

**From:** [Phil Koen](#)  
**To:** [Gitta Ungvari](#)  
**Cc:** [Laurel Prevetti](#); [Wendy Wood](#); [Mary Badame](#)  
**Subject:** FY 2022 and FY 2023 City FTR Report - Agenda Item 3 - Please distribute to the FC  
**Date:** Sunday, February 11, 2024 10:55:06 AM  
**Attachments:** [Pages from MEET-Packet-3fdbde9b6cbc4802bb40ff73ae04999d \(2\).pdf](#)  
[Pages from Addendum.Annual City Financial Report Review with attachment.pdf](#)  
[Pages from Cities Annual Financial Report - FY21.pdf](#)  
[Pages from City FTR Instructions 22-23ADAv11222023v2\(1\).pdf](#)

---

[EXTERNAL SENDER]

Hello Gitta,

In reviewing the City FTR Reports, it appears the Town has filed the FY 2022 and FY 2023 FTRs reporting a total of \$3,413,961 and \$3,686,490 respectively as disaster preparedness expenditures. Please see schedule #24 for FY 2021, 2022 and 2023 which are attached.

I have also attached selected pages from the State Controller's Office City Financial Transactions Report Instructions which discuss reporting for COVID 19 and reporting disaster preparedness expenditures (see page 161). A reading of the instructions indicates that the Town has filed an incorrect FTRs for both FY 2022 and FY 2023. This was extensively discussed at the January FC meeting.

The FY 2022 and FY 2023 FTRs distort the actual trend for the police expenditures for the past 3 years as reported on the as filed schedule #24::

FY 2023    \$14,759,558

FY 2022    \$13,037,229

FY 2021    \$16,611,641

This indicates that the Town spent materially less in police services in FY 2022 and FY 2023 compared to FY 2021.

I would appreciate an explanation as to why the Town reported expenditures for disaster preparedness for FY 23 and FY 22 when the audited financial statements and the MD&A of the ACFR do not support this. Did Staff seek guidance and approval from the SCO or the Town's auditors in preparing the FTRs as submitted? What is the basis for reporting these expenditures if no money was spent related to the preparation and maintenance of a local disaster preparedness plan?

Thank you,

Phil Koen

City of Los Gatos  
Cities' Financial Transactions Report  
Statement of Net Expenditures - Governmental Funds  
General Government and Public Safety

Fiscal Year: 2023

Form #24

	Current Expenditures	Functional Revenues	Net Expenditures/(Excess Revenues)
	A	B	C
<b>General Government</b>			
R01. Legislative	1,360,238	50,966	1,309,272
R02. Management and Support	7,468,541	284,409	7,184,132
R10. Other General Government 1			
R11. Other General Government 2			
R12. <b>Total General Government</b>	<b>\$8,828,779</b>	<b>\$335,375</b>	<b>\$8,493,404</b>
<b>Public Safety</b>			
R13. <b>Police</b>	<b>14,759,558</b>	<b>2,966,545</b>	<b>11,793,013</b>
R24. Fire			
R25. Emergency Medical Service			
R26. Animal Regulation			
R27. Weed Abatement			
R28. Street Lighting			
R29. <b>Disaster Preparedness</b>	<b>3,686,490</b>	<b>3,686,490</b>	
R33. Other Public Safety 1			
R34. Other Public Safety 2			
R35. <b>Total Public Safety</b>	<b>\$18,446,048</b>	<b>\$6,653,035</b>	<b>\$11,793,013</b>

City of Los Gatos  
Cities' Financial Transactions Report  
Statement of Net Expenditures - Governmental Funds  
General Government and Public Safety

Reporting Year: 2021

Form #24

**Current Expenditures   Functional Revenues   Net Expenditures/(Excess Revenues)**

**A****B****C****General Government**

R01. Legislative	1,133,207	86,306	1,046,901
R02. Management and Support	6,632,608	337,641	6,294,967
R10. Other General Government 1	6,222,307		6,222,307
R11. Other General Government 2			
R12. <b>Total General Government</b>	<b>\$13,988,122</b>	<b>\$423,947</b>	<b>\$13,564,175</b>

**Public Safety**

R13. Police	16,611,641	2,355,438	14,256,203
R24. Fire			
R25. Emergency Medical Service			
R26. Animal Regulation			
R27. Weed Abatement			
R28. Street Lighting			
R29. Disaster Preparedness		589,092	-589,092
R33. Other Public Safety 1			
R34. Other Public Safety 2			
R35. <b>Total Public Safety</b>	<b>\$16,611,641</b>	<b>\$2,944,530</b>	<b>\$13,667,111</b>

