



TOWN OF LOS GATOS CALIFORNIA

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ANNUAL COMPREHENSIVE FINANCIAL REPORT FISCAL YEAR ENDED JUNE 30, 2025

ATTACHMENT 1

Cover Photos: Ken Benjamin, Scott Anderson, and Evie Julian

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**TOWN OF LOS GATOS
CALIFORNIA**

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2025**

**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 33,355. 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, 2025

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INTRODUCTORY SECTION

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TOWN OF LOS GATOS

OFFICE OF THE TOWN MANAGER

Phone: (408) 354-6832

FAX: (408) 399-5786

November 24, 2025

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, 2025. 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, 2025, along with additional disclosures and financial information designed to enable the reader to gain an understanding of the Town's financial activities. Operating revenues remained stable, while development activity and investment performance provided additional funding capacity.

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, 2024, was awarded a Certificate of Achievement for Excellence in Financial Reporting by the national Government Finance Officers Association. This is the 30th 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 33,355 (California Department of Finance, January 2025). 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 in economically sensitive revenues. The Town General Fund closed FY 2024-25 with \$5.7 million in revenue over expenditure before transfers. The excess revenue includes \$1.2 million unrealized gain in the Town investment portfolio. The General Fund Balance increased \$4.7 million.

General Fund revenues (not including transfers in other financing sources) increased 7.7% from the prior year. Property tax revenues remain the largest and most consistent source of support for General Fund operations, comprising approximately 43.8% of General Fund revenues in FY 2024-25. For FY 2024-25, property tax receipts of \$25.3 million were \$1.0 million higher than the prior year's collection, reflecting the continued desirability of the Town, its environment, culture, and educational opportunities.

The Town also depends on sales tax revenues to fund General Fund operations, which made up about 14.4% of total General Fund revenues in FY 2024-25. Sales tax receipts for the year reached \$8.3 million, a \$0.3 million increase from the previous year, indicating modest growth. This trend reflects broader changes in the local economy and shopping habits, such as increased use of electric vehicles, which has led to decreased fuel purchases.

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 for three fiscal years. While important for the consistent delivery of high quality services for the Town, these actions impact the balance between ongoing revenues and expenditures. Due to conservative fiscal practice and significant salary savings, General Fund expenditures were lower due to salary savings; however, not every department was able to achieve the targeted 4.6% vacancy savings. As the Town continues successful hiring, tradeoffs to achieve projected savings will be necessary should a 4.6% vacancy factor not be achievable.

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 2024 CalPERS actuarial valuations, the unfunded actuarial liability for pensions was \$ 62.2 million and \$7.5 million for OPEB, as determined by an actuarial valuation as of June 30, 2023.

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 should 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 \$30.3 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 FY 2020-21 and decreasing to \$27.48 million in FY 2021-22. The NPO reported in this year's financial statements (ACFR 2024-25) has decreased 2.5% from \$63.0 million to the current NPO of \$61.4 million. Due to CalPERS preliminary returns of 11.6% for FY 2024-25, 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

During FY 2024-25, the Town continued its focus on long-term infrastructure renewal. Approximately \$16.5 million was invested in capital projects, including \$8.5 million in construction in progress, \$4.2 million in street improvements, \$2.5 million in other infrastructure, and \$1.3 million in facility and equipment upgrades. These investments reflect the Town's strategy of translating accumulated reserves and grant funding into tangible 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, Division Manager; Melissa Ynegas, Senior Administrative 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

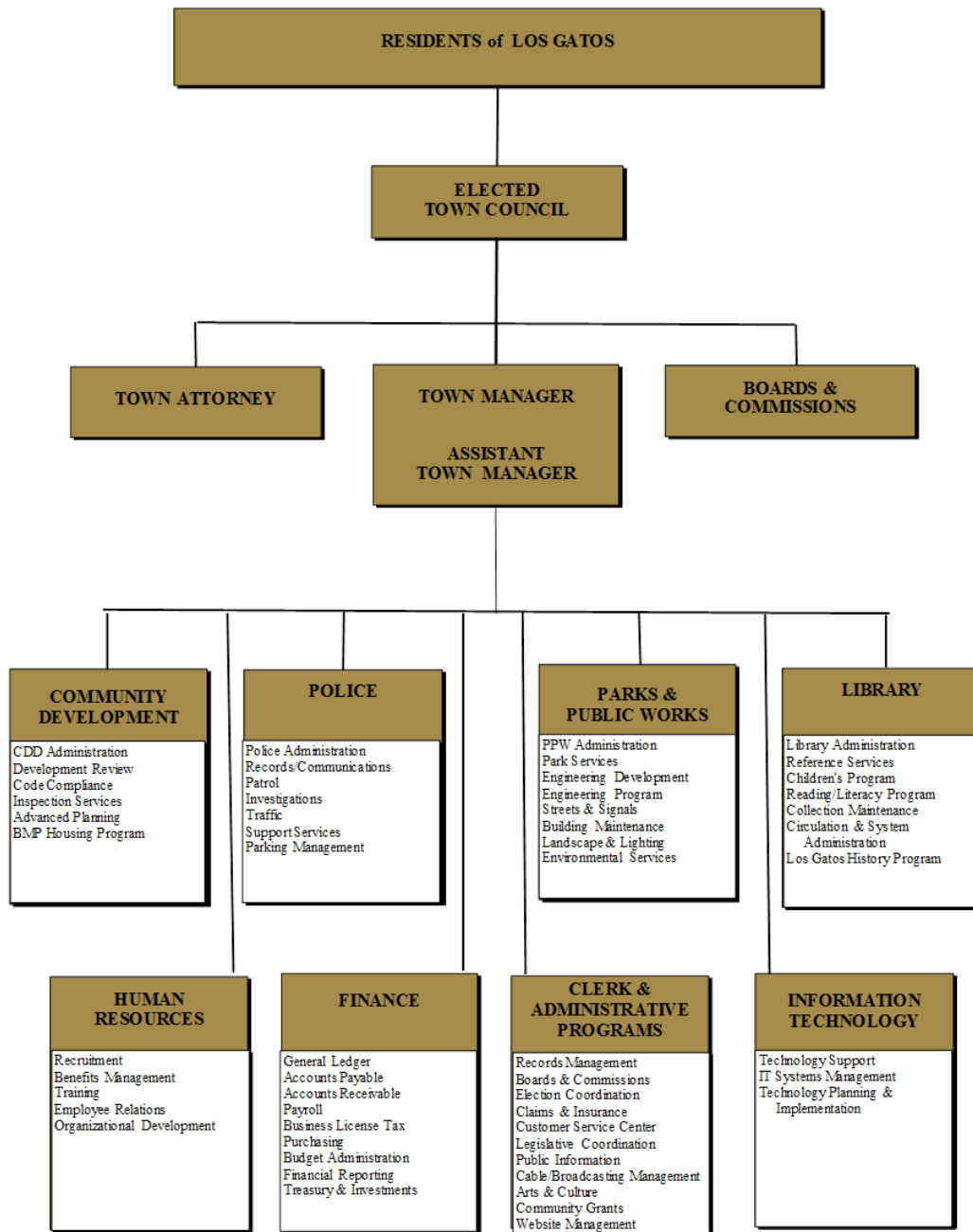
Gitta Ungvari

Gitta Ungvari
Director of Finance



Town of Los Gatos

Organizational Structure



**TOWN OF LOS GATOS
PRINCIPAL OFFICERS
JUNE 30, 2025**

TOWN COUNCIL

Mayor

Vice Mayor

Council Member

Council Member

Council Member

Mathew Hudes

Rob Moore

Maria Ristow

Mary Badame

Rob Rennie

COUNCIL APPOINTEES

Town Manager

Town Attorney

Chris Constantin

Gabrielle Whelan

APPOINTED OFFICIALS

Assistant Town Manager

Chief of Police

Community Development Director

Parks and Public Works Director

Library Director

Finance Director

Human Resources Director

Katy Nomura

Jamie Field

Joel Paulson

Nicolle Burnham

Ryan Baker

Gitta Ungvari

Cheryl Parkman



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, 2024

Christopher P. Morrell

Executive Director/CEO

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FINANCIAL SECTION

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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, 2025, 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, 2025, 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 19, 2025 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 19, 2025
Morgan Hill, California

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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, 2025. 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) 2024-25 by \$166.7 million (net position). The unrestricted net position, which represents the amounts available to meet the Town ongoing obligations to citizens and creditors, is \$8.7 million.
- The Town's total net position increased by \$7.3 million in FY 2024-25. The overall increase of \$7.3 million is primarily due to the combined effects of infrastructure capitalization and changes in pension expense.
- At the close of the current fiscal year, the Town's governmental funds reported combined fund balances of \$63.3 million, an increase of \$2.3 million in comparison with the prior year. Of this amount, \$10.4 million, is available for spending at the Government's discretion (unassigned fund balance).
- During FY 2024-25, the General Fund had an excess of revenues over expenditures of \$5.7 million, excluding transfers. Transfers out exceeded transfers in by \$1.0 million. The principal purpose of the Town's interfund transfers was contributions toward capital projects (\$1.8 million) and general liability (\$0.1 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, assigned, and unassigned components of the fund balance) for the general fund was \$32.5 million, or approximately 63% 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 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 Town's financial statements as a whole, using data from throughout the ACFR to describe changes between 2024 and 2025.

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 \$166.7 million, reflecting an increase of approximately \$7.3 million to the prior year's net position of \$159.4 million.

Town of Los Gatos		
Net Position		
Governmental Activities		
For the Year Ended June 30, 2025		
	2025	2024
Current and other Assets	\$ 94,529,842	\$ 93,959,415
Capital Assets	146,834,839	139,376,963
Total Assets	<u>\$ 241,364,681</u>	<u>\$ 233,336,378</u>
Deferred Outflows - Pension/OPEB	21,188,217	28,973,675
Current Liabilities	19,655,539	21,254,648
Long-Term Liabilities Outstanding	73,597,018	77,271,453
Total Liabilities	<u>\$ 93,252,557</u>	<u>\$ 98,526,101</u>
Deferred Inflows - Pension/OPEB	2,611,631	4,377,735
Net Position		
Net Investment in Capital Assets	145,079,170	137,253,582
Restricted	12,933,419	13,015,461
Unrestricted	8,676,121	9,137,174
Total Net Position	<u>\$ 166,688,710</u>	<u>\$ 159,406,217</u>

Capital assets increased \$7.5 million to \$146.8 million for the year, reflecting the current year's capital asset additions/retirements less the annual depreciation/amortization expense.

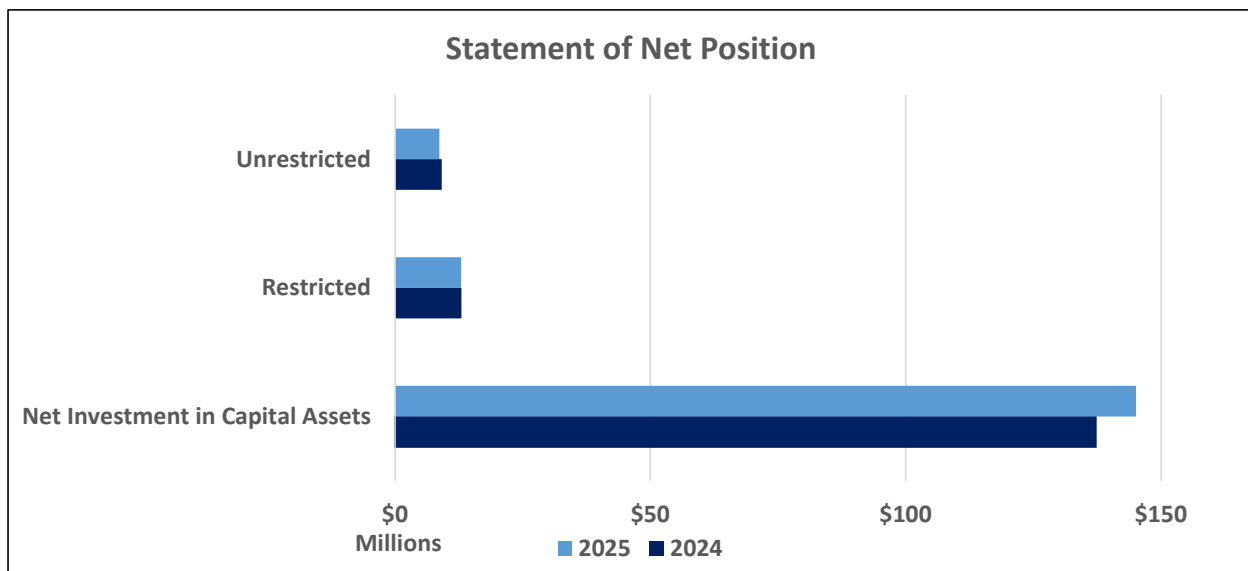
Deferred Outflows for Pension and Other Post-Employment Benefits (OPEB) decreased by \$7.8 million primarily due to the difference between the projected assumed investment returns and actual investment earnings on pension and OPEB investments, changes in assumptions, and the change in the Town's proportionate share for the pooled safety pension plan.

