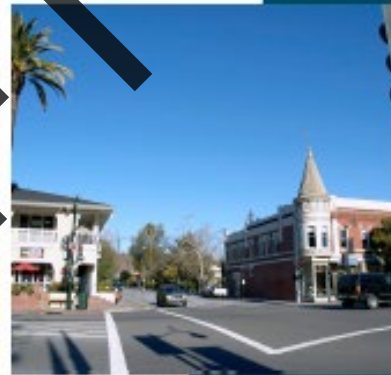




TOWN OF LOS GATOS CALIFORNIA



DRAFT

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEAR ENDED
JUNE 30, 2024

COVERPHOTOS: NANCY BARRERRA, JEFF JANOFF, JULIAN, KARLAK, AND HUNTER

**TOWN OF LOS GATOS
CALIFORNIA**

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2024**

**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 33,230. 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.

TOWN OF LOS GATOS, CALIFORNIA

ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

TABLE OF CONTENTS

INTRODUCTORY SECTION:

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

FINANCIAL SECTION:

Independent Auditor’s Report..... 13
Management’s Discussion and Analysis..... 18

Basic Financial Statements:

Government-Wide Financial Statements: 37
 Statement of Net Position..... 38
 Statement of Activities 39

Fund Financial Statements:

 Governmental Funds: 40
 Balance Sheet..... 41
 Reconciliation of the Governmental Funds Balance Sheet to the
 Statement of Net Position..... 42
 Statement of Revenues, Expenditures and Changes in Fund Balances..... 43
 Reconciliation of Governmental Funds Statement of Revenues, Expenditures,
 and Changes in Fund Balances to the Statement of Activities 44
 Statement of Revenue, Expenditures and Changes in Fund Balances –
 Budget and Actual (GAAP) General Fund..... 45

 Proprietary Funds – Internal Service Funds: 46
 Statement of Net Position 47
 Statement of Revenue, Expenses and Changes in Net Position 48
 Statement of Cash Flows 49

 Fiduciary Funds: 50
 Statement of Fiduciary Net Position 51
 Statement of Changes in Fiduciary Net Position 52

Notes to the Basic Financial Statements..... 54

REQUIRED SUPPLEMENTARY INFORMATION:

Schedule of Pension Plan Contributions..... 97
Schedule of Proportionate Share of Net Pension Liability – CalPERS Safety
 Cost Sharing Plan 99
Schedule of Proportionate Share of Net Pension Liability – CalPERS Misc.
 Agent-Multiple Employer Plan 100
Schedule of OPEB Contributions 102
Schedule of Changes in Net OPEB Liability..... 103

TOWN OF LOS GATOS, CALIFORNIA

**ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

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..... 107

Nonmajor Governmental Funds:

Combining Balance Sheets..... 108
Combining Schedule of Revenues, Expenditures and Changes in
Fund Balances 111
Budgeted Nonmajor Funds Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances – Budget and Actual (GAAP) 114

Internal Service Funds:

Combining Statement of Fiduciary Net Position..... 120
Combining Statement of Revenue, Expenses and Changes in Net Position..... 121
Combining Statement of Cash Flows 122

STATISTICAL SECTION 125
Net Position by Component..... 127
Changes in Net Position 128
Fund Balances, Governmental Funds 130
Changes in Fund Balances, Governmental Funds 132
Assessed Value and Estimated Actual Value of Taxable Property 134
Direct and Overlapping Property Tax Rates..... 135
Principal Property Tax Payers 136
Property Tax Levies and Collections..... 138
Ratios of Outstanding Debt by Type 139
Direct and Overlapping Governmental Activities Debt..... 140
Legal Debt Margin 141
Demographic and Economic Statistics 142
Principal Employers 143
Full-time Equivalent Town Government Employees by Function/Program 145
Operating Indicators by Function/Program 146
Capital Assets Statistics by Function/Program..... 148

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 150

INTRODUCTORY SECTION

This Page Left Intentionally Blank



TOWN OF LOS GATOS

OFFICE OF THE TOWN MANAGER

Phone: (408) 354-6832

FAX: (408) 399-5786

November 23, 2024

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, 2024. 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, 2024, 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 was developed in accordance with best practices of the Government Finance Officers Association and will be submitted 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.

AWARDS

The Town’s Annual Comprehensive Financial Report for the fiscal year ended June 30, 2023, was awarded a Certificate of Achievement for Excellence in Financial Reporting by the national Government Finance Officers Association. This is the 29th 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.

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 33,230 (California Department of Finance, January 2024). 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 increases to economically sensitive revenues, however sales tax collections are decreasing. The Town General Fund closed FY 2023/24 with \$4 million revenue over expenditure. The excess revenue includes \$1.7 million unrealized gain in the Town investment portfolio. The General Fund Balance increased \$1.5 million.

General Fund revenues (not including transfers in other financing sources) increased 5.8% from the prior year. Property tax revenues remain the largest and most consistent source of support for General Fund operations, comprising approximately 45.3% of General Fund revenues in FY 2023/24. For FY 2023/24, property tax receipts of \$24.2 million were \$1.5 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 15.1% of General Fund revenues in FY 2023/24. For FY 2023/24, sales tax receipts of \$8.1 million were \$0.7 million lower than the prior year’s collection. Increased interest rates impacted business to business activities, while increased mortgage rates leaved customers with less disposable income. In addition, gas service stations have decreased activity due to the popularity of electric vehicles.

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 the Summer 2024, the Town successfully completed negotiations with all bargaining units. While important for the consistent delivery of high quality services for the Town, these actions impact the balance 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 2023 CalPERS actuarial valuations, the unfunded actuarial liability for pensions was \$63.0 million and \$9.0 million for OPEB as determined by an actuarial valuation 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.

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 2023/24) has increased 5.3% from \$59.9 million to the current NPO of \$63.0 million. Due to CalPERS preliminary returns of 9.3%, staff expects the NPO to decrease 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 \$12 million in Town infrastructure and other capital asset improvements and contributions were invested in FY 2023/24, including \$3.8 million in Town-wide street projects to improve the pavement condition, \$0.8 million adding subscription right of use of assets, and \$0.1 million for curb and gutter improvements. In addition, \$7.1 million was invested in construction in progress including, roads, bridges, storm drains, park, pathways, and building improvements.

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. Proprietary fund expenses are recognized when they are incurred, even if the cash is not available. 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. 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.

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; Eagled’Or Am, Accountant, Ed Karas, Accountant; 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,

Chris Constantin

Chris Constantin
Town Manager

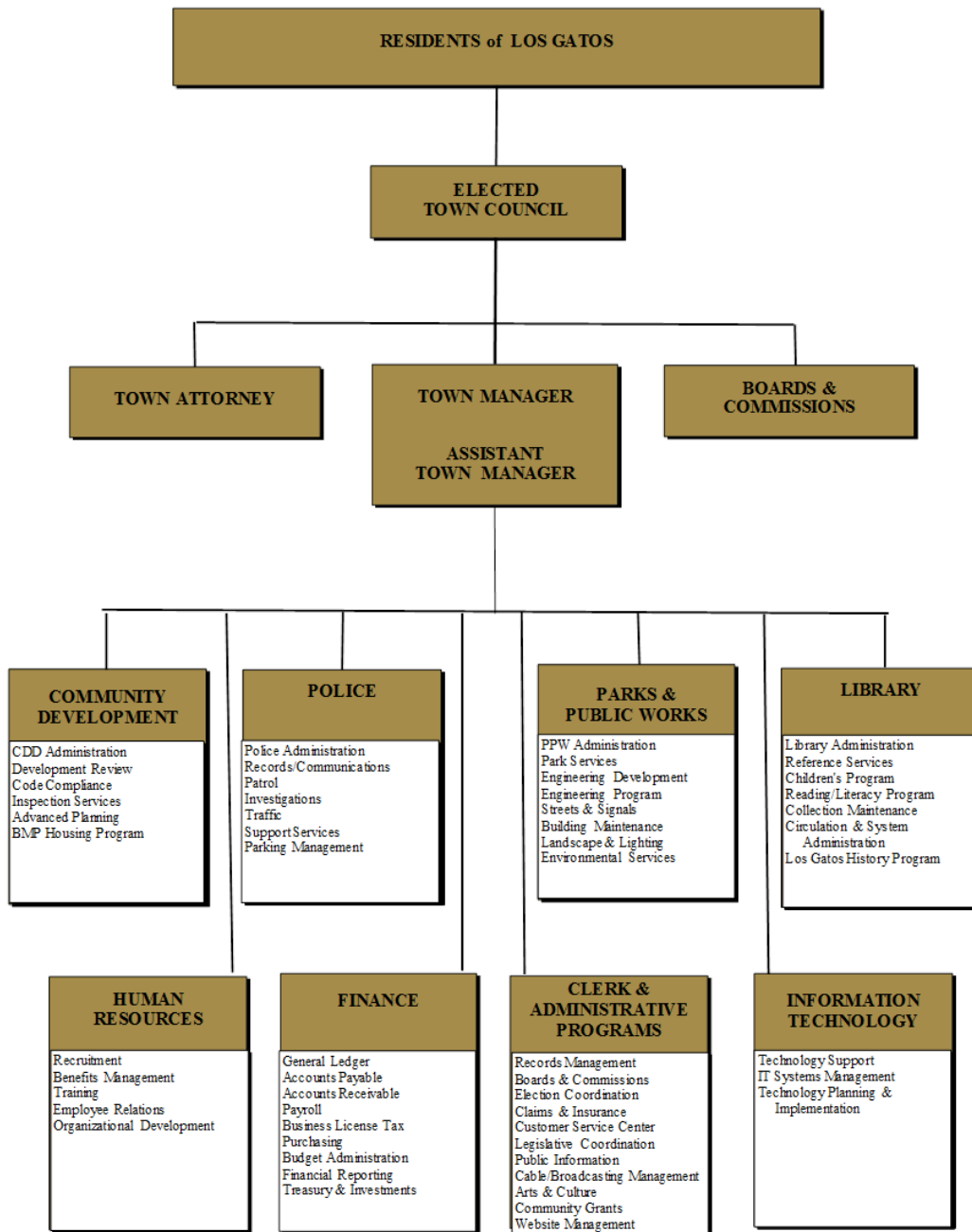
Gitta Ungvari

Gitta Ungvari
Director of Finance



Town of Los Gatos

Organizational Structure



**TOWN OF LOS GATOS
PRINCIPAL OFFICERS
JUNE 30, 2024**

TOWN COUNCIL

Mayor

Mary Badame

Vice Mayor

Matthew Hudes

Council Member

Maria Ristow

Council Member

Rob Moore

Council Member

Rob Rennie

COUNCIL APPOINTEES

Town Manager¹

Laurel Prevetti

Town Attorney

Gabrielle Whelan

APPOINTED OFFICIALS

Assistant Town Manager

Katy Nomura

Chief of Police

Jamie Field

Community Development Director

Joel Paulson

Parks and Public Works Director

Nicolle Burnham

Library Director

Ryan Baker

Finance Director

Gitta Ungvari

Human Resources Director

~~Salina Flores~~ Cheryl Parkman

¹ Effective November 4, 2024 Chris Constantin



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, 2023

Christopher P. Morill

Executive Director/CEO

This Page Left Intentionally Blank

FINANCIAL SECTION

This Page Left Intentionally Blank



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, 2024, 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, 2024, 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.

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.



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 11, 2024 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 11, 2024
Morgan Hill, California

This Page Left Intentionally Blank

Management's Discussion and Analysis

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, 2024. 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) 2023/24 by \$159.4 million (net position). The unrestricted net position, which represents the amounts available to meet the Town ongoing obligations to citizens and creditors, is \$9.1 million.
- The Town's total net position increased by \$5.9 million in FY 2023/24. ~~Even though the change in net position is positive, it was a 61.1% reduction from the prior year change in net position of \$15.1 million.~~ The change is a result of flatter revenues and an increase in total expenses of \$9.3 million.
- At the close of the current fiscal year, the Town's governmental funds reported combined fund balances of \$61.0 million, a decrease of \$0.2 million in comparison with the prior year.
- During FY 2023/24, the General Fund had an excess of revenues over expenditures of \$4.0 million, excluding transfers. Transfers out exceeded transfers in by \$3.2 million. The principal purpose of the Town's interfund transfers was contributions toward capital projects (\$3.1 million) and general liability (\$.43 million). ~~The detail of the interfund transfers is illustrated in Note #5.~~
- At the end of the current fiscal year, unrestricted fund balance (the total of the committed, and assigned components of the fund balance) for the general fund was \$28.4 million, or approximately 57% of the total general fund expenditures.

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.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's progress in funding its obligation to provide Pension and Other Post Employment benefits to its employees.

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 2023 and 2024.

Net Position Discussion

In general, net position can serve as an important indicator of whether the Town’s overall financial condition is improving or deteriorating over time. As shown below, the Town’s assets and deferred outflows of resources (consumption of net position that applies to a future period) exceeded liabilities and deferred inflows of resources (acquisition of net position that applies to a future period) by \$159.4 million, reflecting an increase of approximately \$5.9 million to the prior year’s net position of \$153.5 million.

| Town of Los Gatos | | |
|-----------------------------------------|----------------|----------------|
| Net Position | | |
| Governmental Activities | | |
| For the Year Ended June 30, 2024 | | |
| | 2024 | 2023 |
| Current and other Assets | \$ 93,959,415 | \$ 85,489,167 |
| Capital Assets | 139,376,963 | 132,679,773 |
| Total Assets | \$ 233,336,378 | \$ 218,168,940 |
| Deferred Outflows - Pension/OPEB | 28,973,675 | 29,526,262 |
| Current Liabilities | 21,254,648 | 15,857,589 |
| Long-Term Liabilities Outstanding | 77,271,453 | 71,847,737 |
| Total Liabilities | \$ 98,526,101 | \$ 87,705,326 |
| Deferred Inflows - Pension/OPEB | 4,377,735 | 6,467,614 |
| Net Position | | |
| Net Investment in Capital Assets | 137,253,582 | 130,623,654 |
| Restricted | 13,015,461 | 11,091,020 |
| Unrestricted | 9,137,174 | 11,807,588 |
| Total Net Position | \$ 159,406,217 | \$ 153,522,262 |

Current and other assets increased \$8.5 million from the prior year, primarily due to a \$ 5.4 million increase in cash/restricted cash and investments, and a \$3.1 million increase in accounts, interest, and intergovernmental receivable.

Capital assets increased \$6.7 million to \$139.4 million for the year reflecting current year’s capital asset additions/retirements less the annual depreciation/amortization expense.

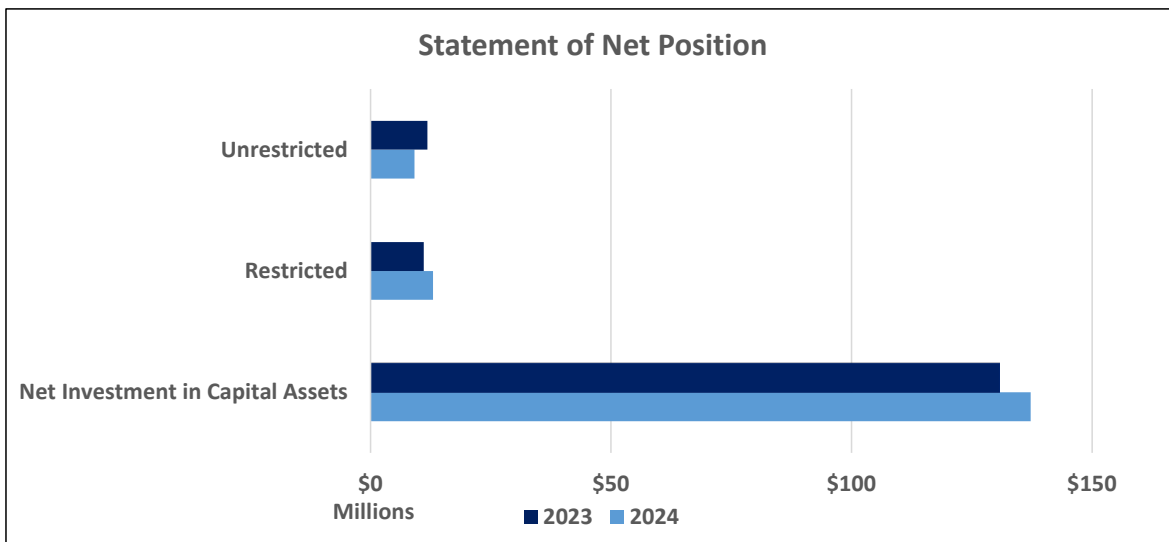
Deferred Outflows for Pension and Other Post-Employment Benefits (OPEB) decreased by \$0.6 million primarily due to the difference between the projected assumed investment returns and actual investment earnings on pension and OPEB investments, changes in assumptions, and the change in the Town’s proportionate share for the pooled safety pension plan.

Long-term liabilities increased by \$5.4 million. The increase is primarily due to a pension liability increase of \$3.2 million and an increase of OPEB liabilities of \$2.0 million. See Note 11 and Note 12 in the Notes to the Financial Statements for more information on the Town’s pension and OPEB plans.

Deferred Inflows decreased by \$2.1 million, resulting primarily from the difference between the projected assumed investment returns and actual investment earnings on pension and OPEB investments. The pension inflows decreased by \$1.4 million and the OPEB plan decreased by \$0.6 million.

The largest segment of the Town’s net position, representing \$137.3 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. They do not represent a liquid financial resource to the Town and consequently are not readily available for funding current obligations.

The chart below shows the Town’s net position for the fiscal year ended June 30, 2023 and 2024.



Restricted net position totaled approximately \$13.0 million representing approximately \$9.0 million for capital projects and maintenance, \$2.2 million for restricted pension trust, \$0.6 million placed in a special revenue trust accounts for Library services, \$0.3 million for land held for resale, \$0.2 million for Lighting and Landscaping Assessment Districts.

As of June 30, 2024, unrestricted net position, the amounts available to meet the Town’s ongoing obligations to citizens and creditors, reports an approximate \$2.7 million decrease from the prior year to an ending balance of \$9.1 million. The decrease was a result of an increase in pension adjustments of \$3.8 million and a reduction in governmental reserve balances of approximately \$1.9 million. The decreases were offset by a positive change in the internal service fund net position of \$1.0 million and the unavailable revenue reclassification (to revenue) of \$2.3 million.

The Town’s overall net position increased \$5.9 million from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities

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.

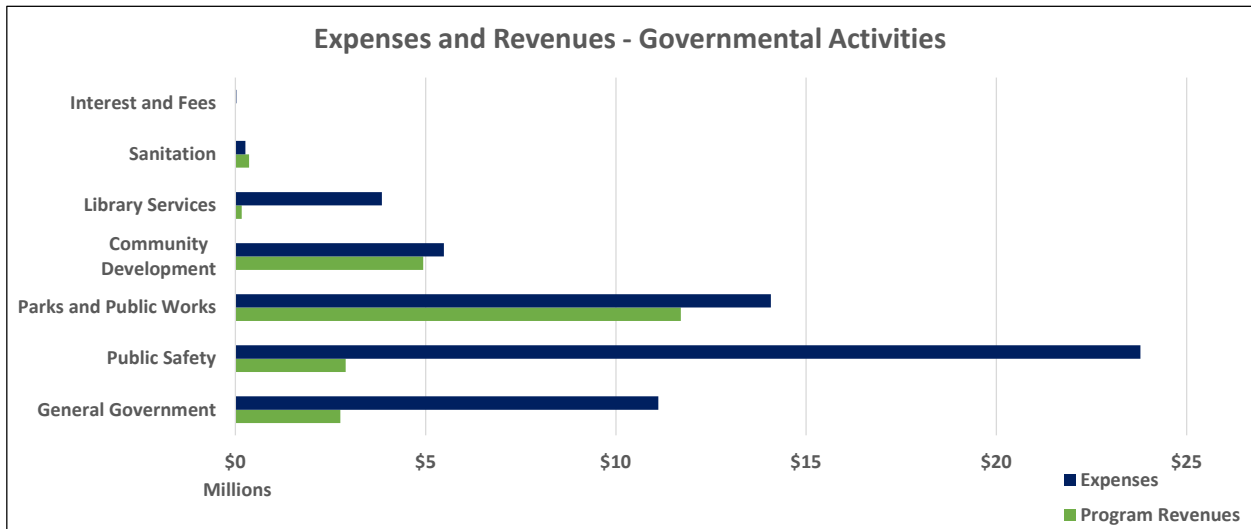
| Town of Los Gatos | | |
|-------------------------------------------------------------|------------------------------|------------------------------|
| Statement of Activities | | |
| For the Year Ended June 30, 2024 | | |
| | <u>2024</u> | <u>2023</u> |
| Revenues: | | |
| Program revenues: | | |
| Charges for Services ¹ | \$ 13,495,756 | \$ 12,390,750 |
| Operating Grants and Contributions | 3,667,909 | 7,149,581 |
| Capital Grants and Contributions | 5,668,252 | 3,915,175 |
| General Revenues: | | |
| Property Taxes | 24,224,142 | 22,746,842 |
| Sales Taxes | 8,071,735 | 8,806,477 |
| Franchise Taxes ¹ | 2,547,011 | 3,074,624 |
| Transient Occupancy Taxes | 2,367,653 | 2,228,190 |
| Other Taxes | 55,196 | 63,818 |
| Motor Vehicle in Lieu | 41,461 | 34,406 |
| Developer Assessment | 12,880 | 614,820 |
| Investment Earnings | 1,417,370 | 794,390 |
| Unrealized gains (losses) | 1,712,246 | 3,197 |
| Miscellaneous | 1,199,422 | 1,045,214 |
| Total Revenues | <u>64,481,033</u> | <u>62,867,484</u> |
| Expenses: | | |
| Police Department | 23,783,313 | 17,428,923 |
| Parks and Public Works | 14,075,171 | 12,258,626 |
| General Government | 11,113,238 | 10,522,568 |
| Community Development | 5,481,765 | 5,215,961 |
| Library Services | 3,853,748 | 3,653,642 |
| Sanitation | 263,706 | 208,262 |
| Interest and Fees | 26,137 | 29,221 |
| Total Expenses | <u>58,597,078</u> | <u>49,317,203</u> |
| Increase (Decrease) in Net Position before Special Items | <u>5,883,955</u> | <u>13,550,281</u> |
| Special Items | | |
| Litigation Settlement Proceeds | - | 1,565,000 |
| Change in Net Position | <u>5,883,955</u> | <u>15,115,281</u> |
| Net Position - Beginning | 153,522,262 | 138,406,981 |
| Net Position, Ending | <u>\$ 159,406,217</u> | <u>\$ 153,522,262</u> |

(1) Starting in March 2024, due to a change in the JPA agreement, Garbage Franchise Fees were categorized as encroachment fees under Charges for Services. The total amount classified in Charges for Services in FY 2023/24 was \$765,900.

The Statement of Activities shown above details how the \$64.5 million in Governmental Activities revenues and contributions were derived. Approximately \$13.5 million or 20.9% of the revenues

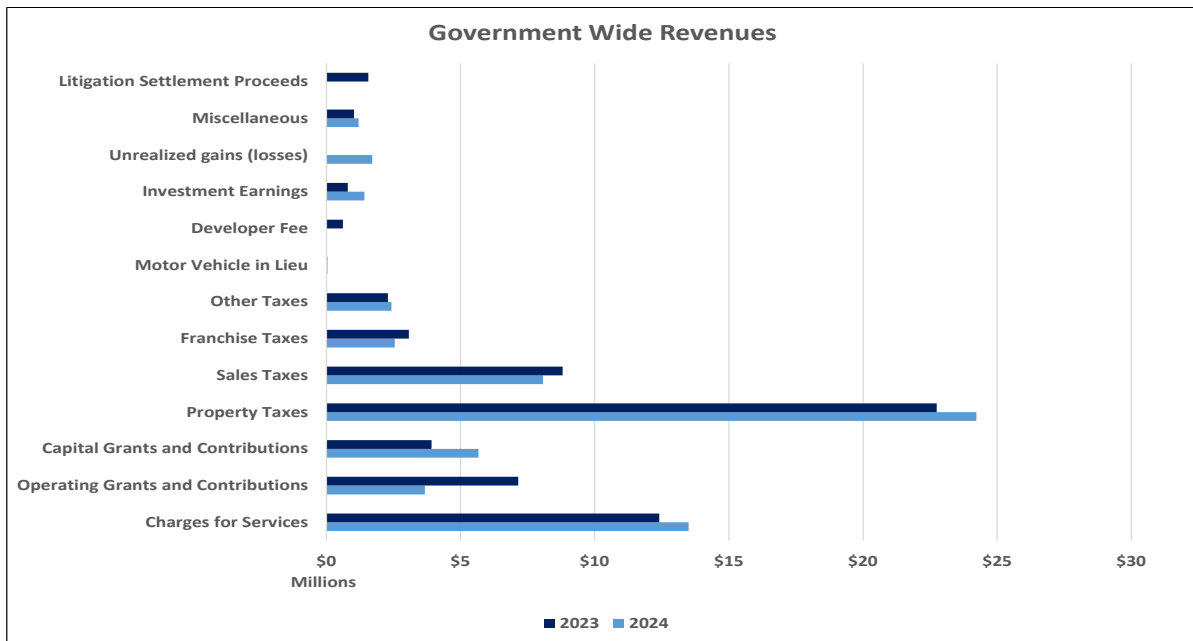
were recorded from fees paid by residents/businesses who directly benefited from the respective program or service. Another \$9.3 million or 14.5% of the revenues were sourced from operating/capital grants and contributions. The remaining \$41.6 million or 64.6% represents general revenues of the Town, including taxes, intergovernmental revenues, and other miscellaneous revenues.

The chart below summarizes the financial activities of the major programs.



Governmental Activities Revenue Discussion

The chart below summarized the Town’s government wide revenues for the FY 2022/23 and FY 2023/24.



Program revenues decreased by approximately \$0.6 million from the prior year. This decrease is due to the combined effect of a \$1.7 million **net** increase in capital grant activity **including grants received toward the Los Gatos Creek Trail to Highway 9 Trailhead Connector project**, \$1.1 million increase in charges for services due to increased development activity and garbage franchise fee reclassification, and a decrease of \$3.5 million from the prior year on operating grants and contribution. The decrease was due to the prior fiscal year including the American Rescue Plan Act (ARPA) second tranche of revenue.

The Town's General Revenues related to Governmental Activities increased by approximately \$0.7 million from the prior year. The increase is attributable to a combination of an approximately \$2.3 million increase in investment earnings including the mark-to-market value adjustments on the Town portfolio investment and a \$1.5 million increase in property taxes. The increases were offset by a \$0.7 million decrease in sales tax, \$0.5 million decrease in franchise fee collection, and \$0.6 million decrease in pass-through developer contributions.

Property tax is the largest individual revenue source for the Town and collections finished the year \$1.5 million higher than the previous year. This increase was mostly due to an increase of \$1.1 million in general property tax collection and \$0.4 million increase in Vehicle License Fee (VLF) Property Tax In-Lieu fee. It is important to note that assessed valuations for FY 2023/24 were established on the tax roll in January 2023 and collected in FY 2023/24.