State of California

# **City Financial Transactions Report Instructions**

For the Fiscal Year Ended June 30, 2023



**MALIA M. COHEN**

California State Controller's Office

\*\*\* **SPECIAL COVID-19 INSTRUCTIONS FOR FTR REPORTING** \*\*\*

## **Overview**

The State Controller's Office would like to capture COVID-19 revenues and expenditures/expenses in the interest of transparency as well as in support of decision-makers. All sources and uses of COVID-19 relief funds received by cities should be separately reported on their respective financial transactions report (FTR). Given the unexpected complexity of so many funding resources, we ask that you separately identify all sources and uses of COVID-19 relief to the best of your ability. The amounts should match what you are reporting in the annual comprehensive financial report (ACFR) for the fiscal year. Examples of funding sources include the *Coronavirus Relief Fund* (CARES Act Title V; Sec 5001), the *Coronavirus State and Local Fiscal Recovery Funds* (ARPA Act Title IX, Sec 9901), *County General Fund COVID-19 Allocations (realignment backfill)*, *COVID-19 Federal Disaster Assistance*, *State Allocations for Direct Disaster Response Operations* related to COVID-19, and other COVID-19 grants or programs.

## **Specific Instructions**

Identify these amounts with "COVID-19", separately stated from other program or funding amounts, while also noting the related funding source or program. All COVID-19 relief funds recognized in the current fiscal year by local government should be recorded according to the direct source of funds. For example, prime recipients of federal Coronavirus Relief Funds should report receipts as federal revenues, while ~~subrecipients of that federal program receiving money directly from the State should report receipts as state revenues.~~

## **Governmental Funds**

\* **Federal COVID-19 Revenues:** Revenues received directly from the federal government should be reported on Form 21 - Intergovernmental – Federal, County, and Other Taxes In-Lieu, line R15 - Other Federal Grants (Specify); enter the specific funding source or program on the subform, line R15a, preceded by "COVID-19". For example: "COVID-19 Coronavirus Relief Fund (CARES Act Sec. 5001)". When selecting an expenditure function, please use the category that best fits the expenditure purpose of the funds, for example, Other General Government 1. |||

**State COVID-19 Revenues:** Revenues received from the State should be reported on Form 20 - Intergovernmental - State, line R31 - Other State Grants – Other (Specify); enter the specific funding source or program on the subform, line R31a, preceded by "COVID-19". For example: "COVID-19 State and Community Corrections Planning Grant". When selecting an expenditure function, please use the category that best fits the expenditure purpose of the funds, for example, Other Public Safety 1.

**County COVID-19 Revenues:** Revenues received directly from the county government should be reported on Form 21 - Intergovernmental – Federal, County, and Other Taxes In-Lieu, line R18 - Other County Grants (Specify); enter the specific county funding source or program on the appropriate subform, line R18.5a if functional revenues or line R18.5b if general revenues, preceded by “COVID-19”. For example: “*COVID-19 Public Health Emergency Preparedness Program*”. When selecting an expenditure function, please use the category that best fits the expenditure purpose of the funds, for example, Other Public Safety 2.

**Other COVID-19 Revenues:** Any other revenues received but not from the three sources above can be reported on Form 23 - Miscellaneous Revenues and Grand Totals, line R05, Other Miscellaneous Revenues (Specify); enter the specific funding source or program on the appropriate subform, line R05a if functional revenues or line R05b if general revenues, preceded by “COVID-19”. For example: “*COVID-19 Public Health and Services Emergency Fund*”. When selecting an expenditure function, please use the category that best fits the expenditure purpose of the funds, for example, Other Health 1.

**COVID-19 Expenditures:** Expenditures should be reported on Forms 24 through 28 - Statement of Net Expenditures - Governmental Funds on the applicable line items. COVID-19 expenditures should not be reported as extraordinary or special items. Provide a footnote showing how much is applicable to COVID-19. If a category does not exist, please use the "Other" line that best fits for the expenditure, for example, Other General Government 1. Reports submitted to the agencies providing the relief may be used to support the footnote.

