and osses of the government. Each statement shou d d st ngu sh between the governmenta and bus ness type act v t es of the pr mary government and between the tota pr mary government and ts d screte y presented component un ts by report ng each n separate co umns. duc ary act v t es, whose resources are not ava ab e to nance the government's programs, shou d be exc uded from the government w de statements.
 - und nanc a statements cons st of a ser es of statements that focus on nformat on about the government's major governmenta and enterpr se funds, nc ud ng ts b ended component un ts. und nanc a statements a so shou d report nformat on about a government's duc ary funds and component un ts that are duc ary n nature. *Governmental* fund nanc a statements (nc ud ng nanc a data for the genera fund and spec a revenue, cap ta projects, debt serv ce, and permanent funds) shou d be prepared us ng the current nanc a resources measurement focus and the mod ed accrua bas s of account ng. *Proprietary* fund nanc a statements (nc ud ng nanc a data for enterpr se and nterna serv ce funds) and duc ary fund nanc a statements (nc ud ng nanc a data for duc ary funds and s m ar component un ts) shou d be prepared us ng the econom c resources measurement focus and the accrua bas s of account ng.
 - Notes to the nanc a statements cons st of notes that prov de nformat on that s *essential* to a user's understand ng of the bas c nanc a statements.
- *Required supplementary information (RS)*. n add t on to MD&A, th s Statement requ res budgetary compar son schedu es to be presented as RS a ong w th other types of data as requ red by prev ous GASB pronouncements. h s Statement a so requ res RS for governments that use the mod ed approach for report ng nfrastructure assets.

Spec a purpose governments that are engaged n on y governmenta act v t es (such as some brary d str cts) or that are engaged n both governmenta and bus ness type act v t es (such as some schoo d str cts) genera y shou d be reported n the same manner as genera purpose governments. Spec a purpose governments engaged on y n bus ness type act v t es (such as ut t es) shou d present the nanc a statements requ red for enterpr se funds, nc ud ng MD&A and other RS .

mportant Aspects of MD&A

MD&A shou d prov de an object ve and eas y readab e ana ys s of the government's nanc a act v t es based on current y known facts, dec s ons, or cond t ons. MD&A shou d nc ude compar sons of the current year to the pr or year based on the government w de nformat on. t shou d prov de an ana ys s of the government's overa nanc a pos t on and resu ts of operat ons to ass st users n assess ng whether that nanc a pos t on has mproved or deter orated as a resu t of the year's act v t es. n add t on, t shou d prov de an ana ys s of s gn cant changes that occur n funds and s gn cant budget var ances. t shou d a so descr be cap ta asset and ong term debt act v ty dur ng the year. MD&A shou d conc ude w th a descr pt on of current y known facts, dec s ons, or cond t ons that are expected to have a s gn cant effect on nanc a pos t on or resu ts of operat ons.

mportant Aspects of the Government w de nanc a Statements

Governments shou d report a cap ta assets, nc ud ng nfrastructure assets, n the government w de statement of net assets and genera y shou d report deprec at on expense n the statement of act v t es. nfrastructure assets that are part of a network or subsystem of a network are not requ red to be deprec ated as ong as the government manages those assets us ng an asset management system that has certa n character st cs and the government can document that the assets are be ng preserved approx mate y at (or above) a cond t on eve estab shed and d sc osed by the government.

he net assets of a government shou d be reported n three categor es nvested n cap ta assets net of re ated debt, restr cted, and unrestr cted. h s Statement prov des a de nt on of the term *restricted*. Permanent endowments or permanent fund pr nc pa amounts nc uded n restr cted net assets shou d be d sp ayed n two add t ona components expendab e and nonexpendab e.

he government w de statement of act v t es shou d be presented n a format that reports expenses reduced by program revenues, resu t ng n a measurement of "net (expense) revenue" for each of the government's funct ons. Program expenses shou d nc ude a d rect expenses. Genera revenues, such as taxes, and spec a and extraord nary tems shou d be reported separately, u t mate y arr v ng at the change n net assets for the per od. Spec a tems are s gn cant transact ons or other events that are

either unusual or infrequent and are within the control of management.