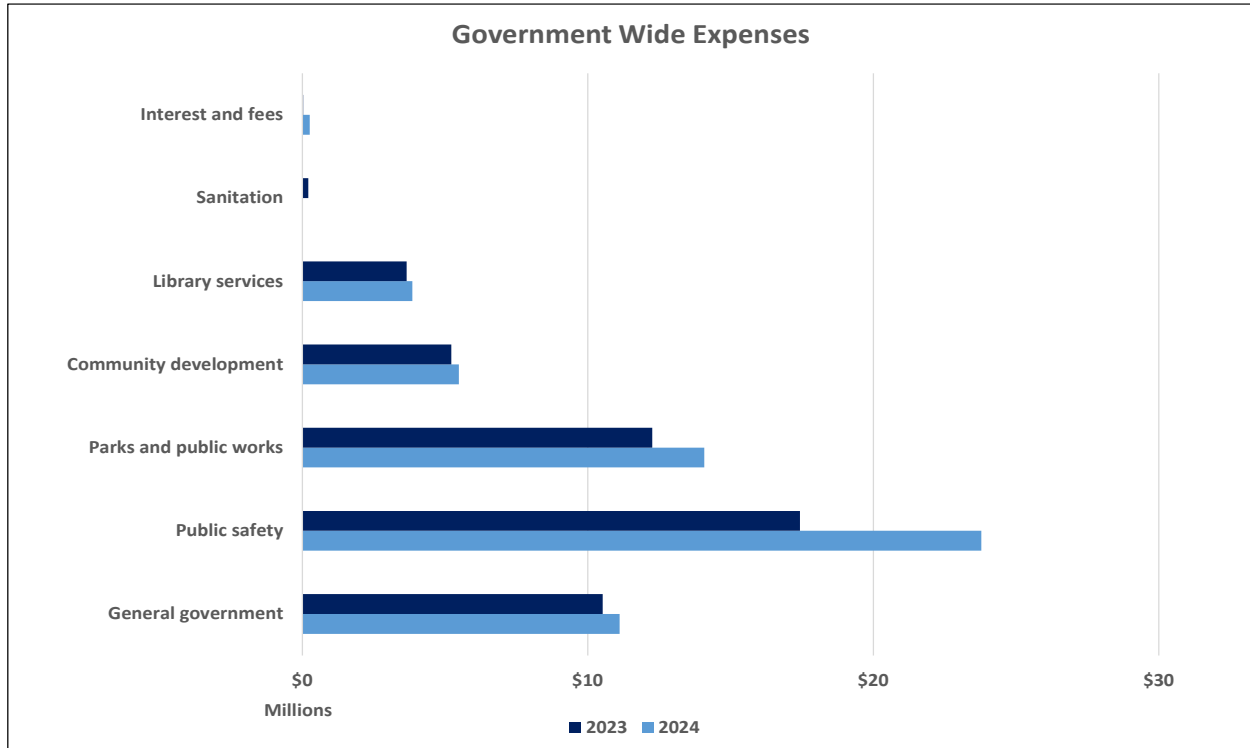
At \$8.1 million, sales taxes represent the second largest individual revenue source for the Town. Sales taxes decreased \$0.7 million from the previous year largely due to a reduction in business-to-business activities and less taxable sales activity. In addition, gas service stations have decreased activity due to the popularity of electric vehicles.

Franchise taxes, the Town's third largest individual revenue source, finished the year at \$2.5 million, reflecting a decrease of \$0.5 million from the previous fiscal year. Franchise fee collected from the garbage hauler company was reclassified as license and permit fees during FY 2023/24. In the statement of activity, the license and permit fees are categorized as charges for services. While collections remained at the same level, the revenue shifted from franchise fee to charges for services.

Investment earnings increased \$2.3 million from the prior year. The primary factor responsible for this increase was \$1.7 million total mark-to-market value above historical investment cost than the prior year for the Town's investment portfolio. These unrealized gains are recognized as investment income as a result of the mark to market value procedure required by GASB 31. Per the Town Council General Fund Reserve Policy, \$10,000 or more of unrealized investment gains that have been recorded in the financial statement are required to be reserved. The balance sheet reflects the \$1.7 million Market Fluctuation Reserve. The additional \$0.6 million increase in interest was due to a higher interest rate environment.

Governmental Activities Expenses Discussion

The chart below summarized the Town's government wide expenses for the FY 2022/23 and FY 2023/24.



The Town provides residents, businesses, and visitors with an array of high-quality municipal services. General government strategic support is comprised of seven Departments (Town Council, Town Clerk, Town Manager, Town Attorney, Human Resources, Information Technology, and Finance) which provide 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; building plan checks and inspections; and code compliance services. The Library Department provides library, local history, and cultural services to the community.

Total expenses of \$58.6 million as reported in the Statement of Activities increased by \$9.3 million from \$49.3 million the prior year. The change was primarily driven by increases of \$3.7 million in public safety pension expense, \$1.4 million in Miscellaneous Pension expense, \$1.1 million in depreciation, and 1.5 million in salaries and benefits. **The other \$1.6 million increase in**

governmental expenses is attributable to multiple ongoing cost increases such as retiree medical expenses, utilities, landscape maintenance, safety supplies and equipment, and one-time costs in temporary employee services, labor relations services, consultant services, one-time grants, and building maintenance repairs

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.

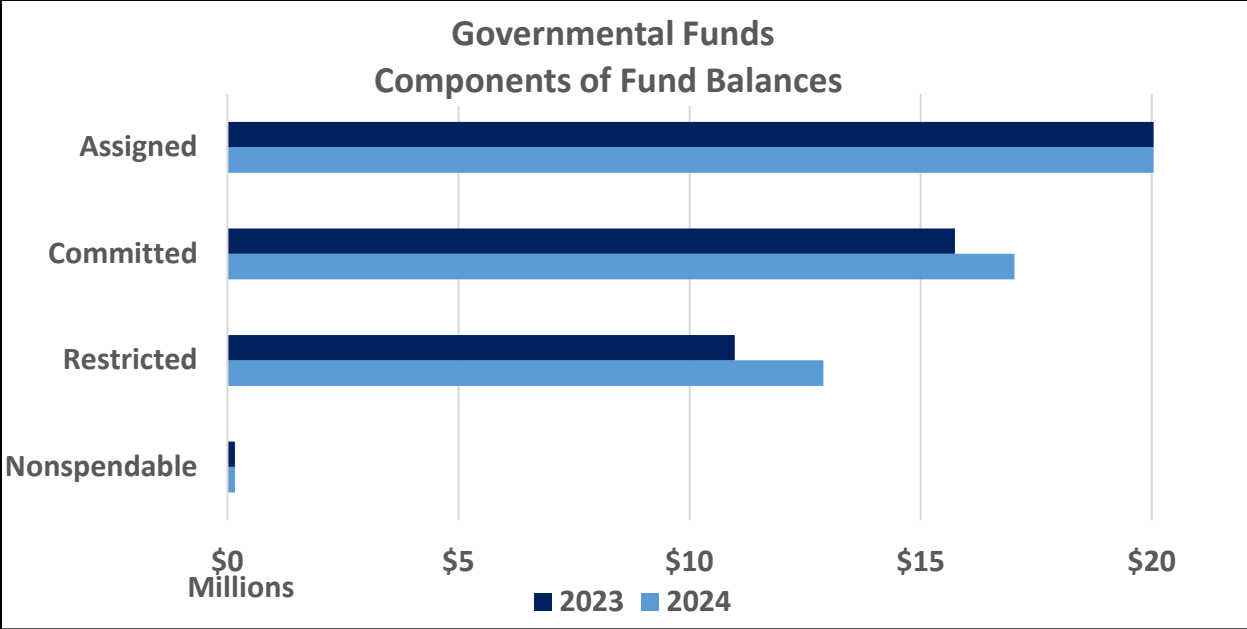
As discussed below, the Town's Governmental Funds Balance Sheet reports the following fund balances:

Restricted Fund Balance – The Town has \$12.9 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 \$12.9 million restricted fund balance, \$9.0 million is restricted for capital projects, \$2.2 million for pension, \$0.6 million for Library special revenue trust accounts, and \$0.2 million for maintenance and repairs.

Committed Fund Balance – The Town has \$17.0 million in fund balance classified as committed to indicate that the Town Council previously committed how the money will be spent. Of the \$17.0 million, \$12.5 million is for budget stabilization (\$6.7 million) and catastrophe response (\$6.7 million).

Assigned Fund Balance – The Town has \$30.9 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 \$8.7 million and the Capital Projects Reserve of \$16.4 million which are the primary funding sources for the Town's five-year capital improvement plan and special projects as budgeted by the Town.

The chart below shows the Town's governmental fund balances for the fiscal year ended June 30, 2023 and 2024.



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

Total 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, 2024

| REVENUES | 2024 | 2023 |
|---------------------------------------------|----------------------|----------------------------------|
| Property Taxes | \$ 24,265,603 | \$ 22,781,248 |
| Sales Taxes | 8,071,735 | 8,806,477 |
| Transient Occupancy Taxes | 2,367,653 | 2,228,190 |
| Other Taxes | 30,358 | 35,496 |
| Licenses & Permits ¹ | 6,227,298 | 6,333,675 |
| Intergovernmental | 6,317,644 | 10,145,820 |
| Charges for Services | 7,051,179 | 5,718,714 |
| Fines and Forfeitures | 480,634 | 416,950 |
| Franchise Fees ¹ | 2,547,011 | 3,074,624 |
| Developer Assessment | 12,880 | 614,820 |
| Interest | 3,108,100 | 797,582 |
| Use of Property | 297,501 | 237,647 |
| Other | 604,493 | 985,188 |
| Total Revenues | \$ 61,382,089 | \$ 62,176,431¹ |
| EXPENDITURES | | |
| Current: | | |
| Public Safety | \$ 20,718,781 | \$ 18,446,048 |
| General Government | 9,573,022 | 8,828,779 |
| Parks and Public Works | 9,899,083 | 9,084,406 |
| Community Development | 5,246,729 | 5,065,412 |
| Library Services | 3,335,389 | 3,208,027 |
| Sanitation and Other | 252,605 | 204,097 |
| Capital Outlay | 12,366,255 | 8,917,075 |
| Debt Service | | |
| Principal | 225,370 | 156,034 |
| Interest and Fees | 3,716 | - |
| Total Expenditures | \$ 61,620,950 | \$ 53,909,878 |
| Excess Revenues over Expenditures | \$ (238,861) | \$ 8,266,553 |
| Subscriptions | 706,713 | - |
| Settlement -Shannon Road | - | 1,565,000 |
| Proceeds from sales of assets | 223 | 2,162 |
| Transfers in | 3,666,235 | 11,886,022 |
| Tranfers out | (4,317,235) | (11,396,347) |
| Total Other Financing Sources (Uses) | \$ 55,936 | \$ 2,056,837 |
| Net Changes in Fund Balances | (182,925) | 10,323,390 |
| Beginning/Ending Fund Balances | \$ 61,185,528 | \$ 50,862,138 |
| Ending Fund Balances | \$ 61,002,603 | \$ 61,185,528 |

(1) Starting in March 2024, due to a change in the JPA agreement, Garbage Franchise Fees were categorized as Licenses & Permits under Charges for Services. The total amount classified in Licenses & Permits in FY 2023/24 was \$765,900.

Overall, total Governmental Funds revenues finished \$0.8 million or 1.3% lower than the prior year, while total expenditures finished \$7.7 million or 14.3% higher than the prior year. One of the main reasons for the decrease in revenue was a reduction in grant activity due to receiving the final tranche of the \$3.6 million ARPA payment in fiscal year 2023 as well as a \$0.7 million dollar reduction in sales tax. The reduction was offset by increases in general property tax collections of \$1.5 million and \$2.3 million increase in interest revenue. The increase in interest was due to \$1.7 million unrealized gain adjustment. The change in expenditures was mainly due to capital outlay increases of \$3.4 million, salary and benefit cost increases of \$1.9 million, and general operating increases of \$1.5 million. **The general operating increase of \$1.5 million increase is attributable to multiple ongoing cost increases such as retiree medical expenses, utilities, landscape maintenance, safety supplies and equipment, and one-time costs in temporary employee services, labor relations services, consultant services, one-time grants, and building maintenance repairs**

General Fund revenues totaled \$53.5 million or nearly 87.2% of the total \$61.0 million in Total Governmental Fund revenues.

Governmental Funds expenditures increased by \$7.7 million. General Fund expenditures represent approximately \$49.5 million or 80.4% of the Total Governmental Fund expenditures of \$61.6 million compared to \$44.9 million of General Fund expenditures and total Governmental Funds expenditures of \$53.9 million in the prior year.

Increases in Public Safety expenditures from the prior year of approximately \$2.3 million were primarily due to \$1.4 million salary and benefit cost increases resulting from labor negotiations and mandated increases in employer pension contribution rates, and \$0.5 million internal service costs for equipment replacement and general liability.

Increases in Parks and Public Works, Community Development, and Library services expenditures from prior year of approximately \$1.1 million were primarily due to \$0.7 million operating expenditure increases, \$0.3 million equipment replacement costs, and \$0.1 million salary and benefit cost increases.

The \$0.7 million increase in general governmental expenditures was mainly attributable to \$0.3 million salary and benefit increases and \$0.2 million labor relation services and post-retirement benefits.

Appropriated Reserves Fund capital projects fund balances decreased \$2.7 million from the prior year, reflecting increased capital activity during the fiscal year. The \$5.3 million of general government and capital outlay expenditures above operating revenues was offset by \$2.6 million from other financing sources.

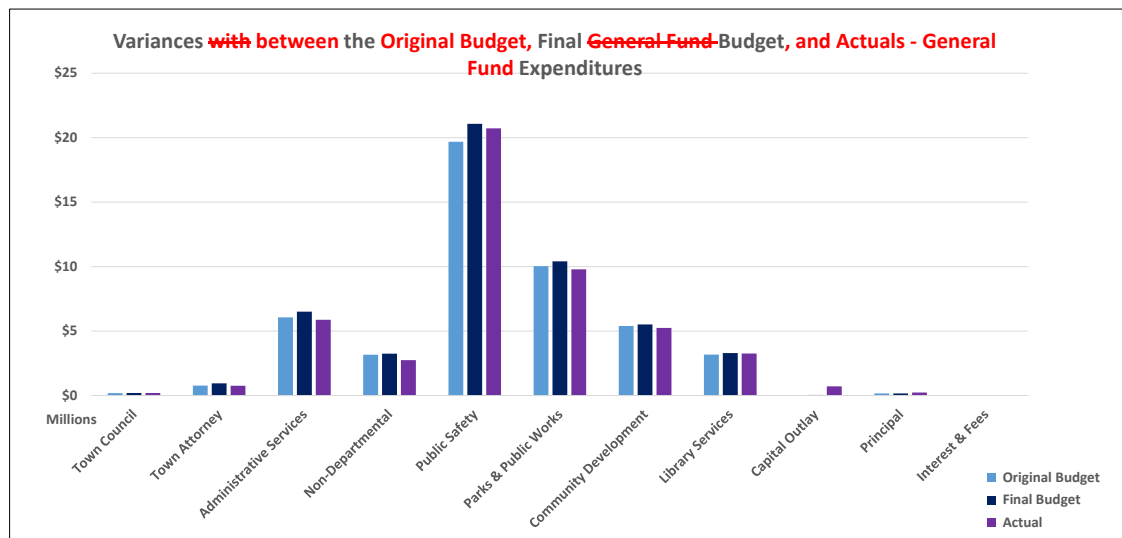
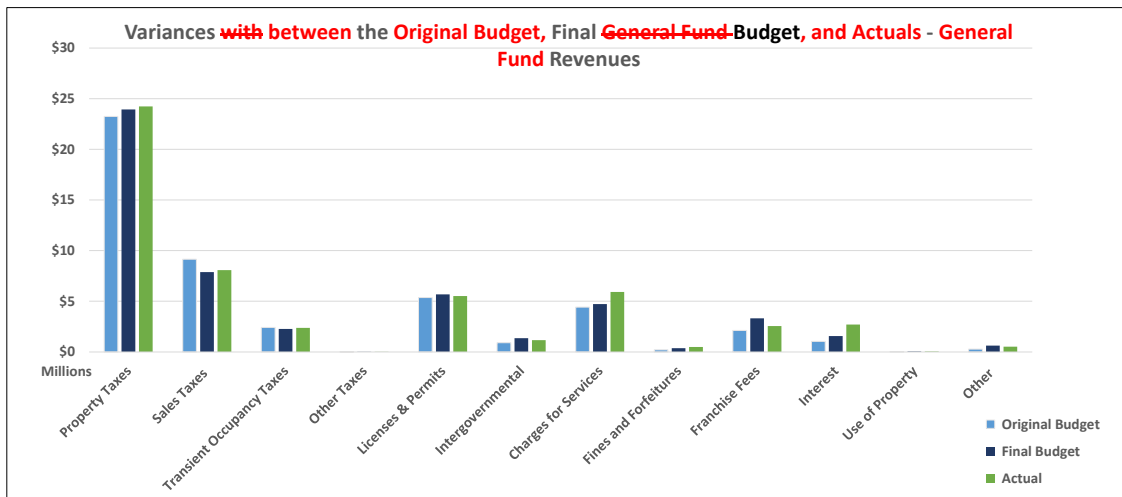
Proprietary Funds

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 increased by \$1.0 million due to increases in general fund support and program charges for services to cover for workers' compensation, information technology, and general liability costs including administration, insurance premiums, and claims expense.

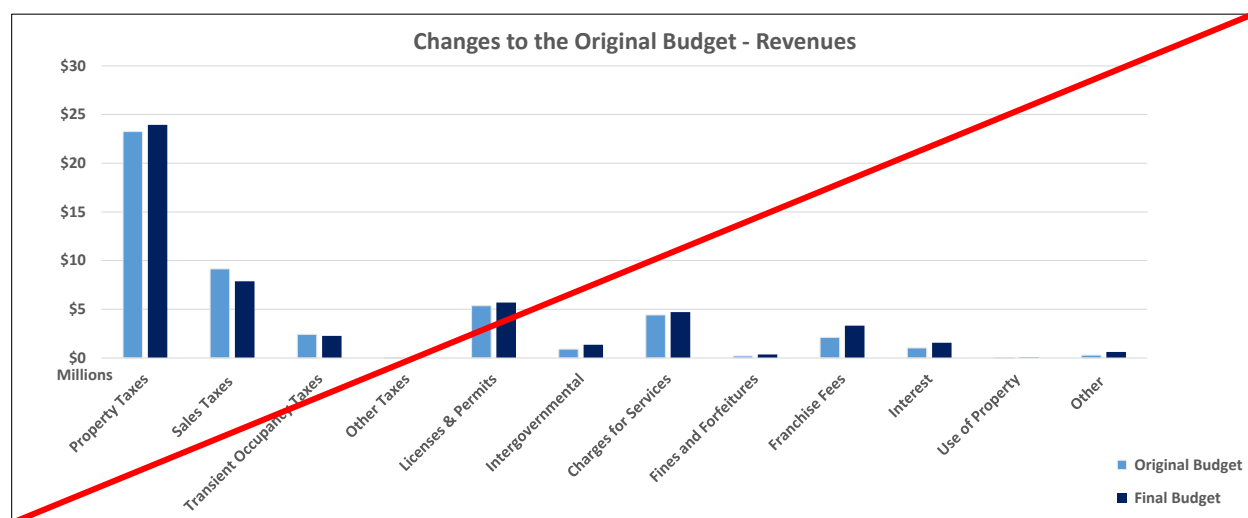
GENERAL FUND BUDGETARY HIGHLIGHTS

The below graphs represent the revenue and expenditure variances between the original budget, final budget, and actuals.



Changes to the Original Budget

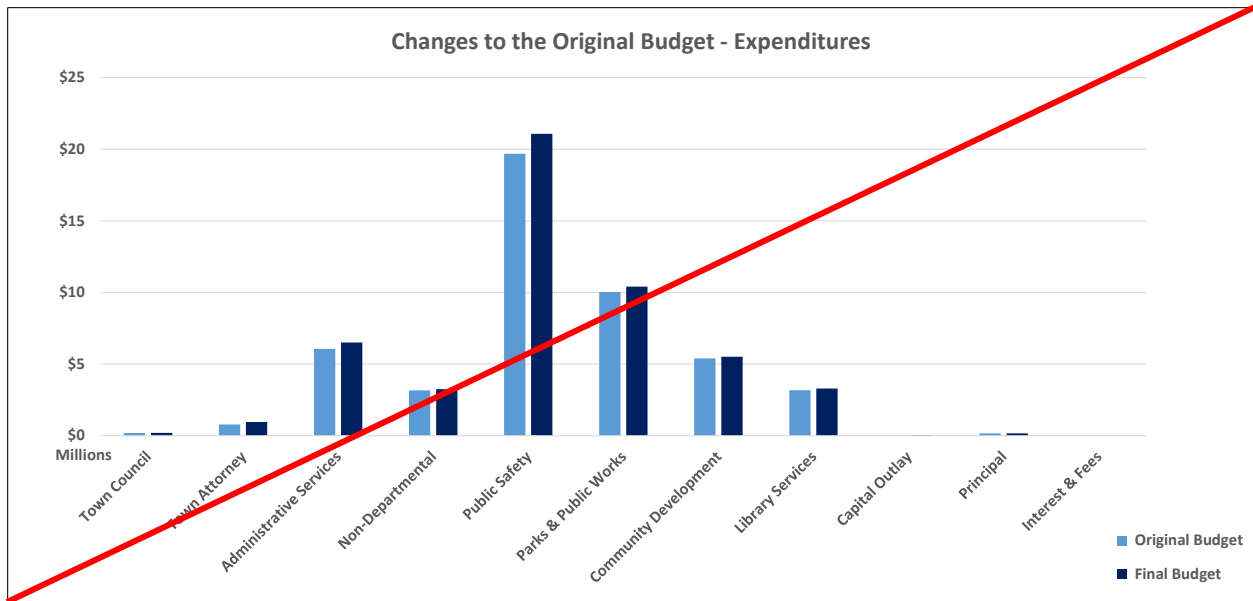
As noted in the ~~below~~ **above** chart, comparing the FY 2023/24 original budget (i.e., the Adopted Budget) General Fund revenues of \$49.2 to the final adjusted budget of \$51.7 indicates a net increase of approximately \$2.5 million or 5.1%. Additions to the original revenue budget included adjustments approved by Town Council throughout the fiscal year.



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

- \$1.2 million revenue increases for charges for services including \$1.1 million for garbage franchise fees and \$0.1 million for PG&E franchise fees;
- \$0.7 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;
- \$0.5 million Interest revenue budget increase based on the estimated collection from LAIF per projected interest rates;
- \$0.3 million grant receipt with matching expenditure.

As shown in the chart on the next page, comparing the FY 2023/24 original budget (i.e. the Adopted Budget) General Fund expenditures of \$48.6 million (excluding budgeted transfers-out and debt payments that are reimbursed) to the final adjusted budget of \$51.4 million indicates a net increase of approximately \$2.8 million or 5.8%. Additions to the original expenditure budget included adjustments approved by Town Council throughout the fiscal year.



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

- \$1.3 million increase in expenditure related cost increases to legal, labor and employee relation services, post-employment benefit, recruitment services, special studies, property damage repair, utilities and other operating expenditures;
- \$1.1 million expenditure increase for salaries and benefits related charges including budget restoration of \$0.7 million for individual departments that were fully staffed and did not experience the full preplanned 4.6% salary savings factor and \$0.4 million for negotiated salaries and benefits and temporary staff augmentation; and
- \$0.3 grant activity with matching revenues.

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, 2024, reports an approximate favorable variance overall with the final budget of approximately \$3.6 million. **During FY 2023/24, the General Fund had an excess of revenues over expenditures of \$4.0 million, excluding transfers.** This favorable variance was created largely by the net effect of the following factors:

- Actual revenues ended the fiscal year at \$1.8 million above final budgeted revenues. The chart on the next page illustrates the original revenue budget, final revenue budget and actual revenues.

- Actual expenditures ended the fiscal year at \$1.8 million below final budgeted expenditures. Significant factors affecting actual expenditures include: \$1.0 million savings in salaries and benefits in limited term vacancies throughout the organization **combined** with ~~(\$0.8 million less actual expenditures than budgeted **operational savings** in **multiple categories** Town-wide).~~ The chart below illustrates the original expenditure budget, final expenditure budget and actual expenditures.

CAPITAL ASSETS

As of June 30, 2024, the Town’s investment in capital assets for its governmental activity is recorded at \$139,376,963 (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 \$6.7 million net of depreciation expense totaling approximately \$5.3 million for the year.

Notable additions ~~less current year depreciation of \$5.3 million~~ include:

- \$7.1 million addition to construction in progress
- \$3.8 million in street repair and resurfacing and curb and gutter work; and
- \$0.5 million in subscription right of use of assets.

The \$7.1 million addition to construction in progress is comprised of \$3.8 million for pathways projects, \$1.2 million for streets and curbs improvements, \$0.9 million for land and building improvements, \$0.6 million for bridges, \$0.4 million for equipment, and \$0.2 million for retaining walls, traffic signals, parking lots, and park improvements.

**Capital Assets
Town of Los Gatos
For the Year Ended June 30, 2024**

| | Governmental Activities |
|----------------------------------|------------------------------------|
| Infrastructure—Streets | \$ 45,791,936 |
| Infrastructure—Other | —17,939,244 |
| Subscription Right of Use Assets | —1,200,061 |
| Buildings | —30,867,436 |
| Land | —26,064,735 |
| Equipment | —2,022,508 |
| Construction in Progress | —15,491,043 |
| | \$ 139,376,963 |

Capital Assets
Town of Los Gatos
For the Year Ended June 30, 2024

| | Capital Assets | Accumulated Depreciation | Capital Assets, Net |
|----------------------------------|----------------|-----------------------------|------------------------|
| Infrastructure - Streets | \$ 86,301,911 | \$ (40,509,975) | \$ 45,791,936 |
| Infrastructure -Other | 28,491,627 | (10,552,383) | 17,939,244 |
| Subscription Right of Use Assets | 1,622,573.00 | (422,512.00) | 1,200,061 |
| Buildings | 42,862,716 | (11,995,280) | 30,867,436 |
| Land | 26,064,735 | - | 26,064,735 |
| Equipment | 12,893,445 | (10,870,937) | 2,022,508 |
| Construction in Progress | 15,491,043 | - | 15,491,043 |
| | \$ 213,728,050 | \$ (74,351,087) | \$ 139,376,963 |

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 \$1.0 million at 6/30/2024. The long-term debt in the Successor Agency Trust Fund is related to the 2002 COP and 2010 COP, totaling \$10.2 million. Additional information on the Town’s Long-Term Debt is found in Note 7 of this Financial Report.

ECONOMIC FACTORS, NEXT YEAR’S BUDGET, AND RATES

General Fund Monies Made Available because of the ARPA Grant

The Town recognized the American Rescue Plan Act (ARPA) operating revenue over three fiscal years including FY 2020/21 (\$200,911), FY 2021/22 (\$3,413,961), and FY 2022/23 (\$3,614,872) for allowable expenditures under the standard allowance provision of the ARPA federal rules. The funds were received in the ARPA special revenue fund and were transferred out to other funds and used Town for qualifying public safety expenditures under the provisions of the Act.