### **Enterprise Funds and Internal Service Funds**

**COVID-19 Revenues and Expenses:** COVID-19 recognized revenues and expenses related to COVID-19 emergency relief in enterprise or internal service funds should be included on the appropriate line for “Other” revenues or “Other” expenses in the enterprise fund Forms 04 through 13, or internal service fund Form 03, Statement of Revenues, Expenses, and Changes in Fund Net Position. COVID-19 expenses should not be reported as extraordinary or special items. Report amounts as reflected on the ACFR and provide a footnote showing how much is applicable to COVID-19 relief. Identify the source or program and the applicable amounts. For example: “*COVID-19 Health Care Providers Emergency Relief – Revenues \$800,000; Expenses \$1,659,000*”. Reports submitted to the agencies providing the relief may be used to support the footnote.

## Introduction

Pursuant to Government Code section 12463 et seq., the California State Controller's Office (SCO) has developed the *City Financial Transactions Report*. The purpose of the financial transactions report (FTR) is to provide financial data about California cities on a uniform basis.

Government Code section 53891(a) requires cities to furnish the Controller with this financial transactions report. The financial transactions reports are then compiled and published in an "open data" platform by SCO at <https://bythenumbers.sco.ca.gov> for use by the State Legislature, cities, and the public.

The FTR requirements conform to Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). Additional general accounting guidance for local agencies can be found at SCO's website at: [https://www.sco.ca.gov/pubs\\_guides.html](https://www.sco.ca.gov/pubs_guides.html).

All cities do not maintain the same organizational and/or account structure. Therefore, in order to accomplish the stated purpose of providing uniform and comparable data it has been necessary to design a uniform classification system for reporting purposes. The revenue source and functional activity classifications contained in the report have been reviewed and approved by a working group composed of city finance officers and public accountants.



## Filing Requirements

General reporting instructions, electronic report format instructions, and applicable California laws and regulations related to the reporting requirements for preparing the *City Financial Transactions Report* are available on the SCO website at:

[https://www.sco.ca.gov/ard\\_locinstr\\_cities\\_forms.html](https://www.sco.ca.gov/ard_locinstr_cities_forms.html).

An alert letter will be mailed to each city containing instructions for preparing the *City Financial Transactions Report*.

### **Who Must File**

Under Government Code Section 12463, all cities are required to annually furnish reports of financial transactions to SCO in SCO's prescribed time, form, and manner.

Even if a city has no financial transactions during the year, the city must still file the Cover Page form and the General Information form of the *City Financial Transactions Report*. State "No Activity" on the Cover Page form, if submitted by mail or via email.

### **When to File**

The financial transactions report is due within seven months after the close of the city's fiscal year or within the time prescribed by the Controller, whichever is later. There is no statutory authority to grant additional extensions for filing this report.

Cities in the process of changing their fiscal year should contact SCO's City Unit at [LGRsupport@sco.ca.gov](mailto:LGRsupport@sco.ca.gov) for instructions on how to prepare the *City Financial Transactions Report* for the period affected.

### **What to File**

Government Code Section 53891(a) requires each local agency to submit a report of financial transactions to the California State Controller.

The following reports must be filed with SCO by the deadline and can be submitted in the prescribed electronic report format.

- Cover Page form (signed by the city's fiscal officer)
- FTR Forms
  - General Information form
  - Comment for City Report form
  - Internal Service Fund form (if applicable)
  - Enterprise Fund forms (if applicable)
  - Conduit Financing form (if applicable)
  - Functional Revenue Detail – Governmental Funds form

## Filing Requirements (Continued)

- Statement of General and Functional Revenues – Governmental Funds forms
  - Statement of Net Expenditures – Governmental Funds forms
  - Major Object Classification form
  - Other Financing Sources (Uses) and Changes in Fund Balance – Governmental Funds form
  - Statement of Changes in Fiduciary Net Position form
  - Debt forms (if applicable)
  - Debt Service Reconciliation form (if applicable)
  - Checklist of Services Provided – Service form
  - Balance Sheet form
  - Statement of Net Position form
  - Statement of Fiduciary Net Position form
  - Noncurrent Assets, Deferred Outflows of Resources, Noncurrent Liabilities, and Deferred Inflows of Resources form
  - Summary and Statistics form
  - Parcel Tax form (if applicable)
- U.S. Bureau of the Census Survey must be submitted to the U.S. Bureau of the Census – Local Finance Statistics Branch.
- Independently Audited Financial Report – Government Code Section 53891 requires that the data for the financial transactions reports come from audited financial statements, if available. SCO asks that the audited report be sent as soon as one is available.

## **How to File**

The financial transactions report must be filed by the statutory deadline via the online process, U.S. Mail, or Express Mail.