Important Aspects of the Fund Financial Statements

To report additional and detailed information about the primary government, separate fund financial statements should be presented for governmental and proprietary funds. Required governmental fund statements are a balance sheet and a statement of revenues, expenditures, and changes in fund balances. Required proprietary fund statements are a statement of net assets; a statement of revenues, expenses, and changes in fund net assets; and a statement of cash flows. To allow users to assess the relationship between fund and government-wide financial statements, governments should present a summary reconciliation to the government-wide financial statements at the bottom of the fund financial statements or in an accompanying schedule.

Each of the fund statements should report separate columns for the general fund and for other major governmental and enterprise funds. Major funds are funds whose revenues, expenditures/expenses, assets, or liabilities (excluding extraordinary items) are at least 10 percent of corresponding totals for a governmental or enterprise funds and at least 5 percent of the aggregate amount for a governmental and enterprise funds. Any other fund may be reported as a major fund if the government's officials believe that fund is particularly important to financial statement users. Nonmajor funds should be reported in the aggregate in a separate column. Internal service funds also should be reported in the aggregate in a separate column on the proprietary fund statements.

Subbalances for governmental funds should be segregated into reserved and unreserved categories. Proprietary fund net assets should be reported in the same categories required for the government-wide financial statements. Proprietary fund statements of net assets should distinguish between current and noncurrent assets and liabilities and should display restricted assets.

Proprietary fund statements of revenues, expenses, and changes in fund net assets should distinguish between operating and nonoperating revenues and expenses. These statements should also report capital contributions, contributions to permanent and term endowments, special and extraordinary items, and transfers separately at the bottom of the statement to arrive at the annual change in fund net assets. Cash flows statements should be prepared using the direct method.

Separate fiduciary fund statements (including component units that are fiduciary in nature) also should be presented as part of the fund financial statements. Fiduciary funds should be used to report assets that are held in a trustee or agency capacity for others and that cannot be used to support the government's own programs. Required fiduciary fund statements are a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Interfund activity includes interfund loans, interfund services provided and used, and interfund transfers. This activity should be reported separately in the fund financial statements and generally should be eliminated in the aggregated government-wide financial statements.

Required Supplementary Information

To demonstrate whether resources were obtained and used in accordance with the government's legally adopted budget, RS should include budgetary comparison schedules for the general fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedules should present both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the government's budgetary basis. This Statement also requires RS for governments that use the modified approach for reporting infrastructure assets.

Effective Date and Transition

The requirements of this Statement are effective in three phases based on a government's total annual revenues in the first fiscal year ending after June 15, 1999. Governments with total annual revenues (excluding extraordinary items) of \$100 million or more (phase 1) should apply this Statement for periods beginning after June 15, 2001. Governments with at least \$10 million but less than \$100 million in revenues (phase 2) should apply this Statement for periods beginning after June 15, 2002. Governments with less than \$10 million in revenues (phase 3) should apply this Statement for periods beginning after June 15, 2003. Earlier application is encouraged. Governments that elect early implementation of this Statement for periods beginning before June 15, 2000, should also implement GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, at the same time. If a primary government chooses early implementation of this Statement, all of its component units also should

Implement this standard early to provide the financial information required for the governmentwide financial statements.

Prospective reporting of general infrastructure assets is required at the effective dates of this Statement. Retroactive reporting of a major general government infrastructure assets is encouraged at that date. For phase 1 and phase 2 governments, retroactive reporting is *required* four years after the effective date on the basis provisions for a major general infrastructure assets that were acquired or significantly reconstructed, or that received significant improvements, in fiscal years ending after June 30, 1980. Phase 3 governments are encouraged to report infrastructure retroactively, but may elect to report general infrastructure prospectively only.

Components of this Statement

This Statement consists of several components. The detailed authoritative standards established by this Statement are presented in paragraphs 3 through 166. Appendix C provides nonauthoritative illustrations of MD&A; the basic financial statements required for a variety of types of governments, such as towns, school districts, redistricts, and utilities; notes to those financial statements required by this Statement; and RS other than MD&A. The reasons for the Board's conclusions on the major issues are discussed in the Basis for Conclusions (Appendix B). Appendix D summarizes how the new standards would be incorporated into the GASB's June 30, 1999, *Codification of Governmental Accounting and Financial Reporting Standards*.