The utilization of the ARPA grant enabled the Town to support the following activities using unrestricted resources:

| | |
|------------------------------------------------------------------------------------------------------------------------|--------------------|
| Unrestricted Funds Available | \$7,229,744 |
| Less Council Approved Uses | |
| Parklets (Downtown Economic Recovery Efforts) | \$ 930,000 |
| Rent Waivers | 746,463 |
| CUP/ADA Fee Waivers | 54,346 |
| Destination Marketing | 55,000 |
| K-Rails (Downtown Economic Recovery Efforts) | 88,654 |
| Promenades | 188,667 |
| Direct Grants | 110,000 |
| Enhanced Senior Services | 500,000 |
| Capital Improvement Program Support Transfers | 2,900,000 |
| One-Time Community Grant (Council Action 2-21-2023) | 150,000 |
| One-Time to LGS REC 55+ Program (Council Action 2-21-2023) | 225,000 |
| One-Time to KCAT Producers (Council Action 2-21-2023) | 100,000 |
| One-Time Unhoused Residents Efforts (Council Action 2-21-2023) | 25,000 |
| One-Time Rent Forgiveness LGS REC (Council Action 3-21-2023) | 200,000 |
| One-Time Rent Forgiveness NUMU (Council Action 3-21-2023) | 21,000 |
| One-Time Unhoused Residents Efforts (Council Action 4-4-2023) | 25,000 |
| One-Time - Additional Chambers of Commerce (Council Action 5-2-2023) | 33,000 |
| One-time - Adult Recreation Center Interim Community Center (Council Action 8-15-2023 & FY 2024/25 Proposed Budget) | 877,614 |
| Total | \$7,229,744 |

~~The Town's budget emphasizes reasonable consideration for revenue and expenditures. Moving forward, the Town will grapple with understanding capital improvement needs as well as understanding the true cost to run basic operations. Interest rates are expected to fall resulting in potential to show deficits. The Town will continue assessing its operations, analyzing information useful to future planning, and will adjust to changes in the economy as necessary.~~

~~During the development and adoption of the Town's FY 2024/25 budget, the Town Council and management considered the following factors:~~

- ~~• The FY 2023/24 Adopted Budget endeavored to maintain essential public services while controlling operational costs in light of the Five-Year Financial Forecast.~~
- ~~• For FY 2024/25, the Adopted 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 2023/24 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.~~
- ~~• In terms of capital projects, the Town Council stated its capital budget priorities to continue implementation of wildfire protection, emergency preparedness, traffic calming/traffic safety for all users, parking study implementation, 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.~~

Purpose of the Budget and Annual Comprehensive Financial Report

Our Town's budget is more than just numbers—it is a plan that ensures we use our resources efficiently and effectively, prioritizing our most important goals. Through this budget, the Town Council shapes our community's direction and priorities by allocating financial resources. The Annual Comprehensive Financial Report reflects the activities and financial condition of the previous year, serving as an essential document for residents, taxpayers, and other stakeholders to assess the Town's financial standing. While both documents are critical, they do not provide the complete picture of the financial or operational reality of the Town.

Forecasting Our Finances

The FY 2024/25 budget projections are based on economic trends and forecasts specific to our area. These estimates, informed by local data from the County of Santa Clara and consultants such as Avenu Insights & Analytics, help predict revenue from sources like taxes and government grants. Expenditures are carefully reviewed by departments and the Finance Department and are incorporated into the budget with a vacancy savings factor of 4.6%, reflecting the Town's historical trend of not fully expending predicted salaries and benefit costs.

Overall, the Town is financially stable and secure for the foreseeable future. During the FY 2023/24 fiscal year, the Town-wide Statement of Activities reported an increase in net position of \$5,883,955—a measure of the change in the value of assets impacted by Town operations during the year. This net position includes \$3,129,616 from investment earnings, driven by high interest rates and unrealized gains due to the requirement to value current investments at market value as of June 30. Additionally, revenue exceeding budget estimates and expenditures coming in below projections contributed to this positive change.

This increase in net position reflects a broader trend, with eight of the last nine years showing positive net position growth. In the General Fund—the primary operating fund for Town operations—the available resources for the next fiscal year have also increased.

While encouraging, the increase in net position can be significantly influenced by market interest rate fluctuations, liability payments (including pension costs), and operational and capital expenditures. Additionally, accounting standards do not account for future capital costs beyond depreciation, meaning deferred capital needs could substantially impact future financial performance. Rising costs in key Town operations and contracted services also pose challenges that could outpace revenue growth.

Despite our stable position and financial cushion, maintaining this stability will require fiscal prudence and foresight to address future challenges.

Emerging Financial Challenges

Although we have experienced financial gains, we are facing significant cost pressures. Rising costs for basic services—including salaries, benefits, and contracting—are compounded by volatile pension costs, which have fluctuated dramatically in recent years. The competitive Silicon

Valley market and increasing regulatory requirements on local governments also drive up the cost of services and materials.

A major concern is the lack of preparation to fully fund or quantify the liabilities and annualized costs for maintaining our infrastructure – such as roads, parks, and buildings. These deferred maintenance needs could add millions to future expenses. The cost per mile of infrastructure repair continues to rise, leading to tradeoffs between non-capital and capital priorities. While progress has been made in identifying some of our needs, the Town is quite a ways from achieving a sustainable investment to address its substantial capital liabilities.

Sales tax, our second-largest revenue source, is expected to stagnate or decline due to reduced consumer spending capacity, higher costs, and the loss of high-tax businesses like car dealerships. In FY2023/24, sales tax revenue dropped 8.3% from the previous year to approximately \$8 million, aligning with the Town’s historical average over the past decade. This flat revenue trajectory, combined with increasing operational and capital costs, poses a significant budgetary challenge.

Additionally, the region's economy is heavily influenced by industries affected by geopolitical dynamics. These dynamics could impact employment, property and transfer tax revenue, fees, occupancy taxes, and sales taxes, further adding uncertainty to the financial outlook.

Proactive Financial Strategies and Sustainable Financial Planning

It is essential for us to continuously monitor and evaluate our long-term financial sustainability, balancing major capital needs with the provision of essential services. Los Gatos is currently in a relatively strong financial position, supported by significant reserves. However, we must remain vigilant and prepared to address rising operational and capital costs that could outpace revenue growth. Our goal is to preserve the exceptional quality of life in our community through prudent and strategic financial management.

To achieve this, the Town must work to fully identify the true costs of basic operations as well as additional programs and services, comparing these costs to our capacity to sustain such activities over the long term. While our overall financial position is balanced, our focus must shift to achieving a sustainably balanced budget that ensures efficient and effective delivery of services at a level supported by available resources.

Key efforts in this direction should include:

- Establishing a shared understanding of our current and projected financial condition.
- Defining the basic and enhanced services provided to residents and businesses.
- Taking deliberate steps toward long-term financial sustainability.
- Identifying system and process improvements that reflect careful planning in how Town activities are delivered, ensuring accountability to those who fund these services.

These initiatives require a multi-year approach, and I am confident we can make meaningful progress in the years ahead.

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.

Basic Financial Statements

TOWN OF LOS GATOS, CALIFORNIA

**ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**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, 2024

| | <u>Governmental Activities</u> |
|------------------------------------------------|------------------------------------|
| ASSETS | |
| Cash and investments | \$ 79,482,564 |
| Restricted cash and investments | 2,368,441 |
| Receivables: | |
| Accounts | 3,052,460 |
| Interest | 800,882 |
| Intergovernmental | 4,759,056 |
| Other assets | 152,614 |
| Land held for resale | 344,338 |
| Long-term leases receivable | 1,861,308 |
| Long-term notes receivables | 1,137,752 |
| Capital Assets: | |
| Nondepreciable | 26,064,735 |
| Depreciable, net of accumulated depreciation | 113,312,228 |
| Total Assets | <u>\$ 233,336,378</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Pension adjustments | \$ 23,166,916 |
| OPEB adjustments | 5,806,759 |
| Total Deferred Outflows of Resources | <u>\$ 28,973,675</u> |
| LIABILITIES | |
| Accounts payable | \$ 4,799,652 |
| Accrued payroll and benefits | 603,981 |
| Interest payable | 19,943 |
| Due to other governments | 82,372 |
| Unearned Revenue | 7,599,945 |
| Deposits | 6,258,763 |
| Claims payable | 1,889,992 |
| Long-term liabilities: | |
| Due within one year | |
| Compensated absences | 596,874 |
| Subscription liabilities | 211,678 |
| Loans payable | 156,034 |
| Due in more than one year | |
| Net OPEB liability | 9,009,446 |
| Net pension liabilities | 63,027,669 |
| Compensated absences | 2,514,083 |
| Subscription liabilities | 871,480 |
| Loans payable | 884,189 |
| Total Liabilities | <u>\$ 98,526,101</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Leases | 1,168,056 |
| Pension adjustments | 1,694,347 |
| OPEB adjustments | 1,515,332 |
| Total Deferred Inflows of Resources | <u>\$ 4,377,735</u> |
| NET POSITION | |
| Net investment in capital assets | \$ 137,253,582 |
| Restricted for: | |
| Library | 556,848 |
| Capital projects | 9,043,666 |
| Land held for resale | 344,338 |
| Lighting and landscape repairs and maintenance | 182,625 |
| Pensions | 2,188,659 |
| VTA | 577,887 |
| Worker's compensation claims | 121,438 |
| Total Restricted Net Position | <u>13,015,461</u> |
| Unrestricted | 9,137,174 |
| Total Net Position | <u>\$ 159,406,217</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, 2024

| Functions/Programs | Expenses | Program Revenues | | | | Total | Net (Expense) Revenues and Changes in Net Position |
|--------------------------------------|----------------------|-------------------------|------------------------------------------|----------------------------------------|----------------------------|-----------------------|-------------------------------------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | | |
| | | | | | | | |
| Governmental Activities: | | | | | | | |
| General government | \$ 11,113,238 | \$ 2,694,162 | \$ 63,088 | \$ - | \$ 2,757,250 | \$ (8,355,988) | |
| Public safety | 23,783,313 | 1,980,431 | 917,317 | - | 2,897,748 | (20,885,565) | |
| Parks and public works | 14,075,171 | 4,211,420 | 1,828,050 | 5,668,252 | 11,707,722 | (2,367,449) | |
| Community development | 5,481,765 | 4,247,279 | 692,151 | - | 4,939,430 | (542,335) | |
| Library services | 3,853,748 | 2,514 | 167,303 | - | 169,817 | (3,683,931) | |
| Sanitation | 263,706 | 359,950 | - | - | 359,950 | 96,244 | |
| Interest and fees | 26,137 | - | - | - | - | (26,137) | |
| Total Governmental Activities | \$ 58,597,078 | \$ 13,495,756 | \$ 3,667,909 | \$ 5,668,252 | \$ 22,831,917 | (35,765,161) | |
| General revenues: | | | | | | | |
| Taxes: | | | | | | | |
| | | | | | | 24,224,142 | |
| | | | | | | 8,071,735 | |
| | | | | | | 2,547,011 | |
| | | | | | | 2,367,653 | |
| | | | | | | 55,196 | |
| | | | | | | 41,461 | |
| | | | | | | 12,880 | |
| Investment earnings: | | | | | | | |
| | | | | | | 1,417,370 | |
| | | | | | | 1,712,246 | |
| | | | | | | 1,199,422 | |
| | | | | | | <u>41,649,116</u> | |
| | | | | | | 5,883,955 | |
| | | | | | | <u>153,522,262</u> | |
| | | | | | | <u>\$ 159,406,217</u> | |

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, 2024
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, 2024. 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.

TOWN OF LOS GATOS, CALIFORNIA
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2024

| | General | Appropriated Reserves | Other Nonmajor Governmental Funds | Total Governmental Funds |
|-------------------------------------------------------------------------------|----------------------|--------------------------|--------------------------------------------|--------------------------------|
| ASSETS | | | | |
| Cash & investments | \$ 34,471,425 | \$ 25,746,502 | \$ 10,415,070 | \$ 70,632,997 |
| Restricted cash & investments | 2,188,659 | - | 58,344 | 2,247,003 |
| Receivables: | | | | |
| Accounts | 1,784,830 | 1,145,377 | 82,843 | 3,013,050 |
| Interest | 800,882 | - | - | 800,882 |
| Intergovernmental | 1,815,445 | 2,713,517 | 230,094 | 4,759,056 |
| Other assets | 152,614 | - | - | 152,614 |
| Land held for resale | 344,338 | - | - | 344,338 |
| Leases receivable | - | 149,496 | 304,129 | 453,625 |
| Long term note receivable | 1,059,000 | - | 78,752 | 1,137,752 |
| Total Assets | \$ 42,617,193 | \$ 29,754,892 | \$ 11,169,232 | \$ 83,541,317 |
| LIABILITIES | | | | |
| Accounts payable | \$ 971,349 | \$ 3,586,786 | \$ 24,000 | \$ 4,582,135 |
| Accrued payroll and benefits | 600,757 | - | 3,224 | 603,981 |
| Due to other governments | 82,313 | - | - | 82,313 |
| Unearned revenue | 3,641,939 | 3,893,211 | 64,795 | 7,599,945 |
| Deposits | 6,258,763 | - | - | 6,258,763 |
| Total Liabilities | 11,555,121 | 7,479,997 | 92,019 | 19,127,137 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Leases | - | 144,532 | 202,252 | 346,784 |
| Unavailable revenue | - | 3,064,793 | - | 3,064,793 |
| Total Deferred Inflows of Resources | - | 3,209,325 | 202,252 | 3,411,577 |
| FUND BALANCE | | | | |
| Nonspendable: | | | | |
| Loans receivable | 159,000 | - | - | 159,000 |
| Restricted for: | | | | |
| Library | - | - | 556,848 | 556,848 |
| Capital projects | - | - | 9,043,666 | 9,043,666 |
| Land held for resale | 344,338 | - | - | 344,338 |
| Repairs and maintenance | - | - | 182,625 | 182,625 |
| Pensions | 2,188,659 | - | - | 2,188,659 |
| VTA | - | 577,887 | - | 577,887 |
| Committed to: | | | | |
| Budget stabilization | 6,736,781 | - | - | 6,736,781 |
| Catastrophic | 6,736,781 | - | - | 6,736,781 |
| Pensions/OPEB | 300,000 | - | - | 300,000 |
| Measure G 2018 district sales tax | 590,581 | 1,572,619 | - | 2,163,200 |
| Special revenue funds | - | - | 1,091,822 | 1,091,822 |
| Assigned to: | | | | |
| Open Space | 410,000 | 152,000 | - | 562,000 |
| Parking | - | 292,000 | - | 292,000 |
| Sustainability | 140,553 | - | - | 140,553 |
| Capital/Special projects | 8,651,056 | 16,421,064 | - | 25,072,120 |
| Carryover encumbrances | 85,861 | - | - | 85,861 |
| Comcast PEG | - | 50,000 | - | 50,000 |
| ERAF Risk | 1,430,054 | - | - | 1,430,054 |
| Economic recovery | 20,684 | - | - | 20,684 |
| Compensated absences | 1,555,478 | - | - | 1,555,478 |
| Market fluctuations | 1,712,246 | - | - | 1,712,246 |
| Total Fund Balances | 31,062,072 | 19,065,570 | 10,874,961 | 61,002,603 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 42,617,193 | \$ 29,754,892 | \$ 11,169,232 | \$ 83,541,317 |

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, 2024

Fund Balance - Total Governmental Funds \$ 61,002,603

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. 138,865,947

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. 7,534,550

DEFERRED 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 | \$ 9,339,476 | |
| PERS Safety Plan adjustments | 13,827,440 | |
| OPEB plan adjustments | 5,806,759 | 28,973,675 |

Deferred Inflows of resources:

| | | |
|-------------------------------------|-------------|-------------|
| PERS Miscellaneous Plan adjustments | \$ (18,028) | |
| PERS Safety Plan adjustments | (1,676,319) | |
| OPEB plan adjustments | (1,515,332) | (3,209,679) |

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. 3,064,793

LONG-TERM LIABILITIES

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

| | | |
|--------------------------|--------------|--------------|
| Subscription liabilities | \$ (637,377) | |
| Loans payable | (1,040,223) | |
| Net Pension Liabilities | (63,027,669) | |
| Net OPEB Liability | (9,009,446) | |
| Compensated absences | (3,110,957) | (76,825,672) |

Net Position - Governmental Activities **\$ 159,406,217**

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, 2024**

| | General | Appropriated Reserves | Other Nonmajor Governmental Funds | Total Governmental Funds |
|--------------------------------------------------------------|---------------|--------------------------|--------------------------------------------|--------------------------------|
| REVENUES | | | | |
| Property Taxes | \$ 24,227,166 | \$ - | \$ 38,437 | \$ 24,265,603 |
| Sales Taxes | 8,071,735 | - | - | 8,071,735 |
| Transient Occupancy Taxes | 2,367,653 | - | - | 2,367,653 |
| Other Taxes | 5,520 | - | 24,838 | 30,358 |
| Licenses & Permits | 5,513,209 | 157,535 | 556,554 | 6,227,298 |
| Intergovernmental | 1,157,224 | 3,362,026 | 1,798,394 | 6,317,644 |
| Charges for Services | 5,913,520 | 1,137,659 | - | 7,051,179 |
| Fines and Forfeitures | 480,634 | - | - | 480,634 |
| Franchise Fees | 2,547,011 | - | - | 2,547,011 |
| Developer Assessments | - | 12,880 | - | 12,880 |
| Interest | 2,698,736 | 100,179 | 309,185 | 3,108,100 |
| Use of Property | 34,722 | 91,284 | 171,495 | 297,501 |
| Other | 516,082 | - | 88,411 | 604,493 |
| Total Revenues | 53,533,212 | 4,861,563 | 2,987,314 | 61,382,089 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General Government | 9,573,022 | - | - | 9,573,022 |
| Public Safety | 20,718,781 | - | - | 20,718,781 |
| Parks and Public Works | 9,789,656 | - | 109,427 | 9,899,083 |
| Community Development | 5,246,729 | - | - | 5,246,729 |
| Library Services | 3,253,389 | - | 82,000 | 3,335,389 |
| Sanitation and Other | - | - | 252,605 | 252,605 |
| Capital Outlay | 708,302 | 10,193,353 | 1,464,600 | 12,366,255 |
| Debt service: | | | | |
| Principal | 225,370 | - | - | 225,370 |
| Interest & Fees | 3,716 | - | - | 3,716 |
| Total Expenditures | 49,518,965 | 10,193,353 | 1,908,632 | 61,620,950 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 4,014,247 | (5,331,790) | 1,078,682 | (238,861) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Subscriptions | 706,713 | - | - | 706,713 |
| Sale of capital assets | 223 | - | - | 223 |
| Transfers in | 564,910 | 3,101,325 | - | 3,666,235 |
| Transfers (out) | (3,752,325) | (453,990) | (110,920) | (4,317,235) |
| Total Other Financing Sources (Uses) | (2,480,479) | 2,647,335 | (110,920) | 55,936 |
| NET CHANGES IN FUND BALANCES | 1,533,768 | (2,684,455) | 967,762 | (182,925) |
| BEGINNING FUND BALANCES | 29,528,304 | 21,750,025 | 9,907,199 | 61,185,528 |
| ENDING FUND BALANCES | \$ 31,062,072 | \$ 19,065,570 | \$ 10,874,961 | \$ 61,002,603 |

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, 2024**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (182,925)

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) | \$ 12,016,644 | |
| Current year depreciation | <u>(5,092,938)</u> | 6,923,706 |

| | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|----------|
| 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. | | (24,094) |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|----------|

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.

| | | |
|---------------------------------------------|--|-----------|
| Subscription Liabilities Debt Issuances | | (706,713) |
| Subscription Liabilities Principal Payments | | 69,336 |
| PG&E Loan | | 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.

2,266,093

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.

50,290

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.

122,506

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.

(3,781,956)

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.

991,678

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES

\$ 5,883,955

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, 2024**

| | Original Budget | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|-----------------------------------------------------------|-----------------------|-----------------------|----------------------|---------------------------------------------------------|
| REVENUES | | | | |
| Property Taxes | \$ 23,249,311 | \$ 23,938,717 | \$ 24,227,166 | \$ 288,449 |
| Sales Taxes | 9,152,778 | 7,881,069 | 8,071,735 | 190,666 |
| Transient Occupancy Taxes | 2,419,000 | 2,262,528 | 2,367,653 | 105,125 |
| Other Taxes | 7,000 | 7,000 | 5,520 | (1,480) |
| Licenses & Permits | 5,365,996 | 5,684,574 | 5,513,209 | (171,365) |
| Intergovernmental | 913,094 | 1,362,032 | 1,157,224 | (204,808) |
| Charges for Services | 4,416,250 | 4,715,797 | 5,913,520 | 1,197,723 |
| Fines and Forfeitures | 203,450 | 365,950 | 480,634 | 114,684 |
| Franchise Fees | 2,116,470 | 3,308,703 | 2,547,011 | (761,692) |
| Interest | 1,035,097 | 1,566,384 | 2,698,736 | 1,132,352 |
| Use of Property | 35,811 | 31,839 | 34,722 | 2,883 |
| Other | 281,954 | 622,555 | 516,082 | (106,473) |
| Total Revenues | 49,196,211 | 51,747,148 | 53,533,212 | 1,786,064 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General Government: | | | | |
| Town Council | 184,386 | 197,260 | 196,368 | 892 |
| Town Attorney | 771,611 | 947,963 | 751,614 | 196,349 |
| Administrative Services | 6,061,730 | 6,506,131 | 5,877,879 | 628,252 |
| Non-Departmental | 3,157,423 | 3,246,886 | 2,747,161 | 499,725 |
| Total General Government | 10,175,150 | 10,898,240 | 9,573,022 | 1,325,218 |
| Public Safety | 19,685,259 | 21,067,571 | 20,718,781 | 348,790 |
| Parks & Public Works | 10,028,859 | 10,401,802 | 9,789,656 | 612,146 |
| Community Development | 5,390,623 | 5,509,852 | 5,246,729 | 263,123 |
| Library Services | 3,175,170 | 3,285,841 | 3,253,389 | 32,452 |
| Capital Outlay | - | 40,000 | 708,302 | (668,302) |
| Debt Service: | | | | |
| Principal | 156,034 | 156,034 | 225,370 | (69,336) |
| Interest & Fees | - | - | 3,716 | (3,716) |
| Total Expenditures | 48,611,095 | 51,359,340 | 49,518,965 | 1,840,375 |
| EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES | 585,116 | 387,808 | 4,014,247 | 3,626,439 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Subscriptions | - | - | 706,713 | 706,713 |
| Gain from sale of assets | 1,000 | 1,000 | 223 | (777) |
| Transfers In | 571,536 | 595,411 | 564,910 | (30,501) |
| Transfers Out | (2,456,327) | (3,752,608) | (3,752,325) | 283 |
| Total Other Financing Sources (Uses) | (1,883,791) | (3,156,197) | (2,480,479) | 675,718 |
| NET CHANGES IN FUND BALANCE | \$ (1,298,675) | \$ (2,768,389) | 1,533,768 | \$ 4,302,157 |
| BEGINNING FUND BALANCE | | | 29,528,304 | |
| ENDING FUND BALANCE | | | \$ 31,062,072 | |

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, 2024**

**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.

**TOWN OF LOS GATOS, CALIFORNIA
 PROPRIETARY FUNDS -
 STATEMENT OF NET POSITION
 JUNE 30, 2024**

| | Governmental Activities Internal Service Funds |
|--------------------------------------------|---------------------------------------------------------|
| ASSETS | |
| Current Assets: | |
| Cash & investments | \$ 8,849,567 |
| Restricted cash & investments | 121,438 |
| Accounts Receivable | 39,410 |
| Total current assets | 9,010,415 |
| Noncurrent Assets: | |
| Leases receivable | 1,407,683 |
| Subscription assets, net | 511,016 |
| Total noncurrent assets | 1,918,699 |
| Total Assets | \$ 10,929,114 |
| LIABILITIES | |
| Current Liabilities: | |
| Accounts payable | \$ 217,517 |
| Due to other governments | 59 |
| Interest payable | 19,943 |
| Subscription liabilities - Current | 161,331 |
| Total current liabilities | 398,850 |
| Noncurrent liabilities: | |
| Claims payable | 1,889,992 |
| Subscription liabilities | 284,450 |
| Total noncurrent liabilities | 2,174,442 |
| Total Liabilities | \$ 2,573,292 |
| DEFERRED INFLOWS OF RESOURCES | |
| Leases | \$ 821,272 |
| NET POSITION | |
| Net Investment in capital assets | \$ 65,235 |
| Restricted for workers compensation claims | 121,438 |
| Unrestricted | 7,347,877 |
| Total Net Position | \$ 7,534,550 |

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, 2024**

| | Governmental Activities Internal Service Funds |
|----------------------------------------|---------------------------------------------------------|
| | |
| OPERATING REVENUES | |
| Charges for services | \$ 4,398,817 |
| Use of money and property | 166,373 |
| Other local taxes | 24,838 |
| Other revenue and reimbursements | 486,265 |
| Total Operating Revenues | 5,076,293 |
| OPERATING EXPENSES | |
| Insurance expenses | 2,463,881 |
| Services and Supplies | 2,068,407 |
| Depreciation/amortization | 202,422 |
| Total Operating Expenses | 4,734,710 |
| Operating Income (Loss) | 341,583 |
| NONOPERATING REVENUE (EXPENSES) | |
| Investment earnings | 21,516 |
| Interest expense | (22,421) |
| Income (loss) before transfers | 340,678 |
| Transfers in | 651,000 |
| Transfers out | - |
| Net transfers | 651,000 |
| Change in Net Position | 991,678 |
| BEGINNING NET POSITION | 6,542,872 |
| ENDING NET POSITION | \$ 7,534,550 |

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, 2024**

| | Governmental Activities Internal Service Funds |
|------------------------------------------------------------------|---------------------------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from customers | \$ 4,759,258 |
| Payments to suppliers | (4,433,671) |
| Insurance reimbursements | 397,312 |
| Claims paid | (361,241) |
| Net cash provided (used) by operating activities | 361,658 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Transfers In | 651,000 |
| Transfers Out | - |
| Net cash provided (used) by noncapital financing activities | 651,000 |
| CASH FLOWS FROM CAPITAL RELATED FINANCING ACTIVITIES | |
| Interest paid | (30,393) |
| Principal paid | (149,154) |
| Acquisition of subscription assets | - |
| Net cash provided (used) by capital related financing activities | (179,547) |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Cash collected from investment earnings | 21,516 |
| Net cash provided (used) Investing Activities | 21,516 |
| Net Increase(Decrease) in Cash and Investments | 854,627 |
| Cash and investments - beginning of year | 8,116,378 |
| Cash and investments - end of year | \$ 8,971,005 |
| Reconciliation of Operating Income to Cash Flows | |
| from Operating Activities: | |
| Operating Income | \$ 341,583 |
| Adjustments to reconcile operating income to cash flows | |
| from operating activities: | |
| Depreciation/amortization | 202,422 |
| Change in assets and liabilities: | |
| Accounts receivables | 36,028 |
| Leases receivable | (59,528) |
| Deferred inflows of resources | 103,777 |
| Accounts payable | (25,908) |
| Claims payable | (236,716) |
| Cash Flows From Operating Activities | \$ 361,658 |
| Cash and cash equivalents: | |
| Cash and investments | \$ 8,849,567 |
| Restricted cash and investments | 121,438 |
| Total cash and cash equivalents | \$ 8,971,005 |

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, 2024

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.

**TOWN OF LOS GATOS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2024**

| | <u>RDA Successor Agency</u> |
|----------------------------------------------|-------------------------------------|
| ASSETS | |
| Cash and investments | \$ 2,026,518 |
| Restricted cash and investments | 2,118,936 |
| Loans receivable | 633,746 |
| Capital assets: | |
| Depreciable, net of accumulated depreciation | <u>1,016,930</u> |
| Total Assets | <u>\$ 5,796,130</u> |
| LIABILITIES | |
| Accounts payable | \$ 27 |
| Interest payable | 187,218 |
| Long-term debt: | |
| Due within one year | 1,485,000 |
| Due in more than one year | <u>8,755,925</u> |
| Total Liabilities | <u>\$ 10,428,170</u> |
| NET POSITION | |
| Restricted for RDA | <u>\$ (4,632,040)</u> |
| Total Net Position | <u>\$ (4,632,040)</u> |

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, 2024**

| | <u>RDA Successor Agency</u> |
|--------------------------------------------|-------------------------------------|
| ADDITIONS | |
| Property taxes | \$ 1,952,104 |
| Investment earnings | <u>133,738</u> |
| Total Additions | <u>2,085,842</u> |
| DEDUCTIONS | |
| Program expenses of former RDA | 5,394 |
| Interest and fiscal agency expenses of RDA | 423,007 |
| Depreciation expense | <u>101,693</u> |
| Total Deductions | <u>530,094</u> |
| CHANGE IN NET POSITION | 1,555,748 |
| NET POSITION - BEGINNING OF YEAR | <u>(6,187,788)</u> |
| NET POSITION - END OF YEAR | <u>\$ (4,632,040)</u> |

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

This Page Left Intentionally Blank

Notes to Basic Financial Statements

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

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, 2024, was 33,320.