Long-term liabilities decreased by \$3.7 million. The overall change is mainly due to a net pension liability decrease of \$1.6 million and a reduction in net OPEB liabilities of \$1.5 million, driven by higher current investment earnings for CalPERS than the 6.9% discount rate. See Note 11 and Note 12 in the Notes to the Financial Statements for more details on the Town's pension and OPEB plans.

Deferred Inflows decreased by \$1.8 million, mainly due to the difference between projected investment returns and actual investment earnings on pension and OPEB investments. The decreases consisted of pension inflows of \$0.9 million, the OPEB plan of \$0.6 million, and leases of \$0.3 million.

The largest segment of the Town's net position, representing \$145.1 million, reflects the net investment in capital assets (e.g., land, buildings, infrastructure, subscriptions, 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 to fund current obligations.

The chart below shows the Town's net position for the fiscal year ended June 30, 2024 and 2025.



Restricted net position totaled approximately \$12.9 million, representing approximately \$9.0 million for capital projects and maintenance, \$3.1 million for restricted pension trust, \$0.6 million placed in a special revenue trust account for Library services, and \$0.2 million for Lighting and Landscaping Assessment Districts.

As of June 30, 2025, the unrestricted net position, the amounts available to meet the Town's ongoing obligations to citizens and creditors, reports an approximate \$0.5 million decrease from the prior year to an ending balance of \$8.7 million.

The Town's overall net position increased \$7.3 million from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities.

Governmental Activities

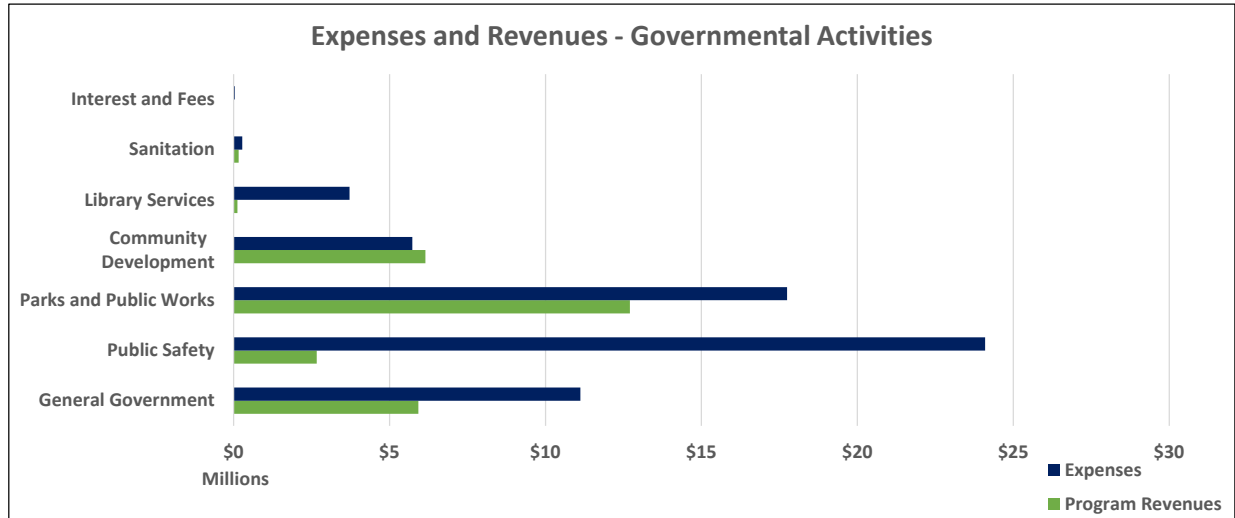
Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange revenues. The Statement of Activities is intended to illustrate how the cost of governmental activities is financed and determine the annual change in net position.

Town of Los Gatos Statement of Activities For the Year Ended June 30, 2025		
	2025	2024
Revenues:		
Program revenues:		
Charges for Services	\$ 17,919,376	\$ 13,495,756
Operating Grants and Contributions	3,098,154	3,667,909
Capital Grants and Contributions	6,710,310	5,668,252
General Revenues:		
Property Taxes	25,252,782	24,224,142
Sales Taxes	8,330,978	8,071,735
Franchise Taxes	1,057,483	2,547,011
Transient Occupancy Taxes	2,417,630	2,367,653
Other Taxes	50,036	55,196
Motor Vehicle in Lieu	52,733	41,461
Developer Assessment		12,880
Investment Earnings	2,581,393	1,417,370
Unrealized gains (losses)	1,201,824	1,712,246
Miscellaneous	1,341,229	1,199,422
Total Revenues	70,013,928	64,481,033
Expenses:		
Police Department	24,095,151	23,783,313
Parks and Public Works	17,745,141	14,075,171
General Government	11,122,319	11,113,238
Community Development	5,734,087	5,481,765
Library Services	3,716,806	3,853,748
Sanitation	276,528	263,706
Interest and Fees	41,403	26,137
Total Expenses	62,731,435	58,597,078
Change in Net Position	7,282,493	5,883,955
Net Position - Beginning	159,406,217	153,522,262
Net Position, Ending	\$ 166,688,710	\$ 159,406,217

The Statement of Activities shown above details how the \$70 million in Governmental Activities revenues and contributions were derived. Approximately \$17.9 million or 25.6% of the revenues were recorded from fees paid by residents/businesses who directly benefited from the respective program or service. Another \$9.8 million or 14.0% of the revenues were sourced from operating/capital grants and contributions. The remaining \$42.3 million or 60.4% represents

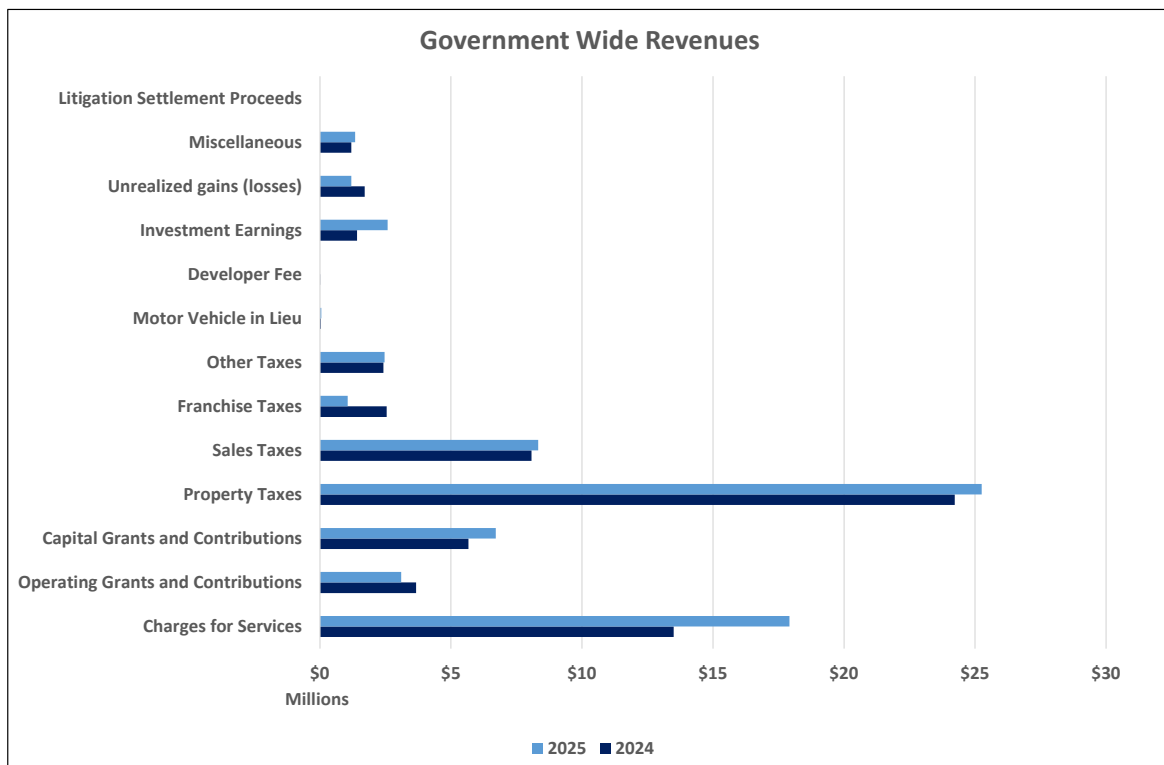
general revenues of the Town, including taxes, intergovernmental revenues, and other miscellaneous revenues.

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 2023-24 and FY 2024-25.



Program revenues increased by approximately \$4.9 million compared to the prior year. The majority of this increase, \$4.4 million, was due to higher charges for services, driven by a rise in development activity and increased encroachment fee collections from the Town's garbage hauler. Additionally, the Town received an additional \$1.0 million in capital grants, including funding for the Los Gatos Creek Trail to Highway 9 Trailhead Connector project. These gains were partially offset by a \$0.6 million decrease in operating grants and contributions, reflecting reduced availability of operating grant funding in the current year.

The Town's general revenues related to governmental activities increased by approximately \$0.6 million compared to the prior year. This increase was primarily driven by a \$1.0 million rise in property tax revenues, a \$0.7 million increase in investment earnings, including mark-to-market adjustments on the Town's investment portfolio—and a \$0.3 million increase in sales tax collections. These gains were partially offset by a \$1.5 million decrease in franchise fee collections. Starting in March 2024, due to a change in the JPA agreement, Garbage Franchise Fees were categorized as Licenses and Permits under Charges for Services. The total amount of the Encroachment Fee was \$2.3 million in FY 2024-25 and \$0.8 million in FY 2023-24.

Property tax is the Town's largest individual revenue source, and collections for the year were \$1.0 million more than the previous year. This increase was primarily due to a \$0.8 million rise in general property tax collection and a \$0.2 million increase in the Vehicle License Fee (VLF) Property Tax In-Lieu fee. It is important to note that assessed valuations for FY 2024-25 were established on the tax roll in January 2024 and collected during FY 2024-25.

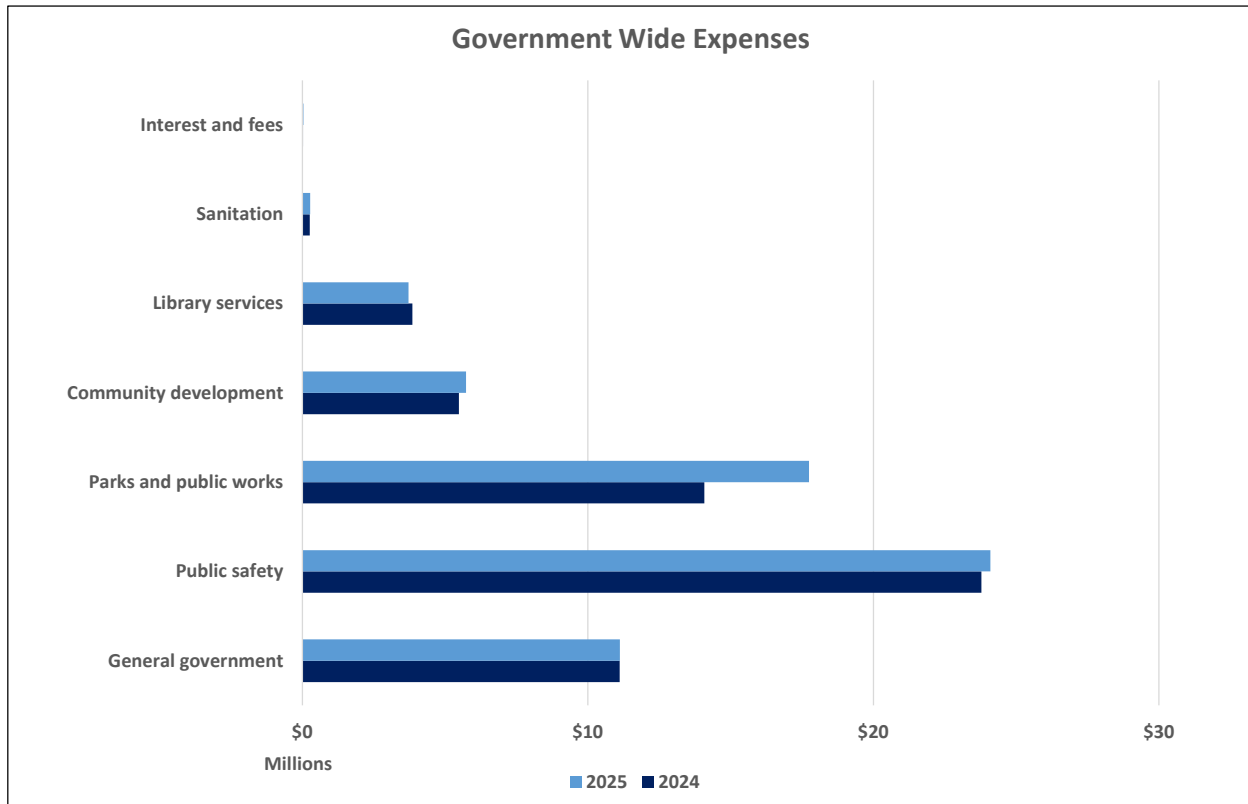
Sales taxes totaled \$8.3 million for the fiscal year, making them the second-largest individual General Fund revenue source for the Town. This represents an increase of \$0.3 million from the prior year. The modest growth reflects stable sales tax collections from business-to-business transactions. Additionally, reduced activity at gas service stations, attributed to the growing adoption of electric vehicles—also contributed to the slower pace of sales tax growth.

