



TOWN OF LOS GATOS
FINANCE COMMISSION REPORT

MEETING DATE: 12/20/2022

ITEM NO: 2

DATE: December 13, 2022
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Review the Draft Annual Comprehensive Financial Report (ACFR) for the
Preceding Fiscal Year and Provide Final Comments and Recommendations for
Town Council Consideration

RECOMMENDATION:

Review the Draft Annual Comprehensive Financial Report (ACFR) for the preceding Fiscal Year and provide final comments and recommendations for Town Council consideration (Attachment 1).

BACKGROUND:

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

DISCUSSION:

On December 12, 2022, the Finance Commission received the Fiscal Year (FY) 2021/22 Draft Annual Comprehensive Financial Report (ACFR) for the Commission's consideration per Measure A including a presentation from the Town's auditor Chavan and Associates, LLP (Attachment 2). During the meeting, the Commission provided feedback on the FY 2021/22 Draft ACFR (Attachment 1). Of note the Commission requested that given recent inflationary trends, staff should provide language that illustrates the effect long-term inflation could have on the Town's pension liabilities (pg. 4). In addition, the Commission requested that staff expand Note 15 to include the FY 2020/21 ARPA expenditures of \$200,000 (pg. 97). Commissioners also requested that Note 16 make it clear that the potential waste hauler revenue loss is an annual number (pg. 98).

In addition to the review and input provided by the Finance Commission, staff also provides continuous review and updates to the FY 2021/22 Draft Annual Comprehensive Financial Report (pages 4, 31, 83, and 85).

The redline version of the attached ACFR represents the culmination of recommended enhancements and changes based on Finance Commission comments, continued staff analysis, and continued auditor review while maintaining appropriate ACFR presentation based on governmental accounting and municipal standards.

Any additional recommendations received from the Finance Commission at the December 15th meeting will be communicated to the Town Council through the addendum process.

CONCLUSION:

As noted in the auditor's opinion, the Draft ACFR fairly presents the fiscal year ending June 30, 2022 financial activity for the Town of Los Gatos and Finance Commission recommendations.

Attachments:

1. Draft Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2022.
2. Independent Auditor Presentation to the Council Finance Commission