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 13, 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, 2024

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, 2024

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.

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 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 separate Fiduciary Fund financial statements. Fiduciary Fund Financial Statements include a statement of net position and a statement of changes in net position. Fiduciary funds are presented using the “economic resources measurement focus.”

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* and *available*. The Town considers property tax revenues reported in the governmental funds to be

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

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 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, 2024

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, 2022 |
| Measurement Date | June 30, 2023 |
| Measurement Period | July 1, 2022 to June 30, 2023 |

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, 2022 |
| Measurement Date | June 30, 2023 |
| Measurement Period | July 1, 2022 to June 30, 2023 |

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, 2024

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 Town 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, 2024

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, 2024

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

| | |
|---------------------------------|---------------------|
| Beginning Balance | \$ 3,161,247 |
| Net Change | <u>(50,290)</u> |
| Ending Balance | 3,110,957 |
| Compensated Absences Current | <u>596,874</u> |
| Compensated Absences Noncurrent | <u>\$ 2,514,083</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. 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.

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

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 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

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

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 11, 2024, 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.

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

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

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, 2024.

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. 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. This statement did not have a material impact on the financial statements.

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

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. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment 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.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. However, the Town implemented GASB 101 as of June 30, 2024. This statement did not have a material impact on the financial statements.

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. 102, *Certain Risk Disclosures*

This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

government's vulnerability to the risk of a substantial impact. The disclosure should include descriptions for (1) the concentration or constraint (2) each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements (3) actions taken by the government prior to the issuance of the financial statements to mitigate the risk. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter.

GASB Statement No. 103, *Financial Reporting Model Improvements*

This Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability.

This Statement establishes new accounting and financial reporting requirements or modifies existing requirements related to (a) Management's discussion and analysis (MD&A) (b) Unusual or infrequent items (c) Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position (d) Information about major component units in basic financial statements (5) Budgetary comparison information (6) Financial trend information in the statistical section

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, 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.

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

The bank balance of the Town's cash deposits was \$15,664,336 and the carrying amount was \$15,176,656 as of June 30, 2024. The bank balance and the carrying amount differed due to deposits in transit and outstanding checks.

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, 2024, LAIF had approximately \$178 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

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

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.

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, 2024.

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 | \$75 million |
| Money Market Funds | NA | 20% |

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

The following is a summary of the Town's Cash and Investments (stated at fair value) as of June 30, 2024:

| Description | Available for | | Total | Concentration of Credit | | Input Level | Time to Mature (Years) | Weighted Average Maturity |
|----------------------------|---------------|--------------|---------------|-------------------------|-----------|-------------|------------------------|---------------------------|
| | Operations | Restricted | | Risk | Rating | | | |
| Government Bonds | \$ 20,229,135 | - | \$ 20,229,135 | 30.50% | AA+ | 2 | .42-4.51 | 2.51 |
| Government Agencies | 15,255,972 | - | 15,255,972 | 23.00% | AA+ | 2 | .01-4.72 | 1.92 |
| Corporate Bonds | 14,328,567 | - | 14,328,567 | 21.60% | A- to AA+ | 2 | .13-4.79 | 3.00 |
| Mutual Funds | 61,190 | - | 61,190 | 0.09% | Not Rated | 2 | n/a | n/a |
| LAIF | 16,455,165 | - | 16,455,165 | 24.81% | Not Rated | n/a | n/a | n/a |
| Total Investments | 66,330,029 | - | 66,330,029 | 100.00% | | | | |
| Cash Deposits with Banks | 15,159,123 | 2,298,718 | 17,457,841 | | | | | |
| Money Market Accounts | 17,530 | - | 17,530 | | | | | |
| Pension Trust | - | 2,188,659 | 2,188,659 | | | | | |
| Cash on Hand at Town | 2,400 | - | 2,400 | | | | | |
| Total Cash and Investments | \$ 81,509,082 | \$ 4,487,377 | \$ 85,996,459 | | | | | |

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 | Fiduciary | | |
|-----------------------------------------------|---------------|--------------|---------------|
| | Total Town | Funds | Totals |
| Cash and Investments Available for Operations | \$ 79,482,564 | \$ 2,026,518 | \$ 81,509,082 |
| Restricted Cash and Investments | 2,368,441 | 2,118,936 | 4,487,377 |
| Total Cash and Investments | \$ 81,851,005 | \$ 4,145,454 | \$ 85,996,459 |

NOTE 3 - LONG-TERM NOTES RECEIVABLE

The Town had the following long-term notes receivable as of June 30, 2024:

| Description | Interest | | Balance |
|------------------------------------------------------------------------------|----------|----------|--------------|
| | Rate | Maturity | |
| 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 | 633,746 |
| Total Long-Term Notes Receivable | | | \$ 1,771,498 |

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

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

the State, the Town plans and facilitates the construction of housing adequate for future populations 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, 2024, 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%.

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%.

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%.

In January of 2016, the Town entered into a twenty-year lease with New Museum Los Gatos (NUMU) to use the property at 106 East Main Street. Under the lease, NUMU pays the Town \$25,000 per year. 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 5.86%.

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%.

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

The following summarizes the lease balances as of June 30, 2024:

| Lease Receivable | Beginning | Additions | Deletions | Ending |
|--------------------|---------------------|-------------------|---------------------|---------------------|
| Tesla | \$ 241,506 | \$ - | \$ (92,010) | \$ 149,496 |
| LGS 123 E. Main St | 148,858 | - | (17,852) | 131,006 |
| LGS 208 E. Main St | 1,199,297 | - | (143,795) | 1,055,502 |
| NUMU | - | 232,841 | (11,666) | 221,175 |
| Los Gatos Theatre | 319,957 | - | (15,828) | 304,129 |
| | <u>\$ 1,909,618</u> | <u>\$ 232,841</u> | <u>\$ (281,151)</u> | <u>\$ 1,861,308</u> |

| Deferred Inflows of Resources | Beginning | Additions | Deletions | Ending |
|-------------------------------|---------------------|-------------------|---------------------|---------------------|
| Tesla | \$ 235,816 | \$ - | \$ (91,284) | \$ 144,532 |
| LGS 123 E. Main St | 83,399 | - | (12,997) | 70,402 |
| LGS 208 E. Main St | 634,096 | - | (98,820) | 535,276 |
| NUMU | - | 232,841 | (17,247) | 215,594 |
| Los Gatos Theatre | 269,670 | - | (67,418) | 202,252 |
| | <u>\$ 1,222,981</u> | <u>\$ 232,841</u> | <u>\$ (287,766)</u> | <u>\$ 1,168,056</u> |

The following summarizes the future lease collections as of June 30, 2024:

| For the Year Ending June 30, | Principal | Interest | Total |
|---------------------------------|---------------------|-------------------|---------------------|
| 2025 | \$ 362,421 | \$ 104,325 | \$ 466,746 |
| 2026 | 363,791 | 82,970 | 446,761 |
| 2027 | 352,973 | 62,902 | 415,875 |
| 2028 | 248,139 | 42,949 | 291,088 |
| 2029 | 270,392 | 26,020 | 296,412 |
| 2030-2034 | 205,587 | 33,434 | 239,021 |
| 2035-2037 | 58,005 | 4,494 | 62,499 |
| Total Future Collections | <u>\$ 1,861,308</u> | <u>\$ 357,094</u> | <u>\$ 2,218,402</u> |

NOTE 5 - INTERFUND TRANSACTIONS

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.

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.

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

Transfers between funds during the fiscal year ended June 30, 2024 were as follows:

| Transfers Out | | | Transfers In | | |
|-----------------------|------------------------------|---------------------|-----------------------|------------------------------|------------------------|
| Opinion Unit | Program Title | Amount | Opinion Unit | Program Title | Description |
| General Fund | Non-Departmental | \$ 1,615,000 | Appropriated Reserves | GFAR | Adopted Budget Support |
| General Fund | Non-Departmental | 430,000 | Internal Service | Liability Program | Internal Service Fund |
| General Fund | Non-Departmental | 866,281 | Appropriated Reserves | ARC Interim Community Center | Capital Project |
| General Fund | Non-Departmental | 221,000 | Internal Service | Facilities | Rent Waivers |
| General Fund | Measure G Program | 620,044 | Appropriated Reserves | GFAR | Capital projects |
| Nonmajor | Blackwell District | 460 | General Fund | Non-Departmental | Admin Support |
| Nonmajor | Kennedy Meadows | 1,510 | General Fund | Non-Departmental | Admin Support |
| Nonmajor | Gemini Court | 610 | General Fund | Non-Departmental | Admin Support |
| Nonmajor | Santa Rosa Heights | 660 | General Fund | Non-Departmental | Admin Support |
| Nonmajor | Vasona Heights | 1,430 | General Fund | Non-Departmental | Admin Support |
| Nonmajor | Hillbrook Drive | 250 | General Fund | Non-Departmental | Admin Support |
| Appropriated Reserves | GFAR | 102,000 | General Fund | Non-Departmental | Vehicle Impact Fees |
| Appropriated Reserves | Street Repairs & Resurfacing | 23,875 | General Fund | PPW Admin | Engineering Support |
| Appropriated Reserves | GFAR | 193,933 | General Fund | PPW Admin | Engineering Support |
| Appropriated Reserves | GFAR | 121,683 | General Fund | Town Engineering | Engineering Support |
| Appropriated Reserves | Traffic Mitigation | 12,499 | General Fund | Non-Departmental | Admin Support |
| Nonmajor | Gas Tax | 106,000 | General Fund | Non-Departmental | Admin Support |
| | Total Transfers | \$ 4,317,235 | | | |

NOTE 6 - CAPITAL ASSETS

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

| | Beginning | Additions | Retirements | Transfers | Ending |
|-------------------------------------------------|----------------|--------------|-------------|-------------|----------------|
| Nondepreciable/Amortizable Capital Assets: | | | | | |
| Land | \$ 26,066,103 | \$ - | \$ - | \$ (1,368) | \$ 26,064,735 |
| Construction in Progress | 7,513,148 | 7,131,654 | - | 846,241 | 15,491,043 |
| Total Nondepreciable/Amortizable | 33,579,251 | 7,131,654 | - | 844,873 | 41,555,778 |
| Depreciable/Amortizable Capital Assets: | | | | | |
| Subscription Right of Use Assets | 915,860 | 706,713 | - | - | 1,622,573 |
| Buildings and Improvements | 39,902,775 | 51,564 | - | 2,908,377 | 42,862,716 |
| Equipment & Vehicle | 12,952,294 | 187,323 | (243,421) | (2,751) | 12,893,445 |
| Infrastructure - All Other | 28,358,260 | 133,367 | - | - | 28,491,627 |
| Infrastructure - Streets | 87,941,698 | 3,806,023 | (1,695,310) | (3,750,500) | 86,301,911 |
| Total Depreciable/Amortizable | 170,070,887 | 4,884,990 | (1,938,731) | (844,874) | 172,172,272 |
| Less Accumulated Depreciation/Amortization for: | | | | | |
| Subscription Right of Use Assets | 202,422 | 220,090 | - | - | 422,512 |
| Buildings and Improvements | 11,056,169 | 935,250 | - | 3,861 | 11,995,280 |
| Equipment & Vehicle | 10,489,600 | 604,526 | (219,330) | (3,859) | 10,870,937 |
| Infrastructure - All Other | 9,677,566 | 874,817 | - | - | 10,552,383 |
| Infrastructure - Streets | 39,544,608 | 2,660,677 | (1,695,310) | - | 40,509,975 |
| Total Accumulated Depreciation/Amortization | 70,970,365 | 5,295,360 | (1,914,640) | 2 | 74,351,087 |
| Net Depreciable/Amortizable Capital Assets | 99,100,522 | (410,370) | (24,091) | (844,876) | 97,821,185 |
| Capital Assets, Net | \$ 132,679,773 | \$ 6,721,284 | \$ (24,091) | \$ (3) | \$ 139,376,963 |

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

During the year, the Town transferred \$2,908,377 from construction in progress to buildings and improvements for capital projects that were completed and placed in service. In addition, the Town transferred \$3,048,338 from infrastructure – streets back into construction progress since these assets were not available for service. The assets reclassified to construction in progress had not been depreciated.

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 | \$ 550,355 |
| Public Safety | 439,232 |
| Parks & Public Works | 3,855,796 |
| Community Development | 48,251 |
| Library | 399,618 |
| Sanitation | 2,108 |
| Total Governmental Activities | \$ 5,295,360 |

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

| | Beginning | Adjustments and Additions | Retirements | Ending |
|-------------------------------------------------|--------------|------------------------------|-------------|--------------|
| Depreciable/Amortizable Capital Assets: | | | | |
| Buildings and Improvements | \$ 4,067,708 | \$ - | \$ - | \$ 4,067,708 |
| Less Accumulated Depreciation/Amortization for: | | | | |
| Buildings and Improvements | 2,949,085 | 101,693 | - | 3,050,778 |
| Net Depreciable/Amortizable Capital Assets | 1,118,623 | (101,693) | - | 1,016,930 |
| Capital Assets, Net | \$ 1,118,623 | \$ (101,693) | \$ - | \$ 1,016,930 |

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, 2024:

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

| Long-Term Debt | Interest Rate | Maturity Date | Original Issue | Beginning Balance | Additions/ Adjustments | Deletions | Ending Balance |
|---------------------------|------------------|------------------|-------------------|----------------------|---------------------------|------------|-------------------|
| Direct Borrowings: | | | | | | | |
| PG&E Loan | 0% | 2031 | \$ 1,560,336 | \$ 1,196,257 | \$ - | \$ 156,034 | \$ 1,040,223 |
| Due Within One Year | | | | | | | <u>156,034</u> |
| Due in More Than One Year | | | | | | | <u>\$ 884,189</u> |

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

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

| For the Year Ending June 30, | Principal | Interest | Total |
|---------------------------------|--------------|----------|--------------|
| 2025 | \$ 156,034 | \$ - | \$ 156,034 |
| 2026 | 156,034 | - | 156,034 |
| 2027 | 156,034 | - | 156,034 |
| 2028 | 156,034 | - | 156,034 |
| 2029 | 156,034 | - | 156,034 |
| 2030-2034 | 260,053 | - | 260,053 |
| Total Debt Service | \$ 1,040,223 | \$ - | \$ 1,040,223 |

The following summarizes the changes in long-term debt in the Successor Agency trust fund during the fiscal year ended June 30, 2024:

| Long-Term Debt | Interest Rate | Maturity Date | Original Issue | Beginning Balance | Deletions | Ending Balance |
|---------------------------|------------------|------------------|-------------------|----------------------|--------------|-------------------|
| 2002 COP | 2.5-5% | 2031 | \$ 10,725,000 | \$ 4,860,000 | \$ 440,000 | \$ 4,420,000 |
| 2010 COP | 2.5-4.25% | 2028 | 15,675,000 | 6,570,000 | 975,000 | 5,595,000 |
| Subtotal COP's | | | 26,400,000 | 11,430,000 | 1,415,000 | 10,015,000 |
| Premiums | | | 753,095 | 263,580 | 37,655 | 225,925 |
| Total Long-Term Debt | | | \$ 27,153,095 | \$ 11,693,580 | \$ 1,452,655 | \$ 10,240,925 |
| Due Within One Year | | | | | | 1,485,000 |
| Due in More Than One Year | | | | | | \$ 8,755,925 |

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.

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

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

| For the Year Ending June 30, | Principal | Interest | Total |
|---------------------------------|----------------------|---------------------|----------------------|
| 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 | 1,790,000 | 133,156 | 1,923,156 |
| 2030-2034 | 1,860,000 | 142,500 | 2,002,500 |
| Total Debt Service | <u>\$ 10,015,000</u> | <u>\$ 1,539,000</u> | <u>\$ 11,554,000</u> |

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 \$2,118,936 as of June 30, 2024. 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, 2024:

| Terms | Accela | Microsoft | Axon |
|---------------------|------------|-----------|-----------|
| Start | 7/1/2021 | 7/1/2022 | 4/1/2024 |
| End | 6/30/2026 | 7/1/2025 | 4/1/2034 |
| Annual Rate | 4.66% | 4.92% | 6.31% |
| Prepayments | \$ 227,179 | \$ - | \$ - |
| Implementation Cost | \$ 35,000 | \$ - | \$ - |
| Principal Paid | \$ 102,174 | \$ 46,980 | \$ 69,336 |
| Interest Paid | \$ 17,320 | \$ 13,073 | \$ 3,716 |
| Amortization | \$ 149,337 | \$ 53,085 | \$ 17,668 |

The following summarizes the Town's subscription right of use assets as of June 30, 2024:

| Subscription Right of Use Assets | Accela | Microsoft | Axon | Total |
|----------------------------------|-------------------|-------------------|-------------------|---------------------|
| Beginning | \$ 597,350 | \$ 318,510 | \$ - | \$ 915,860 |
| Additions | - | - | 706,713 | 706,713 |
| Deletions | - | - | - | - |
| Ending | 597,350 | 318,510 | 706,713 | 1,622,573 |
| Accumulated Amortization | (298,674) | (106,170) | (17,668) | (422,512) |
| Subscription ROA, Net | <u>\$ 298,676</u> | <u>\$ 212,340</u> | <u>\$ 689,045</u> | <u>\$ 1,200,061</u> |

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

The following summarizes the Town’s subscription liabilities as of June 30, 2024:

| Subscription Liabilities | Accela | Microsoft | Axon | Total |
|---------------------------------|-------------------|-------------------|-------------------|-------------------|
| Beginning | \$ 335,171 | \$ 259,764 | \$ - | \$ 594,935 |
| Additions | - | - | 706,713 | 706,713 |
| Deletions | (102,174) | (46,980) | (69,336) | (218,490) |
| Ending | 232,997 | 212,784 | 637,377 | 1,083,158 |
| Due Within One Year | 111,987 | 49,344 | 50,347 | 211,678 |
| Due in More Than One Year | <u>\$ 121,010</u> | <u>\$ 163,440</u> | <u>\$ 587,030</u> | <u>\$ 871,480</u> |

The following summarizes the Town’s future payments for subscription liabilities as of June 30, 2024:

| For the Year | | | |
|--------------------|---------------------|-------------------|---------------------|
| Ending June 30, | Principal | Interest | Total |
| 2025 | \$ 211,678 | \$ 63,203 | \$ 274,881 |
| 2026 | 226,457 | 52,118 | 278,575 |
| 2027 | 111,537 | 40,266 | 151,803 |
| 2028 | 117,985 | 33,817 | 151,802 |
| 2029 | 67,512 | 26,990 | 94,502 |
| 2030-2034 | 347,989 | 59,232 | 407,221 |
| Total Debt Service | <u>\$ 1,083,158</u> | <u>\$ 275,626</u> | <u>\$ 1,358,784</u> |

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, 2024.

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

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, 2024, fund balances were classified as follows:

Town of Los Gatos
Copy of Changes in Fund Balance Disclosure
June 30, 2024

| | Beginning Balance | Additions | Deletions | Ending Balance |
|----------------------------------------------|----------------------|----------------------|------------------------|----------------------|
| Nonspendable | | | | |
| Loans Receivable | \$ 159,000 | \$ - | \$ - | \$ 159,000 |
| Leases | 55,977 | - | (55,977) | - |
| Total Nonspendable | 214,977 | - | (55,977) | 159,000 |
| Restricted: | | | | |
| Library | 530,174 | 108,676 | (82,002) | 556,848 |
| Capital projects | 8,328,572 | 2,285,694 | (1,570,600) | 9,043,666 |
| Land held for resale | 344,338 | - | - | 344,338 |
| Repairs and maintenance | 176,966 | 44,555 | (38,896) | 182,625 |
| Pensions | 1,400,163 | 791,012 | (2,516) | 2,188,659 |
| VTA | 494,826 | 538,736 | (455,675) | 577,887 |
| Total Restricted | 11,275,039 | 3,768,673 | (2,149,689) | 12,894,023 |
| Committed: | | | | |
| Budget stabilization and catastrophes | 6,129,774 | 607,007 | - | 6,736,781 |
| Catastrophic | 6,129,775 | 607,006 | - | 6,736,781 |
| 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 | - | (196,438) | 1,572,619 |
| Special revenue funds | 821,200 | 701,620 | (430,998) | 1,091,822 |
| Total Committed | 15,740,387 | 1,915,633 | (627,436) | 17,028,584 |
| Assigned: | | | | |
| Open Space | 562,000 | - | - | 562,000 |
| Parking | 100,000 | 192,000 | - | 292,000 |
| Sustainability | 140,553 | - | - | 140,553 |
| Capital/Special projects | 29,238,029 | 7,508,897 | (11,674,806) | 25,072,120 |
| Carryover encumbrances | 37,698 | 48,163 | - | 85,861 |
| Comcast PEG | 50,000 | - | - | 50,000 |
| ERAF Risk | 689,608 | 740,446 | - | 1,430,054 |
| Economic recovery | 1,556,614 | - | (1,535,930) | 20,684 |
| Compensated Absences | 1,580,623 | - | (25,145) | 1,555,478 |
| Market fluctuations | - | 1,712,246 | - | 1,712,246 |
| Total Assigned | 33,955,125 | 10,201,752 | (13,235,881) | 30,920,996 |
| Total Fund Balance - Gov't Funds | \$ 61,185,528 | \$ 15,886,058 | \$ (16,068,983) | \$ 61,002,603 |

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

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, 2024

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, 2024 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, 2024

NOTE 11 - EMPLOYEES' RETIREMENT PLAN

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

| | Defined Benefit Plans | | |
|--------------------------------|-----------------------|---------------|---------------|
| | Misc | Safety | Total |
| Deferred outflows of resources | \$ 9,339,476 | \$ 13,827,440 | \$ 23,166,916 |
| Deferred inflows of resources | \$ 18,028 | \$ 1,676,319 | \$ 1,694,347 |
| Net pension liabilities | \$ 29,048,582 | \$ 33,979,087 | \$ 63,027,669 |
| Pension expense (credit) | \$ 5,773,242 | \$ 5,442,602 | \$ 11,215,844 |

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, 2024, are summarized as follows:

| | Miscellaneous | | | Safety (Police) | |
|--------------------------------------|------------------|------------------|------------------|------------------|------------------|
| | Tier 1 | Tier 1 | PEPRA | Police | 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% | 7% | 7.25% | 9% | 14.5% |
| Required employer contribution rates | 11.42% | 11.42% | 14.43% | 29.09% | 14.5% |

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

Employees Covered

At June 30, 2024, the following employees were covered by the benefit terms for the Plans:

| | Miscellaneous | Safety |
|-------------|---------------|--------|
| Active | 107 | 37 |
| Transferred | 105 | 12 |
| Separated | 104 | 7 |
| Retired | 263 | 91 |
| Total | 579 | 147 |

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, 2024, pension contributions for each Plan was as follows:

| | Employer Contributions |
|------------------------------|---------------------------|
| Miscellaneous | \$ 3,878,991 |
| Safety | 3,554,897 |
| Total Employer Contributions | \$ 7,433,888 |

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

As of June 30, 2024, the Town reported net pension liabilities for each plan as follows:

| | Proportionate Share of Net Pension Liability/(Asset) |
|---------------|---------------------------------------------------------------------|
| Miscellaneous | \$ 29,048,582 |
| Safety | 33,979,087 |
| Total | \$ 63,027,669 |

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, 2023, 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, 2022. The Town's proportion of the net pension

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

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 determined. The Town's proportionate share of the net pension liability for the Safety Plan as of June 30, 2023 and 2024 was as follows:

| | Safety |
|------------------------------|---------------|
| Proportion - June 30, 2023 | 0.46183% |
| Proportion - June 30, 2024 | 0.41366% |
| Change - Increase/(Decrease) | -0.04816% |

For the year ended June 30, 2024, the Town recognized a pension expense of \$11,215,844.

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, 2024:

| | Total Pension Liability | Fiduciary Net Position | Net Pension Liability |
|-------------------------------------------|-------------------------------|------------------------------|-----------------------------|
| Beginning Balance | \$ 123,976,167 | \$ 95,844,188 | \$ 28,131,979 |
| Service Costs | 2,092,786 | - | 2,092,786 |
| Interest on Total Pension Liability | 8,437,589 | - | 8,437,589 |
| Changes of Assumptions | 164,628 | - | 164,628 |
| Difference Actual and Expected Experience | 631,264 | - | 631,264 |
| Employer Contributions | - | 3,687,226 | (3,687,226) |
| Employee Contributions | - | 916,606 | (916,606) |
| Net Investment Income | - | 5,876,311 | (5,876,311) |
| Benefit Payments | (7,069,109) | (7,069,109) | - |
| Administrative Expenses | - | (70,479) | 70,479 |
| Net Changes | 4,257,158 | 3,340,555 | 916,603 |
| Ending Balance | \$ 128,233,325 | \$ 99,184,743 | \$ 29,048,582 |

At June 30, 2024, 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 | \$ 566,500 | \$ - | \$ 1,983,065 | \$ - |
| Differences between Expected and Actual Experience | 330,662 | 18,028 | 2,494,691 | 213,572 |
| Differences between Projected and Actual Investment Earnings | 4,563,323 | - | 4,650,029 | - |
| Differences between Employer's Contributions and Proportionate Share of Contributions | - | - | 165,323 | 1,330,966 |
| Change in Employer's Proportion | - | - | 979,435 | 131,781 |
| Pension Contributions Made Subsequent to Measurement Date | 3,878,991 | - | 3,554,897 | - |
| Total | \$ 9,339,476 | \$ 18,028 | \$ 13,827,440 | \$ 1,676,319 |

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

The Town reported \$7,433,888 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, 2025.

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 | Deferred Outflows/(Inflows) of | | |
|---------------------------|---------------------------------------|---------------------|----------------------|
| | Resources | | |
| June 30: | Miscellaneous | Safety | Total |
| 2025 | \$ 1,641,167 | \$ 2,769,602 | \$ 4,410,769 |
| 2026 | 496,047 | 1,945,470 | 2,441,517 |
| 2027 | 3,175,733 | 3,751,361 | 6,927,094 |
| 2028 | 129,510 | 129,791 | 259,301 |
| 2029 | - | - | - |
| Thereafter | - | - | - |
| Total | \$ 5,442,457 | \$ 8,596,224 | \$ 14,038,681 |

Actuarial Assumptions

The total pension liabilities in the June 30, 2022 actuarial valuations were determined using the following actuarial assumptions:

| | |
|-------------------------------|------------------------------------|
| Valuation Date | June 30, 2022 |
| Measurement Date | June 30, 2023 |
| Actuarial Cost Method | Entry-Age Normal Cost Method |
| Actuarial Assumptions: | |
| Discount Rate | 6.90% |
| Inflation | 2.30% |
| Payroll Growth | 2.80% |
| Projected Salary Increase | (1) |
| Investment Rate of Return | 6.8% (2) |
| Mortality | (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, 2022 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, 2024

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% | 4.54% |
| 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, 2024

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:

| | Miscellaneous | Safety |
|-----------------------|----------------------|---------------|
| 1% Decrease | 5.90% | 5.90% |
| Net Pension Liability | \$ 45,575,753 | 49,604,375 |
| Current | 6.90% | 6.90% |
| Net Pension Liability | \$ 29,048,582 | 33,979,087 |
| 1% Increase | 7.90% | 7.90% |
| Net Pension Liability | \$ 15,432,672 | 21,204,301 |

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, 2024, the Town reported a payable of \$33,474 and \$30,506 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 2024, the Town reported \$2,188,659 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.