Franchise taxes finished the year at \$1.1 million, reflecting a decrease of \$1.5 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.

Investment earnings for the fiscal year ended June 30, 2025, totaled \$2.6 million, representing an increase of \$1.2 million from the prior year. This growth reflects improved interest income from the Town's investment portfolio, due to a higher interest rate environment. Additionally, the Town recorded \$1.2 million in unrealized gains from mark-to-market adjustments, which, while positive, were \$0.5 million lower than the prior year's unrealized gains of \$1.7 million. Overall, the combined increase in realized earnings and moderate unrealized gains contributed positively to the Town's general revenues and financial position.

Governmental Activities Expenses Discussion

The chart below summarizes the Town's government-wide expenses for the FY 2023-24 and FY 2024-25.



The Town provides residents, businesses, and visitors with an array of high-quality municipal services. General government strategic support comprises seven Departments (Town Council, Town Clerk, Town Manager, Town Attorney, Human Resources, Information Technology, and Finance) that provide information technology, executive management, economic vitality, legal services, 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. The Parks and Public Works Department 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 for the year, as reported in the Statement of Activities, were \$62.7 million, an increase of \$4.1 million from the prior year's total of \$58.6 million. The primary driver of this increase was \$3.5 million in capital expenses that did not meet the criteria for capitalization. These expenditures included costs related to vegetation management, implementation of the parking program, and the creation of storm drain system maps.

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:

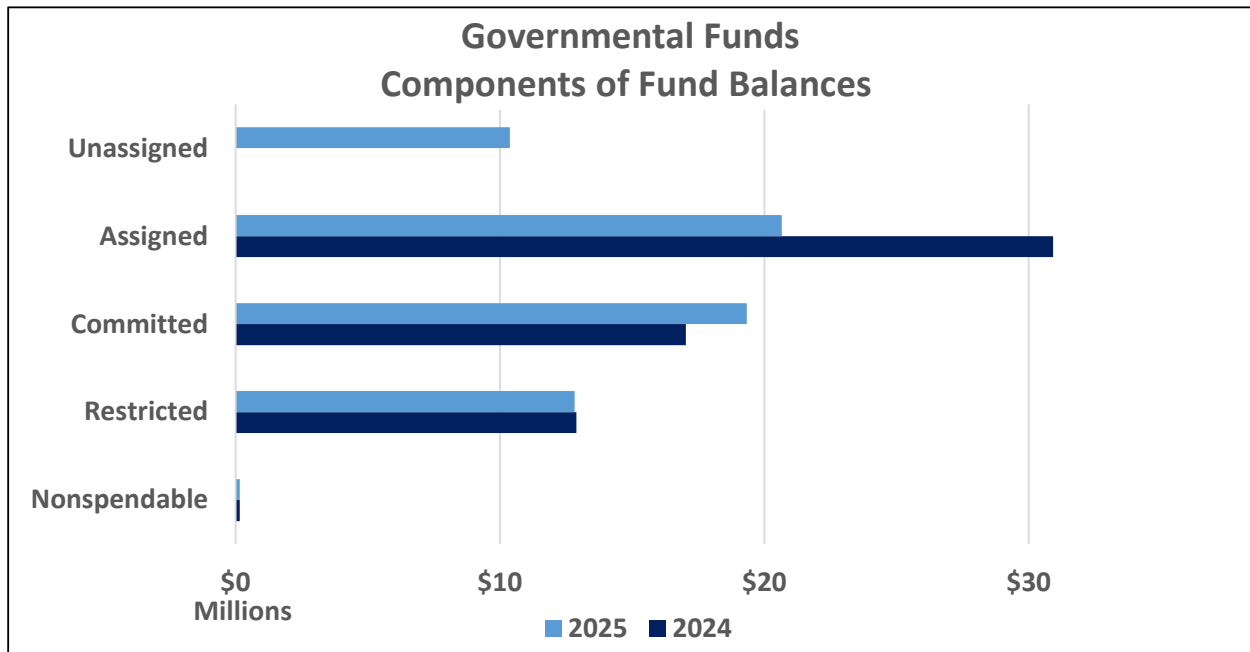
Restricted Fund Balance – The Town has \$12.8 million in fund balance classified as restricted to indicate that it has an externally imposed restrictions on how the money may be spent. Of the \$12.8 million restricted fund balance, \$9.0 million is restricted for capital projects, \$3.1 million for pension, \$0.6 million for Library special revenue trust accounts, and \$0.2 million for maintenance and repairs.

Committed Fund Balance – The Town has \$19.3 million in fund balance classified as committed to indicate that the Town Council previously committed how the money will be spent. Of the \$19.3 million, \$15.8 million is for budget stabilization (\$7.9 million) and catastrophe response (\$7.9 million).

Assigned Fund Balance – The Town has \$20.7 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 \$2.0 million and the Capital Projects Reserve of \$16.7 million which are the primary funding sources for the Town's five-year capital improvement plan and special projects as budgeted by the Town.

Unassigned Fund Balance – The Town has \$10.4 million in fund balance is available for spending at the Government's discretion.

The chart below shows the Town's governmental fund balances for the fiscal year ended June 30, 2024 and 2025.



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, 2025			
REVENUES	2025	2024	
Property Taxes	\$ 25,305,515	\$ 24,265,603	
Sales Taxes	8,330,978	8,071,735	
Transient Occupancy Taxes	2,417,630	2,367,653	
Other Taxes	27,520	30,358	
Licenses & Permits (1)	10,077,688	6,227,298	
Intergovernmental	11,038,323	6,317,644	
Charges for Services	6,648,503	7,051,179	
Fines and Forfeitures	420,127	480,634	
Franchise Fees (1)	1,057,483	2,547,011	
Developer Assessment	-	12,880	
Interest	3,783,218	3,108,100	
Use of Property	442,078	297,501	
Other	748,259	604,493	
Total Revenues	\$ 70,297,322	\$ 61,382,089	
EXPENDITURES			
Current:			
Public Safety	\$ 20,827,888	\$ 20,718,781	
General Government	10,884,414	9,573,022	
Parks and Public Works	10,828,974	9,899,083	
Community Development	5,637,742	5,246,729	
Library Services	3,651,358	3,335,389	
Sanitation and Other	274,188	252,605	
Capital Outlay	15,545,674	12,366,255	
Debt Service			
Principal	206,380	225,370	
Interest and Fees	41,403	3,716	
Total Expenditures	\$ 67,898,021	\$ 61,620,950	
Excess Revenues over Expenditures	\$ 2,399,301	\$ (238,861)	
Subscriptions	-	706,713	
Proceeds from sales of assets	-	223	
Transfers in	2,595,491	3,666,235	
Transfers out	(2,655,491)	(4,317,235)	
Total Other Financing Sources (Uses)	\$ (60,000)	\$ 55,936	
Net Changes in Fund Balances	2,339,301	(182,925)	
Beginning/Ending Fund Balances	\$ 61,002,603	\$ 61,185,528	
Ending Fund Balances	\$ 63,341,904	\$ 61,002,603	

(1) Starting in March 2024, due to a change in the JPA agreement, Garbage Franchise Fees were categorized as Licenses and Permits. The total amount of the Encroachment Fee was \$2.3 million in FY 2024-25 and \$0.8 million in FY 2023-24

Total Governmental Funds revenues increased by \$8.9 million, or 14.5%, compared to the prior year, primarily due to higher capital grant activity and increased collections from property taxes, interest income, sales taxes, and business license taxes. On the expenditure side, total spending rose by \$6.3 million, or 10.2%, mainly driven by a \$3.2 million increase in capital outlay, a \$2.3 million rise in salary and benefit costs, and \$0.9 million in additional internal service charges combined with operational changes.

General Fund revenues totaled \$57.7 million, or nearly 82.1% of the total \$70.3 million in Total Governmental Fund revenues, compared to \$53.5 million of General Fund revenues and total Governmental Funds revenues of \$61.3 million in the prior year.

General Fund expenditures represent approximately \$51.9 million or 76.5% of the Total Governmental Fund expenditures of \$67.9 million compared to \$49.5 million of General Fund expenditures and total Governmental Funds expenditures of \$61.6 million in the prior year.

Public Safety expenditures increased by approximately \$0.1 million compared to the prior year. This modest change reflects increases in negotiated salary and benefits offset by an increased number of vacancies and additional operational savings the Department achieved in the current fiscal year, which were not at the same level in the previous year.

General Government, Public Works, Community Development, and Library services expenditures increased by \$2.9 million compared to the prior year, primarily due to higher personnel and operational costs. This included \$2.3 million in salary and benefit increases, \$0.3 million in legal service expenses, and \$0.3 million in post-retirement benefit obligations. These increases were partially offset by some operational savings.

Appropriated Reserves Fund capital projects fund balances decreased \$2.2 million from the prior year to \$16.9 million, reflecting increased capital activity during the fiscal year. The \$3.3 million general government and capital outlay expenditures above operating revenues was offset by \$1.1 million from other financing sources.

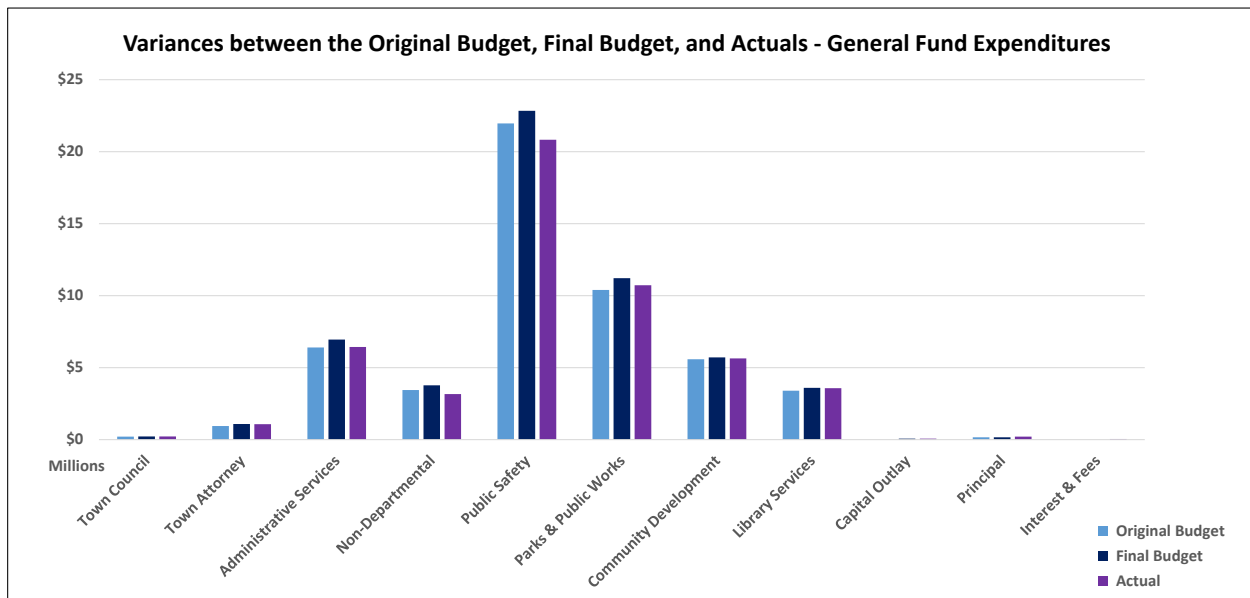
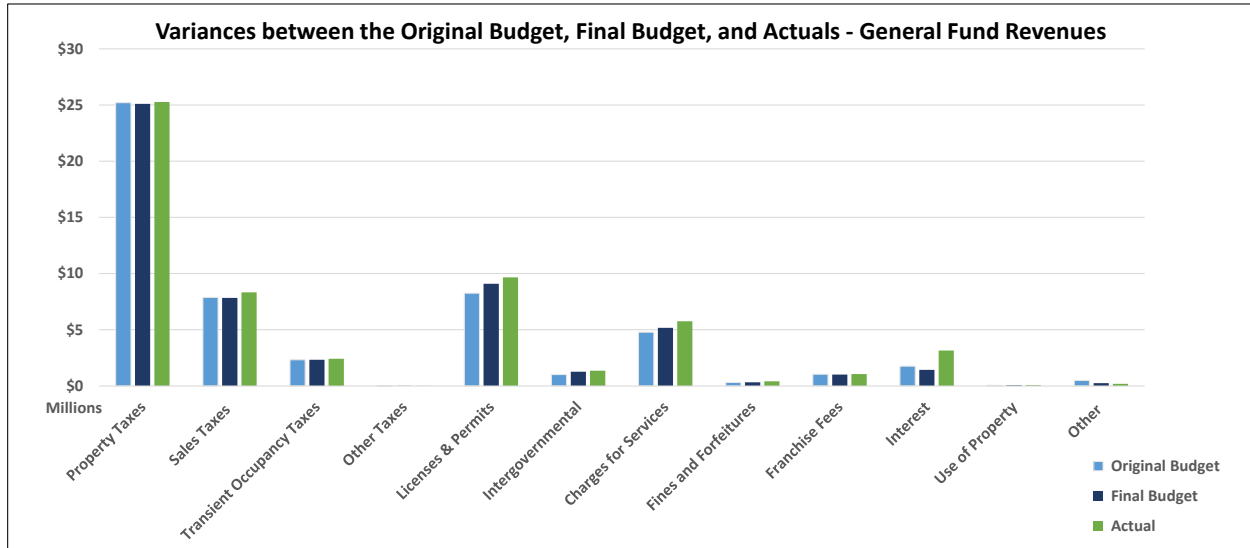
Proprietary Funds

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 \$1.2 million due to increases in general fund support and program charges for services to cover workers' compensation, information technology, and general liability costs including administration, insurance premiums, and claims expense.