Unless otherwise specified, pronouncements of the GASB apply to financial reports of a state and local government entities, including general purpose governments, public benefit corporations and authorities, public employee retirement systems, utilities, hospitals and other healthcare providers, and colleges and universities. Paragraphs 2 and 3 discuss the applicability of this Statement.





**TOWN OF LOS GATOS
FINANCE COMMISSION REPORT**

MEETING DATE: 12/04/2023

Item 1.

ITEM NO: 1

DESK ITEM

DATE: December 4, 2023
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Review the Draft Annual Comprehensive Financial Report (ACFR) for the
Preceding Fiscal Year and Provide Written Comments and Recommendations
Prior to Presenting to the Town Council

REMARKS:

Attachment 4 contains Commissioner communications.

Attachment (previously distributed with the staff report):

1. Draft FY 2022/23 Annual Comprehensive Financial Report

Attachment distributed with Addendum:

2. Corrected Draft FY 2022/23 Annual Comprehensive Financial Report
3. Commissioners Communication received before 11:00 a.m. November 30, 2023

Attachment distributed with this Desk Item:

4. Commissioners Communications received before 11:00 a.m. December 4, 2023

PREPARED BY: Gitta Ungvari
Finance Director

Reviewed by: Town Manager, Assistant Town Manager, and Town Attorney

From: [Phil Koen](#)
To: [Gitta Ungvari](#); [Wendy Wood](#)
Cc: [Laurel Prevetti](#)
Subject: Comments for the FC Meeting - Agenda Item #1
Date: Monday, December 4, 2023 9:07:10 AM
Attachments: [Preliminary Comment on the FY 2023 ACFR - revised.docx](#)

[EXTERNAL SENDER]

Gitta,

Attached are my comments after reviewing the Transmittal Letter and the MD&A section of the ACFR. I'm prepared to discuss them tonight.

I will submit more comments on the financial statements and footnotes later this week.

I realize there are numerous comments/suggestions here – let's work through them. My goal is to increase disclosure and provide an easily readable analysis.

Thanks,

Phil

Preliminary Comments on the FY 2023 ACFR

While the draft is a good start, there is work to be done in the MD&A section to fully comply with GASB 34. This statement requires the MD&A to provide an objective and easily readable analysis of the government's financial activities based on currently known facts, decisions, or conditions. GASB 34's objective is to enhance the understandability and usefulness of the external financial reports of the Town to its citizens, Town Council, investors, and creditors. Additionally, accountability is the paramount objective of governmental financial reporting.

Additionally, I have concerns with the Town Manager's Transmittal letter as noted below.

Here are my initial thoughts and questions on the transmittal letter and MD&A. I will provide additional comments on the basic financial statements and footnotes early next week.

Transmittal Letter

Page 2 – states the Town's economically sensitive TOT revenues remain near historic lows (?) and sales tax receipts are flattening. Please check this for accuracy.

Page 2 – there is a typo regarding percentage of general fund revenues – 4.9%

Page 3 – The financial statements show the \$3.6m ARPA funds were transferred to the General Fund. What qualifying expenditures under the Act were reimbursed and for how much? How much remains of the \$7.2m ARPA grant?

Page 3 – Regarding labor negotiations, please disclose the total increases approved as a %.

Page 3 – Please explain how a "successful" completion" of the labor negotiations "exacerbate" an "already existing imbalance between revenues and expenditures"? Does Staff believe there was an imbalance in FY 23 between revenues and expenditures? Is this a forward-looking or backward-looking statement?

Page 3 – How did the Town adjust and prepare for rising pension costs in FY 23? Please explain .

Page 3 – Please clarify when the \$10.4m in discretionary pension funding occurred. This was not in FY 23.

Page 4 – There is a "caution" provided to readers that the actuary reports provided by CALPERS are "forward looking" information. What is the purpose of this "caution"?

Page 4 – There is a statement "despite revenue constraints" – please explain constraints exist.

Page 4 – increasing costs associated with unfunded federal and state mandates is cited as an issue. Can you give an example of unfunded federal and state mandates that increased costs?

MD&A

Most comments are focused on more disclosure and more analysis, to help the reader understand the financial statements.