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

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 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, 2024 (the measurement date), the benefit terms covered the following employees:

| | |
|---------------------------------------------|------------|
| Active employees | 149 |
| Inactive employees - receiving benefits | 150 |
| Inactive employees - not receiving benefits | 42 |
| Total employees | 341 |

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, 2024, the Town contributed \$1,818,298 from the General Fund. During the measurement period ended June 30, 2023, the Town contributed \$1,733,337 to the Plan and benefit payments were \$1,716,592. Plan members receiving benefits contributed did not make any contributions.

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

Actuarial Assumptions

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

| | |
|---------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Valuation Date: | June 30, 2023 |
| Measurement Date: | June 30, 2023 |
| Actuarial Cost Method: | Entry-Age Normal |
| Amortization Period: | 15 year fixed |
| Asset Valuation Method: | Investment gains and losses spread over 5-year rolling period |
| 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% |

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, 2024

Net OPEB Liability

The Town's net OPEB liability was measured as of June 30, 2023 (measurement date) and was determined by an actuarial valuation as of June 30, 2023 (valuation date) for the fiscal year ended June 30, 2024 (reporting date).

Changes in the Net OPEB Liability

The following summarizes the changes in the net OPEB liability during the year ended June 30, 2024:

| Fiscal Year Ended June 30, 2024 (Measurement Date June 30, 2023) | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability (Asset) |
|-----------------------------------------------------------------------------|---------------------------------|----------------------------------------|-------------------------------------------|
| Balance at June 30, 2023 | \$ 29,888,940 | \$ 22,860,307 | \$ 7,028,633 |
| Service cost | 940,674 | - | 940,674 |
| Interest in Total OPEB Liability | 1,873,207 | - | 1,873,207 |
| Actual vs. expected experience | 153,933 | - | 153,933 |
| Assumption changes | 2,191,064 | - | 2,191,064 |
| Employer contributions | - | 1,733,337 | (1,733,337) |
| Net investment income | - | 1,468,115 | (1,468,115) |
| Administrative expenses | - | (23,387) | 23,387 |
| Benefit payments | (1,716,592) | (1,716,592) | - |
| Net changes | 3,442,286 | 1,461,473 | 1,980,813 |
| Balance at June 30, 2024 | \$ 33,331,226 | \$ 24,321,780 | \$ 9,009,446 |
| Covered Employee Payroll | \$ 17,809,965 | | |
| Total OPEB Liability as a % of Covered Employee Payroll | 187.15% | | |
| Plan Fid. Net Position as a % of Total OPEB Liability | 72.97% | | |
| Service Cost as a % of Covered Employee Payroll | 5.28% | | |
| Net OPEB Liability as a % of Covered Employee Payroll | 50.59% | | |
| Contributions as a % of Cov. Emp. Payroll | 9.73% | | |

Deferred Inflows and Outflows of Resources

At June 30, 2024, 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 | \$ 128,277 | \$ 1,283,522 |
| Difference between actual and expected earnings | 1,506,978 | - |
| Change in assumptions | 2,353,206 | 231,810 |
| OPEB contribution subsequent to measurement date | 1,818,298 | - |
| Totals | \$ 5,806,759 | \$ 1,515,332 |

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

Of the total amount reported as deferred outflows of resources related to OPEB, \$1,818,298 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, | | | |
| 2025 | \$ | 278,421 | |
| 2026 | | 252,572 | |
| 2027 | | 1,168,381 | |
| 2028 | | 382,923 | |
| 2029 | | 390,832 | |
| Thereafter | | - | |
| Total | \$ | 2,473,129 | |

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.

| <u>Asset Class</u> | <u>Percentage of Portfolio</u> | <u>Long-Term Expected Rate of Return</u> |
|--------------------|--------------------------------|------------------------------------------|
| 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 | <u>100.00%</u> | |

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

OPEB Expense

The following summarizes the OPEB expense by source during the year ended June 30, 2024:

| | |
|---------------------------------------------------|----------------------------|
| Service cost | \$ 940,674 |
| Interest in TOL | 1,873,207 |
| Expected investment income | (1,428,561) |
| Difference between actual and expected experience | (419,899) |
| Difference between actual and expected earnings | 323,069 |
| Change in assumptions | 383,915 |
| Administrative expenses | 23,387 |
| OPEB Expense | <u>\$ 1,695,792</u> |

The following summarizes changes in the net OPEB liability as reconciled to OPEB expense during the year ended June 30, 2024:

| | |
|---------------------------------------------|----------------------------|
| Net OPEB liability ending | \$ 9,009,446 |
| Net OPEB liability beginning | <u>(7,028,633)</u> |
| Change in net OPEB liability | 1,980,813 |
| Changes in deferred outflows | (1,415,768) |
| Changes in deferred inflows | (602,590) |
| Employer contributions and implicit subsidy | <u>1,733,337</u> |
| OPEB Expense | <u>\$ 1,695,792</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:

| | <u>Discount Rate</u> | | |
|----------------------------|-----------------------|--------------|-----------------------|
| | <u>(1% Decrease)</u> | <u>6.25%</u> | <u>(1% Increase)</u> |
| Net OPEB Liability (Asset) | \$ 12,986,126 | \$ 9,009,446 | \$ 5,691,792 |

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:

| | <u>Trend Rate</u> | | |
|----------------------------|-----------------------|----------------|-----------------------|
| | <u>(1% Decrease)</u> | <u>Current</u> | <u>(1% Increase)</u> |
| Net OPEB Liability (Asset) | \$ 5,438,579 | \$ 9,009,446 | \$ 13,343,702 |

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

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 \$1,000,000 plus \$34,000,000 in excess liability for total coverage of \$35,000,000 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, 2024:

| | Workers' Compensation Internal Service Fund | Self- Insurance Internal Service Fund | Total |
|-----------------------------------------------------|------------------------------------------------------|------------------------------------------------|--------------|
| Claims payable balance - June 30, 2022 | \$ 1,364,558 | \$ 19,557 | \$ 1,384,115 |
| Claims incurred | 790,928 | 224,382 | 1,015,310 |
| Inc./(Dec.) in estimated liability for prior claims | - | - | - |
| Claims paid | (186,507) | (86,210) | (272,717) |
| Claims payable balance - June 30, 2023 | 1,968,979 | 157,729 | 2,126,708 |
| Claims incurred | - | 124,525 | 124,525 |
| Claims paid | (253,382) | (107,859) | (361,241) |
| Claims payable balance - June 30, 2024 | \$ 1,715,597 | \$ 174,395 | \$ 1,889,992 |

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2024

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, 2024, the Successor Agency trust fund reported a net deficit of \$4,643,704.

Encumbrances - As of June 30, 2024, the town had the following encumbered balances that were carried into the next fiscal year:

| | |
|----------------------------|----------------------|
| General Fund | \$ 1,296,796 |
| Appropriated Reserves Fund | 9,182,140 |
| Internal Service Funds | 428,490 |
| Total Encumbrances | <u>\$ 10,907,426</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, 2024

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.

Required Supplementary Information

TOWN OF LOS GATOS, CALIFORNIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

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

TOWN OF LOS GATOS, CALIFORNIA

**ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

SCHEDULE OF PENSION PLAN CONTRIBUTIONS

Miscellaneous Plan

| Plan Measurement Date | 2014 | 2015 | 2016 | 2017 | 2018 |
|-----------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|--------------------------|
| Fiscal Year Ended | 2015 | 2016 | 2017 | 2018 | 2019 |
| Contractually Required Contributions | \$ 1,941,765 | \$ 2,223,782 | \$ 2,407,496 | \$ 2,669,133 | \$ 3,049,748 |
| Contributions in Relation to | | | | | |
| Contractually Required Contributions | <u>1,941,765</u> | <u>2,223,782</u> | <u>2,407,496</u> | <u>2,669,133</u> | <u>3,049,748</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered Payroll | \$ 8,487,940 | \$ 9,198,318 | \$ 9,024,370 | \$ 9,576,157 | \$ 10,211,967 |
| Contributions as a % of Covered Payroll | 22.88% | 24.18% | 26.68% | 27.87% | 29.86% |

Miscellaneous Plan

| Plan Measurement Date | 2019 | 2020 | 2021 | 2022 | 2023 |
|-----------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Fiscal Year Ended | 2020 | 2021 | 2022 | 2023 | 2024 |
| Contractually Required Contributions | \$ 3,366,304 | \$ 3,529,373 | \$ 3,472,727 | \$ 3,687,213 | \$ 3,878,991 |
| Contributions in Relation to | | | | | |
| Contractually Required Contributions | <u>8,146,791</u> | <u>9,160,680</u> | <u>3,472,727</u> | <u>3,687,213</u> | <u>3,878,991</u> |
| Contribution Deficiency (Excess) | <u>\$ (4,780,487)</u> | <u>\$ (5,631,307)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered Payroll | \$ 11,188,927 | \$ 12,082,520 | \$ 12,305,265 | \$ 11,094,190 | \$ 13,817,826 |
| Contributions as a % of Covered Payroll | 72.81% | 75.82% | 28.22% | 33.24% | 28.07% |

Continued

TOWN OF LOS GATOS, CALIFORNIA

**ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

SCHEDULE OF PENSION PLAN CONTRIBUTIONS

Safety Plan

| Plan Measurement Date | 2014 | 2015 | 2016 | 2017 | 2018 |
|---------------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Fiscal Year Ended | 2015 | 2016 | 2017 | 2018 | 2019 |
| Contractually Required Contributions | \$ 1,999,757 | \$ 1,586,129 | \$ 1,738,150 | \$ 1,951,711 | \$ 2,325,357 |
| Contributions in Relation to | | | | | |
| Contractually Required Contributions | 1,999,757 | 1,586,129 | 1,738,150 | 1,951,711 | 2,325,357 |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered Payroll | \$ 4,897,104 | \$ 5,022,498 | \$ 4,941,138 | \$ 5,079,440 | \$ 4,445,061 |
| Contributions as a % of Covered Payroll | 40.84% | 31.58% | 35.18% | 38.42% | 52.31% |

Safety Plan

| Plan Measurement Date | 2019 | 2020 | 2021 | 2022 | 2023 |
|---------------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Fiscal Year Ended | 2020 | 2021 | 2022 | 2023 | 2024 |
| Contractually Required Contributions | \$ 2,565,205 | \$ 2,853,764 | \$ 3,072,032 | \$ 3,409,275 | \$ 3,554,897 |
| Contributions in Relation to | | | | | |
| Contractually Required Contributions | 2,565,205 | 2,853,764 | 3,072,032 | 3,409,275 | 3,554,897 |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered Payroll | \$ 4,928,821 | \$ 5,178,418 | \$ 5,603,211 | \$ 5,863,101 | \$ 6,557,458 |
| Contributions as a % of Covered Payroll | 52.05% | 55.11% | 54.83% | 58.15% | 54.21% |

Concluded

Notes to Schedule:

Valuation Date: June 30, 2022

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 6.8%
 The mortality table was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing morality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.

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 was adjusted in fiscal year 2023.

TOWN OF LOS GATOS, CALIFORNIA

**ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

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

Safety Plan

| Plan Measurement Date | 2014 | 2015 | 2016 | 2017 | 2018 |
|------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Fiscal Year Ended | 2015 | 2016 | 2017 | 2018 | 2019 |
| Proportion of Net Pension Liability | 0.28588% | 0.14860% | 0.22394% | 0.22603% | 0.23583% |
| Proportionate Share of Net Pension Liability | \$ 17,788,690 | \$ 10,199,904 | \$ 19,377,843 | \$ 22,415,954 | \$ 22,725,267 |
| Covered Payroll | \$ 4,916,535 | \$ 4,897,104 | \$ 5,022,498 | \$ 4,941,138 | \$ 5,079,440 |
| Proportionate Share of NPL as a % of Covered Payroll | 361.81% | 208.28% | 385.82% | 453.66% | 447.40% |
| Plan's Fiduciary Net Position as a % of the TPL | 78.83% | 74.89% | 74.89% | 73.87% | 74.52% |

Safety Plan

| Plan Measurement Date | 2019 | 2020 | 2021 | 2022 | 2023 |
|------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Fiscal Year Ended | 2020 | 2021 | 2022 | 2023 | 2024 |
| Proportion of Net Pension Liability | 0.24100% | 0.24953% | 0.30994% | 0.27474% | 0.50522% |
| Proportionate Share of Net Pension Liability | \$ 24,695,687 | \$ 27,149,916 | \$ 16,762,598 | \$ 31,734,686 | \$ 63,027,669 |
| Covered Payroll | \$ 4,445,061 | \$ 4,928,821 | \$ 5,178,418 | \$ 5,603,211 | \$ 5,863,101 |
| Proportionate Share of NPL as a % of Covered Payroll | 555.58% | 550.84% | 323.70% | 566.37% | 1074.99% |
| Plan's Fiduciary Net Position as a % of the TPL | 73.61% | 72.46% | 83.55% | 71.34% | 72.85% |

The CalPERS discount rate was increased from 7.50% to 7.65% in FY2016, to 7.15% in FY2018, and then decreased to 6.80% in FY2023. The CalPERS mortality assumptions was adjusted in fiscal year 2023.

TOWN OF LOS GATOS, CALIFORNIA

**ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

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

| Measurement Date | 2014 | 2015 | 2016 | 2017 | 2018 |
|-------------------------------------------------------------------------------|----------------------|----------------------|----------------------|-----------------------|-----------------------|
| Total Pension liability | | | | | |
| Service cost | \$ 1,579,547 | \$ 1,491,925 | \$ 1,560,679 | \$ 1,651,550 | \$ 1,700,438 |
| Interest | 6,268,015 | 6,483,032 | 6,697,247 | 6,820,536 | 7,073,843 |
| Diff. between expected and actual exp. | - | (623,495) | (357,870) | (892,479) | 994,994 |
| Changes of assumptions | - | (1,513,132) | - | 5,481,432 | (655,541) |
| Changes of benefits | - | - | - | - | - |
| Benefit payments (including refunds) | (4,241,487) | (4,748,786) | (4,953,756) | (5,138,083) | (5,448,374) |
| Net change in Total Pension Liability | 3,606,075 | 1,089,544 | 2,946,300 | 7,922,956 | 3,665,360 |
| Total Pension Liability - beginning | 84,904,502 | 88,510,577 | 89,600,121 | 92,546,421 | 100,469,377 |
| Total Pension Liability - ending | <u>\$ 88,510,577</u> | <u>\$ 89,600,121</u> | <u>\$ 92,546,421</u> | <u>\$ 100,469,377</u> | <u>\$ 104,134,737</u> |
| Plan fiduciary net position | | | | | |
| Employer contributions | \$ 1,796,079 | \$ 1,941,765 | \$ 2,223,782 | \$ 2,407,496 | \$ 2,669,104 |
| Employee contributions | 668,167 | 679,796 | 691,770 | 682,891 | 761,705 |
| 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 |
| Benefit payments (including refunds) | (4,241,487) | (4,748,786) | (4,953,756) | (5,138,083) | (5,448,374) |
| Administrative expense | - | (74,706) | (40,462) | (95,455) | (108,582) |
| Adjsutments | - | - | - | - | (206,199) |
| Net change in plan fiduciary net position | 8,382,650 | (708,497) | (1,738,347) | 5,028,292 | 3,551,352 |
| Plan fiduciary net position - beginning | 58,716,725 | 67,099,375 | 66,390,878 | 64,652,531 | 69,680,823 |
| Plan fiduciary net position - ending | <u>\$ 67,099,375</u> | <u>\$ 66,390,878</u> | <u>\$ 64,652,531</u> | <u>\$ 69,680,823</u> | <u>\$ 73,232,175</u> |
| Net Pension liability (asset) | \$ 21,411,202 | \$ 23,209,243 | \$ 27,893,890 | \$ 30,788,554 | \$ 30,902,562 |
| Plan fiduciary net position as a percentage of the total Pension liability | 75.81% | 74.10% | 69.86% | 69.36% | 70.32% |
| Covered Payroll | \$ 8,406,315 | \$ 8,487,940 | \$ 9,198,318 | \$ 9,024,370 | \$ 9,576,157 |
| Net Pension liability % of covered payroll | 254.70% | 273.44% | 303.25% | 341.17% | 322.70% |

Continued

TOWN OF LOS GATOS, CALIFORNIA

**ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

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

| Measurement Date | 2019 | 2020 | 2021 | 2022 | 2023 |
|-------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Total Pension liability | | | | | |
| Service cost | \$ 1,771,368 | \$ 1,930,090 | \$ 2,062,486 | \$ 2,264,169 | \$ 2,092,786 |
| Interest | 7,381,846 | 7,729,269 | 7,943,404 | 8,142,881 | 8,437,589 |
| Diff. between expected and actual exp. | 1,082,289 | 1,465,653 | (581,801) | (108,166) | 631,264 |
| Changes of assumptions | - | - | - | 3,399,004 | - |
| Changes of benefits | - | - | - | - | 164,628 |
| Benefit payments (including refunds) | (5,720,232) | (5,958,101) | (6,339,615) | (6,623,114) | (7,069,109) |
| Net change in Total Pension Liability | 4,515,271 | 5,166,911 | 3,084,474 | 7,074,774 | 4,257,158 |
| Total Pension Liability - beginning | 104,134,737 | 108,650,008 | 113,816,919 | 116,901,393 | 123,976,167 |
| Total Pension Liability - ending | <u>\$ 108,650,008</u> | <u>\$ 113,816,919</u> | <u>\$ 116,901,393</u> | <u>\$ 123,976,167</u> | <u>\$ 128,233,325</u> |
| Plan fiduciary net position | | | | | |
| Employer contributions | \$ 3,049,748 | \$ 8,146,791 | \$ 9,160,680 | \$ 3,472,727 | \$ 3,687,226 |
| Employee contributions | 846,125 | 834,145 | 889,649 | 871,063 | 916,606 |
| Plan to plan resource movement | - | - | - | - | - |
| Projected investment earnings | - | - | - | - | - |
| Diff. between est. and actual earnings | - | - | - | - | - |
| Net investment income | 4,759,034 | 3,913,294 | 19,606,360 | (7,988,150) | 5,876,311 |
| Benefit payments (including refunds) | (5,720,232) | (5,958,101) | (6,339,615) | (6,623,114) | (7,069,109) |
| Administrative expense | (52,260) | (107,303) | (82,856) | (66,142) | (70,479) |
| Adjsutments | 170 | - | - | - | - |
| Net change in plan fiduciary net position | 2,882,585 | 6,828,826 | 23,234,218 | (10,333,616) | 3,340,555 |
| Plan fiduciary net position - beginning | 73,232,175 | 76,114,760 | 82,943,586 | 106,177,804 | 95,844,188 |
| Plan fiduciary net position - ending | <u>\$ 76,114,760</u> | <u>\$ 82,943,586</u> | <u>\$ 106,177,804</u> | <u>\$ 95,844,188</u> | <u>\$ 99,184,743</u> |
| Net Pension liability (asset) | \$ 32,535,248 | \$ 30,873,333 | \$ 10,723,589 | \$ 28,131,979 | \$ 29,048,582 |
| Plan fiduciary net position as a percentage of the total Pension liability | 70.05% | 72.87% | 90.83% | 77.31% | 77.35% |
| Covered Payroll | \$ 10,211,967 | \$ 11,188,927 | \$ 12,082,520 | \$ 12,305,265 | \$ 11,404,827 |
| Net Pension liability % of covered payroll | 318.60% | 275.93% | 88.75% | 228.62% | 254.70% ¹ |

Concluded

TOWN OF LOS GATOS, CALIFORNIA

**ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

SCHEDULE OF OPEB CONTRIBUTIONS

| Fiscal Year Ended | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|----------------------------------------------|---------------------|---------------------|---------------------|---------------------|-------------------|---------------------|---------------------|
| Actuarially determined contribution (ADC) | \$ 2,129,000 | \$ 2,108,000 | \$ 2,172,000 | \$ 1,859,000 | \$ 1,860,000 | \$ 1,372,000 | \$ 1,427,000 |
| 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) | (1,818,298) |
| Contribution deficiency (excess) | <u>\$ (806,000)</u> | <u>\$ (298,636)</u> | <u>\$ (336,306)</u> | <u>\$ (237,847)</u> | <u>\$ 105,078</u> | <u>\$ (361,337)</u> | <u>\$ (391,298)</u> |
| | | | | | | | |
| Covered payroll | \$ 16,192,060 | \$ 17,338,201 | \$ 17,406,541 | \$ 17,982,237 | \$ 16,987,042 | \$ 17,809,965 | \$ 18,255,214 |
| Contrib. as a % of covered employee payroll | 18.13% | 13.88% | 14.41% | 11.66% | 10.33% | 9.73% | 9.96% |

Notes to Schedule:

Assumptions and Methods

| | |
|---------------------------|------------------------------------------------------------------------------|
| Valuation Date: | June 30, 2023 |
| Measurement Date: | June 30, 2023 |
| Actuarial Cost Method: | Entry-Age Normal Cost |
| Amortization Period: | 15 year fixed period for 2023/24 |
| Asset Valuation Method: | Investment gains and losses spread over 5-year rolling period |
| 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

TOWN OF LOS GATOS, CALIFORNIA

**ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

SCHEDULE OF CHANGES IN NET OPEB LIABILITY

| Measurement Date | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|----------------------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total OPEB liability | | | | | | | |
| Service cost | \$ 1,134,000 | \$ 1,168,227 | \$ 1,203,274 | \$ 1,159,152 | \$ 1,115,309 | \$ 955,115 | \$ 940,674 |
| Interest | 1,607,000 | 1,706,270 | 1,814,072 | 1,887,105 | 1,956,034 | 1,804,972 | 1,873,207 |
| Differences between expected & actual exp. | - | - | (149,297) | - | (2,521,500) | - | 153,933 |
| Changes of assumptions | - | - | (392,681) | (533,825) | 1,054,638 | - | 2,191,064 |
| Benefit payments | (1,269,000) | (1,326,313) | (1,298,623) | (1,399,933) | (1,494,906) | (1,591,150) | (1,716,592) |
| Net change in Total OPEB Liability | 1,472,000 | 1,548,184 | 1,176,745 | 1,112,499 | 109,575 | 1,168,937 | 3,442,286 |
| Total OPEB Liability - beginning | 23,301,000 | 24,773,000 | 26,321,184 | 27,497,929 | 28,610,428 | 28,720,003 | 29,888,940 |
| Total OPEB Liability - ending | <u>\$ 24,773,000</u> | <u>\$ 26,321,184</u> | <u>\$ 27,497,929</u> | <u>\$ 28,610,428</u> | <u>\$ 28,720,003</u> | <u>\$ 29,888,940</u> | <u>\$ 33,331,226</u> |
| Plan fiduciary net position | | | | | | | |
| Employer contributions | \$ 3,878,000 | \$ 2,935,313 | \$ 2,406,636 | \$ 2,508,306 | \$ 2,096,847 | \$ 1,754,922 | \$ 1,733,337 |
| Net investment income | 1,049,000 | 1,082,977 | 1,009,315 | 652,656 | 5,529,824 | (3,510,434) | 1,468,115 |
| Benefit payments | (1,269,000) | (1,326,313) | (1,298,623) | (1,399,933) | (1,494,906) | (1,591,150) | (1,716,592) |
| Administrative expense | (14,000) | (34,261) | (11,502) | (17,357) | (18,556) | (21,454) | (23,387) |
| 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) | 1,461,473 |
| Plan fiduciary net position - beginning | 9,964,000 | 13,608,000 | 16,265,716 | 18,371,542 | 20,115,214 | 26,228,423 | 22,860,307 |
| Plan fiduciary net position - ending | <u>\$ 13,608,000</u> | <u>\$ 16,265,716</u> | <u>\$ 18,371,542</u> | <u>\$ 20,115,214</u> | <u>\$ 26,228,423</u> | <u>\$ 22,860,307</u> | <u>\$ 24,321,780</u> |
| Net OPEB liability (asset) | \$ 11,165,000 | \$ 10,055,468 | \$ 9,126,387 | \$ 8,495,214 | \$ 2,491,580 | \$ 7,028,633 | \$ 9,009,446 |
| Plan fiduciary net position as a percentage of the total OPEB liability | 54.93% | 61.80% | 66.81% | 70.31% | 91.32% | 76.48% | 72.97% |
| Covered payroll | \$ 14,985,716 | \$ 16,192,060 | \$ 17,338,201 | \$ 17,406,541 | \$ 17,982,237 | \$ 16,987,042 | \$ 17,809,965 |
| NOL as a % of cov. emp. payroll | 74.50% | 62.10% | 52.64% | 48.80% | 13.86% | 41.38% | 50.59% |

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

This Page Left Intentionally Blank

TOWN OF LOS GATOS, CALIFORNIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2024
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, 2024**

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|--------------------------------------------------------------|-----------------------|-----------------------|----------------------|------------------------------------|
| REVENUES | | | | |
| Licenses & permits | \$ 110,000 | \$ 110,000 | \$ 157,535 | \$ 47,535 |
| Intergovernmental | 3,188,473 | 2,994,500 | 3,362,026 | 367,526 |
| Charges for services | 951,800 | 904,869 | 1,137,659 | 232,790 |
| Developer assessments | 10,000 | 10,000 | 12,880 | 2,880 |
| Interest | - | - | 100,179 | 100,179 |
| Use of Property | 96,000 | 96,000 | 91,284 | (4,716) |
| Other | - | - | - | - |
| Total Revenues | 4,356,273 | 4,115,369 | 4,861,563 | 746,194 |
| EXPENDITURES | | | | |
| Capital outlay | 7,993,617 | 10,192,475 | 10,193,353 | (878) |
| Total Expenditures | 7,993,617 | 10,192,475 | 10,193,353 | (878) |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | | | | |
| | (3,637,344) | (6,077,106) | (5,331,790) | 745,316 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 2,253,273 | 3,119,554 | 3,101,325 | (18,229) |
| Transfers (out) | (427,616) | (451,491) | (453,990) | (2,499) |
| Total Other Financing Sources (Uses) | 1,825,657 | 2,668,063 | 2,647,335 | (20,728) |
| CHANGE IN FUND BALANCE | \$ (1,811,687) | \$ (3,409,043) | (2,684,455) | \$ 724,588 |
| BEGINNING FUND BALANCE | | | <u>21,750,025</u> | |
| ENDING FUND BALANCE | | | <u>\$ 19,065,570</u> | |

TOWN OF LOS GATOS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2024

| | CAPITAL PROJECTS FUNDS | | | |
|--------------------------------------------|------------------------|---------------------|---------------------|---------------------------------------|
| | Storm Drains | Construction Tax | Gas Tax | Total Capital Projects Funds |
| ASSETS | | | | |
| Cash & investments | \$ 3,531,248 | \$ 3,584,251 | \$ 1,698,293 | \$ 8,813,792 |
| Restricted cash & investments | - | - | - | - |
| Receivables: | | | | |
| Accounts | - | - | - | - |
| Intergovernmental receivable | - | - | 229,874 | 229,874 |
| Leases receivable | - | - | - | - |
| Long term notes receivable | - | - | - | - |
| Total Assets | \$ 3,531,248 | \$ 3,584,251 | \$ 1,928,167 | \$ 9,043,666 |
| LIABILITIES | | | | |
| Accounts payable | - | - | - | - |
| Accrued payroll and benefits | - | - | - | - |
| Unearned revenue | - | - | - | - |
| Total Liabilities | - | - | - | - |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Leases | - | - | - | - |
| FUND BALANCE | | | | |
| Restricted for: | | | | |
| Library | - | - | - | - |
| Repairs and maintenance | - | - | - | - |
| Capital projects | 3,531,248 | 3,584,251 | 1,928,167 | 9,043,666 |
| Committed to: | | | | |
| Special revenue funds | - | - | - | - |
| Total Fund Balances | 3,531,248 | 3,584,251 | 1,928,167 | 9,043,666 |
| Total Liabilities and Fund Balances | \$ 3,531,248 | \$ 3,584,251 | \$ 1,928,167 | \$ 9,043,666 |