GENERAL FUND BUDGETARY HIGHLIGHTS

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



Changes to the Original Budget

As noted in the above chart, comparing the FY 2024-25 original budget (i.e., the Adopted Budget) General Fund revenues of \$53.1 million to the final adjusted budget of \$53.9 million indicates a net increase of approximately \$0.8 million or 1.4%. 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:

- \$0.4 million revenue increases for charges for services including \$0.3 million for plan check fees;
- \$0.8 million revenue budget for licenses & permits including \$0.4 million for business license taxes and \$0.3 million for planning permit fees;
- \$0.3 million revenue budget for grant receipts with matching expenditures.

As shown in the chart on the previous page, comparing the FY 2024-25 original budget (i.e. the Adopted Budget) General Fund expenditures of \$52.5 million (excluding budgeted transfers-out and debt payments that are reimbursed) to the final adjusted budget of \$55.6 million indicates a net increase of approximately \$3.1 million or 6.0%. 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.

- \$1.0 million increase in expenditure budget 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;
- \$1.9 million expenditure increase for salaries and benefits related charges including budget restoration of \$0.3 million for individual departments that were fully staffed and did not experience the full preplanned 4.6% salary savings factor and \$1.6 million for negotiated salaries and benefits and temporary staff augmentation, since agreements were finalized after the budget adoption; and
- \$0.3 million 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, 2025, reports an approximate favorable variance overall with the final budget of approximately \$7.4 million. During FY 2024-25, the General Fund had an excess of revenues over expenditures of \$5.7 million, excluding transfers. This favorable variance was created largely by the net effect of the following factors:

- Actual revenues for the fiscal year ended June 30, 2025, exceeded final budgeted projections by \$3.8 million. This favorable variance was primarily driven by high interest rates and unrealized gains resulting from the requirement to value current investments at market value as of June 30, as well as stronger-than-anticipated sales tax and business license collections reflecting increased consumer spending. Additionally, the Town experienced higher revenues from licenses, permits, and related service charges, largely due to a surge in development-related activity and an increase in engineering, building, and planning permit submittals.

- On the expenditure side, actual spending was \$3.6 million below the final budgeted amounts, mainly due to \$1.8 million in Town-wide savings on salaries and benefits resulting from short-term vacancies, especially in the Police (\$1.5 million) and Parks and Public Works (\$0.2 million), and Administrative Services (\$0.1 million) Departments. Additional savings of \$1.8 million were achieved across various expenditure categories town-wide, reflecting ongoing fiscal discipline and effective budget management.

CAPITAL ASSETS

As of June 30, 2025, the Town's investment in capital assets for its governmental activity is recorded at \$146.8 million (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. Net capital assets increased by \$7.5 million, reflecting \$16.5 million in capital additions which were offset by \$5.3 million in net depreciation and \$3.7 million in deletions for the year.

Notable additions include:

- \$8.5 million addition to construction in progress
- \$4.2 million in street repair and resurfacing, and curb and gutter work; and
- \$2.5 million in other infrastructure, including \$2.3 million in traffic signal work; and
- \$1.3 million in land, building improvements, and equipment acquisitions.

The \$8.5 million addition to construction in progress is comprised of \$4.7 million for pathways projects, \$2.2 million for streets and curbs improvements, \$0.6 million for land and building improvements, \$0.6 million for bridges, \$0.4 million for equipment, retaining walls, traffic signals, parking lots, and park improvements.

Capital Assets Town of Los Gatos For the Year Ended June 30, 2025

	Capital Assets	Accumulated Depreciation	Capital Assets, Net
Infrastructure - Streets	\$ 89,745,124	\$ 43,187,417	\$ 46,557,707
Infrastructure - All Other	31,619,016	11,431,646	20,187,370
Subscription Right of Use Assets	1,622,573	695,605	926,968
Buildings	43,021,401	13,259,105	29,762,296
Land	26,105,392	-	26,105,392
Equipment	13,515,875	11,078,952	2,436,923
Construction in Progress	20,858,183	-	20,858,183
	<u>\$ 226,487,564</u>	<u>\$ 79,652,725</u>	<u>\$146,834,839</u>

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

LONG-TERM DEBT

The Town generally incurs long-term debt to finance projects or purchase assets, which will have useful lives equal to or greater than the related debt. The Town long-term debt is related to the PG&E on-bill financing loan used for facility efficiency project updates, totaling \$0.9 million at 6/30/2025. The long-term debt in the Successor Agency Trust Fund is related to the 2002 COP and 2010 COP, totaling \$8.5 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

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 2025-26 budget projections are based on economic trends and forecasts specific to the Town Geographic area. These estimates, informed by local data from the County of Santa Clara and consultants such as Avenu Insights & Analytics and HdL Coren & Cone 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 2024-25 fiscal year, the Town-wide Statement of Activities reported an increase in net position of \$7.3 million, a measure of the change in the value of assets impacted by Town operations during the year. This net position includes \$3.8 million from investment earnings, driven by higher than usual interest rates and unrealized gains, which are not available to spend, due to the requirement to value current investments at market value as of June 30. Additionally, conservative budgeting and operations resulted in revenue exceeding budget estimates and expenditures coming in below projections contributing to this positive change.

This increase in net position reflects a broader trend, with seven 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 as well as needs to address wildfire risk will substantially impact future financial performance. Further, the potential consolidation of the police department is also not considered in standards or the Town's Capital Improvement Program. Rising costs in key Town operations and contracted services also pose challenges that could outpace revenue growth. Despite our stable current 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 this year, 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 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. Further, the Town does not have identified resources to address a recommended police station consolidation, Town Hall replacement/rehabilitation, or to fully implement its various plans, such as the Bicycle and Pedestrian Master Plan or Senior Roadmap.

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. While the Town is benefiting today, an economic reversal can have the same negative impact.

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 good 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 as well as address future capital, wildfire, and other capital needs not currently scheduled in a five-year Capital Improvement Program. 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. In considering the capital intensive needs of buildings,

infrastructure, and disaster mitigation, a longer view of financial condition and outlook is necessary.

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, 2025**

**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, 2025

Draft

	Governmental Activities
ASSETS	
Cash and investments	\$ 80,767,941
Restricted cash and investments	3,255,657
Receivables:	
Accounts	2,572,019
Interest	608,320
Intergovernmental	4,528,496
Other assets	160,769
Long-term leases receivable	1,498,888
Long-term notes receivables	1,137,752
Capital Assets:	
Nondepreciable	46,963,575
Depreciable, net of accumulated depreciation	99,871,264
Total Assets	<u>\$ 241,364,681</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension adjustments	\$ 16,912,258
OPEB adjustments	4,275,959
Total Deferred Outflows of Resources	<u>\$ 21,188,217</u>
LIABILITIES	
Accounts payable	\$ 3,931,301
Accrued payroll and benefits	915,225
Interest payable	12,795
Due to other governments	94,423
Unearned Revenue	7,764,914
Deposits	5,568,952
Claims payable	1,367,929
Long-term liabilities:	
Due within one year	
Compensated absences	484,551
Subscription liabilities	226,457
Loans payable	156,034
Due in more than one year	
Net OPEB liability	7,489,653
Net pension liabilities	61,403,352
Compensated absences	2,463,793
Subscription liabilities	645,022
Loans payable	728,156
Total Liabilities	<u>\$ 93,252,557</u>
DEFERRED INFLOWS OF RESOURCES	
Leases	880,290
Pension adjustments	809,411
OPEB adjustments	921,930
Total Deferred Inflows of Resources	<u>\$ 2,611,631</u>
NET POSITION	
Net investment in capital assets	\$ 145,079,170
Restricted for:	
Library	559,744
Capital projects	8,719,695
Lighting and landscape repairs and maintenance	193,606
Pensions	3,090,731
VTA	263,061
Worker's compensation claims	106,582
Total Restricted Net Position	<u>12,933,419</u>
Unrestricted	8,676,121
Total Net Position	<u>\$ 166,688,710</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, 2025**

Draft

Functions/Programs	Expenses	Program Revenues				Net (Expense) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	Governmental Activities
Governmental Activities:						
General government	\$ 11,122,319	\$ 5,809,508	\$ 112,216	\$ -	\$ 5,921,724	\$ (5,200,595)
Public safety	24,095,151	1,793,058	869,926	-	2,662,984	(21,432,167)
Parks and public works	17,745,141	4,095,474	1,902,414	6,710,310	12,708,198	(5,036,943)
Community development	5,734,087	6,055,131	95,126	-	6,150,257	416,170
Library services	3,716,806	2,515	118,472	-	120,987	(3,595,819)
Sanitation	276,528	163,690	-	-	163,690	(112,838)
Interest	41,403	-	-	-	-	(41,403)
Total Governmental Activities	\$ 62,731,435	\$ 17,919,376	\$ 3,098,154	\$ 6,710,310	\$ 27,727,840	(35,003,595)
General revenues:						
Taxes:						
Property taxes						25,252,782
Sales taxes						8,330,978
Franchise taxes						1,057,483
Transient occupancy taxes						2,417,630
Other taxes						50,036
Motor vehicle in lieu						52,733
Investment earnings:						
Investment earnings						2,581,393
Unrealized gains (losses)						1,201,824
Miscellaneous						1,341,229
Total general revenues						42,286,088
Change in Net Position						7,282,493
Net Position - Beginning						159,406,217
Net Position - Ending						\$ 166,688,710

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, 2025

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, 2025. 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, 2025**

Draft

	General	Appropriated Reserves	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash & investments	\$ 38,724,248	\$ 21,849,987	\$ 10,521,798	\$ 71,096,033
Restricted cash & investments	3,090,731	-	58,344	3,149,075
Receivables:				
Accounts	1,842,977	423,390	211,164	2,477,531
Interest	608,320	-	-	608,320
Intergovernmental	2,162,657	2,281,498	84,341	4,528,496
Other assets	160,769	-	-	160,769
Leases receivable	-	55,629	225,652	281,281
Long term note receivable	1,059,000	-	78,752	1,137,752
Total Assets	\$ 47,648,702	\$ 24,610,504	\$ 11,180,051	\$ 83,439,257
LIABILITIES				
Accounts payable	\$ 1,280,057	\$ 2,080,943	\$ 292,940	\$ 3,653,940
Accrued payroll and benefits	912,732	-	2,493	915,225
Due to other governments	94,337	-	-	94,337
Unearned revenue	4,029,308	3,670,811	64,795	7,764,914
Deposits	5,568,952	-	-	5,568,952
Total Liabilities	11,885,386	5,751,754	360,228	17,997,368
DEFERRED INFLOWS OF RESOURCES				
Leases	-	53,248	134,835	188,083
Total Deferred Inflows of Resources	-	1,965,150	134,835	2,099,985
FUND BALANCE				
Nonspendable:				
Loans receivable	159,000	-	-	159,000
Restricted for:				
Library	-	-	559,744	559,744
Capital projects	-	-	8,719,695	8,719,695
Repairs and maintenance	-	-	193,606	193,606
Pensions	3,090,731	-	-	3,090,731
VTA	-	263,061	-	263,061
Committed to:				
Budget stabilization	7,870,639	-	-	7,870,639
Catastrophic	7,870,639	-	-	7,870,639
Pensions/OPEB	1,000,000	-	-	1,000,000
Measure G 2018 district sales tax	-	1,376,181	-	1,376,181
Special revenue funds	-	-	1,211,943	1,211,943
Assigned to:				
Open Space	410,000	152,000	-	562,000
Parking	-	292,000	-	292,000
Sustainability	140,553	-	-	140,553
Capital improvements	1,983,271	14,760,358	-	16,743,629
Carryover encumbrances	6,367	-	-	6,367
Comcast PEG	-	50,000	-	50,000
Compensated absences	1,519,243	-	-	1,519,243
Market fluctuations	1,340,098	-	-	1,340,098
Unassigned	10,372,775	-	-	10,372,775
Total Fund Balances	35,763,316	16,893,600	10,684,988	63,341,904
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 47,648,702	\$ 24,610,504	\$ 11,180,051	\$ 83,439,257

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

Draft

TOWN OF LOS GATOS, CALIFORNIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET
POSITION – GOVERNMENTAL ACTIVITIES
JUNE 30, 2025

Fund Balance - Total Governmental Funds **\$ 63,341,904**

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. 146,526,246

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. 8,764,351

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	\$ 7,066,321	
PERS Safety Plan adjustments	9,845,937	
OPEB plan adjustments	4,275,959	21,188,217

Deferred Inflows of resources:

PERS Safety Plan adjustments	\$ (809,411)	
OPEB plan adjustments	(921,930)	(1,731,341)