### **Online Process**

The electronic report can be filed online on SCO's website. The instructions for the online process are available in the alert package and on SCO's website at:

[https://www.sco.ca.gov/ard\\_locinstr\\_cities\\_forms.html](https://www.sco.ca.gov/ard_locinstr_cities_forms.html).

Note: The Cover Page must be signed and submitted electronically; signed and mailed to the SCO; or signed and sent via email at [LGRsupport@sco.ca.gov](mailto:LGRsupport@sco.ca.gov).

### **Electronic Reporting Program**

An alert letter will be mailed to each city containing instructions for preparing the FTR. The LGRS Online user guide provides a step-by-step guide through the electronic reporting process and electronic transmission of the completed report.

## **Paper Reports**

For entities preparing a paper report, instructions are available on SCO'S website at:  
[https://www.sco.ca.gov/ard\\_locinstr\\_cities\\_forms.html](https://www.sco.ca.gov/ard_locinstr_cities_forms.html).

### **By U.S. Mail**

Local Government Reporting Section - City  
Local Government Programs and Services Division  
California State Controller's Office  
P.O. BOX 942850  
Sacramento, CA 94250

### **By Express Mail**

Local Government Reporting Section - City  
Local Government Programs and Services Division  
California State Controller's Office  
3301 C Street, Suite 700  
Sacramento, CA 95816

## **U.S. Bureau of the Census Survey**

The U.S. Bureau of the Census Survey must be submitted to the U.S. Bureau of the Census - Local Finance Statistics Branch and can be uploaded directly to the Census website at <https://statecollection.census.gov/SDCHome.aspx>. For questions regarding the U.S. Bureau of Census Survey, contact [ewd.local.finance@census.gov](mailto:ewd.local.finance@census.gov) or call (301) 763-5153 or 1-800-242-4523.

## **Filing Assistance**

The answers to commonly asked questions can be found in these instructions. Although SCO is unable to provide report preparation assistance at your office, assistance can be obtained by contacting SCO staff by phone at (916) 322-9672 or by email at [LGRsupport@sco.ca.gov](mailto:LGRsupport@sco.ca.gov).

## **Penalties for Falsification of a Report or Failure to Report**

An officer of a local agency who knowingly files a false report, or who refuses to submit a report, is guilty of a misdemeanor. Persons convicted of a misdemeanor face a maximum fine of \$1,000, or a sentence of 6 months in the county jail, or both.

In addition, an officer of a local agency who refuses to submit a report, after written notice by SCO to do so, is subject to prosecution by the Attorney General's Office and subsequent forfeiture of:

- One thousand dollars (\$1,000) in the case of a local agency with total revenue, in the prior year, of less than one hundred thousand dollars (\$100,000), as reported in the California State Controller's annual financial reports.
- Two thousand five hundred dollars (\$2,500) in the case of a local agency with total revenue, in the prior year, of at least one hundred thousand dollars (\$100,000) but less than two hundred fifty thousand dollars (\$250,000), as reported in the California State Controller's annual financial reports.
- Five thousand dollars (\$5,000) in the case of a local agency with total revenue, in the prior year, of at least two hundred fifty thousand dollars (\$250,000), as reported in the California State Controller's annual financial reports.

Upon request of the Controller, the Attorney General shall prosecute an action for the forfeiture in the name of the people of the State of California. (Refer to Government Code Sections 53894, 53895, and 53896 and Penal Code Section 19.)

If any report is believed to be false, incomplete, or incorrect, SCO is empowered under Government Code Section 12464 to appoint a qualified accountant to investigate, obtain the information required, and file a copy of this report with the legislative body of the city. If such an investigation must be made in two successive years, a certified copy of the latter report must be filed with the grand jury of the county in which the city is located.

## **Reporting Instructions**

### **Fiscal Year**

The Fiscal Year should be consistent with the fiscal year end, indicating in which annual comprehensive financial report (ACFR) the activity belongs.

### **Current Year / Prior Year**

Extreme fluctuations in values between years should be identified within the footnotes. A tool has been added at the top of the forms to help facilitate comparisons.

### **Required Report Format**

#### **Report Whole Amounts**

Eliminate the cents for amounts by rounding to the nearest dollar.

#### **Unused Paper Forms**

If preparing a paper report, file only the forms used to complete the report.

#### **Negative Amounts**

If preparing a paper report, use minus, “—”, to indicate a reduction or negative amount on a line item.

#### **Prohibited Characters**

Do not use all caps (e.g., ALL CAPS) in a description unless inputting an acronym or initials. Use Initial Caps (e.g., Initial Caps) for all text fields such as names, addresses, and descriptions.