Financial Highlights

- Can you provide more information on the \$1.6m litigation settlement. Perhaps this should also be addressed in a footnote 14 – litigation.
- Please explain how net expenses over revenues impacted the \$15.1m increase in total net position. Wouldn't this decrease the total net position?
- FY 23 Pension expense of \$5,870,044 – please add FY22 pension expense of \$3,389,540 and FY 21 Pension expense of \$9,806,974 and explain the year over year changes for all 3 years which are material. Why the change?
- ARPA – technical question – what is the revenue recognition policy on ARPA Grant? Should revenue be recognized when a qualified expenditure has been made or when cash received? Also, how much of \$7.2m is still available?
- TOT revenues are not shown separately on Statement of Activities so the reader is unable to determine the amount. Breakout TOT as a separate line item since it is the majority of “Other taxes” to assist the reader.
- FY 23 TOT increased 100% over the low point of \$1.1m in FY 21 and 12% over FY 22. Discuss the recovery in both % and \$ from the low point in FY 21 (pandemic) so the reader has a better understanding of the trend in TOT. The trend is inconsistent with the statement regarding TOT in the transmittal letter. Reference to FY 19 should be dropped since FY 19 results are not presented in any schedules.
- When comparing year over year Total Expenses of \$49,317,203 in FY 23 to \$52,719,798 in FY 22, one-time activities such as the fire safety grant (\$6.9m) in FY 22, the impact of pension expense credit and OPEB credits (\$4.4m) in FY 22 and \$(2m) in FY 23 are materially impacting the analysis of the change. The total impact of known one-time activities should be disclosed and a “proforma” normalized Total Expense reported for each year to aid the reader in understanding the “normalized” year over year changes from FY 21, FY22 and FY23.
- Total General Revenues of \$39.4m as shown on the Statement of Activities increased 10.3% or \$3.7m from FY 22, excluding the \$1.5m settlement for litigation. Total General Revenues including special items for FY 23 was \$40.9m which was 15% increase over prior year. This should be a highlight.
- For the General Fund, excess revenues over expenditures resulted in a \$5,718,884 surplus vs prior year \$3,290,895 surplus, which represents a \$2,427,898 or 74% increase over prior year. This should be highlighted along with a brief explanation for this increase. What contributed to this?
- Restricted cash - Should the cash received from the BMP Housing Program of \$3.7m be reported as restricted cash in the General Fund since it is restricted for BMP Housing program activities? Even better, why not have this reported in a separate fund like Traffic Impact Mitigation fees to increase transparency?

Overview of the Financial Statements

Fund Financial Statements

- Add descriptions for Required Supplementary Information section and Supplementary Information section. These are also part of the Financial Statements which need to be explained.

Analysis of Government-Wide Financial Activities

Governmental Activities Revenue Discussion

- Provide a subtotal for total Program revenues and total General Revenues on the Statement of Activities Schedule (page 24) for ease of understanding of the amount of revenue for each year shown.
- The first paragraph is confusing and needs to be simplified to discuss the mix of revenue by source – Program Revenues vs Total General Revenues and what revenues are included in program and general revenues. Total general revenues and special items and Program revenues are reported separately and should be discussed separately in their own section. Program Revenues are applied against Total Expenses to show the net expense for all governmental activities. Comparing the net expense allows the reader to understand whether general tax revenues are sufficient to cover the net expense for all governmental activities.
- Program Revenues - Discuss material change in Capital Grants and Contributions from FY 21, to FY 22 and to FY 23, including the impact of ARPA Grants. The change from FY 22 to FY 23 was \$18,311,031 decrease and the change from FY 21 to FY 22 was \$21,379,861. Why did charges for services decrease from FY 22 but are up \$1m from FY 21.
- General Revenues – Investment Earnings - Disclose the two components of investment earnings – interest income and the mark-to-market adjustment so the reader understands the year over year fluctuations.
- General Revenues - Developer Fees - Provide an explanation for the change in developer fees for FY 21, FY 22, and FY 23. Please explain the revenue recognition policy since, I believe, it is tied to qualified expenditures and not to when cash is received. Explain the term “pass through developer contributions.”
- General Revenues – Property Tax - Disclose the dollar and percentage change for the components of property tax revenues. I believe total secured tax increased 9.2% from prior year, VLF increased 7.7% and ERAF decreased 3%.
 - I am unclear as to the \$.4m decrease in property transfer tax – what does this exactly mean? In FY 23 there was a positive impact on general property tax over the statutory 2% increase resulting from home sales. Is the comment that in FY 23 this was not as great as the prior year? Isn't it a component of general property tax collection?
 - Disclose how much assessed valuations for the Town increased FY 23, FY 22, and FY 21. You can reference the SCC Assessor's Annual Report. I believe for Los Gatos the net assessment roll for FY 23 increased 7.77%, FY 22 increased 4.33% and increased 7.7% for