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. 1,911,902

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	\$ (587,030)	
Loans payable	(884,190)	
Net Pension Liabilities	(61,403,352)	
Net OPEB Liability	(7,489,653)	
Compensated absences	(2,948,344)	(73,312,569)

Net Position - Governmental Activities **\$ 166,688,710**

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, 2025**

Draft

	General	Appropriated Reserves	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Property Taxes	\$ 25,266,865	\$ -	\$ 38,650	\$ 25,305,515
Sales Taxes	8,330,978	-	-	8,330,978
Transient Occupancy Taxes	2,417,630	-	-	2,417,630
Other Taxes	5,004	-	22,516	27,520
Licenses & Permits	9,657,327	158,732	261,629	10,077,688
Intergovernmental	1,357,594	7,830,241	1,850,488	11,038,323
Charges for Services	5,749,950	898,553	-	6,648,503
Fines and Forfeitures	420,127	-	-	420,127
Franchise Fees	1,057,483	-	-	1,057,483
Interest	3,151,243	200,349	431,626	3,783,218
Use of Property	76,161	91,284	274,633	442,078
Other	190,105	477,300	80,854	748,259
Total Revenues	57,680,467	9,656,459	2,960,396	70,297,322
EXPENDITURES				
Current:				
General Government	10,884,414	-	-	10,884,414
Public Safety	20,827,888	-	-	20,827,888
Parks and Public Works	10,717,231	-	111,743	10,828,974
Community Development	5,637,742	-	-	5,637,742
Library Services	3,568,496	-	82,862	3,651,358
Sanitation and Other	-	-	274,188	274,188
Capital Outlay	65,000	12,910,018	2,570,656	15,545,674
Debt service:				
Principal	206,380	-	-	206,380
Interest	41,403	-	-	41,403
Total Expenditures	51,948,554	12,910,018	3,039,449	67,898,021
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,731,913	(3,253,559)	(79,053)	2,399,301
OTHER FINANCING SOURCES (USES)				
Transfers in	812,411	1,783,080	-	2,595,491
Transfers (out)	(1,843,080)	(701,491)	(110,920)	(2,655,491)
Total Other Financing Sources (Uses)	(1,030,669)	1,081,589	(110,920)	(60,000)
NET CHANGES IN FUND BALANCES	4,701,244	(2,171,970)	(189,973)	2,339,301
BEGINNING FUND BALANCES	31,062,072	19,065,570	10,874,961	61,002,603
ENDING FUND BALANCES	\$ 35,763,316	\$ 16,893,600	\$ 10,684,988	\$ 63,341,904

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, 2025**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 2,339,301

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)	\$ 13,404,632	
Current year depreciation	<u>(5,743,441)</u>	7,661,191

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. (892)

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 Principal Payments		50,347
PG&E Loan		156,033

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. (1,152,891)

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. 162,613

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. 582,395

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. (3,745,405)

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. 1,229,801

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ 7,282,493

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, 2025**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Property Taxes	\$ 25,204,691	\$ 25,102,070	\$ 25,266,865	\$ 164,795
Sales Taxes	7,885,517	7,841,645	8,330,978	489,333
Transient Occupancy Taxes	2,332,419	2,332,419	2,417,630	85,211
Other Taxes	7,000	7,000	5,004	(1,996)
Licenses & Permits	8,253,715	9,087,746	9,657,327	569,581
Intergovernmental	1,015,439	1,265,444	1,357,594	92,150
Charges for Services	4,786,513	5,168,358	5,749,950	581,592
Fines and Forfeitures	315,200	325,200	420,127	94,927
Franchise Fees	1,041,330	1,013,330	1,057,483	44,153
Interest	1,764,425	1,427,333	3,151,243	1,723,910
Use of Property	55,143	55,143	76,161	21,018
Other	485,273	248,413	190,105	(58,308)
Total Revenues	53,146,665	53,874,101	57,680,467	3,806,366
EXPENDITURES				
Current:				
General Government:				
Town Council	206,235	219,813	222,953	(3,140)
Town Attorney	943,589	1,085,157	1,076,252	8,905
Administrative Services	6,397,313	6,942,452	6,428,015	514,437
Non-Departmental	3,440,213	3,773,154	3,157,194	615,960
Total General Government	10,987,350	12,020,576	10,884,414	1,136,162
Public Safety	21,956,480	22,832,439	20,827,888	2,004,551
Parks & Public Works	10,394,397	11,210,625	10,717,231	493,394
Community Development	5,577,310	5,706,062	5,637,742	68,320
Library Services	3,398,711	3,591,990	3,568,496	23,494
Capital Outlay	-	65,000	65,000	-
Debt Service:				
Principal	156,034	156,034	206,380	(50,346)
Interest	-	-	41,403	(41,403)
Total Expenditures	52,470,282	55,582,726	51,948,554	3,634,172
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	676,383	(1,708,625)	5,731,913	7,440,538
OTHER FINANCING SOURCES (USES)				
Transfers In	595,411	812,411	812,411	-
Transfers Out	(1,754,083)	(1,782,575)	(1,843,080)	(60,505)
Total Other Financing Sources (Uses)	(1,158,672)	(970,164)	(1,030,669)	(60,505)
NET CHANGES IN FUND BALANCE	\$ (482,289)	\$ (2,678,789)	4,701,244	\$ 7,380,033
BEGINNING FUND BALANCE			31,062,072	
ENDING FUND BALANCE			\$ 35,763,316	

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, 2025**

Draft

**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, 2025**

Draft

	Governmental Activities Internal Service Funds
ASSETS	
Current Assets:	
Cash & investments	\$ 9,671,908
Restricted cash & investments	106,582
Accounts Receivable	94,488
Total current assets	<u>9,872,978</u>
Noncurrent Assets:	
Leases receivable	1,217,607
Subscription assets, net	308,593
Total noncurrent assets	<u>1,526,200</u>
Total Assets	<u>\$ 11,399,178</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 277,361
Due to other governments	86
Interest payable	12,795
Subscription liabilities - Current	172,839
Total current liabilities	<u>463,081</u>
Noncurrent liabilities:	
Claims payable	1,367,929
Subscription liabilities	111,610
Total noncurrent liabilities	<u>1,479,539</u>
Total Liabilities	<u>\$ 1,942,620</u>
DEFERRED INFLOWS OF RESOURCES	
Leases	<u>\$ 692,207</u>
NET POSITION	
Net Investment in capital assets	\$ 24,144
Restricted for workers compensation claims	106,582
Unrestricted	8,633,625
Total Net Position	<u>\$ 8,764,351</u>

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

**TOWN OF LOS GATOS, CALIFORNIA
PROPRIETARY FUNDS -
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

	Governmental Activities Internal Service Funds
OPERATING REVENUES	
Charges for services	\$ 5,891,269
Use of money and property	137,633
Other local taxes	22,516
Other revenue and reimbursements	374,198
Total Operating Revenues	<u>6,425,616</u>
OPERATING EXPENSES	
Insurance expenses	2,435,013
Services and Supplies	2,704,049
Depreciation/amortization	202,422
Total Operating Expenses	<u>5,341,484</u>
Operating Income (Loss)	1,084,132
NONOPERATING REVENUE (EXPENSES)	
Investment earnings	<u>85,669</u>
Income (loss) before transfers	1,169,801
Transfers in	<u>60,000</u>
Change in Net Position	1,229,801
BEGINNING NET POSITION	<u>7,534,550</u>
ENDING NET POSITION	<u>\$ 8,764,351</u>

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

**TOWN OF LOS GATOS, CALIFORNIA
PROPRIETARY FUNDS -
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

Draft

	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 6,100,761
Payments to suppliers	(5,089,089)
Insurance reimbursements	330,789
Claims paid	(512,165)
Net cash provided (used) by operating activities	<u>830,296</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers In	<u>60,000</u>
Net cash provided (used) by noncapital financing activities	<u>60,000</u>
CASH FLOWS FROM CAPITAL RELATED FINANCING ACTIVITIES	
Interest paid	(7,148)
Principal paid	(161,332)
Net cash provided (used) by capital related financing activities	<u>(168,480)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Cash collected from investment earnings	<u>85,669</u>
Net cash provided (used) Investing Activities	<u>85,669</u>
 Net Increase(Decrease) in Cash and Investments	 807,485
Cash and investments - beginning of year	<u>8,971,005</u>
Cash and investments - end of year	<u>\$ 9,778,490</u>
 Reconciliation of Operating Income to Cash Flows from Operating Activities:	
Operating Income	\$ 1,084,132
Adjustments to reconcile operating income to cash flows from operating activities:	
Depreciation/amortization	202,422
Change in assets and liabilities:	
Accounts receivables	(55,077)
Leases receivable	190,076
Deferred inflows of resources	(129,065)
Accounts payable	59,844
Claims payable	(522,063)
Cash Flows From Operating Activities	<u>\$ 830,296</u>
 Cash and cash equivalents:	
Cash and investments	\$ 9,671,908
Restricted cash and investments	106,582
Total cash and cash equivalents	<u>\$ 9,778,490</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, 2025

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, 2025**

	RDA Successor Agency
ASSETS	
Cash and investments	\$ 2,132,669
Restricted cash and investments	2,167,505
Loans receivable	645,410
Capital assets:	
Depreciable, net of accumulated depreciation	896,107
	<hr/>
Total Assets	\$ 5,841,691
	<hr/>
LIABILITIES	
Accounts payable	\$ 36
Interest payable	160,530
Long-term debt:	
Due within one year	1,550,000
Due in more than one year	7,168,270
	<hr/>
Total Liabilities	\$ 8,878,836
	<hr/>
NET POSITION	
Restricted for RDA	\$ (3,037,145)
	<hr/>
Total Net Position	\$ (3,037,145)
	<hr/>

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, 2025**

	RDA Successor Agency
ADDITIONS	
Property taxes	\$ 1,951,721
Investment earnings	<u>130,367</u>
Total Additions	<u>2,082,088</u>
DEDUCTIONS	
Program expenses of former RDA	1,718
Payments to other governments	5,394
Interest and fiscal agency expenses of RDA	359,258
Depreciation expense	<u>120,823</u>
Total Deductions	<u>487,193</u>
CHANGE IN NET POSITION	1,594,895
NET POSITION - BEGINNING OF YEAR	<u>(4,632,040)</u>
NET POSITION - END OF YEAR	<u>\$ (3,037,145)</u>

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

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Notes to Basic Financial Statements

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

Draft

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, 2025, was 33,355.

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, 2025

Draft

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, 2025

Draft

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” using the accrual basis of accounting.

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 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, 2025

Draft

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, 2025

Draft

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, 2023
Measurement Date	June 30, 2024
Measurement Period	July 1, 2023 to June 30, 2024

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, 2023
Measurement Date	June 30, 2024
Measurement Period	July 1, 2023 to June 30, 2024

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, 2025

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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, 2025

Draft

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 - The Town recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. Based on the criteria listed, two types of leave qualify for liability recognition for compensated absences – vacation and sick leave. The liability for compensated absences is reported as incurred in the government-wide and proprietary fund financial statements. The liability for compensated absences includes salary-related taxes and benefits, where applicable.

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

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

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

Beginning Balance	\$ 3,110,957
Net change	<u>(72,470)</u>
Ending Balance	<u>\$ 3,038,487</u>
Compensated Absences Current Portion	<u>\$ 484,551</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

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

Draft

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.

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.

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

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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 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 19, 2025, 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.

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

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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:

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, 2025.

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.

G. Accounting and Reporting Changes

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 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 implementation of this standard did not have a material impact on the Town's financial statements and management determined there were no were concentrations or constraints that make the Town vulnerable to the risk of substantial impact.

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. 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.

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NOTE 2 - CASH AND INVESTMENTS

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

Cash and Investments Defined

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

Cash Deposits with Banks and Custodial Credit Risk

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

The bank balance of the Town's cash deposits was \$8,687,744 and the carrying amount was \$9,807,078 as of June 30, 2025. 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.

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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, 2025, 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 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, 2025.