### **Required versus Optional Forms**

In order to prepare a complete report for the city, all forms must be completed if applicable to the city’s activities. The reporting forms are organized in the order in which they should be completed. When submitting a paper report, file only the completed forms.

### **Numbering Sequences in Forms**

Numbering in LGRS Online is identified with an “R” value on the left side of each form (i.e. R1, R2, R2.5, etc.). These values are an internal technical reference, which are not necessarily sequential. They may be used to help assist in identifying lines when speaking with representatives of SCO.

## **Special Instructions**

### **Accounting Basis**

Generally Accepted Accounting Principles (GAAP) require that the modified accrual basis be used for governmental fund types (General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds, and Permanent Funds). The accrual basis is used for proprietary fund types (Enterprise Funds and Internal Service Funds) and fiduciary fund types (Pension and Other Employee Benefit Trust Funds, Investment Trust Funds, Private-Purpose Trust Funds, and Custodial Funds). See Definitions and Terminology for Basis of Accounting descriptions.

### **Activity**

A specific city activity must be reported in only one set of forms: either governmental fund forms, proprietary fund forms, or fiduciary fund forms. When using the Conduit Financing form, report activity in only one fund: either Enterprise Fund or Fiduciary Fund. A specific city activity must not be reported in more than one set of forms.

### **Component Unit Information**

Component units (CUs) are legally separate organizations for which the elected officials of the city are financially accountable. CUs can also be organizations whose relationship with the city is such that exclusion would cause the city's financial statements to be misleading.

#### **Include Blended Component Unit**

Blended component units (BCUs), although legally separate entities, are in substance part of the city's operations. Therefore, financial data from BCUs are integrated into the appropriate city's funds for reporting purposes.

#### **Exclude Discretely Presented Component Unit**

Discretely presented component units (DPCUs) are legally separate from the city and usually provide services to entities and individuals outside the city. Therefore, financial data from DPCUs should be excluded from the FTR.

### **Debt**

#### **Exclusions:**

Except as noted in the instructions for the Long-Term Debt – Bonds and COPs form, the revenue and expenditure/expense activity of the following debts should not be included in this report:

- Street Opening Act of 1889
- Street Opening Act of 1903
- Change of Grade Act of 1903
- Improvement Act of 1911
- Street Opening Bond Act of 1911
- Municipal Improvement Act of 1913
- Tree Planting Act of 1913
- Improvement Bond Act of 1915

## Reporting Instructions (Continued)

Street Improvement Act of 1913  
Street Opening Act of 1921  
Landscaping and Lighting Act of 1943, 1949 and 1972

### Inclusions

The revenue and expenditure/expense activity of the following debts should be included in this report:

Street Lighting Act of 1919  
Maintenance District Act of 1927  
Municipal Lighting Act of 1931  
Vehicle Parking District Laws of 1951

### Dissolved Redevelopment Agencies

#### Assets

Any housing assets transferred to the city as a result of the dissolution of the redevelopment agencies should be reported on the Balance Sheet form and the Noncurrent Assets, Deferred Outflows of Resources, Noncurrent Liabilities, and Deferred Inflows of Resources form (if accounted for in a governmental fund) or on the Statement of Net Position (if accounted for in an enterprise fund).

#### Activities

Any housing activities transferred to the city as a result of the dissolution of the redevelopment agencies should be reported on the Statement of General and Functional Revenues forms and the Statement of Net Expenditures forms (if accounted for in a governmental fund) or on the Other Enterprise Fund form as "Housing" (if accounted for in an enterprise fund).

### Interfund Activity

Interfund activity involves financial interactions between city funds, not including discretely presented component units. According to GAAP there are two categories of interfund activity: reciprocal and nonreciprocal. Reciprocal interfund activity consists of interfund loans and interfund services provided and used. Nonreciprocal interfund activity consists of interfund transfers and reimbursements.

#### 1. Interfund Loans

Report interfund loans as an *interfund receivable* in the lending fund and as an *interfund payable* in the borrowing fund. In this internal activity, the asset is not treated as an investment (even if in the form of a promissory note) and the liability is not treated as a debt. Note: Report interfund loans that are not expected to be repaid as *interfund transfers*.

## 2. Interfund Services Provided and Used

As part of regular programmatic activity, one fund will sell goods or services to another fund. Report interfund services as *due from other funds* and *revenues* in the fund providing the goods or services (seller). Report interfund services as *due to other funds* and *expenditures* or *expenses* in the fund receiving the goods or services (purchaser).