(Continued)

**TOWN OF LOS GATOS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2024**

SPECIAL REVENUE FUNDS

| | Community Development | Non-Point Source Maintenance | Lighting and Landscaping |
|--------------------------------------------|--------------------------|------------------------------------|-----------------------------|
| ASSETS | | | |
| Cash & investments | \$ 94,412 | \$ 711,648 | \$ 187,092 |
| Restricted cash & investments | 58,344 | - | - |
| Receivables: | | | |
| Accounts | - | 46,938 | - |
| Intergovernmental receivable | - | - | 220 |
| Leases receivable | - | - | - |
| Long term notes receivable | 78,752 | - | - |
| Total Assets | \$ 231,508 | \$ 758,586 | \$ 187,312 |
| LIABILITIES | | | |
| Accounts payable | \$ 60 | \$ 1,228 | \$ 4,687 |
| Accrued payroll and benefits | - | 3,224 | - |
| Unearned revenue | 64,795 | - | - |
| Total Liabilities | 64,855 | 4,452 | 4,687 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Leases | - | - | - |
| FUND BALANCE | | | |
| Restricted for: | | | |
| Library | - | - | - |
| Repairs and maintenance | - | - | 182,625 |
| Capital projects | - | - | - |
| Committed to: | | | |
| Special revenue funds | 166,653 | 754,134 | - |
| Total Fund Balances | 166,653 | 754,134 | 182,625 |
| Total Liabilities and Fund Balances | \$ 231,508 | \$ 758,586 | \$ 187,312 |

(Continued)

TOWN OF LOS GATOS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2024

| <u>SPECIAL REVENUE FUNDS</u> | | | | |
|--------------------------------------------|-------------------|-------------------|---------------------|----------------------|
| | LG | Library | Total | Total |
| | Theatre | Trust | Special Revenue | Nonmajor |
| | | | Funds | Governmental |
| | | | | Funds |
| ASSETS | | | | |
| Cash & investments | \$ 48,338 | \$ 559,788 | \$ 1,601,278 | \$ 10,415,070 |
| Restricted cash & investments | - | - | 58,344 | 58,344 |
| Receivables: | | | | |
| Accounts | 35,905 | - | 82,843 | 82,843 |
| Intergovernmental receivable | - | - | 220 | 230,094 |
| Leases receivable | 304,129 | - | 304,129 | 304,129 |
| Long term notes receivable | - | - | 78,752 | 78,752 |
| Total Assets | \$ 388,372 | \$ 559,788 | \$ 2,125,566 | \$ 11,169,232 |
| LIABILITIES | | | | |
| Accounts payable | \$ 15,085 | \$ 2,940 | \$ 24,000 | \$ 24,000 |
| Accrued payroll and benefits | - | - | 3,224 | 3,224 |
| Unearned revenue | - | - | 64,795 | 64,795 |
| Total Liabilities | 15,085 | 2,940 | 92,019 | 92,019 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Leases | 202,252 | - | 202,252 | 202,252 |
| FUND BALANCE | | | | |
| Restricted for: | | | | |
| Library | - | 556,848 | 556,848 | 556,848 |
| Repairs and maintenance | - | - | 182,625 | 182,625 |
| Capital projects | - | - | - | 9,043,666 |
| Committed to: | | | | |
| Special revenue funds | 171,035 | - | 1,091,822 | 1,091,822 |
| Total Fund Balances | 171,035 | 556,848 | 1,831,295 | 10,874,961 |
| Total Liabilities and Fund Balances | \$ 388,372 | \$ 559,788 | \$ 2,125,566 | \$ 11,169,232 |

(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, 2024**

| | CAPITAL PROJECTS FUNDS | | | |
|--------------------------------------------------------------|------------------------|---------------------|------------------|------------------------------------|
| | Storm Drain | Construction Tax | Gas Tax | Total Capital Projects Funds |
| REVENUES | | | | |
| Property Taxes | \$ - | \$ - | \$ - | \$ - |
| Other Taxes | - | 24,838 | - | 24,838 |
| License and permits | 196,604 | - | - | 196,604 |
| Intergovernmental | - | - | 1,781,448 | 1,781,448 |
| Interest | 116,313 | 120,417 | 46,074 | 282,804 |
| Use of property | - | - | - | - |
| Other | - | - | - | - |
| Total Revenues | 312,917 | 145,255 | 1,827,522 | 2,285,694 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Parks and public works | - | - | - | - |
| Library services | - | - | - | - |
| Sanitation and other | - | - | - | - |
| Capital Outlay | - | - | 1,464,600 | 1,464,600 |
| Total Expenditures | - | - | 1,464,600 | 1,464,600 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 312,917 | 145,255 | 362,922 | 821,094 |
| 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 | 312,917 | 145,255 | 256,922 | 715,094 |
| Fund Balances - Beginning of year | 3,218,331 | 3,438,996 | 1,671,245 | 8,328,572 |
| Fund Balances - End of year | \$ 3,531,248 | \$ 3,584,251 | \$ 1,928,167 | \$ 9,043,666 |

(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, 2024**

| | SPECIAL REVENUE FUNDS | | |
|--------------------------------------------------------------|--------------------------|------------------------------------|-----------------------------|
| | Community Development | Non-Point Source Maintenance | Lighting and Landscaping |
| REVENUES | | | |
| Property Taxes | \$ - | \$ - | \$ 38,437 |
| Other Taxes | - | - | - |
| License and permits | - | 359,950 | - |
| Intergovernmental | - | 16,946 | - |
| Interest | - | - | 6,118 |
| Use of property | - | - | - |
| Other | - | - | - |
| Total Revenues | - | 376,896 | 44,555 |
| EXPENDITURES | | | |
| Current: | | | |
| Parks and public works | - | - | 33,976 |
| Library services | - | - | - |
| Sanitation and other | - | 252,605 | - |
| Capital Outlay | - | - | - |
| Total Expenditures | - | 252,605 | 33,976 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | - | 124,291 | 10,579 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | - | - | - |
| Transfers (out) | - | - | (4,920) |
| Total Other Financing Sources (Uses) | - | - | (4,920) |
| Changes in Fund Balances | - | 124,291 | 5,659 |
| Fund Balances - Beginning of year | 166,653 | 629,843 | 176,966 |
| Fund Balances - End of year | \$ 166,653 | \$ 754,134 | \$ 182,625 |

(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, 2024**

| SPECIAL REVENUE FUNDS | | | | |
|--------------------------------------------------------------|----------------|------------------|-----------------------------------|------------------|
| | LG Theatre | Library Trust | Total Special Revenue Funds | Total |
| REVENUES | | | | |
| Property Taxes | \$ - | \$ - | \$ 38,437 | \$ 38,437 |
| Other Taxes | - | - | - | 24,838 |
| License and permits | - | - | 359,950 | 556,554 |
| Intergovernmental | - | - | 16,946 | 1,798,394 |
| Interest | - | 20,263 | 26,381 | 309,185 |
| Use of property | 171,495 | - | 171,495 | 171,495 |
| Other | - | 88,411 | 88,411 | 88,411 |
| Total Revenues | 171,495 | 108,674 | 701,620 | 2,987,314 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Parks and public works | 75,451 | - | 109,427 | 109,427 |
| Library services | - | 82,000 | 82,000 | 82,000 |
| Sanitation and other | - | - | 252,605 | 252,605 |
| Capital Outlay | - | - | - | 1,464,600 |
| Total Expenditures | 75,451 | 82,000 | 444,032 | 1,908,632 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 96,044 | 26,674 | 257,588 | 1,078,682 |
| 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 | 96,044 | 26,674 | 252,668 | 967,762 |
| Fund Balances - Beginning of year | 74,991 | 530,174 | 1,578,627 | 9,907,199 |
| Fund Balances - End of year | \$ 171,035 | \$ 556,848 | \$ 1,831,295 | \$ 10,874,961 |

(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, 2024**

| | STORM DRAIN | | | CONSTRUCTION TAX | | |
|--------------------------------------------------------------|-------------------|---------------------|------------------------------------|------------------|---------------------|------------------------------------|
| | Budget | Actual | Variance Positive (Negative) | Budget | Actual | Variance Positive (Negative) |
| REVENUES | | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Other taxes | - | - | - | 30,000 | 24,838 | (5,162) |
| License and permits | 92,500 | 196,604 | 104,104 | - | - | - |
| Intergovernmental | - | - | - | - | - | - |
| Interest | 13,170 | 116,313 | 103,143 | 15,190 | 120,417 | 105,227 |
| Use of property | - | - | - | - | - | - |
| Other | - | - | - | - | - | - |
| Total Revenues | 105,670 | 312,917 | 207,247 | 45,190 | 145,255 | 100,065 |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Parks and public works | - | - | - | - | - | - |
| Library services | - | - | - | - | - | - |
| Sanitation and other | - | - | - | - | - | - |
| Capital outlay | - | - | - | - | - | - |
| Total Expenditures | - | - | - | - | - | - |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 105,670 | 312,917 | 207,247 | 45,190 | 145,255 | 100,065 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Operating transfers in | - | - | - | - | - | - |
| Operating transfers (out) | - | - | - | - | - | - |
| Total Other Financing Sources (Uses) | - | - | - | - | - | - |
| CHANGE IN FUND BALANCE | \$ 105,670 | 312,917 | \$ 207,247 | \$ 45,190 | 145,255 | \$ 100,065 |
| BEGINNING FUND BALANCE | | 3,218,331 | | | 3,438,996 | |
| ENDING FUND BALANCE | | \$ 3,531,248 | | | \$ 3,584,251 | |

(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, 2024**

| | GAS TAX | | | COMMUNITY DEVELOPMENT | | |
|--------------------------------------------------------------|------------|--------------|------------------------------------|-----------------------|------------|------------------------------------|
| | Budget | Actual | Variance Positive (Negative) | Budget | Actual | Variance Positive (Negative) |
| REVENUES | | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Other taxes | - | - | - | - | - | - |
| License and permits | - | - | - | - | - | - |
| Intergovernmental | 1,712,974 | 1,781,448 | 68,474 | - | - | - |
| Interest | 1,402 | 46,074 | 44,672 | - | - | - |
| Use of property | - | - | - | - | - | - |
| Other | - | - | - | - | - | - |
| Total Revenues | 1,714,376 | 1,827,522 | 113,146 | - | - | - |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Parks and public works | - | - | - | - | - | - |
| Library services | - | - | - | - | - | - |
| Sanitation and other | - | - | - | - | - | - |
| Capital outlay | 1,464,599 | 1,464,600 | (1) | - | - | - |
| Total Expenditures | 1,464,599 | 1,464,600 | (1) | - | - | - |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 249,777 | 362,922 | 113,145 | - | - | - |
| 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 | \$ 143,777 | 256,922 | \$ 113,145 | \$ - | - | \$ - |
| BEGINNING FUND BALANCE | | 1,671,245 | | | 166,653 | |
| ENDING FUND BALANCE | | \$ 1,928,167 | | | \$ 166,653 | |

(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, 2024**

| | NON-POINT SOURCE MAINTENANCE | | | LIGHTING AND LANDSCAPING | | |
|--------------------------------------------------------------|---------------------------------|-------------------|------------------------------------|--------------------------|-------------------|------------------------------------|
| | Budget | Actual | Variance Positive (Negative) | Budget | Actual | Variance Positive (Negative) |
| REVENUES | | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ 38,220 | \$ 38,437 | \$ 217 |
| Other taxes | - | - | - | - | - | - |
| License and permits | 359,950 | 359,950 | - | - | - | - |
| Intergovernmental | - | 16,946 | 16,946 | - | - | - |
| Interest | - | - | - | 1,010 | 6,118 | 5,108 |
| Use of property | - | - | - | - | - | - |
| Other | - | - | - | - | - | - |
| Total Revenues | 359,950 | 376,896 | 16,946 | 39,230 | 44,555 | 5,325 |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Parks and public works | - | - | - | 42,764 | 33,976 | 8,788 |
| Library services | - | - | - | - | - | - |
| Sanitation and other | 274,587 | 252,605 | 21,982 | - | - | - |
| Capital outlay | - | - | - | - | - | - |
| Total Expenditures | 274,587 | 252,605 | 21,982 | 42,764 | 33,976 | 8,788 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 85,363 | 124,291 | 38,928 | (3,534) | 10,579 | 14,113 |
| 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 | \$ 85,363 | 124,291 | \$ 38,928 | \$ (8,454) | 5,659 | \$ 14,113 |
| BEGINNING FUND BALANCE | | 629,843 | | | 176,966 | |
| ENDING FUND BALANCE | | \$ 754,134 | | | \$ 182,625 | |

(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, 2024**

| | LG Theatre | | | Library Trust | | |
|--------------------------------------------------------------|------------------|-------------------|------------------------------------|-------------------|-------------------|------------------------------------|
| | Budget | Actual | Variance Positive (Negative) | Budget | Actual | Variance Positive (Negative) |
| REVENUES | | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Other taxes | - | - | - | - | - | - |
| License and permits | - | - | - | - | - | - |
| Intergovernmental | - | - | - | - | - | - |
| Interest | - | - | - | 4,800 | 20,263 | 15,463 |
| Use of property | 119,845 | 171,495 | 51,650 | - | - | - |
| Other | 54,155 | - | (54,155) | 88,300 | 88,411 | 111 |
| Total Revenues | 174,000 | 171,495 | (2,505) | 93,100 | 108,674 | 15,574 |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Parks and public works | 117,364 | 75,451 | 41,913 | - | - | - |
| Library services | - | - | - | 79,800 | 82,000 | (2,200) |
| Sanitation and other | - | - | - | - | - | - |
| Capital outlay | - | - | - | 21,000 | - | 21,000 |
| Total Expenditures | 117,364 | 75,451 | 41,913 | 100,800 | 82,000 | 18,800 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 56,636 | 96,044 | 39,408 | (7,700) | 26,674 | 34,374 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Operating transfers in | - | - | - | - | - | - |
| Operating transfers (out) | - | - | - | - | - | - |
| Total Other Financing Sources (Uses) | - | - | - | - | - | - |
| CHANGE IN FUND BALANCE | \$ 56,636 | 96,044 | \$ 39,408 | \$ (7,700) | 26,674 | \$ 34,374 |
| BEGINNING FUND BALANCE | | 74,991 | | | 530,174 | |
| ENDING FUND BALANCE | | \$ 171,035 | | | \$ 556,848 | |

(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, 2024**

| | TOTALS | | |
|--------------------------------------------------------------|-------------------|----------------------|------------------------------------|
| | Budget | Actual | Variance Positive (Negative) |
| REVENUES | | | |
| Property taxes | \$ 38,220 | \$ 38,437 | \$ 217 |
| Other taxes | 30,000 | 24,838 | (5,162) |
| License and permits | 452,450 | 556,554 | 104,104 |
| Intergovernmental | 1,712,974 | 1,798,394 | 85,420 |
| Interest | 35,572 | 309,185 | 273,613 |
| Use of property | 119,845 | 171,495 | 51,650 |
| Other | 142,455 | 88,411 | (54,044) |
| Total Revenues | 2,531,516 | 2,987,314 | 455,798 |
| EXPENDITURES | | | |
| Current: | | | |
| Parks and public works | 160,128 | 109,427 | 50,701 |
| Library services | 79,800 | 82,000 | - |
| Sanitation and other | 274,587 | 252,605 | 21,982 |
| Capital outlay | 1,485,599 | 1,464,600 | 20,999 |
| Total Expenditures | 2,000,114 | 1,908,632 | 93,682 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 531,402 | 1,078,682 | 547,280 |
| 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 | \$ 420,482 | 967,762 | \$ 547,280 |
| BEGINNING FUND BALANCE | | 9,907,199 | |
| ENDING FUND BALANCE | | \$ 10,874,961 | |

(Concluded)

TOWN OF LOS GATOS, CALIFORNIA

**ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**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, 2024

| | Equipment | Workers' Comp | Self Insurance | Information Technology | Facilities Maintenance | Total |
|--------------------------------------|---------------------|---------------------|-------------------|---------------------------|---------------------------|-----------------------------------|
| ASSETS | | | | | | |
| Cash & Investments | \$ 3,282,974 | \$ 2,197,137 | \$ 374,533 | \$ 2,496,250 | \$ 498,673 | \$ 8,849,567 |
| Restricted Cash & Investments | - | 121,438 | - | - | - | 121,438 |
| Receivables: | | | | | | |
| Accounts | 4,553 | - | - | 4,403 | 30,454 | 39,410 |
| Leases receivable | - | - | - | - | 1,407,683 | 1,407,683 |
| Subscription assets, net | - | - | - | 511,016 | - | 511,016 |
| Total Assets | \$ 3,287,527 | \$ 2,318,575 | \$ 374,533 | \$ 3,011,669 | \$ 1,936,810 | \$ 10,929,114 ¹ |
| LIABILITIES | | | | | | |
| Accounts Payable | \$ 975 | \$ 16,731 | \$ 22,261 | \$ 22,596 | \$ 154,954 | \$ 217,517 |
| Due to Other Governments | - | - | - | - | 59 | 59 |
| Interest payable | - | - | - | 19,943 | - | 19,943 |
| Claims Payable | - | 1,715,597 | 174,395 | - | - | 1,889,992 |
| Subscription liabilities | - | - | - | 445,781 | - | 445,781 |
| Total Liabilities | \$ 975 | \$ 1,732,328 | \$ 196,656 | \$ 488,320 | \$ 155,013 | \$ 2,573,292 |
| Deferred Inflows of Resources | | | | | | |
| Leases | - | - | - | - | 821,272 | 821,272 |
| NET POSITION | | | | | | |
| Net investment in capital assets | - | - | - | 65,235 | - | 65,235 |
| Restricted for: | | | | | | |
| Wokers compensation claims | - | 121,438 | - | - | - | 121,438 |
| Unrestricted | 3,286,552 | 464,809 | 177,877 | 2,458,114 | 960,525 | 7,347,877 |
| Total Net Position | \$ 3,286,552 | \$ 586,247 | \$ 177,877 | \$ 2,523,349 | \$ 960,525 | \$ 7,534,550 ¹ |

TOWN OF LOS GATOS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

| | Equipment | Workers' Comp | Self Insurance | Information Technology | Facilities Maintenance | Total |
|----------------------------------------|---------------------|-------------------|-------------------|---------------------------|---------------------------|---------------------|
| OPERATING REVENUES | | | | | | |
| Charges for services | \$ 1,026,738 | \$ 1,011,814 | \$ 662,039 | \$ 781,902 | \$ 916,324 | \$ 4,398,817 |
| Use of money and property | 1,100 | - | - | - | 165,273 | 166,373 |
| Other local taxes | - | - | - | - | 24,838 | 24,838 |
| Other revenue & reimbursements | 32,317 | 392,312 | 5,000 | (1,253) | 57,889 | 486,265 |
| Total Operating Revenues | 1,060,155 | 1,404,126 | 667,039 | 780,649 | 1,164,324 | 5,076,293 |
| OPERATING EXPENSES | | | | | | |
| Insurance expenses | - | 1,332,697 | 1,131,184 | - | - | 2,463,881 |
| Services and supplies | 187,323 | - | - | 507,075 | 1,374,009 | 2,068,407 |
| Depreciation/amortization expense | - | - | - | 202,422 | - | 202,422 |
| Total Operating Expenses | 187,323 | 1,332,697 | 1,131,184 | 709,497 | 1,374,009 | 4,734,710 |
| Operating Income (loss) | 872,832 | 71,429 | (464,145) | 71,152 | (209,685) | 341,583 |
| NONOPERATING REVENUE (EXPENSES) | | | | | | |
| Investment earnings | - | 5 | - | - | 21,511 | 21,516 |
| Interest expense | - | - | - | (22,421) | - | (22,421) |
| Income (loss) before transfers | 872,832 | 71,434 | (464,145) | 48,731 | (188,174) | 340,678 |
| Transfers in | - | - | 430,000 | - | 221,000 | 651,000 |
| Transfers out | - | - | - | - | - | - |
| Net Transfers | - | - | 430,000 | - | 221,000 | 651,000 |
| Change in Net Position | 872,832 | 71,434 | (34,145) | 48,731 | 32,826 | 991,678 |
| BEGINNING NET POSITION | 2,413,720 | 514,813 | 212,022 | 2,474,618 | 927,699 | 6,542,872 |
| ENDING NET POSITION | \$ 3,286,552 | \$ 586,247 | \$ 177,877 | \$ 2,523,349 | \$ 960,525 | \$ 7,534,550 |

**TOWN OF LOS GATOS
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

| | Equipment | Workers' Comp | Self Insurance | Information Technology | Facilities Maintenance | Total |
|------------------------------------------------------------------------------------|--------------|------------------|-------------------|---------------------------|---------------------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Receipts from customers | \$ 1,086,133 | \$ 1,013,814 | \$ 662,039 | \$ 794,300 | \$ 1,202,972 | \$ 4,759,258 |
| Payments to suppliers and providers | (204,320) | (1,321,360) | (1,001,301) | (580,860) | (1,325,830) | (4,433,671) |
| Insurance reimbursements | - | 392,312 | 5,000 | - | - | 397,312 |
| Claims paid | - | (253,382) | (107,859) | - | - | (361,241) |
| Net Cash Provided (Used) by Operating Activities | 881,813 | (168,616) | (442,121) | 213,440 | (122,858) | 361,658 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | | |
| Transfers in | - | - | 430,000 | - | 221,000 | 651,000 |
| Transfers out | - | - | - | - | - | - |
| Net Cash Provided (Used) by Noncapital Financing Activities | - | - | 430,000 | - | 221,000 | 651,000 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | |
| Interest paid | - | - | - | (30,393) | - | (30,393) |
| Principal paid | - | - | - | (149,154) | - | (149,154) |
| Acquisition of subscription assets | - | - | - | - | - | - |
| Net Cash Used by Capital and Related Financing Activities | - | - | - | (179,547) | - | (179,547) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| Collections from investment earnings | - | 5 | - | - | 21,511 | 21,516 |
| Net Cash Provided by Investing Activities | - | 5 | - | - | 21,511 | 21,516 |
| Net Increase(Decrease) in Cash and Investments | 881,813 | (168,611) | (12,121) | 33,893 | 119,653 | 854,627 |
| Cash and investments - beginning of year | 2,401,161 | 2,487,186 | 386,654 | 2,462,357 | 379,020 | 8,116,378 |
| Cash and investments - end of year | \$ 3,282,974 | \$ 2,318,575 | \$ 374,533 | \$ 2,496,250 | \$ 498,673 | \$ 8,971,005 |
| Reconciliation of Operating Income to Cash | | | | | | |
| Flows from Operating Activities: | | | | | | |
| Operating Income | \$ 872,832 | \$ 71,429 | \$ (464,145) | \$ 71,152 | \$ (209,685) | \$ 341,583 |
| 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 | - | 13,651 | (5,601) | 36,028 |
| Leases receivable | - | - | - | - | (59,528) | (59,528) |
| Deferred inflows of resources | - | - | - | - | 103,777 | 103,777 |
| Accounts payable | (16,997) | 11,337 | 5,358 | (73,785) | 48,179 | (25,908) |
| Claims payable | - | (253,382) | 16,666 | - | - | (236,716) |
| Cash Flows From Operating Activities | \$ 881,813 | \$ (168,616) | \$ (442,121) | \$ 213,440 | \$ (122,858) | \$ 361,658 |

Statistical Section

This Page Left Intentionally Blank

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

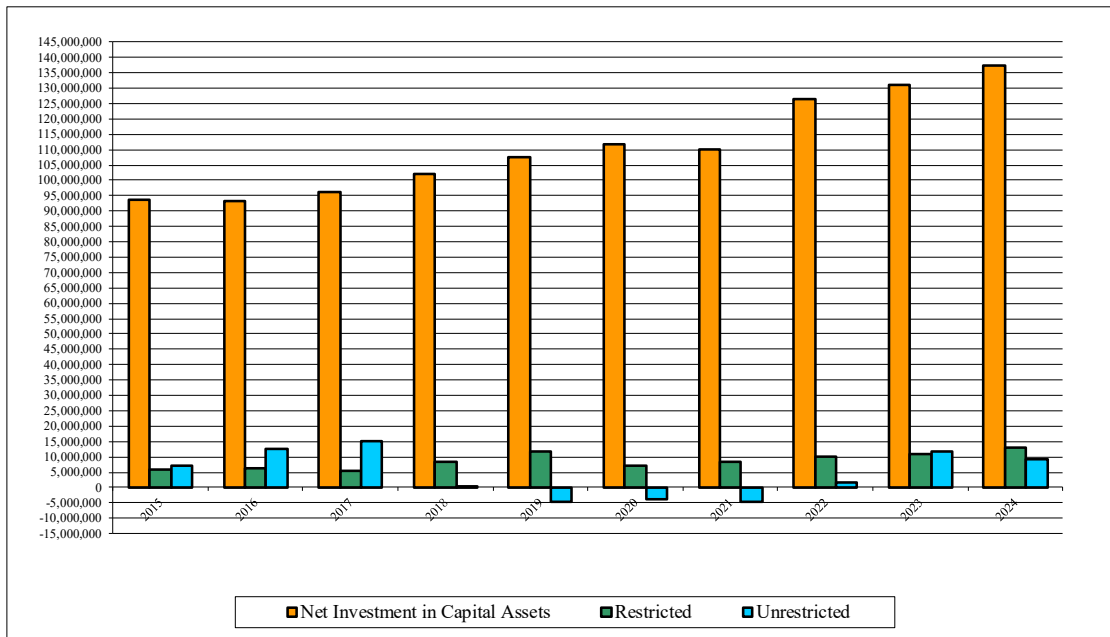
These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town’s financial activities take place (Schedule 12, Schedule 13, and schedule 14).

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).