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The following table summarizes the Town's 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%

The following is a summary of the Town's Cash and Investments (stated at fair value) as of June 30, 2025:

Description	Available for Operations	Restricted	Total	Concentration of Credit Risk	Rating	Input Level	Time to Mature (Years)	Weighted Average Maturity
Government Bonds	\$ 19,937,294	-	\$ 19,937,294	27.28%	AA+	2	.08-4.92	2.39
Government Agencies	17,930,643	-	17,930,643	24.53%	AA+	2	.15-4.47	1.72
Corporate Bonds	15,039,365	-	15,039,365	20.58%	A- to AA+	2	.53-4.10	2.27
Mutual Funds	15,229	-	15,229	0.02%	Not Rated	2	n/a	n/a
LAIF	20,168,601	-	20,168,601	27.59%	Not Rated	n/a	n/a	n/a
Total Investments	73,091,132	-	73,091,132	100.00%				
Cash Deposits with Banks	9,789,372	2,332,431	12,121,803					
Money Market Accounts	17,706	-	17,706					
Pension Trust	-	3,090,731	3,090,731					
Cash on Hand at Town	2,400	-	2,400					
Total Cash and Investments	\$ 82,900,610	\$ 5,423,162	\$ 88,323,772					

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

Description	Total Town	Fiduciary Funds	Totals
Cash and Investments Available for Operations	\$ 80,767,941	\$ 2,132,669	\$ 82,900,610
Restricted Cash and Investments	3,255,657	2,167,505	5,423,162
Total Cash and Investments	\$ 84,023,598	\$ 4,300,174	\$ 88,323,772

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NOTE 3 - LONG-TERM NOTES RECEIVABLE

The Town had the following long-term notes receivable as of June 30, 2025:

Description	Interest Rate	Maturity	Balance
General Fund:			
Rehab Loan to Charities	Various	Various	\$ 159,000
BMP Loans	Various	Various	900,000
Total General Fund			<u>1,059,000</u>
Community Development Block Grant Fund (CDBG):			
Housing Conservation	0-5%	Various	<u>78,752</u>
Total CDBG			<u>78,752</u>
Total Long-Term Notes Receivable - Government-Wide Statement of Net Position			<u>1,137,752</u>
Successor Agency Affordable Housing:			
Project Match	Various	Various	<u>645,410</u>
Total Long-Term Notes Receivable			<u>\$ 1,783,162</u>

BMP Loans - The purpose of the Below Market Price (BMP) Housing Program is to provide adequate housing for Los Gatos residents, regardless of age, income, race, or ethnic background. As required by the State, the Town plans and facilitates the construction of housing adequate for future populations 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, 2025, 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%.

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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%.

The following summarizes the lease balances as of June 30, 2025:

Lease Receivable	Beginning	Additions	Deletions	Ending
Tesla	\$ 149,496	\$ -	\$ (93,867)	\$ 55,629
LGS 123 E. Main St	131,006	-	(19,623)	111,383
LGS 208 E. Main St	1,055,502	-	(158,086)	897,416
NUMU	221,175	-	(12,368)	208,807
Los Gatos Theatre	304,129	-	(78,477)	225,652
	<u>\$ 1,861,308</u>	<u>\$ -</u>	<u>\$ (362,420)</u>	<u>\$ 1,498,888</u>

Deferred Inflows of Resources	Beginning	Additions	Deletions	Ending
Tesla	\$ 144,532	\$ -	\$ (91,284)	\$ 53,248
LGS 123 E. Main St	70,402	-	(12,997)	57,405
LGS 208 E. Main St	535,276	-	(98,820)	436,456
NUMU	215,594	-	(17,247)	198,347
Los Gatos Theatre	202,252	-	(67,418)	134,834
	<u>\$ 1,168,056</u>	<u>\$ -</u>	<u>\$ (287,766)</u>	<u>\$ 880,290</u>

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The following summarizes the future lease collections as of June 30, 2025:

For the Year Ending June 30,	Principal	Interest	Total
2026	\$ 363,791	\$ 82,970	\$ 446,761
2027	352,973	64,266	417,239
2028	248,138	45,815	293,953
2029	270,392	30,536	300,928
2030	128,730	16,319	145,049
2031-2035	99,049	25,952	125,001
2036-2037	35,815	1,685	37,500
Total Future Collections	<u>\$ 1,498,888</u>	<u>\$ 267,543</u>	<u>\$ 1,766,431</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.

Transfers between funds during the fiscal year ended June 30, 2025 were as follows:

Transfers Out			Transfers In		
Opinion Unit	Program Title	Amount	Opinion Unit	Program Title	Description
General Fund	Non-Departmental	\$ 1,110,000	Appropriated Reserves	GFAR	Adopted Budget Support
General Fund	Non-Departmental	60,000	Internal Service	Liability Program	Internal Service Fund
General Fund	Non-Departmental	20,684	Appropriated Reserves	ARC Interim Community Center	Capital Project
General Fund	Measure G Program	652,396	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	Non-Departmental	102,000	General Fund	Non-Departmental	Vehicle Impact Fees
Appropriated Reserves	Non-Departmental	250,000	General Fund	Non-Departmental	Community Grants
Appropriated Reserves	GFAR	217,808	General Fund	PPW Admin	Engineering Support
Appropriated Reserves	GFAR	121,683	General Fund	Town Engineering	Engineering Support
Appropriated Reserves	Traffic Mitigation	10,000	General Fund	Non-Departmental	Admin Support
Nonmajor	Gas Tax	106,000	General Fund	Non-Departmental	Admin Support
	Total Transfers	<u>\$ 2,655,491</u>			

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NOTE 6 - CAPITAL ASSETS

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

	Beginning	Additions	Deletions	Ending
Nondepreciable/Amortizable Capital Assets:				
Land	\$ 26,064,735	\$ 40,657	\$ -	\$ 26,105,392
Construction in Progress	15,491,043	8,464,443	(3,097,303)	20,858,183
Total Nondepreciable/Amortizable	33,579,251	8,505,100	(3,097,303)	46,963,575
Depreciable/Amortizable Capital Assets:				
Subscription Right of Use Assets	1,622,573	-	-	1,622,573
Buildings and Improvements	42,862,716	158,685	-	43,021,401
Equipment & Vehicle	12,893,445	1,153,864	(531,434)	13,515,875
Infrastructure - All Other	28,491,627	3,127,389	-	31,619,016
Infrastructure - Streets	86,301,911	3,556,897	(113,684)	89,745,124
Total Depreciable/Amortizable	172,172,272	7,996,835	(645,118)	179,523,989
Less Accumulated Depreciation/Amortization for:				
Subscription Right of Use Assets	422,512	273,093	-	695,605
Buildings and Improvements	11,995,280	1,263,825	-	13,259,105
Equipment & Vehicle	10,870,937	738,557	(530,542)	11,078,952
Infrastructure - All Other	10,552,383	879,263	-	11,431,646
Infrastructure - Streets	40,509,975	2,791,126	(113,684)	43,187,417
Total Accumulated Depreciation/Amortization	74,351,087	5,945,864	(644,226)	79,652,725
Net Depreciable/Amortizable Capital Assets	97,821,185	2,050,971	(892)	99,871,264
Capital Assets, Net	\$ 139,376,963	\$ 10,556,071	\$ (3,098,195)	\$ 146,834,839

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	\$ 485,905
Public Safety	503,948
Parks & Public Works	4,864,643
Community Development	53,448
Library	37,665
Sanitation	255
Total Governmental Activities	<u>\$ 5,945,864</u>

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

	Beginning	Additions	Deletions	Ending
Depreciable/Amortizable Capital Assets:				
Buildings and Improvements	\$ 4,067,708	\$ -	\$ -	\$ 4,067,708
Less Accumulated Depreciation/Amortization for:				
Buildings and Improvements	3,050,778	120,823	-	3,171,601
Net Depreciable/Amortizable Capital Assets	1,016,930	(120,823)	-	896,107
Capital Assets, Net	\$ 1,016,930	\$ (120,823)	\$ -	\$ 896,107

NOTE 7 - 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 following summarizes the changes in long-term debt in the Town during the fiscal year ended June 30, 2025:

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	\$ 1,040,223	\$ -	\$ 156,034	\$ 884,189
Due Within One Year							156,034
Due in More Than One Year							<u>\$ 728,155</u>

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

For the Year Ending June 30,	Principal	Interest	Total
2026	\$ 156,034	\$ -	\$ 156,034
2027	156,034	-	156,034
2028	156,034	-	156,034
2029	156,034	-	156,034
2030	156,034	-	156,034
2031-2035	104,019	-	104,019
Total Debt Service	<u>\$ 884,189</u>	<u>\$ -</u>	<u>\$ 884,189</u>

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The following summarizes the changes in long-term debt in the Successor Agency trust fund during the fiscal year ended June 30, 2025:

Long-Term Debt	Interest Rate	Maturity Date	Original Issue	Beginning Balance	Deletions	Ending Balance
2002 COP	2.5-5%	2031	\$ 10,725,000	\$ 4,420,000	\$ 465,000	\$ 3,955,000
2010 COP	2.5-4.25%	2028	15,675,000	5,595,000	1,020,000	4,575,000
Subtotal COP's			26,400,000	10,015,000	1,485,000	8,530,000
Premiums			753,095	225,926	37,655	188,271
Total Long-Term Debt			<u>\$ 27,153,095</u>	<u>\$ 10,240,926</u>	<u>\$ 1,522,655</u>	<u>\$ 8,718,271</u>
Due Within One Year						<u>1,550,000</u>
Due in More Than One Year						<u>\$ 7,168,271</u>

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

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

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

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

For the Year Ending June 30,	Principal	Interest	Total
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	590,000	78,250	668,250
2031-2035	1,270,000	64,250	1,334,250
Total Debt Service	\$ 8,530,000	\$ 1,121,700	\$ 9,651,700

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 \$2,167,505 as of June 30, 2025. 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, 2025:

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	\$ 111,986	\$ 49,344	\$ 50,347
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, 2025:

Subscription Right of Use Assets	Accela	Microsoft	Axon	Total
Beginning	\$ 597,350	\$ 318,510	\$ 706,713	\$ 1,622,573
Additions	-	-	-	-
Deletions	-	-	-	-
Ending	597,350	318,510	706,713	1,622,573
Accumulated Amortization	(448,011)	(159,255)	(88,339)	(695,605)
Subscription ROA, Net	\$ 149,339	\$ 159,255	\$ 618,374	\$ 926,968

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The following summarizes the Town's subscription liabilities as of June 30, 2025:

Subscription Liabilities	Accela	Microsoft	Axon	Total
Beginning	\$ 232,997	\$ 212,784	\$ 637,377	\$ 1,083,158
Additions	-	-	-	-
Deletions	(111,986)	(49,344)	(50,349)	(211,679)
Ending	121,011	163,440	587,028	871,479
Due Within One Year	121,011	51,828	53,618	226,457
Due in More Than One Year	\$ -	\$ 111,612	\$ 533,410	\$ 645,022

The following summarizes the Town's future payments for subscription liabilities as of June 30, 2025:

For the Year			
Ending June 30,	Principal	Interest	Total
2026	\$ 226,456	\$ 52,120	\$ 278,576
2027	111,536	40,265	151,801
2028	117,985	33,817	151,802
2029	67,512	26,990	94,502
2030	74,733	22,604	97,337
2030-2034	273,257	36,628	309,885
Total Debt Service	\$ 871,479	\$ 212,424	\$ 1,083,903

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, 2025.

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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, 2025, fund balances were classified as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Nonspendable				
Loans Receivable	\$ 159,000	\$ -	\$ -	\$ 159,000
Total Nonspendable	159,000	-	-	159,000
Restricted:				
Library	556,848	85,760	(82,864)	559,744
Capital projects	9,043,666	2,352,685	(2,676,656)	8,719,695
Land held for resale	344,338	-	(344,338)	-
Repairs and maintenance	182,625	46,575	(35,594)	193,606
Pensions	2,188,659	905,776	(3,704)	3,090,731
VTA	577,887	1,973,860	(2,288,686)	263,061
Total Restricted	12,894,023	5,364,656	(5,431,842)	12,826,837
Committed:				
Budget stabilization and catastrophes	6,736,781	1,133,858	-	7,870,639
Catastrophic	6,736,781	1,133,858	-	7,870,639
Pension/OPEB Reserve	300,000	700,000	-	1,000,000
Measure G 2018 District Sales Tax - Residual	590,581	-	(590,581)	-
Measure G 2018 District Sales Tax - Capital	1,572,619	-	(196,438)	1,376,181
Special revenue funds	1,091,822	2,960,396	(2,840,275)	1,211,943
Total Committed	17,028,584	5,928,112	(3,627,294)	19,329,402
Assigned:				
Open Space	562,000	-	-	562,000
Parking	292,000	-	-	292,000
Sustainability	140,553	-	-	140,553
Capital/Special projects	25,072,120	10,738,047	(19,066,538)	16,743,629
Carryover encumbrances	85,861	-	(79,494)	6,367
Comcast PEG	50,000	-	-	50,000
ERAF Risk	1,430,054	-	(1,430,054)	-
Economic recovery	20,684	1,319,414	-	1,340,098
Compensated Absences	1,555,478	-	(36,235)	1,519,243
Market fluctuations	1,712,246	-	(1,712,246)	-
Total Assigned	30,920,996	12,057,461	(22,324,567)	20,653,890
Unassigned	-	10,372,775	-	10,372,775
Total Fund Balance - Gov't Funds	\$ 61,002,603	\$ 33,723,004	\$ (31,383,703)	\$ 63,341,904

Nonspendable

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

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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.

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

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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.

Measure G 2018 District Sales Tax committed 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.

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.

Compensated Absences assigned fund balance will be used for vacation and sick-pay benefits owed to employees as of June 30, 2025 that were not a liability of the General Fund because of their long-term nature.

Market Fluctuations assigned fund balance will be used for fair value adjustments that are not immediately realizable but included in investment earnings.