Note: Overhead allocations from the general fund are not considered interfund services provided and used.

## 3. Interfund Transfers

Report interfund transfers, such as operating transfers and interfund loans that are not expected to be repaid, as follows:

a. Fund making the transfer:

Proprietary funds: Transfer Out

Governmental funds: Other Financing Sources (Uses) – Transfer Out

b. Fund receiving the transfer:

Proprietary funds: Transfer In

Governmental funds: Other Financing Sources (Uses) – Transfer In

Report residual equity transfers and transfers of capital assets as follows (proprietary funds only):

a. Proprietary fund making the transfer:

To governmental funds: Nonoperating Expense – Loss on Disposal of Capital Assets

To proprietary funds: Transfer Out

b. Proprietary fund receiving the transfer:

From governmental funds: Increase to Capital Contributions

From proprietary funds: Transfer In

## 4. Interfund Reimbursements

One fund may pay for an expenditure or expense and subsequently be repaid by another fund ultimately responsible for the expenditure/expense. Report interfund reimbursements as due to other funds and expenditures or expenses in the reimbursing fund (the fund ultimately responsible). Report interfund reimbursements as due from other funds and a reduction in expenditures or expenses in the reimbursed fund (the fund that initially paid).

Note: Overhead allocations are properly treated as reimbursements.



### **Pass-Through Revenues**

Revenues that meet criteria for fiduciary activities (see “Definitions and Terminology” in the instructions), such as grant proceeds or tax collections, that are “passed through” by the city to other governmental agencies and the city is merely a cash conduit **should only be reported on the Statement of Fiduciary Net Position form. These amounts should not be reported as the city’s revenues or expenditures in the report when the city has no discretionary control (administrative or direct financial involvement) concerning the use of the pass-through revenue.**

### **Pension Trust Funds**

Pension trust fund financial transactions should not be reported in the Statement of General and Functional Revenues forms and the Statement of Net Expenditures forms. Any city retirement contributions made in the current year, including contributions to city-administered pension trust funds, should be allocated and reported in the applicable functional categories of the Statement of Net Expenditures.

### **Revenues, Expenditures, and Expenses**

Use the Statement of General and Functional Revenues forms and the Statement of Net Expenditures forms to **report the revenues and expenditures of governmental fund types.**

Encumbrances are not expenditures and should not be included in the Statement of Net Expenditures forms. Encumbrances should only be reported on the Balance Sheet form as a restricted, committed, or assigned portion of fund balance.

Use the Internal Service Fund form and the Enterprise Fund forms to report the revenues and expenses of proprietary funds.

The Internal Service Fund form and the Other Enterprise Fund form can be used multiple times to report additional internal service fund and enterprise fund activities, respectively.

### **Definitions and Terminology**

The following definitions set forth the meaning of certain words and phrases as they apply to this report and any rules, regulations, or instructions issued by SCO.

#### **Basis of Accounting**

“Basis of accounting” refers to the timing of measurements. Per GASB Codification Section 1600, the modified accrual or accrual basis of accounting, as appropriate, should be used in measuring financial position and operating results in fund financial statements. Governmental fund types should be presented using the modified accrual basis, while proprietary and fiduciary fund types should be presented using the accrual basis. Transfers should be reported in the period in which the interfund receivable or payable arise.

### **Accrual Basis**

Under the accrual basis of accounting, most transactions are recognized when they occur, regardless of when cash is received or disbursed.

#### **Accrual Basis in Proprietary Fund Statements**

Using the economic resources measurement focus, revenue from exchange transactions generally should be recognized when an exchange, in the ordinary course of operations, is effected.

#### **Accrual Basis in Fiduciary Fund Statements**

Using the economic resources measurement focus, recognition of liabilities should be recognized when the government is compelled to disburse fiduciary resources.

### **Modified Accrual Basis in Governmental Fund Statements**

Using the current financial resources measurement focus, revenues should be recognized in the accounting period in which they become both measurable and available. Expenditures should be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term liabilities, which should be recognized when due.

### **Cash Basis**

Under the cash basis of accounting, revenues and transfers in are not recognized until cash is received, and expenditures or expenses (as appropriate) and transfers out are recognized only when cash is disbursed. Cash basis excludes any accrued payables, accrued receivables, or encumbrances.

### **Bonds**

Pursuant to Government Code Section 53892.2 for the purpose of these reports, bonds are defined as follows:

#### **Bonds**

“Bonds” means all bonds, warrants, notes or other evidences of indebtedness or liability for which the reporting local agency is liable for payment of principal and interest thereon.