FY 21. The increase in assessed valuations has been a major driver of increasing property tax revenues.

- Add the discussion of the litigation settlement of \$1,565,000.

Governmental Activities Expenses Discussion

- In comparing the change in total expenses across FY 21, FY 22, and FY 23 there are several one-time charges (fire safety pass through grant \$6.9m, pensions expense and OPEB credit \$4.4m, etc.) that make this comparison extremely difficult. To provide a better user experience and more fair comparison, one-time credits and one-time pass-through grants need to be adjusted out, so the reader has a better understanding of how total expenses on a normalized basis have changed over time for all operating departments. The current format fails to provide that level of clarity. This section needs a different approach to explain the underlying trends in total expenses.

Financial Analysis of the Town's Funds

Assigned Fund Balance

- Disclose how the assigned balances are assigned. Is this done by the Town Manager or by the Town Council. What is the basis for assigning ERAF Risk of \$689,608 in fund balance. Was all ERAF revenue recognized in FY 23, FY 22 and FY 21? Should it have been? If litigation is probable, then please discuss in the footnotes - litigation.

Major Governmental Fund Results

- Add discussion of the excess of Revenues over expenditures and discuss year over year change from FY 21, FY 22, and FY 23. The reader needs to understand that for FY 22 and FY 23 there were surpluses.
- The revenue and expense discussion should disclose all one-time major events (fire safety pass through grant (\$6.9m), pension and OPED credits (\$4.4m), mark to market adjustments (\$1.6m), pass through developer contributions (\$1.1m), expensing the affordable housing loan (\$1.2m), etc.) which impact the underlying trends and year over year comparisons for revenues and expenditures. The analysis should include both a discussion of actual results as well as results on a normalized "pro-forma" basis by removing known one-time events. Without this, the reader will not gain a sufficient understanding of the Town's underlying operating performance in FY 23, FY 22 and FY 21 let alone be able to judge whether the normalized revenues were sufficient to pay for normalized services for each year shown.
- To provide more insight on expenditures for each category (public safety, general government, parks and public works, community development, library services) the analysis should clearly identify the increase in total expenditures from salary increases vs increases in benefit contributions. Both are important cost forces that need to be explained.
- Appropriated Reserves Fund should disclose the amount of ARPA funds included in the \$7.3m net transfer and why the \$1.6m legal settlement was recorded into the Appropriated Reserves Fund and not the General Fund. Which fund paid the legal expenses?

General Fund Budgetary Highlights

- The analysis of budget to actual is entirely focused on comparing final budget to actual results. What is not discussed is the variance between original budget to actual results. An analysis which provides useful insights into the variance between original adopted budget and actuals as well as the final budget vs actuals will allow readers to assess the Town's ability to estimate and manage general resources throughout the year. For example, the original adopted budget expenditures totaled \$47,354,218. The analysis provides a list of most of the changes approved which resulted in a final budget \$50,204,894, a 6.1% increase. Presumably, all of these were necessary to provide new services or maintain existing services. However, actual expenditures were \$44,890,847 – reflecting a “savings” of \$5,314,047 (10%) from the final budget and a “savings” from the adopted budget of \$2,463,381 (5%). If the Town needed to spend \$50,204,894 to deliver all services, why did the Town spend \$44,890,847? Are these true “savings” in the sense the Town has become more efficient and does not need to spend that amount of money to deliver the planned level of service levels OR was this a cut in service levels in that the Town did not deliver the planned level of services that had been approved? This is a very important question to be discussed since the change from the adopted budget is material and in several places in the ACFR there is the mention of an imbalance between revenues and expenditures which does not appear to square with the budgetary outcomes. This only confuses the reader. Additionally, the adopted budget called for a deficit of revenues over expenditures of \$1,816,881. During the year, the TC adopted revenue budget adjustments totaling \$4,734,887 and increased expenditures of \$2,850,676 which moved the deficit to a slight surplus. Was this the result of added information received, or the result of becoming less conservative in budgeting as the year progressed? I believe a re-write of this section is required so the reader can gain a better understanding of the budgetary process and is able to make a judgment on the Town's ability to estimate and manage its general resources throughout the year. It is hard to understand how the Town can increase the total expenditure budget to \$50.2m during the year and then only incur \$44.9m when the majority of expenses are salary and benefits.