NOTE 11 - EMPLOYEES' RETIREMENT PLAN

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

	Defined Benefit Plans		Total
	Misc	Safety	
Deferred outflows of resources	\$ 7,066,321	\$ 9,822,629	\$ 16,888,950
Deferred inflows of resources	\$ -	\$ 809,446	\$ 809,446
Net pension liabilities	\$ 27,934,019	\$ 33,469,333	\$ 61,403,352
Pension expense (credit)	\$ 5,488,565	\$ 6,534,580	\$ 12,023,145

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

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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, 2025, 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%	7.75%	9%	14.5%
Required employer contribution rates	11.15%	11.15%	11.15%	29.30%	14.72%

Employees Covered

At June 30, 2025, the following employees were covered by the benefit terms for the Plans:

	Miscellaneous	Safety
Active	123	48
Transferred	107	19
Separated	106	9
Retired	264	91
Total	600	167

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

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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, 2025, pension contributions for each Plan was as follows:

	Employer Contributions
Miscellaneous	\$ 4,348,001
Safety	3,929,739
Total Employer Contributions	\$ 8,277,740

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

As of June 30, 2025, the Town reported net pension liabilities for each plan as follows:

	Proportionate Share of Net Pension Liability/(Asset)
Miscellaneous	\$ 27,934,019
Safety	33,469,333
Total	\$ 61,403,352

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, 2024, 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, 2023. The Town's proportion of the net pension liability for the Safety Plan was based on a projection of the Town's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The Town's proportionate share of the net pension liability for the Safety Plan as of June 30, 2024 and 2025 was as follows:

	Safety
Proportion - June 30, 2024	0.45458%
Proportion - June 30, 2025	0.45906%
Change - Increase/(Decrease)	0.00448%

For the year ended June 30, 2025, the Town recognized a pension expense of \$12,023,145.

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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, 2025:

	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Beginning Balance	\$ 128,233,325	\$ 99,184,743	\$ 29,048,582
Service Costs	2,365,384	-	2,365,384
Interest on Total Pension Liability	8,809,282	-	8,809,282
Changes of Assumptions	-	-	-
Difference Actual and Expected Experience	1,923,906	-	1,923,906
Employer Contributions	-	3,876,932	(3,876,932)
Employee Contributions	-	996,934	(996,934)
Net Investment Income	-	9,419,976	(9,419,976)
Benefit Payments	(7,338,359)	(7,338,359)	-
Administrative Expenses	-	(80,707)	80,707
Net Changes	5,760,213	6,874,776	(1,114,563)
Ending Balance	\$ 133,993,538	\$ 106,059,519	\$ 27,934,019

At June 30, 2025, 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	\$ -	\$ -	\$ 824,616	\$ -
Differences between Expected and Actual Experience	1,079,463	-	2,731,395	88,809
Differences between Projected and Actual Investment Earnings	1,638,857	-	1,617,755	-
Differences between Employer's Contributions and Proportionate Share of Contributions	-	-	401,233	415,900
Change in Employer's Proportion	-	-	341,199	304,702
Pension Contributions Made Subsequent to Measurement Date	4,348,001	-	3,929,739	-
Total	\$ 7,066,321	\$ -	\$ 9,845,937	\$ 809,411

The Town reported \$8,277,740 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, 2026.

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

Fiscal Year Ending June 30:	Deferred Outflows/(Inflows) of Resources		Total
	Miscellaneous	Safety	
2026	\$ 837,457	\$ 1,924,705	\$ 2,762,162
2027	2,817,540	3,747,701	6,565,241
2028	(403,583)	(12,128)	(415,711)
2029	(533,094)	(553,491)	(1,086,585)
2030	-	-	-
Thereafter	-	-	-
Total	\$ 2,718,320	\$ 5,106,787	\$ 7,825,107

Actuarial Assumptions

The total pension liabilities in the June 30, 2023 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
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, 2023 valuation are based on CalPERS experience studies which can found on the CalPERS website.

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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.

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

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

	<u>Miscellaneous</u>	<u>Safety</u>
1% Decrease	5.90%	5.90%
Net Pension Liability	\$ 45,258,401	49,708,639
Current	6.90%	6.90%
Net Pension Liability	\$ 27,934,019	33,469,333
1% Increase	7.90%	7.90%
Net Pension Liability	\$ 13,675,961	20,187,864

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, 2025, 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 2025, the Town reported \$3,090,731 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.

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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, 2025 (the measurement date), the benefit terms covered the following employees:

Active employees	158
Inactive employees - receiving benefits	145
Inactive employees - not receiving benefits	<u>36</u>
Total employees	<u><u>339</u></u>

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, 2025, the Town contributed \$2,081,717 from the General Fund. During the measurement period ended June 30, 2024, the Town contributed \$1,818,298 to the Plan and benefit payments were \$1,801,144. Plan members receiving benefits contributed did not make any contributions.

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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, 2024
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%

Assumption Changes:

None

Discount Rate

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

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Net OPEB Liability

The Town's net OPEB liability was measured as of June 30, 2024 (measurement date) and was determined by an actuarial valuation as of June 30, 2024 (valuation date) for the fiscal year ended June 30, 2025 (reporting date).

Changes in the Net OPEB Liability

The following summarizes the changes in the net OPEB liability during the year ended June 30, 2025:

Fiscal Year Ended June 30, 2025 (Measurement Date June 30, 2024)	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2024	\$ 33,331,226	\$ 24,321,780	\$ 9,009,446
Service cost	865,285	-	865,285
Interest in Total OPEB Liability	2,080,996	-	2,080,996
Employer contributions	-	1,818,298	(1,818,298)
Net investment income	-	2,672,858	(2,672,858)
Administrative expenses	-	(25,082)	25,082
Benefit payments	(1,801,144)	(1,801,144)	-
Net changes	1,145,137	2,664,930	(1,519,793)
Balance at June 30, 2025	\$ 34,476,363	\$ 26,986,710	\$ 7,489,653
Covered Employee Payroll	\$ 20,375,284		
Total OPEB Liability as a % of Covered Employee Payroll	169.21%		
Plan Fid. Net Position as a % of Total OPEB Liability	78.28%		
Service Cost as a % of Covered Employee Payroll	4.25%		
Net OPEB Liability as a % of Covered Employee Payroll	36.76%		
Contributions as a % of Cov. Emp. Payroll	8.92%		

Deferred Inflows and Outflows of Resources

At June 30, 2025, 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	\$ 102,621	\$ 840,500
Difference between actual and expected earnings	279,365	-
Change in assumptions	1,812,256	81,430
OPEB contribution subsequent to measurement date	2,081,717	-
Totals	\$ 4,275,959	\$ 921,930

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Of the total amount reported as deferred outflows of resources related to OPEB, \$2,081,717 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,	
2026	\$ 21,973
2027	937,782
2028	152,324
2029	160,233
2030	-
Thereafter	-
Total	<u>\$ 1,272,312</u>

Rate of Return

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

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

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OPEB Expense

The following summarizes the OPEB expense by source during the year ended June 30, 2025:

Service cost	\$ 865,285
Interest in TOL	2,080,996
Expected investment income	(1,519,863)
Difference between actual and expected experience	(417,366)
Difference between actual and expected earnings	74,618
Change in assumptions	390,570
Administrative expenses	25,082
OPEB Expense	<u>\$ 1,499,322</u>

The following summarizes changes in the net OPEB liability as reconciled to OPEB expense during the year ended June 30, 2025:

Net OPEB liability ending	\$ 7,489,653
Net OPEB liability beginning	(9,009,446)
Change in net OPEB liability	(1,519,793)
Changes in deferred outflows	1,794,219
Changes in deferred inflows	(593,402)
Employer contributions and implicit subsidy	1,818,298
OPEB Expense	<u>\$ 1,499,322</u>

Sensitivity to Changes in the Discount Rate

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

	Discount Rate		
	(1% Decrease)	6.25%	(1% Increase)
Net OPEB Liability (Asset)	\$ 11,538,514	\$ 7,489,653	\$ 4,106,816

Sensitivity to Changes in the Healthcare Cost Trend Rates

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

	Trend Rate		
	(1% Decrease)	Current	(1% Increase)
Net OPEB Liability (Asset)	\$ 3,561,702	\$ 7,489,653	\$ 12,266,003

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

Draft

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, 2025:

	Workers' Compensation Internal Service Fund	Self- Insurance Internal Service Fund	Total
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
Claims incurred	-	-	-
Claims paid	(429,543)	(92,520)	(522,063)
Claims payable balance - June 30, 2025	\$ 1,286,054	\$ 81,875	\$ 1,367,929

TOWN OF LOS GATOS, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

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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, 2025, the Successor Agency trust fund reported a net deficit of \$3,037,145.

Encumbrances - As of June 30, 2025, the town had the following encumbered balances that were carried into the next fiscal year:

General Fund	\$ 1,600,572
Appropriated Reserves Fund	4,149,910
Internal Service Fund	<u>178,927</u>
Total Encumbrances	<u>\$ 5,929,410</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, 2025**

Draft

Affordable Housing Cooperative Agreement

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

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

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

NOTE 16 – JOINT POWERS AGREEMENT

The Town participates in one joint power agreements (JPA), with The Silicon Valley animal Control Authority. The relationship between the Town and the JPA is such that the JPA is not a component unit of the Town for financial reporting purposes. The JPA arranges for and/ or provides animal control services for its members. The JPA is governed by a board consisting of a representative from each member town/city. The board controls the operations of its JPA, including selection of management and approval of operating budgets independent of any influence by the member town/city beyond their representation on the Board. Each member town/city pays the JPA Authority its allocated proportional share of the total estimated annual costs and expenses.

NOTE 17 – DEFINED CONTRIBUTION PLAN

The Town offers its Town Manager a deferred compensation plan in accordance with Internal Revenue Code Section 401a. The deferred compensation plan is available only to the Town Manager of the Town. Under the plan, the employee may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, death, or unforeseeable emergency. The Town contributes to the plan an amount equal to the participants' 457(b) plan deferrals. In fiscal year 2024-25, the Town paid \$11,750 to the plan.

Required Supplementary Information

TOWN OF LOS GATOS, CALIFORNIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

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
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SCHEDULE OF PENSION PLAN CONTRIBUTIONS

Miscellaneous Plan					
Plan Measurement Date	2015	2016	2017	2018	2019
Fiscal Year Ended	2016	2017	2018	2019	2020
Contractually Required Contributions	\$ 2,223,782	\$ 2,407,496	\$ 2,669,133	\$ 3,049,748	\$ 3,366,304
Contributions in Relation to					
Contractually Required Contributions	2,223,782	2,407,496	2,669,133	3,049,748	8,146,791
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ (4,780,487)
Covered Payroll	\$ 9,198,318	\$ 9,024,370	\$ 9,576,157	\$ 10,211,967	\$ 11,188,927
Contributions as a % of Covered Payroll	24.18%	26.68%	27.87%	29.86%	72.81%
Miscellaneous Plan					
Plan Measurement Date	2020	2021	2022	2023	2024
Fiscal Year Ended	2021	2022	2023	2024	2025
Contractually Required Contributions	\$ 3,529,373	\$ 3,472,727	\$ 2,687,213	\$ 3,878,991	\$ 4,348,001
Contributions in Relation to					
Contractually Required Contributions	9,160,680	3,472,727	2,687,213	3,878,991	4,348,001
Contribution Deficiency (Excess)	\$ (5,631,307)	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 12,082,520	\$ 12,305,265	\$ 11,094,190	\$ 13,817,826	\$ 15,008,562
Contributions as a % of Covered Payroll	75.82%	28.22%	24.22%	28.07%	28.97%

TOWN OF LOS GATOS, CALIFORNIA

ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

SCHEDULE OF PENSION PLAN CONTRIBUTIONS

Safety Plan

Plan Measurement Date	2015	2016	2017	2018	2019
Fiscal Year Ended	2016	2017	2018	2019	2020
Contractually Required Contributions	\$ 1,586,129	\$ 1,738,150	\$ 1,951,711	\$ 2,325,357	\$ 2,565,205
Contributions in Relation to					
Contractually Required Contributions	1,586,129	1,738,150	1,951,711	2,325,357	2,565,205
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 5,022,498	\$ 4,941,138	\$ 5,079,440	\$ 4,445,061	\$ 4,928,821
Contributions as a % of Covered Payroll	31.58%	35.18%	38.42%	52.31%	52.05%

Safety Plan

Plan Measurement Date	2020	2021	2022	2023	2024
Fiscal Year Ended	2021	2022	2023	2024	2025
Contractually Required Contributions	\$ 2,853,764	\$ 3,072,032	\$ 3,409,275	\$ 3,554,897	\$ 3,906,417
Contributions in Relation to					
Contractually Required Contributions	2,853,764	3,072,032	3,409,275	3,554,897	3,906,417
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 5,178,418	\$ 5,603,211	\$ 5,863,101	\$ 6,557,458	\$ 5,503,794
Contributions as a % of Covered Payroll	55.11%	54.83%	58.15%	54.21%	70.98%

Notes to Schedule:

Valuation Date: June 30, 2023

Assumptions Used: Entry Age Method used for Actuarial Cost Method
 Level Percentage of Payroll and Direct Rate Smoothing
 Remaining Amortization Period no more than 26 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 mortality 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 6.90% in FY2022.

The CalPERS mortality assumptions was adjusted in fiscal year 2021.