#### **General Obligation Bonds**

“General obligation bonds” means bonds payable, both principal and interest, from the proceeds of ad valorem taxes or ad valorem assessments which may be levied within the entire territory of the local agency, without limitation as to rate or amount, upon all property subject to taxation or assessment.

#### **Revenue Bonds**

“Revenue bonds” means bonds issued by a local agency payable, both principal and interest, from the revenues of a revenue-producing enterprise.

### **Improvement District Bonds**

“Improvement district bonds” means bonds payable, both principal and interest, from the proceeds of ad valorem taxes or ad valorem assessments which may be levied within a fixed and defined portion or portions of the local agency, without limitation as to rate or amount, upon all property subject to taxation or assessment.

### **Limited Obligation Bonds**

“Limited obligation bonds” means any bonds payable, both principal and interest, from any taxes, other than taxes or assessments levied upon property.

### **Special Assessment Bonds**

“Special assessment bonds” means any bonds issued to represent unpaid assessments upon lands in an area fixed and defined by the local agency, the lands within such area being specially benefited by and assessed or to be assessed to pay the costs and expenses of a public acquisition or improvement.

### **Nonagency Debt**

Nonagency debts are liabilities of property owners or other external entities and not primary liabilities of the local agency.

### **Debt Forms**

References to “debt forms” apply to the following FTR forms:

1. Long-Term Debt (Bonds and COPs) form
2. Other Long-Term Debt (Loans, Notes, and Other) form
3. Construction Financing (Federal and State) form
4. Lease Obligations (Purchase Agreements) form

### **Encumbrances**

Encumbrances are obligations in the form of purchase orders, contracts, or salary commitments which are chargeable to an appropriation and for which a part of the appropriation is reserved. They cease to be encumbrances when paid or when the actual liability is set up.

### **Expenditures**

If the accounts are kept on the accrual basis, this term designates total charges incurred, whether paid or unpaid, including expenses, provision for retirement of debt not reported as a liability of the fund from which retired, and capital outlays. If they are kept on the cash basis, the term covers only actual disbursements for these purposes.

Note: Encumbrances are not considered expenditures.

## Fiduciary Activity

Not all "trusts" are necessarily fiduciary in nature. According to GASB Statement No. 84, an activity is fiduciary if all of these criteria are met:

- (a) The associated assets are controlled by the government,
- (b) The assets are not derived from the government's own-source revenues, government-mandated nonexchange transactions, or other voluntary nonexchange transactions, other than externally administered/financed pass-through grants,
- (c) Has certain qualifying characteristics regarding the external administration, derivation of revenues, and protections from creditors, as defined by GAAP.

For further details, see the GASB Codification, Section 1300.128 through 1300.136 for fiduciary activities and Section N50.04 for classes of nonexchange transactions, accessible through the Governmental Accounting Research System (GARS) at GASB.org.

## General and Functional Revenues

Barring external restrictions, which may vary from city to city, the instructions indicate whether a revenue source is "general" or "functional".

### General Revenues

Those revenues of the city that cannot be associated with a specific expenditure function. Examples include property tax (other than voter approved indebtedness), sales tax, and business license tax.

### Functional Revenues

Those revenues that can be associated with and allocated to one or more expenditure functions. To be classified functional, revenue must meet one of the following criteria:

- (1) The revenue is generated from direct services, such as revenue from fees on charges. For example, revenues from sewer connection fees, water service charges, transit revenues, and engineering fees are revenue sources that are generated from direct services. Interest income from enterprise fund investments and quasi-external transactions such as general government service charges to an enterprise fund are also classified as functional revenues.
- (2) The revenue is associated with a specific service by external requirements, such as grant conditions, bond sale agreements, statutory or charter requirements. Examples of functional revenues due to external requirements include WIA funds used by the city, gas tax revenue, and special assessment proceeds. Internal restrictions on the use of funds which can be modified unilaterally by a vote of the city council do not meet the "external requirement" test and are not considered functional revenues unless generated from direct services.

## **Statement of Net Expenditures – Governmental Funds**

The purpose of the Statement of Net Expenditures forms is to collect expenditure information related to governmental fund activities. Governmental funds are the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds.

Note: If the Statement of Net Expenditures forms are completed, the Major Object Classification form must also be completed.

### **Specific Instructions**

#### **Current Expenditures**

Report all current expenditures for each function. Include salaries and wages, retirement and other employee benefit contributions, contracted services with private or governmental agencies, and materials and supplies.