This Page Left Intentionally Blank

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



| Fiscal Year | Net Investment in Capital Assets | Restricted | Unrestricted | Total Net Position |
|-------------|----------------------------------|------------|--------------|--------------------|
| 2015 | 93,687,029 | 5,663,182 | 7,180,919 | 106,531,130 |
| 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 (1) |
| 2019 | 107,542,588 | 11,918,688 | -4,642,167 | 114,819,109 (2) |
| 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 |
| 2024 | 137,253,582 | 13,015,461 | 9,137,174 | 159,406,217 |

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

(2) 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 | | | | |
|--------------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 |
| Expenses | | | | | |
| Governmental Activities: | | | | | |
| General Government | \$ 6,465,852 | \$ 6,993,661 | \$ 6,771,628 | \$ 7,948,918 | \$ 8,163,991 |
| Public Safety | 12,644,221 | 12,825,688 | 14,587,597 | 15,545,521 | 16,635,726 |
| Parks and Public Works | 8,069,352 | 8,320,623 | 9,502,707 | 10,047,003 | 10,627,716 |
| Community Development | 4,047,738 | 3,227,224 | 5,093,459 | 4,667,609 | 5,064,637 |
| Library Services | 2,553,414 | 2,522,142 | 2,868,748 | 3,087,684 | 3,059,294 |
| Sanitation | 491,359 | 528,580 | 466,762 | 536,296 | 684,673 |
| Interest and Fees | - | - | - | - | - |
| Total Governmental Activities | 34,271,936 | 34,417,918 | 39,290,901 | 41,833,031 | 44,236,037 |
| Program Revenues | | | | | |
| Charges for Services: | | | | | |
| General Government | 1,888,213 | 1,517,012 | 1,669,020 | 1,701,146 | 1,562,683 |
| Public Safety | 3,529,166 | 3,278,585 | 2,076,688 | 1,888,359 | 1,745,889 |
| Parks and Public Works | 2,206,765 | 1,516,108 | 2,155,841 | 4,150,068 | 2,910,936 |
| Community Development | 5,027,497 | 4,359,146 | 3,803,626 | 3,456,390 | 4,155,231 |
| Library Services | 53,123 | 46,192 | 46,746 | 14,702 | 9,476 |
| Sanitation | 328,868 | 368,813 | 410,626 | 771,442 | 966,130 |
| Operating Grants and Contributions: | | | | | |
| General Government | - | 15,291 | - | - | - |
| Public Safety | 24,838 | 98,138 | 837,329 | 895,730 | 826,643 |
| Parks and Public Works | 907,745 | 749,300 | 665,779 | 953,294 | 1,301,152 |
| Community Development | - | - | - | - | - |
| Library Services | 4,062 | 12,228 | - | 57,200 | 47,482 |
| Capital Grants and Contributions: | | | | | |
| General Government | 176,705 | - | - | - | - |
| Public Safety | - | - | - | - | - |
| Parks and Public Works | 2,338,154 | 1,610,657 | 770,600 | 348,437 | 146,792 |
| Community Development | - | - | 9,280 | - | - |
| Total Program Revenues | 16,485,136 | 13,571,470 | 12,445,535 | 14,236,768 | 13,672,414 |
| General Revenues and Special Items: | | | | | |
| Property Taxes | 12,931,603 | 13,763,458 | 14,756,214 | 15,958,406 | 17,321,347 |
| Sales Taxes | 8,202,678 | 7,501,175 | 8,925,276 | 7,466,253 | 8,158,152 |
| Franchise Taxes | 2,215,430 | 2,258,892 | 2,366,908 | 2,474,814 | 2,475,916 |
| Other Taxes | 2,062,893 | 1,997,497 | 2,351,223 | 2,667,840 | 2,726,743 |
| Motor Vehicle in Lieu | - | 12,308 | 14,056 | 16,483 | 14,689 |
| Developer Assessments | - | - | - | - | - |
| Investment Earnings | 428,772 | 698,324 | 192,260 | 333,120 | 1,809,128 |
| Sale of Property | - | - | - | - | - |
| Miscellaneous | 813,324 | 598,170 | 528,946 | 622,105 | 2,407,840 |
| Insurance recoveries | - | - | - | - | - |
| Total General Revenues and Special Items | 26,654,700 | 26,829,824 | 29,134,883 | 29,539,021 | 34,913,815 |
| Change in Net Position | \$ 8,867,900 | \$ 5,983,376 | \$ 2,289,517 | \$ 1,942,758 | \$ 4,350,192 |

Continued

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

Schedule 2

| | Fiscal Year | | | | |
|--------------------------------------------|-------------------|-----------------------|----------------------|----------------------|----------------------|
| | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 ¹ |
| Expenses | | | | | |
| Governmental Activities: | | | | | |
| General Government | \$ 7,405,368 | \$ 7,086,377 | \$ 15,681,345 | \$ 10,522,568 | \$ 11,113,238 |
| Public Safety | 20,446,188 | 19,808,230 | 15,093,308 | 17,428,923 | 23,783,313 |
| Parks and Public Works | 11,803,005 | 13,141,034 | 12,969,615 | 12,258,626 | 14,075,171 |
| Community Development | 5,001,958 | 6,846,834 | 5,827,001 | 5,215,961 | 5,481,765 |
| Library Services | 3,347,523 | 3,496,153 | 2,969,954 | 3,653,642 | 3,853,748 |
| Sanitation | 3,041 | 185,981 | 178,575 | 208,262 | 263,706 |
| Interest and Fees | - | - | - | 29,221 | 26,137 |
| Total Governmental Activities | <u>48,007,083</u> | <u>50,564,609</u> | <u>52,719,798</u> | <u>49,317,203</u> | <u>58,597,078</u> |
| Program Revenues | | | | | |
| Charges for Services: | | | | | |
| General Government ¹ | 1,470,324 | 1,894,080 | 1,725,857 | 2,635,527 | 2,694,162 |
| Public Safety | 1,549,207 | 1,288,358 | 1,596,313 | 1,846,312 | 1,980,431 |
| Parks and Public Works | 3,674,222 | 4,209,048 | 5,090,014 | 3,590,936 | 4,211,420 |
| Community Development | 3,351,753 | 4,063,776 | 4,129,718 | 3,971,336 | 4,247,279 |
| Library Services | 11,522 | - | 521 | 2,039 | 2,514 |
| Sanitation | 231,323 | 299,478 | 231,323 | 359,950 | 359,950 |
| Operating Grants and Contributions: | | | | | |
| General Government | 12,290 | - | 2,766,833 | - | 63,088 |
| Public Safety | 952,045 | 1,061,344 | 1,144,226 | 4,622,373 | 917,317 |
| Parks and Public Works | 2,824,638 | 1,547,102 | 1,482,896 | 1,735,608 | 1,828,050 |
| Community Development | 15,864 | 223,129 | 670,929 | 616,937 | 692,151 |
| Library Services | 49,351 | 55,181 | 114,958 | 174,663 | 167,303 |
| Capital Grants and Contributions: | | | | | |
| General Government | 8,258 | 2,365 | 12,205,050 | - | - |
| Public Safety | 9,100 | - | - | - | - |
| Parks and Public Works | 832,755 | 843,980 | 10,021,156 | 3,915,175 | 5,668,252 |
| Community Development | - | - | - | - | - |
| Total Program Revenues | <u>14,992,652</u> | <u>15,487,841</u> | <u>41,179,794</u> | <u>23,470,856</u> | <u>22,831,917</u> |
| General Revenues and Special Items: | | | | | |
| Property Taxes | 18,330,426 | 19,878,835 | 21,132,098 | 22,746,842 | 24,224,142 |
| Sales Taxes | 7,531,425 | 7,933,604 | 8,483,673 | 8,806,477 | 8,071,735 |
| Franchise Taxes ¹ | 2,495,792 | 2,499,463 | 2,822,515 | 3,074,624 | 2,547,011 |
| Other Taxes | 1,911,774 | 1,126,887 | 2,042,580 | 2,292,008 | 2,422,849 |
| Motor Vehicle in Lieu | 24,526 | 23,058 | 35,624 | 34,406 | 41,461 |
| Developer Fees | - | - | 1,735,571 | 614,820 | 12,880 |
| Investment Earnings | 2,428,470 | 227,136 | (1,278,978) | 797,587 | 3,129,616 |
| Sale of Property | - | - | - | - | - |
| Miscellaneous | 323,940 | 1,528,039 | 755,400 | 1,029,864 | 1,199,422 |
| Insurance recoveries | - | - | - | 1,565,000 | - |
| Total General Revenues and Special Items | <u>33,046,353</u> | <u>33,217,022</u> | <u>35,728,483</u> | <u>40,961,628</u> | <u>41,649,116</u> |
| Change in Net Position | <u>\$ 31,922</u> | <u>\$ (1,859,746)</u> | <u>\$ 24,188,479</u> | <u>\$ 15,115,281</u> | <u>\$ 5,883,955</u> |

Concluded

(1) Starting in March 2024, due to a change in the JPA agreement, Garbage Franchise Fees were categorized as encroachment fees under Charges for Services. The total amount classified in Charges for Services in FY 2023/24 was \$765,900.

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

Schedule 3

| | Fiscal Year | | | | |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|
| | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 |
| General Fund | | | | | |
| Nonspendable | \$ - | \$ - | \$ - | \$ - | \$ - |
| Restricted | - | - | - | 1,206,851 | 5,015,316 |
| Committed | - | 20,019,187 | 15,129,925 | 12,953,399 | 15,070,944 |
| Assigned | 24,121,256 | 9,555,085 | 14,050,699 | 17,475,285 | 18,256,895 |
| Unassigned | - | - | - | - | - |
| Total General Fund | 24,121,256 | 29,574,272 | 29,180,624 | 31,635,535 | 38,343,155 |
| All Other Governmental Funds | | | | | |
| Restricted | 5,663,182 | 6,386,014 | 5,627,707 | 6,992,747 | 6,903,372 |
| Committed | - | 3,696,000 | 10,354,584 | 5,571,087 | 2,579,997 |
| Assigned | 15,346,558 | 11,099,076 | 7,928,994 | 6,361,403 | 6,180,930 |
| Unassigned | 206,875 | - | - | - | - |
| Total All Other Governmental Funds | 21,216,615 | 21,181,090 | 23,911,285 | 18,925,237 | 15,664,299 |
| Total Fund Balances | \$ 45,337,871 | \$ 50,755,362 | \$ 53,091,909 | \$ 50,560,772 | \$ 54,007,454 |

Continued

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

Schedule 3

| | Fiscal Year | | | | |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|
| | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
| General Fund | | | | | |
| Nonspendable | \$ - | \$ 159,000 | \$ 159,000 | \$ 159,000 | \$ 159,000 |
| Restricted | 669,978 | - | 690,000 | 1,444,501 | 2,532,997 |
| Committed | 15,387,706 | 11,220,970 | 12,283,132 | 13,150,130 | 14,364,143 |
| Assigned | 13,277,813 | 12,534,648 | 13,764,657 | 14,774,673 | 14,005,932 |
| Unassigned | - | - | - | - | - |
| Total General Fund | 29,335,497 | 23,914,618 | 26,896,789 | 29,528,304 | 31,062,072 |
| All Other Governmental Funds | | | | | |
| Restricted | 6,448,006 | 8,562,653 | 9,383,483 | 9,530,538 | 10,361,026 |
| Committed | - | - | 637,711 | 2,590,257 | 2,664,441 |
| Assigned | 14,181,679 | 15,360,481 | 13,944,155 | 19,536,429 | 16,915,064 |
| Unassigned | - | - | - | - | - |
| Total All Other Governmental Funds | 20,629,685 | 23,923,134 | 23,965,349 | 31,657,224 | 29,940,531 |
| Total Fund Balances | \$ 49,965,182 | \$ 47,837,752 | \$ 50,862,138 | \$ 61,185,528 | \$ 61,002,603 |

Concluded

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

Schedule 4

| | Fiscal Year | | | | |
|-------------------------------------------------------------|---------------------|---------------------|---------------------|-----------------------|---------------------|
| | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 |
| Revenues: | | | | | |
| Taxes | \$ 23,208,820 | \$ 23,269,892 | \$ 25,945,129 | \$ 26,253,026 | \$ 28,244,329 |
| Licenses & Permits | 6,467,771 | 5,442,133 | 5,075,503 | 5,937,044 | 5,173,876 |
| Intergovernmental | 2,921,002 | 2,573,475 | 1,715,580 | 2,124,903 | 2,310,655 |
| Charges for Services | 5,794,386 | 4,773,001 | 4,210,174 | 5,395,057 | 5,584,504 |
| Fines and Forfeitures | 868,564 | 879,277 | 917,105 | 676,212 | 510,266 |
| Franchise Fees | 2,215,430 | 2,258,892 | 2,366,908 | 2,474,814 | 2,475,916 |
| Developer Fees | - | - | - | - | - |
| Investment Income | 428,735 | 698,308 | 192,978 | 332,938 | 1,809,164 |
| Use of Property | 32,209 | 31,723 | 32,096 | 32,206 | 32,960 |
| Other | 3,130,975 | 2,396,992 | 1,011,939 | 640,844 | 579,755 |
| Total Revenues | 45,067,892 | 42,323,693 | 41,467,412 | 43,867,044 | 46,721,425 |
| Expenditures: | | | | | |
| Current | | | | | |
| General Government | 8,647,451 | 9,144,797 | 8,390,959 | 8,770,082 | 8,004,254 |
| Public Safety | 13,747,198 | 13,763,316 | 13,251,288 | 14,423,554 | 14,945,407 |
| Parks and Public Works | 5,840,097 | 6,307,266 | 6,633,748 | 7,125,686 | 7,962,135 |
| Community Development | 4,218,500 | 3,695,504 | 3,793,930 | 4,192,165 | 4,577,495 |
| Library Services | 2,268,844 | 2,332,268 | 2,508,677 | 2,529,017 | 2,493,617 |
| Sanitation & Other | 411,863 | 452,726 | 466,762 | 521,147 | 628,240 |
| Capital Outlay | 3,800,478 | 3,241,657 | 6,867,034 | 9,778,058 | 7,888,914 |
| Debt Service | | | | | |
| Principal Repayment | - | - | - | - | - |
| Interest and Fiscal Charges | - | - | - | - | - |
| Total Expenditures | 38,934,431 | 38,937,534 | 41,912,398 | 47,339,709 | 46,500,062 |
| Excess (Deficiency) of Revenues | | | | | |
| Over (Under) Expenditures | 6,133,461 | 3,386,159 | (444,986) | (3,472,665) | 221,363 |
| Other Financing Sources(Uses): | | | | | |
| Transfers In | 8,977,220 | 3,315,846 | 7,907,692 | 3,176,760 | 4,264,131 |
| Transfers Out | (7,788,049) | (1,284,514) | (7,612,012) | (3,880,131) | (3,323,756) |
| Gain from Sale of Property | - | - | - | 378,219 | 1,912,316 |
| Insurance Recoveries | - | - | - | - | - |
| Issuance of Debt | - | - | 4,435 | - | - |
| Total Other Financing Sources(Uses) | 1,189,171 | 2,031,332 | 300,115 | (325,152) | 2,852,691 |
| Special Item: | | | | | |
| Extraordinary Gain (Loss) RDA Dissolution | - | - | - | - | - |
| Prepayment of Pension Obligations | - | - | - | - | - |
| Net Change in Fund Balances | \$ 7,322,632 | \$ 5,417,491 | \$ (144,871) | \$ (3,797,817) | \$ 3,074,054 |
| Capitalized Capital Outlay | \$ 3,800,478 | \$ 3,241,657 | \$ 6,867,034 | \$ 9,778,058 | \$ 7,861,972 |
| Debt Service as a Percentage of Non Capital Expenditures | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

Continued

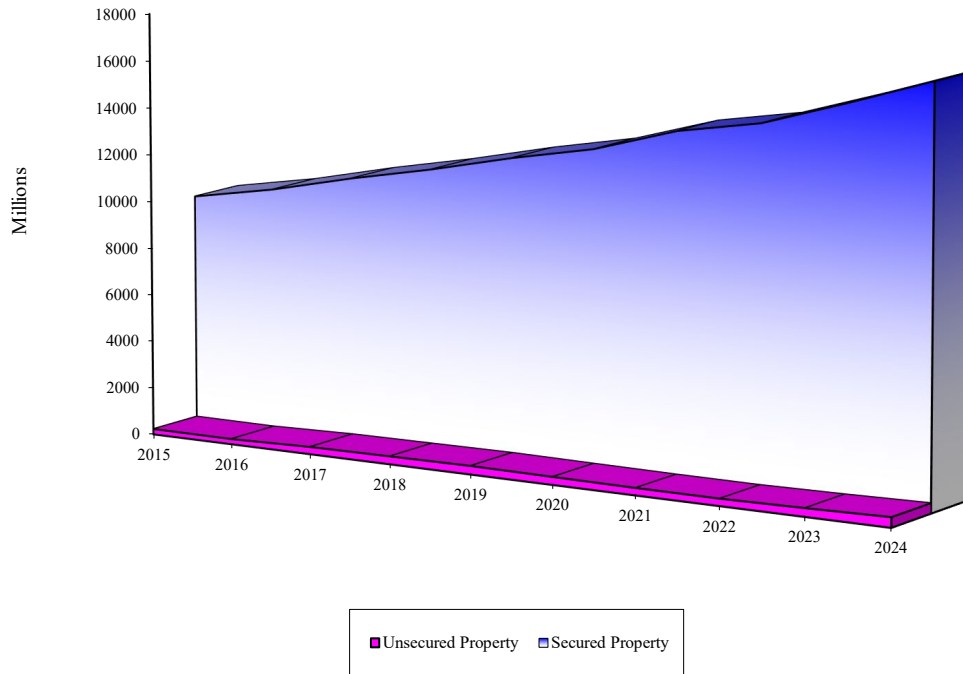
Town of Los Gatos
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

Schedule 4

| | Fiscal Year | | | | |
|--------------------------------------------|-----------------------|-----------------------|---------------------|----------------------|----------------------|
| | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 ¹ |
| Revenues: | | | | | |
| Taxes | \$ 27,811,665 | \$ 28,977,919 | \$ 31,627,593 | \$ 33,851,411 | \$ 34,735,349 |
| Licenses & Permits ¹ | 4,818,671 | 5,212,831 | 6,055,040 | 6,333,675 | 6,227,298 |
| Intergovernmental | 4,498,153 | 3,746,587 | 15,492,982 | 10,145,820 | 6,317,644 |
| Charges for Services | 5,309,470 | 6,035,659 | 6,925,359 | 5,718,714 | 7,051,179 |
| Fines and Forfeitures | 271,117 | 103,468 | 319,170 | 416,950 | 480,634 |
| Franchise Fees ¹ | 2,495,792 | 2,499,463 | 2,822,515 | 3,074,624 | 2,547,011 |
| Developer Fees | - | - | 1,735,571 | 614,820 | 12,880 |
| Investment Income | 2,428,453 | 227,940 | (1,278,983) | 797,582 | 3,108,100 |
| Use of Property | 31,039 | 40,372 | 144,901 | 237,647 | 297,501 |
| Other | 376,922 | 423,115 | 349,145 | 985,188 | 604,493 |
| Total Revenues | 48,041,282 | 47,267,354 | 64,193,293 | 62,176,431 | 61,382,089 |
| Expenditures: | | | | | |
| Current | | | | | |
| General Government | 13,024,146 | 14,040,134 | 15,953,968 | 8,828,779 | 9,573,022 |
| Public Safety | 15,793,815 | 16,570,836 | 16,451,190 | 18,446,048 | 20,718,781 |
| Parks and Public Works | 8,168,599 | 8,229,944 | 8,639,128 | 9,084,406 | 9,899,083 |
| Community Development | 4,473,790 | 5,195,302 | 6,313,511 | 5,065,412 | 5,246,729 |
| Library Services | 2,700,802 | 2,847,988 | 2,827,210 | 3,208,027 | 3,335,389 |
| Sanitation & Other | 162,837 | 166,173 | 194,969 | 204,097 | 252,605 |
| Capital Outlay | 7,861,972 | 5,707,439 | 10,478,670 | 8,917,075 | 12,366,255 |
| Debt Service | | | | | |
| Principal Repayment | - | 39,008 | 156,034 | 156,034 | 225,370 |
| Interest and Fiscal Charges | - | - | - | - | 3,716 |
| Total Expenditures | 52,185,961 | 52,796,824 | 61,014,680 | 53,909,878 | 61,620,950 |
| Excess (Deficiency) of Revenues | | | | | |
| Over (Under) Expenditures | <u>(4,144,679)</u> | <u>(5,529,470)</u> | <u>3,178,613</u> | <u>8,266,553</u> | <u>(238,861)</u> |
| Other Financing Sources(Uses): | | | | | |
| Transfers In | 8,935,260 | 4,053,535 | 8,154,307 | 11,886,022 | 3,666,235 |
| Transfers Out | (8,628,719) | (3,940,015) | (8,310,685) | (11,396,347) | (4,317,235) |
| Gain from Sale of Property | 1,566 | 1,201,369 | 2,151 | 2,162 | 223 |
| Insurance Recoveries | - | - | - | 1,565,000 | - |
| Issuance of Debt | - | 1,560,336 | - | - | 706,713 |
| Total Other Financing Sources(Uses) | 308,107 | 2,875,225 | (154,227) | 2,056,837 | 55,936 |
| Special Item: | | | | | |
| Extraordinary Gain (Loss) RDA Dissolution | - | - | - | - | - |
| Prepayment of Pension Obligations | - | - | - | - | - |
| Net Change in Fund Balances | \$ (3,836,572) | \$ (2,654,245) | \$ 3,024,386 | \$ 10,323,390 | \$ (182,925) |
| | \$ 7,861,972 | \$ 5,707,439 | \$ 9,180,716 | \$ 8,598,811 | \$ 12,016,644 |
| Debt Service as a Percentage | | | | | |
| of Non Capital Expenditures | 0.00% | 0.08% | 0.30% | 0.35% | 0.46% |

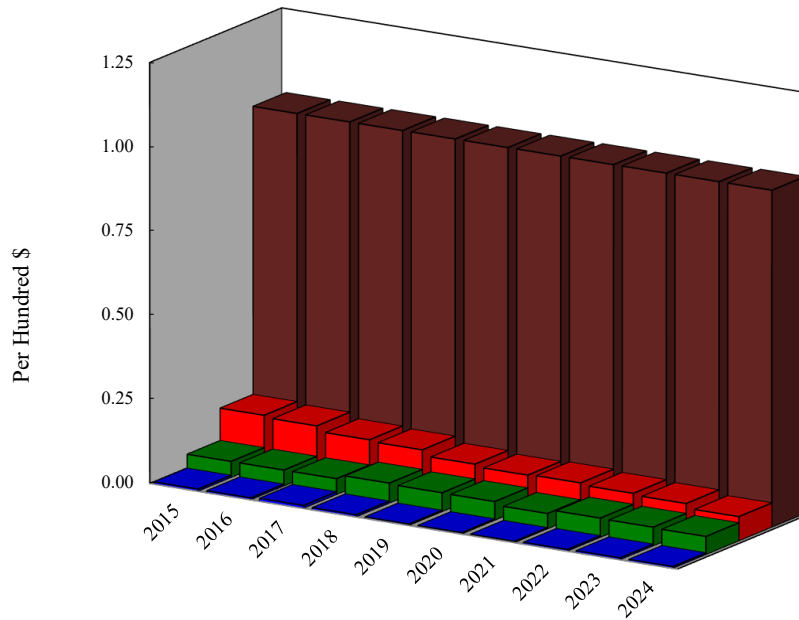
Concluded

(1) Starting in March 2024, due to a change in the JPA agreement, Garbage Franchise Fees were categorized as Licenses & Permits under Charges for Services. The total amount classified in Licenses & Permits in FY 2023/24 was \$765,900.



| Fiscal Year | Utility and Unsecured Property | Percent Change | Secured Property | Percent Change | Total Assessed | Estimated Full Market | Total Direct Tax Rate |
|-------------|--------------------------------|----------------|------------------|----------------|------------------|-----------------------|-----------------------|
| 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 | 1.0494 |
| 2021 | 308,749,655 | -6.87% | 14,599,669,332 | 8.06% | 14,908,418,987 | 58,398,677,328 | 1.0627 |
| 2022 | 304,460,199 | -1.39% | 15,255,884,284 | 4.49% | 15,560,344,483 | 61,023,537,136 | 1.0616 |
| 2023 | 357,370,065 | 17.38% | 16,404,930,826 | 7.53% | 16,762,300,891 | 65,619,723,304 | 1.0591 |
| 2024 | 432,381,651 | 20.99% | 17,623,641,576 | 7.43% | 18,056,023,227 | 70,494,566,304 | 1.0591 |

Source: Santa Clara County Assessed Value Report



Santa Clara Valey Water District County
 County Bonds and Levies
 School District Bonds and Loans
 Basic County Wide Levy

| Fiscal Year | Basic County Wide Levy | County Bonds and Levies | Santa Clara Special Districts | School District Bonds and Loans | Total |
|-------------|------------------------|-------------------------|-------------------------------|---------------------------------|--------|
| 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 |
| 2024 | 1.0000 | 0.0538 | 0.0053 | 0.0720 | 1.1311 |

Source: Santa Clara County Book of Tax Rates

| ASSEESSEE NAME | 2014/15 | | 2015/16 | | 2016/17 | | 2017/18 | | 2018/19 | |
|------------------------------------------------------|------------------------|-------------------------------------------------|------------------------|-------------------------------------------------|------------------------|-------------------------------------------------|------------------------|-------------------------------------------------|------------------------|-------------------------------------------------|
| | 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 | \$ 19,000,000 | 0.17% | \$ 19,379,620 | 0.19% | \$ 19,675,159 | 0.18% | \$ 25,241,863 | 0.21% | \$ 25,746,699 | 0.20% |
| 980 JR LLC | | | | | | | | | 19,277,879 | 0.15% |
| 140 Toll House Hotel LLC | | | | | | | | | | |
| 17443 Farley Rd LLC | | | | | | | | | | |
| Alberto Way Holdings LLC | 23,715,141 | 0.21% | 24,188,966 | 0.23% | 24,557,845 | 0.22% | 25,048,998 | 0.21% | 25,549,975 | 0.20% |
| A W Los Gatos LLC | | | | | | | | | | |
| Boccardo Corporation | 38,772,905 | 0.34% | 21,617,318 | 0.21% | 21,918,921 | 0.20% | 22,211,650 | 0.19% | 22,651,732 | 0.18% |
| D&K Los Gatos LLC | 15,974,003 | 0.14% | 16,293,163 | 0.16% | | | | | | |
| David A. and Shari Flick Trustee | 15,388,884 | 0.14% | | | | | | | | |
| Donahue Schriber Realty Group LP | | | | | | | 53,872,083 | 0.45% | 56,370,186 | 0.44% |
| DS Downing Los Gatos LLC | 20,006,861 | 0.18% | 21,980,568 | 0.21% | 22,315,770 | 0.20% | | | | |
| DS Village Square | | | | | 22,799,599 | 0.20% | | | | |
| El Camino Hospital | 20,803,609 | 0.19% | 26,477,160 | 0.25% | 26,880,933 | 0.24% | 23,353,576 | 0.20% | 28,596,104 | 0.22% |
| El Gato 15 LLC | | | | | | | | | | |
| Equestrian 3 Investments LLC | | | | | | | 29,584,251 | 0.25% | 28,563,864 | 0.22% |
| Fox Creek Fund LLC | | | | | | | | | 21,558,664 | 0.17% |
| Good Samaritan Hospital LP | 19,602,594 | 0.17% | 19,880,366 | 0.19% | 22,402,756 | 0.20% | 22,516,823 | 0.19% | 22,934,274 | 0.18% |
| Grade Way Associations VI | 15,163,152 | 0.13% | | | | | | | | |
| Grosvenor USA Ltd. | 22,990,624 | 0.20% | 23,449,975 | 0.23% | | | | | | |
| Health Care REIT Inc. | 20,765,810 | 0.18% | 20,089,903 | 0.19% | 20,396,274 | 0.18% | | | | |
| International Hotel | | | | | | | 30,144,617 | 0.25% | 30,747,509 | 0.24% |
| Kay K. & Go Sasaki Sr., Trustee | | | 24,744,983 | 0.24% | 25,122,131 | 0.22% | 25,624,027 | 0.21% | 26,135,962 | 0.20% |
| Knowles Los Gatos LLC | 48,204,708 | 0.43% | 49,167,836 | 0.47% | 49,917,644 | 0.44% | 50,915,995 | 0.43% | 51,934,313 | 0.41% |
| KSL Capital Partners | 43,580,326 | 0.39% | 30,134,614 | 0.29% | 30,105,945 | 0.27% | 25,893,946 | 0.22% | 26,411,820 | 0.21% |
| 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 | 39,347,485 | 0.35% | 17,507,261 | 0.17% | 31,070,572 | 0.28% | | | | |
| LG Hotel LLC | 15,448,057 | 0.14% | 15,497,395 | 0.15% | | | | | | |
| Los Gatos Hotel Corp. | 15,573,314 | 0.14% | 15,676,113 | 0.15% | | | | | | |
| Preylock Los Gatos LLC | | | | | | | | | | |
| Safeway Inc. | | | | | | | 24,394,468 | 0.20% | | |
| San Jose Water Works | 36,693,453 | 0.33% | 37,081,049 | 0.36% | 38,710,728 | 0.34% | 41,202,805 | 0.34% | 46,150,577 | 0.36% |
| Serramonte Corporate Center LLC | | | | | | | | | 200,844,610 | 1.57% |
| SF Los Gatos LLC | | | | | | | | | | |
| SHP Newark LLC | | | | | | | | | | |
| Si 32 LLC | 150,563,119 | 1.34% | 141,348,894 | 1.36% | 143,442,269 | 1.28% | 146,317,944 | 1.22% | 149,208,182 | 1.17% |
| Sobrato Interests IV LLC | 20,869,338 | 0.19% | 44,930,482 | 0.43% | 42,240,994 | 0.38% | 43,071,837 | 0.36% | 43,919,879 | 0.34% |
| SRI Old Town LLC | 31,122,427 | 0.28% | 31,744,252 | 0.30% | 32,228,351 | 0.29% | 32,872,917 | 0.27% | 33,530,374 | 0.26% |
| 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% | 113,507,640 | 0.89% |
| Wealthcap Los Gatos 31 | | | | | 84,000,000 | 0.75% | 85,680,000 | 0.72% | 87,393,600 | 0.68% |
| Total - Principal taxpayers | \$ 633,585,810 | 6.49% | \$ 663,137,202 | 6.37% | \$ 814,164,568 | 7.24% | \$ 916,633,381 | 7.66% | \$ 1,061,033,843 | 8.29% |
| Total - All real properties assessed by the Town (1) | \$ 9,766,765,025 | | \$ 10,416,786,877 | | \$ 11,239,536,718 | | \$ 11,968,031,792 | | \$ 12,793,751,423 | |

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

(2) Excludes the value of tax-exempt properties

Source Data: California Municipal Statistics, Inc.