Economic Factors and Next Year's Budgets and Rates

- There is a mention of a Five-Year Financial Forecast predicting operating shortfalls. There is no context about this forecast. I am not aware of any five-year forecast which reflects the actuals for FY 23 as its stepping off point. Additionally, it is stated a “strong return to pre-pandemic performance of the Town's economically sensitive revenues” is required to provide current service levels. Is this accurate given the discussion above regarding expenditures and the fact that FY 23 property taxes, sales taxes, and TOT taxes exceeded FY 19 (pre-pandemic) by 20%. These statements need to be fact checked.
- The assumption of 3.6% growth in property tax collections is not supported by the SCC Tax Assessor's Office Annual Report FY 2023-2024 which reports a 7.72% growth in net assessment roll growth for Los Gatos for FY 24 and the SCC Finance Agency which has published a revenue

estimate in September 2023 for FY 24 total property tax revenues increasing 6.7% over FY 23, which includes the impact of ERAF and VLF tax receipts. What is the basis for this 3.6% growth?

- The Towns should disclose the projected increase in pension contributions over the next five years so the reader can understand the magnitude of these payments for both the miscellaneous and safety plans. Based on the latest analysis from Foster and Foster the combined annual contribution are projected to increase from \$7.6m in FY 23 to \$10m in FY 28 which is a 31.5% increase. Are any other discretionary payments planned given the increase in Total Governmental Fund Balances in FY 23 and FY 22?

I will have additional comments on the Basic Financial Statements and footnotes but will submit them early next week.

Thank you,

Phil Koen

From: Linda Reiners
 Sent: Monday, December 4, 2023 9:50 AM
 To: Gitta Ungvari <GUngvari@losgatosca.gov>; Laurel Prevetti <LPrevetti@losgatosca.gov>
 Subject: Comments

[EXTERNAL SENDER]

Hi,

I've reviewed the documents and have some minor questions/comments.

One overall general comment is we had a good year - our overall net position improved, revenues are up and while we underrun expenses the major driver (staffing) provides opportunity to improve services to the town.

Along those lines I would suggest the opening paragraph on page 2 of the transmittal letter under Economic Conditions and Outlook could be modified to focus on the more significant drivers - ie property tax and sales tax which make up appr 62% of our revenue are both up. A total increase of 8.5% is not insignificant. Leading that discussion with ToT, and stating property tax "remain steady" (vs 7.5% increase) doesn't really reflect the overall picture? I know we don't want to get too comfortable with the current trend and what may occur in the future but downplaying good news doesn't really help us.

Along those lines - I had 3 big take aways.

- 1) Revenues were up 8.5% - and \$5M more than our Org Budget. The update revenue projection was within .3M of our final actual which means we got a pretty good handle on the changes mid year.
- 2). We under ran expenses by over \$5M (appr 10%) from our updated budget and \$2.5M from the original budget. In private business this might be perceived as a good thing but for the Town it may represent lost opportunity. This may be a good area to focus on how we can estimate our expenses more accurately, particularly at the mid-year point.
- 3). While revenue is up, expenses down - our pension liability grew substantially and given the underlining driver of market performance should be expected to impact our current year.

From a overall summary perspective would you agree?

Question: In schedule 14 are the staff numbers for 22/23 budget or actual? I assume the prior years are actual?

Question: on page 26 last paragraph - the discussion on prior year one-time-pass through for fire safety doesn't specifically say how much it was (or I missed it). Would like to understand the \$5.2m difference between 22 to 23 in General Gov't expenses better.

Thanks for the consideration - look forward to tonight's discussions.

Linda

Sent from my iPad