#### **Functional Revenues**

The electronic report will calculate Functional Revenues. In the electronic report, functional revenue is reported in the Functional Revenue Details form and in subforms in specific revenue forms. See the Specific Instructions in the Statement of General and Functional Revenues – Governmental Funds instructions for guidance concerning reporting functional revenues in the electronic report. If preparing a paper report, report functional revenues from the Statement of General and Functional Revenues forms for each expenditure function.

#### **Net Expenditures/(Excess Revenues)**

The electronic report will calculate Net Expenditures/(Excess Revenues). If preparing a paper report, subtract Functional Revenues from Current Expenditures and enter the result for each expenditure function.

## **Statement of Net Expenditures – General Government and Public Safety Form**

The purpose of this governmental fund form is to collect uniform financial information related to general government and public safety expenditures.

### **General Government**

#### **Legislative**

Report all expenditures related to activities under direct control of, or in support of, the legislative function (e.g., city council, city attorney, city clerk, elections, city auditor, if independently elected or legislatively appointed).

#### **Management and Support**

Report all expenditures related to activities that are supportive of functional activities. To the extent possible, functional activities performed by normally "administrative" departments should be included as expenditures in the functional activities category (e.g., animal control would be separated from financial administration if this activity is a part of the Finance Department). Types of activities which represent support services may include general city administration (city manager or city administrator), financial administration (accounting, budgeting, purchasing, and cash management), and personnel administration (including Civil Service Commission). Other administrative activities such as warehousing and data processing may also be included, if not accounted for as an internal service fund.

#### **Other General Government 1, 2**

Report all other general government expenditures for which a specific reporting category has not otherwise been provided. Provide a footnote describing what is included on these lines.

#### **Total General Government**

The electronic report will calculate Total General Government for Current Expenditures, Functional Revenues, and Net Expenditures/(Excess Revenues). If preparing a paper report, enter the sum of all General Government reporting categories for Current Expenditures, Functional Revenues, and Net Expenditures/(Excess Revenues).

### **Public Safety**

#### **Police**

Report all expenditures related to the provision of law enforcement (e.g., administration, patrol, traffic, vice, investigation, prosecution, detention, communications, records, technical services, buildings, equipment).

#### **Fire**

Report all expenditures related to the suppression and prevention of fires (e.g., administration, suppression, prevention, training, communications, buildings, equipment).

**Emergency Medical Service**

Report all expenditures related to the provision of emergency medical service (e.g., ambulance, rescue, paramedics, and qualified Emergency Medical Technicians who are authorized to administer drugs).

**Animal Regulation**

Report all expenditures related to the licensing, control, and sheltering of domestic animals.

**Weed Abatement**

Report all expenditures related to the abatement of hazardous weeds and rubbish.

**Street Lighting**

Report all expenditures related to the installation, maintenance and operation of street lights.

**Disaster Preparedness**

Report all expenditures related to the development and maintenance of a local disaster preparedness plan.

**Other Public Safety 1, 2**

Report all other public safety expenditures for which a specific reporting category has not otherwise been provided. Provide a footnote describing what is included on these lines.

**Total Public Safety**

The electronic report will calculate Total Public Safety for Current Expenditures, Functional Revenues, and Net Expenditures/(Excess Revenues). If preparing a paper report, enter the sum of all Public Safety reporting categories for Current Expenditures, Functional Revenues, and Net Expenditures/(Excess Revenues)



City of Los Gatos  
Cities' Financial Transactions Report  
Statement of Net Expenditures - Governmental Funds  
General Government and Public Safety

Go to Form: Functional Revenue Details

Fiscal Year: 2022

Form #24

	Current Expenditures	Functional Revenues	Net Expenditures/(Excess Revenues)
	A	B	C
<b>General Government</b>			
R01. Legislative	1,231,480	67,643	1,163,837
R02. Management and Support	7,822,488	243,748	7,578,740
R10. Other General Government 1	6,900,000	6,900,000	
R11. Other General Government 2			
R12. <b>Total General Government</b>	\$15,953,968	\$7,211,391	\$8,742,577
<b>Public Safety</b>			
R13. Police	13,037,229	2,812,755	10,224,474
R24. Fire			
R25. Emergency Medical Service			
R26. Animal Regulation			
R27. Weed Abatement			
R28. Street Lighting			
R29. Disaster Preparedness	3,413,961	3,413,961	
R33. Other Public Safety 1			
R34. Other Public Safety 2			
R35. <b>Total Public Safety</b>	\$16,451,190	\$6,226,716	\$10,224,474