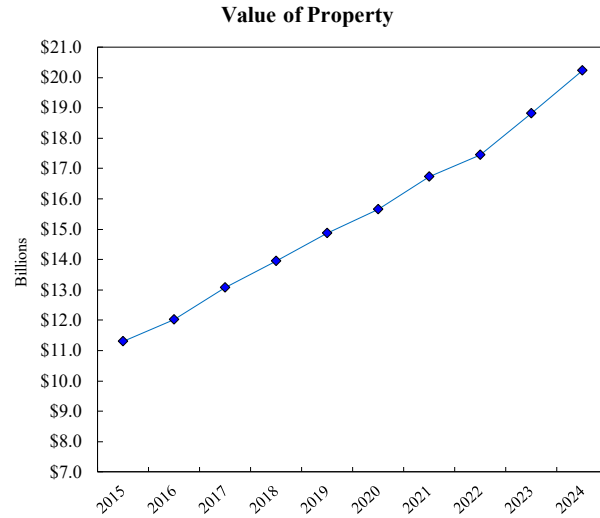
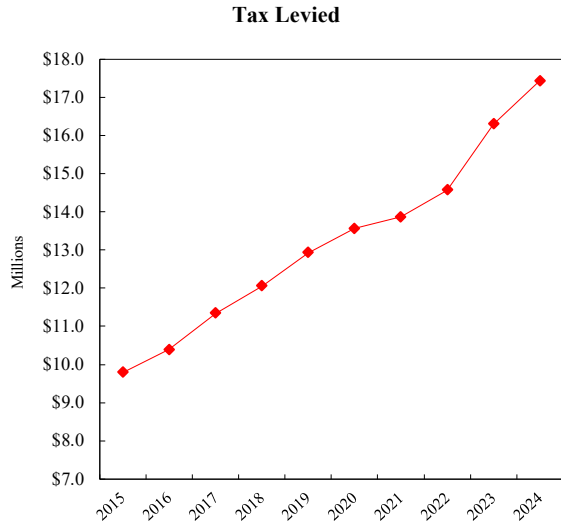
Continued

| ASSEESSEE NAME | 2019/20 | | 2020/21 | | 2021/22 | | 2022/23 | | 2023/24 | |
|------------------------------------------------------|------------------------|-------------------------------------------------|------------------------|-------------------------------------------------|------------------------|-------------------------------------------------|------------------------|-------------------------------------------------|------------------------|-------------------------------------------------|
| | 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 | \$ 26,261,632 | 0.19% | \$ 26,786,863 | 0.18% | \$ 27,064,374 | 0.19% | \$ 27,605,660 | 0.17% | \$ 28,157,772 | 0.16% |
| 980 JR LLC | | | | | | | | | | |
| 140 Toll House Hotel LLC | | | 35,043,180 | 0.24% | 35,499,104 | 0.24% | 34,808,066 | 0.21% | 35,490,590 | 0.20% |
| 17443 Farley Rd LLC | | | | | | | | | 29,000,000 | 0.16% |
| Alberto Way Holdings LLC | 24,158,350 | 0.18% | 24,641,514 | 0.17% | 24,896,799 | 0.17% | | | | |
| A W Los Gatos LLC | | | | | | | 26,749,500 | 0.16% | | |
| Boccardo Corporation | 23,099,314 | 0.17% | | | | | 24,268,078 | 0.15% | | |
| D&K Los Gatos LLC | | | | | | | | | | |
| David A. and Shari Flick Trustee | | | | | | | | | | |
| Donahue Schriber Realty Group LP | 57,497,587 | 0.43% | 58,647,535 | 0.40% | 59,255,121 | 0.41% | 60,440,222 | 0.37% | 61,649,025 | 0.35% |
| DS Downing Los Gatos LLC | | | | | | | | | | |
| DS Village Square | | | | | | | | | | |
| El Camino Hospital | 30,789,155 | 0.23% | 42,611,768 | 0.29% | 50,456,560 | 0.35% | 43,379,731 | 0.26% | 42,156,737 | 0.24% |
| Equestrian 3 Investments LLC | 25,525,880 | 0.19% | 26,036,395 | 0.18% | 26,306,130 | 0.18% | 26,832,251 | 0.16% | 36,719,999 | 0.21% |
| Fox Creek Fund LLC | | | | | 27,231,335 | 0.19% | 27,078,255 | 0.17% | 28,331,465 | 0.16% |
| Good Samaritan Hospital LP | 23,391,289 | 0.17% | 23,846,402 | 0.16% | 24,111,608 | 0.17% | 24,569,780 | 0.15% | | |
| Grade Way Associations VI | | | | | | | | | | |
| Grosvenor USA Ltd. | | | | | | | | | | |
| Health Care REIT Inc. | | | | | | | | | | |
| International Hotel | 31,362,458 | 0.23% | 31,989,706 | 0.22% | | | | | | |
| Kay K. & Go Sasaki Sr., Trustee | 28,864,942 | 0.21% | 27,190,951 | 0.19% | 27,471,495 | 0.19% | 28,020,326 | 0.17% | 28,585,258 | 0.16% |
| Knowles Los Gatos LLC | 52,972,998 | 0.39% | 54,032,455 | 0.37% | 54,592,229 | 0.37% | 55,684,072 | 0.34% | 56,797,751 | 0.32% |
| KSL Capital Partners | 33,069,058 | 0.24% | 33,118,759 | 0.23% | 33,037,818 | 0.23% | 32,098,542 | 0.20% | 31,484,883 | 0.18% |
| 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. | | | | | | | | | | |
| Preylock Los Gatos LLC | 89,141,472 | 0.66% | 95,880,000 | 0.66% | 96,873,316 | 0.66% | 98,810,782 | 0.60% | 96,498,189 | 0.55% |
| Safeway Inc. | 25,752,231 | 0.19% | 25,577,034 | 0.18% | | | | | | |
| San Jose Water Works | 47,777,432 | 0.35% | 49,649,154 | 0.34% | 53,320,614 | 0.37% | 51,657,625 | 0.31% | 52,511,158 | 0.30% |
| Serramonte Corporate Center LLC | 204,861,501 | 1.52% | 208,958,729 | 1.43% | 211,123,540 | 1.45% | 215,346,008 | 1.31% | 219,652,926 | 1.25% |
| SF Los Gatos LLC | | | | | 33,214,527 | 0.23% | | | | |
| Si 32 LLC | 152,166,578 | 1.13% | 155,181,793 | 1.06% | 158,132,236 | 1.08% | 159,929,209 | 0.97% | 31,799,550 | 0.18% |
| Sobrato Interests IV LLC | 44,781,377 | 0.33% | 45,682,006 | 0.31% | 46,155,127 | 0.32% | 47,067,863 | 0.29% | 163,243,322 | 0.93% |
| SRI Old Town LLC | 34,200,980 | 0.25% | 34,884,999 | 0.24% | 35,246,406 | 0.24% | 35,951,333 | 0.22% | 48,004,098 | 0.27% |
| Summerhill N40 LLC | 56,244,782 | 0.42% | 57,369,661 | 0.39% | 59,462,462 | 0.41% | 71,006,795 | 0.43% | 36,670,359 | 0.21% |
| Summerhill Prospect Avenue LLC | | | | | | | | | 42,705,086 | 0.24% |
| Wealthcap Los Gatos 121 | 115,777,792 | 0.86% | 118,093,347 | 0.81% | 119,316,793 | 0.82% | 121,703,128 | 0.74% | 124,137,190 | 0.70% |
| Wealthcap Los Gatos 31 | | | | | | | | | | |
| Total - Principal taxpayers | \$ 1,127,696,808 | 8.35% | \$ 1,175,222,251 | 8.05% | \$ 1,202,767,594 | 8.24% | \$ 1,244,806,776 | 7.39% | \$ 1,220,964,252 | 6.93% |
| Total - All real properties assessed by the Town (1) | \$ 13,509,034,656 | | \$ 14,598,027,652 | | \$ 15,254,242,604 | | \$ 16,403,289,146 | | \$ 17,621,748,976 | |

(1) Assessed value includes only net secured real properties.
 (2) Excludes the value of tax-exempt properties

Source Data: California Municipal Statistics, Inc.

Concluded



| 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 |
|-------------|----------------------------------------|-------------------------------------------------|-----------------------------------------|--------------------------------------------------|------------------------------------------------------------------|---------------------------------------------|
| 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 |
| 2024 | 17,431,668 | - | 17,431,668 | 18,056,023,227 | 2,162,668,731 | 20,218,691,958 |

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

Governmental Activities

| Fiscal Year | PG&E Loan | SBITA's | Total Governmental Activities | Total Primary Government | Percentage of Personal Income | Per Capita |
|-------------|--------------|--------------|-------------------------------|--------------------------|-------------------------------|------------|
| 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 | 96.4% | 48.91 |
| 2022 | \$ 1,352,291 | \$ - | \$ 1,352,291 | \$ 1,352,291 | 95.5% | 40.90 |
| 2023 | \$ 1,196,257 | \$ 594,934 | \$ 1,791,191 | \$ 1,791,191 | 118.7% | 36.14 |
| 2024 | \$ 1,040,224 | \$ 1,083,858 | \$ 2,124,082 | \$ 2,124,082 | 108.9% | 31.30 |

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
 June 30, 2024

| | | | |
|-----------------------------------------------------------------------------------|------------------------------------|----------------------------------------|--------------------------------------------------------------------------|
| 2023/24 Assessed Valuation: | \$18,056,023,227 | | Estimated Share of Direct and Overlapping Debt at June 30, 2024 |
| DIRECT AND OVERLAPPING BONDED DEBT: | % Applicable ⁽¹⁾ | Total Debt at June 30, 2024 | |
| Overlapping Tax & Assessment Debt | | | |
| Santa Clara County | 2.735% | \$ 1,041,125,000 | \$ 26,167,660 |
| West Valley-Mission Community College District | 9.553% | \$ 694,320,000 | \$ 63,340,211 |
| Campbell Union High School District | 7.894% | \$ 354,085,000 | \$ 26,538,444 |
| Los Gatos-Saratoga Joint Union High School District | 36.786% | \$ 81,235,000 | \$ 28,759,295 |
| Cambrian School District | 0.757% | \$ 96,314,944 | \$ 678,423 |
| Campbell Union School District | 7.886% | \$ 205,899,324 | \$ 19,739,393 |
| Los Gatos Union School District | 74.219% | \$ 62,020,000 | \$ 42,364,205 |
| Saratoga Union School District | 0.049% | \$ 15,206,197 | \$ 5,778 |
| Union School District | 20.070% | \$ 144,497,533 | \$ 28,183,190 |
| Midpeninsula Regional Open Space District | 4.444% | \$ 82,680,000 | \$ 3,586,308 |
| Santa Clara Valley Water District Benefit Assessment District | 2.735% | \$ 38,900,000 | \$ 799,577 |
| Total Overlapping Tax and Assesmet Debt | | | \$ 240,162,484 |
| Overlapping General Fund Debt | | | |
| Santa Clara County General Fund Obligations | 2.735% | \$ 1,057,709,440 | \$ 28,928,353 |
| Santa Clara County Pension Obligation Bonds | 2.735% | \$ 323,733,582 | \$ 8,854,113 |
| Santa Clara County Board of Education Certificates of Participation | 2.735% | \$ 12,073,098 | \$ 330,199 |
| West Valley-Mission Community College District General Fund Obligations | 9.553% | \$ 2,520,000 | \$ 240,736 |
| Campbell Union High School District General Fund Obligations | 7.894% | \$ 13,500,000 | \$ 1,065,690 |
| Campbell Union School District General Fund Obligations | 7.886% | \$ 1,230,000 | \$ 96,998 |
| Saratoga Union School District Certificates of Participation | 0.049% | \$ 1,455,000 | \$ 713 |
| Town of Los Gatos | 100.000% | \$ - | \$ 2,123,381 |
| Santa Clara County Vector Control District Certificates of Participation | 2.735% | \$ 945,000 | \$ 25,846 |
| Santa Clara County Central Fire Protection District Certificates of Participation | 26.139% | \$ 27,130,000 | \$ 7,091,511 |
| Midpeninsula Regional Open Space Park District General Fund Obligations | 4.444% | \$ 79,795,600 | \$ 3,546,116 |
| Total Gross Overlapping General Fund Debt | | | \$ 52,303,656 |
| Less: Santa Clara County Supported Obligations | | | \$ 72,751 |
| Total Overlapping General Fund Debt | | | \$ 52,230,905 |
| Overlapping Tax Increment Debt (Successor Agency) | | | |
| Town of Los Gatos Certificated of Participations | | | \$ 10,015,000 |
| Total of Overlapping Tax Increment Debt | | | \$ 10,015,000 |
| Total Direct Debt | | | \$ 2,123,381 |
| Total Gross Overlapping Debt | | | \$ 302,481,140 |
| Total Net Overlapping Debt | | | \$ 302,408,389 |
| Gross Combined Total Debt | | | \$ 302,481,140 ⁽²⁾ |
| Net Combined Total Debt | | | \$ 302,408,389 |

(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 2023/24 Assessed Valuation:

- Total Overlapping Tax and Assessment Debt: 1.33%
- Total Direct Debt: 0.00%
- Gross Combined Total Debt: 1.66%
- Net Combined Total Debt: 1.66%

Ratios to Redevelopment Incremental Valuation (\$1,916,471,918):

Total Overlapping Tax Increment Debt: 0.52%

| Legal Debt Margin Calculation for Fiscal Year 2023/24 | |
|----------------------------------------------------------|-------------------------|
| Assessed Value | \$ 18,056,023,227 |
| Debt Limit | 2,708,403,484 |
| Debt Applicable to Limit: | |
| Legal Debt Margin | <u>\$ 2,708,403,484</u> |

| | Fiscal Year | | | | | | | | | |
|-------------------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
| Debt Limit | \$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 | \$2,708,403 |
| Debt Applicable to Limit | - | - | - | - | - | - | - | 1,352 | 1,196 | 1,040 |
| Legal Debt Margin | <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>\$2,332,700</u> | <u>\$2,332,699</u> | <u>\$2,707,363</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% | 0.06% | 0.05% | 0.04% |

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.

| 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) |
|-------------------|----------------|--------------------------------------------|--------------------------------|----------------|------------------------------|------------------------------|
| 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% |
| 2024 | 33,230 | \$ 4,006,242 | 120,561 | 47.03 | 5,856 | 4.1% |

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.

| Principal Employers | 2014/15 | | 2015/16 | | 2016/17 | | 2017/18 | | 2018/19 | |
|--------------------------------------------------|--------------------------|------------|--------------------------|------------|--------------------------|------------|--------------------------|------------|--------------------------|------------|
| | 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 | - | 0.00% | - | 0.00% | - | 0.00% | - | 0.00% | - | 0.00% |
| El Camino Hospital, Los Gatos | 560 | 3.73% | 560 | 3.53% | 560 | 3.49% | 560 | 3.43% | 560 | 3.49% |
| Los Gatos Union School District | 273 | 1.82% | 280 | 1.76% | 274 | 1.71% | 267 | 1.64% | 281 | 1.75% |
| Los Gatos-Saratoga High School District | 157 | 1.05% | 157 | 0.99% | 370 | 2.30% | 367 | 2.25% | 367 | 2.28% |
| Netflix | 1,530 | 10.19% | 1,976 | 12.45% | 1,864 | 11.61% | 2,117 | 12.98% | 2,314 | 14.41% |
| Safeway | 314 | 2.09% | 314 | 1.98% | 314 | 1.95% | 314 | 1.92% | 314 | 1.95% |
| Alain Pinel Realtors | 156 | 1.04% | 146 | 0.92% | 148 | 0.92% | 131 | 0.80% | 131 | 0.82% |
| Courtside Tennis Club | 440 | 2.93% | 440 | 2.77% | 468 | 2.91% | 542 | 3.32% | 542 | 3.37% |
| Town of Los Gatos | 157 | 1.05% | 158 | 1.00% | 160 | 1.00% | 159 | 0.97% | 160 | 1.00% |
| Whole Foods | 179 | 1.19% | 179 | 1.13% | 179 | 1.11% | 179 | 1.10% | 125 | 0.78% |
| Vasona Creek Health Care Center | 233 | 1.55% | 233 | 1.47% | 233 | 1.45% | 233 | 1.43% | 233 | 1.45% |
| Good Samaritan Regional Cancer Center | 200 | 1.33% | 200 | 1.26% | 200 | 1.25% | 200 | 1.23% | 200 | 1.25% |
| Roku | - | 0.00% | 487 | 3.07% | 554 | 3.45% | 664 | 4.07% | 516 | 3.21% |
| Terraces of Los Gatos | - | 0.00% | 228 | 1.44% | 228 | 1.42% | 228 | 1.40% | 228 | 1.42% |

Source: Town of Los Gatos, Finance
Department and Muniservices

Continued

| Principal Employers | 2019/20 | | 2020/21 | | 2021/22 | | 2022/23 | | 2023/24 | |
|--------------------------------------------------|--------------------------|------------|--------------------------|------------|--------------------------|------------|--------------------------|------------|--------------------------|------------|
| | 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 | - | 0.00% | - | 0.00% | - | 0.00% | - | 0.00% | - | 0.00% |
| El Camino Hospital, Los Gatos | 560 | 3.49% | 560 | 3.35% | 517 | 3.09% | 509 | 3.04% | 548 | 3.45% |
| Los Gatos Union School District | 281 | 1.75% | 281 | 1.68% | 281 | 1.68% | 281 | 1.68% | 287 | 1.81% |
| Los Gatos-Saratoga High School District | 367 | 2.28% | 320 | 1.92% | 320 | 1.91% | 320 | 1.91% | 320 | 2.01% |
| Netflix | 2,314 | 14.41% | 2,524 | 15.11% | 2,278 | 13.62% | 2,263 | 13.53% | 2,444 | 15.39% |
| Safeway | 314 | 1.95% | 314 | 1.88% | 314 | 1.88% | 314 | 1.88% | 314 | 1.98% |
| Alain Pinel Realtors | 131 | 0.82% | - | 0.00% | - | 0.00% | - | 0.00% | - | 0.00% |
| Courtside Tennis Club | 542 | 3.37% | 542 | 3.24% | 542 | 3.24% | 542 | 3.24% | 342 | 2.15% |
| Town of Los Gatos | 160 | 1.00% | 161 | 0.96% | 165 | 0.99% | 163 | 0.97% | 165 | 1.04% |
| Whole Foods | 125 | 0.78% | 125 | 0.75% | 180 | 1.08% | 132 | 0.79% | 133 | 0.84% |
| Vasona Creek Health Care Center | 233 | 1.45% | 250 | 1.50% | 250 | 1.49% | 250 | 1.49% | 250 | 1.57% |
| Good Samaritan Regional Cancer Center | 200 | 1.25% | 200 | 1.20% | 200 | 1.20% | 200 | 1.20% | 111 | 0.70% |
| Roku | 516 | 3.21% | - | 0.00% | - | 0.00% | - | 0.00% | - | 0.00% |
| Terraces of Los Gatos | 228 | 1.42% | 228 | 1.36% | 200 | 1.20% | 200 | 1.20% | 230 | 1.45% |

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

Schedule 14

| Function/Program | Fiscal Year | | | | | | | | | |
|----------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
| General Government | 20.97 | 20.97 | 21.35 | 21.97 | 22.16 | 21.80 | 21.80 | 22.06 | 22.05 | 22.06 |
| Police | 60.00 | 59.00 | 59.00 | 59.00 | 59.00 | 60.00 | 60.00 | 60.00 | 60.00 | 60.00 |
| Economic Development | 0.63 | 0.63 | 0.63 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 |
| Library | 10.80 | 11.00 | 12.25 | 12.25 | 12.50 | 12.50 | 12.50 | 12.50 | 13.50 | 13.50 |
| Planning | 19.50 | 19.00 | 19.26 | 19.63 | 20.08 | 20.08 | 20.20 | 20.20 | 20.20 | 20.45 |
| Public Works | 32.00 | 33.50 | 33.50 | 34.50 | 34.50 | 34.50 | 34.75 | 34.75 | 36.75 | 35.75 |
| Total | 143.90 | 144.10 | 145.98 | 148.10 | 148.99 | 149.63 | 150.00 | 150.26 | 153.25 | 152.51 |

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.

FUNCTION/PROGRAM

| | Fiscal Year | | | | |
|---------------------------------------------------|-------------|------------|------------|------------|------------|
| | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2017/18 |
| General government | | | | | |
| Building Permits Issued | | | | | |
| Residential Permits Issued | 805 | 899 | 744 | 849 | 814 |
| Residential Permits Value | 76,896,111 | 85,000,754 | 53,625,891 | 63,083,249 | 80,030,846 |
| Commercial Permits Issued | 133 | 147 | 135 | 105 | 122 |
| Commercial Permits Value | 178,195,997 | 20,185,884 | 50,024,177 | 16,626,196 | 13,295,999 |
| Publically Owned Permits Issued | - | - | - | - | - |
| Publically Owned Permits Value | - | - | - | - | - |
| Residential Parking Permits | | | | | |
| Number of Special Event Permits Issued | 127 | 107 | 118 | 113 | 78 |
| Number of Annual Permits Issued | 1,570 | 1,363 | 1,251 | 1,342 | 1,395 |
| City Clerk | | | | | |
| Number of Council Resolutions Passed | 72 | 61 | 69 | 69 | 59 |
| Number of Ordinances Passed | 9 | 11 | 5 | 17 | 11 |
| Number of Contracts Passed | 222 | 283 | 240 | 262 | 245 |
| General Services | | | | | |
| Number of Purchase Orders Issued | 277 | 334 | 331 | 322 | 343 |
| Police | | | | | |
| Physical Arrests | 695 | 987 | 1,030 | 1,164 | 1,138 |
| Parking Violations | 13,321 | 13,975 | 12,863 | 11,784 | 6,817 |
| Traffic Violations | 4,633 | 5,400 | 4,634 | 4,757 | 2,877 |
| DUI Arrests | 48 | 58 | 60 | 51 | 70 |
| Library | | | | | |
| Number of Library Visits | - | - | - | - | - |
| Annual Circulation | - | - | - | - | - |
| Number of Library Card holders | - | - | - | - | - |
| Circulated e-audiobooks | 5,867 | 7,761 | 10,006 | 8,844 | 12,130 |
| Other Public Works | | | | | |
| Street Resurfacing/Overlay/Reconstruction (miles) | 1.8 | 8.0 | 10.0 | 2.6 | 5.8 |
| ADA Compliance: Curb Ramps | 23 | 11 | 30 | 68 | 49 |
| Traffic Circles | 1 | 1 | 1 | 1 | 1 |
| Street Poles | 1,609 | 1,609 | 1,609 | 1,762 | 1,830 |
| Planning and Development Department | | | | | |
| Building & Safety Inspections Performed | 11,652 | 8,655 | 14,722 | 13,918 | 13,966 |
| Redevelopment: Number of active projects | - | - | - | - | - |

FUNCTION/PROGRAM

| | Fiscal Year | | | | |
|---------------------------------------------------|-------------|-------------|-------------|------------|-------------|
| | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
| General government | | | | | |
| Building Permits Issued | | | | | |
| Residential Permits Issued | 898 | 1,128 | 1,144 | 1,118 | 957 |
| Residential Permits Value | 47,961,529 | 111,242,724 | 132,784,439 | 73,432,645 | 63,352,925 |
| Commercial Permits Issued | 92 | 68 | 117 | 84 | 62 |
| Commercial Permits Value | 12,389,688 | 37,285,259 | 23,442,964 | 19,422,918 | 31,245,689 |
| Publically Owned Permits Issued | - | - | - | - | - |
| Publically Owned Permits Value | - | - | - | - | - |
| Residential Parking Permits | | | | | |
| Number of Special Event Permits Issued | - | - | - | - | - (1) |
| Number of Annual Permits Issued | 1,400 | 1,568 | 1,958 | 1,827 | 1,847 |
| City Clerk | | | | | |
| Number of Council Resolutions Passed | 57 | 50 | 64 | 71 | 69 |
| Number of Ordinances Passed | 24 | 9 | 14 | 10 | 14 |
| Number of Contracts Passed | 242 | 205 | 296 | 275 | 322 |
| General Services | | | | | |
| Number of Purchase Orders Issued | 359 | 376 | 306 | 296 | 302 |
| Police | | | | | |
| Physical Arrests | 616 | 360 | 504 | 522 | 642 |
| Parking Violations | 4,023 | 1,584 | 4,678 | 8,569 | 8,644 |
| Traffic Violations | 1,225 | 764 | 1,245 | 1,427 | 1,787 |
| DUI Arrests | 64 | 23 | 49 | 42 | 51 |
| Library | | | | | |
| Number of Library Visits | - | - | 150,198 | 206,874 | 249,120 (3) |
| Annual Circulation | - | - | 432,707 | 397,517 | 422,733 (3) |
| Number of Library Card holders | - | - | 29,322 | 29,815 | 33,551 (3) |
| Circulated e-audiobooks | 57,839 | 54,614 | - | - | - (2) |
| Other Public Works | | | | | |
| Street Resurfacing/Overlay/Reconstruction (miles) | 16.2 | 10.0 | 9.9 | 10.9 | 10.1 |
| ADA Compliance: Curb Ramps | 68 | 91 | 59 | 50 | 69 |
| Traffic Circles | 1 | 1 | 1 | 1 | 1 |
| Street Poles | 1,830 | 2,113 | 2,113 | 2,113 | 2,113 |
| Planning and Development Department | | | | | |
| Building & Safety Inspections Performed | 13,633 | 13,806 | 16,906 | 16,641 | 14,696 |
| 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.

| Function/Program | Fiscal Year | | | | | | | | | |
|----------------------------------------------|-------------|---------|---------|---------|---------|---------|---------|---------|---------|--------------------|
| | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
| 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 | 112 | 112 ⁽¹⁾ |
| Streetlights | 1,609 | 1,609 | 1,609 | 1,762 | 1,830 | 1,830 | 2,113 | 2,113 | 2,113 | 2,113 |
| Traffic Signals | 29 | 30 | 30 | 30 | 31 | 31 | 31 | 31 | 31 | 31 |
| Parks and Recreation | | | | | | | | | | |
| Number of Parks | 12 | 12 | 12 | 12 | N/A | 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 | 17 | 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 | N/A | 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 | 1,269 | 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.

Source: Town of Los Gatos, Finance Department

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***

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, 2024, 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 11, 2024.

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 and significant deficiencies may exist that were not 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



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 11, 2024