TOWN OF LOS GATOS, CALIFORNIA

**ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

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

Safety Plan

Plan Measurement Date Fiscal Year Ended	2015 2016	2016 2017	2017 2018	2018 2019	2019 2020
Proportion of Net Pension Liability (Safety)	0.14860%	0.22394%	0.22603%	0.23583%	0.24100%
Proportionate Share of Net Pension Liability	\$ 10,199,904	\$ 19,377,843	\$ 22,415,954	\$ 22,725,267	\$ 24,695,687
Covered Payroll	\$ 4,897,104	\$ 5,022,498	\$ 4,941,138	\$ 5,079,440	\$ 4,445,061
Proportionate Share of NPL as a % of Covered Payroll	208.28%	385.82%	453.66%	447.40%	555.58%
Plan's Fiduciary Net Position as a % of the TPL	74.89%	74.89%	73.87%	74.52%	73.61%

Safety Plan

Plan Measurement Date Fiscal Year Ended	2020 2021	2021 2022	2022 2023	2023 2024	2024 2025
Proportion of Net Pension Liability (Safety)	0.24953%	0.30994%	0.27474%	0.27237%	0.27598%
Proportionate Share of Net Pension Liability	\$ 27,149,916	\$ 16,762,598	\$ 31,734,686	\$ 33,979,087	\$ 33,469,333
Covered Payroll	\$ 4,928,821	\$ 5,178,418	\$ 5,603,211	\$ 5,863,101	\$ 6,557,458
Proportionate Share of NPL as a % of Covered Payroll	550.84%	323.70%	566.37%	579.54%	510.40%
Plan's Fiduciary Net Position as a % of the TPL	72.46%	83.55%	71.34%	70.17%	71.85%

The CalPERS discount rate was increased from 7.50% to 7.65% in FY2016, to 7.15% in FY2018, and then decreased to 6.90% in FY2022. The CalPERS mortality assumptions was adjusted in fiscal year 2021.

TOWN OF LOS GATOS, CALIFORNIA

**ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

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

Measurement Date	2015	2016	2017	2018	2019
Total Pension liability					
Service cost	\$ 1,491,925	\$ 1,560,679	\$ 1,651,550	\$ 1,700,438	\$ 1,771,368
Interest	6,483,032	6,697,247	6,820,536	7,073,843	7,381,846
Diff. between expected and actual exp.	(623,495)	(357,870)	(892,479)	994,994	1,082,289
Changes of assumptions	(1,513,132)	-	5,481,432	(655,541)	-
Changes of benefits	-	-	-	-	-
Benefit payments (including refunds)	(4,748,786)	(4,953,756)	(5,138,083)	(5,448,374)	(5,720,232)
Net change in Total Pension Liability	1,089,544	2,946,300	7,922,956	3,665,360	4,515,271
Total Pension Liability - beginning	88,510,577	89,600,121	92,546,421	100,469,377	104,134,737
Total Pension Liability - ending	\$ 89,600,121	\$ 92,546,421	\$ 100,469,377	\$ 104,134,737	\$ 108,650,008
Plan fiduciary net position					
Employer contributions	\$ 1,941,765	\$ 2,223,782	\$ 2,407,496	\$ 2,669,104	\$ 3,049,748
Employee contributions	679,796	691,770	682,891	761,705	846,125
Plan to plan resource movement	22,561	(28,866)	-	(170)	-
Net investment income	1,470,873	369,185	7,171,443	5,883,868	4,759,034
Benefit payments (including refunds)	(4,748,786)	(4,953,756)	(5,138,083)	(5,448,374)	(5,720,232)
Administrative expense	(74,706)	(40,462)	(95,455)	(108,582)	(52,260)
Adjsutments	-	-	-	(206,199)	170
Net change in plan fiduciary net position	(708,497)	(1,738,347)	5,028,292	3,551,352	2,882,585
Plan fiduciary net position - beginning	67,099,375	66,390,878	64,652,531	69,680,823	73,232,175
Plan fiduciary net position - ending	\$ 66,390,878	\$ 64,652,531	\$ 69,680,823	\$ 73,232,175	\$ 76,114,760
Net Pension liability (asset)	\$ 23,209,243	\$ 27,893,890	\$ 30,788,554	\$ 30,902,562	\$ 32,535,248
Plan fiduciary net position as a percentage of the total Pension liability	74.10%	69.86%	69.36%	70.32%	70.05%
Covered Payroll	\$ 8,487,940	\$ 9,198,318	\$ 9,024,370	\$ 9,576,157	\$ 10,211,967
Net Pension liability % of covered payroll	273.44%	303.25%	341.17%	322.70%	318.60%

Continued

TOWN OF LOS GATOS, CALIFORNIA

Draft

ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

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

Measurement Date	2020	2021	2022	2023	2024
Total Pension liability					
Service cost	\$ 1,930,090	\$ 2,062,486	\$ 2,264,169	\$ 2,092,786	\$ 2,365,384
Interest	7,729,269	7,943,404	8,142,881	8,437,589	8,809,282
Diff. between expected and actual exp.	1,465,653	(581,801)	(108,166)	631,264	1,923,906
Changes of assumptions	-	-	3,399,004	-	-
Changes of benefits	-	-	-	164,628	-
Benefit payments (including refunds)	(5,958,101)	(6,339,615)	(6,623,114)	(7,069,109)	(7,338,359)
Net change in Total Pension Liability	5,166,911	3,084,474	7,074,774	4,257,158	5,760,213
Total Pension Liability - beginning	108,650,008	113,816,919	116,901,393	123,976,167	128,233,325
Total Pension Liability - ending	\$ 113,816,919	\$ 116,901,393	\$ 123,976,167	\$ 128,233,325	\$ 133,993,538
Plan fiduciary net position					
Employer contributions	\$ 8,146,791	\$ 9,160,680	\$ 3,472,727	\$ 3,687,226	\$ 3,876,932
Employee contributions	834,145	889,649	871,063	916,606	996,934
Plan to plan resource movement	-	-	-	-	-
Net investment income	3,913,294	19,606,360	(7,988,150)	5,876,311	9,419,976
Benefit payments (including refunds)	(5,958,101)	(6,339,615)	(6,623,114)	(7,069,109)	(7,338,359)
Administrative expense	(107,303)	(82,856)	(66,142)	(70,479)	(80,707)
Adjsutments	-	-	-	-	-
Net change in plan fiduciary net position	6,828,826	23,234,218	(10,333,616)	3,340,555	6,874,776
Plan fiduciary net position - beginning	76,114,760	82,943,586	106,177,804	95,844,188	99,184,743
Plan fiduciary net position - ending	\$ 82,943,586	\$ 106,177,804	\$ 95,844,188	\$ 99,184,743	\$ 106,059,519
Net Pension liability (asset)	\$ 30,873,333	\$ 10,723,589	\$ 28,131,979	\$ 29,048,582	\$ 27,934,019
Plan fiduciary net position as a percentage of the total Pension liability	72.87%	90.83%	77.31%	77.35%	79.15%
d Payroll	\$ 11,188,927	\$ 12,082,520	\$ 12,305,265	\$ 11,404,827	\$ 13,817,826
nsion liability % of covered payroll	275.93%	88.75%	228.62%	254.70%	202.16% ¹
					Concluded

TOWN OF LOS GATOS, CALIFORNIA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

SCHEDULE OF OPEB CONTRIBUTIONS

Fiscal Year Ended	2018	2019	2020	2021	2022	2023	2024	2025
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	\$ 1,579,000
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)	(2,081,717)	(2,081,717)
Contribution deficiency (excess)	\$ (806,000)	\$ (298,636)	\$ (336,306)	\$ (237,847)	\$ 105,078	\$ (361,337)	\$ (654,717)	\$ (502,717)
Covered payroll	\$ 16,192,060	\$ 17,338,201	\$ 17,406,541	\$ 17,982,237	\$ 16,987,042	\$ 17,809,965	\$ 18,225,114	\$ 20,512,356
Contrib. as a % of covered employee payroll	18.13%	13.88%	14.41%	11.66%	10.33%	9.73%	11.42%	10.15%

Notes to Schedule:

Assumptions and Methods

Valuation Date:	June 30, 2024
Measurement Date:	June 30, 2024
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 2076
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, 2025

SCHEDULE OF CHANGES IN NET OPEB LIABILITY

Measurement Date	2017	2018	2019	2020	2021	2022	2023	2024
Total OPEB liability								
Service cost	\$ 1,134,000	\$ 1,168,227	\$ 1,203,274	\$ 1,159,152	\$ 1,115,309	\$ 955,115	\$ 940,674	\$ 865,285
Interest	1,607,000	1,706,270	1,814,072	1,887,105	1,956,034	1,804,972	1,873,207	2,080,996
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)	(1,801,144)
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	1,145,137
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	33,331,226
Total OPEB Liability - ending	\$ 24,773,000	\$ 26,321,184	\$ 27,497,929	\$ 28,610,428	\$ 28,720,003	\$ 29,888,940	\$ 33,331,226	\$ 34,476,363
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	\$ 1,818,298
Net investment income	1,049,000	1,082,977	1,009,315	652,656	5,529,824	(3,510,434)	1,468,115	2,672,858
Benefit payments	(1,269,000)	(1,326,313)	(1,298,623)	(1,399,933)	(1,494,906)	(1,591,150)	(1,716,592)	(1,801,144)
Administrative expense	(14,000)	(34,261)	(11,502)	(17,357)	(18,556)	(21,454)	(23,387)	(25,082)
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	2,664,930
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	24,321,780
Plan fiduciary net position - ending	\$ 13,608,000	\$ 16,265,716	\$ 18,371,542	\$ 20,115,214	\$ 26,228,423	\$ 22,860,307	\$ 24,321,780	\$ 26,986,710
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	\$ 7,489,653
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%	78.28%
Covered payroll	\$ 14,985,716	\$ 16,192,060	\$ 17,338,201	\$ 17,406,541	\$ 17,982,237	\$ 16,987,042	\$ 17,809,965	\$ 18,225,114
NOL as a % of cov. emp. payroll	74.50%	62.10%	52.64%	48.80%	13.86%	41.38%	50.59%	41.10%

Other Notes

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

Supplementary Information

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TOWN OF LOS GATOS, CALIFORNIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2025
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, 2025**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Licenses & permits	\$ 120,000	\$ 120,000	\$ 158,732	\$ 38,732
Intergovernmental	1,701,196	8,003,839	7,830,241	(173,598)
Charges for services	958,381	898,553	898,553	-
Interest	-	-	200,349	200,349
Use of Property	96,000	96,000	91,284	(4,716)
Other	50,000	722,581	477,300	(245,281)
 Total Revenues	 2,925,577	 9,840,973	 9,656,459	 (184,514)
EXPENDITURES				
Capital outlay	4,883,046	19,161,577	12,910,018	6,251,559
 Total Expenditures	 4,883,046	 19,161,577	 12,910,018	 6,251,559
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 (1,957,469)	 (9,320,604)	 (3,253,559)	 6,067,045
OTHER FINANCING SOURCES (USES)				
Transfers in	1,765,416	1,765,416	1,783,080	17,664
Transfers (out)	(451,491)	(673,356)	(701,491)	(28,135)
 Total Other Financing Sources (Uses)	 1,313,925	 1,092,060	 1,081,589	 (10,471)
CHANGE IN FUND BALANCE	<u>\$ (643,544)</u>	<u>\$ (8,228,544)</u>	<u>(2,171,970)</u>	<u>\$ 6,056,574</u>
BEGINNING FUND BALANCE			<u>19,065,570</u>	
ENDING FUND BALANCE			<u>\$ 16,893,600</u>	

TOWN OF LOS GATOS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2025

Draft

	CAPITAL PROJECTS FUNDS			
	Storm Drains	Construction Tax	Gas Tax	Total Capital Projects Funds
ASSETS				
Cash & investments	\$ 3,105,895	\$ 3,763,913	\$ 2,046,207	\$ 8,916,015
Restricted cash & investments	-	-	-	-
Receivables:				
Accounts	-	-	-	-
Intergovernmental receivable	-	-	84,341	84,341
Leases receivable	-	-	-	-
Long term notes receivable	-	-	-	-
Total Assets	\$ 3,105,895	\$ 3,763,913	\$ 2,130,548	\$ 9,000,356
LIABILITIES				
Accounts payable	\$ 280,661	\$ -	\$ -	\$ 280,661
Accrued payroll and benefits	-	-	-	-
Unearned revenue	-	-	-	-
Total Liabilities	280,661	-	-	280,661
DEFERRED INFLOWS OF RESOURCES				
Leases	-	-	-	-
FUND BALANCE				
Restricted for:				
Library	-	-	-	-
Repairs and maintenance	-	-	-	-
Capital projects	2,825,234	3,763,913	2,130,548	8,719,695
Committed to:				
Special revenue funds	-	-	-	-
Total Fund Balances	2,825,234	3,763,913	2,130,548	8,719,695
Total Liabilities and Fund Balances	\$ 3,105,895	\$ 3,763,913	\$ 2,130,548	\$ 9,000,356

(Continued)

TOWN OF LOS GATOS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2025

Draft

SPECIAL REVENUE FUNDS

	Community Development	Non-Point Source Maintenance	Lighting and Landscaping
ASSETS			
Cash & investments	\$ 94,352	\$ 634,028	\$ 196,901
Restricted cash & investments	58,344	-	-
Receivables:			
Accounts	-	34,173	-
Intergovernmental receivable	-	-	-
Leases receivable	-	-	-
Long term notes receivable	78,752	-	-
Total Assets	\$ 231,448	\$ 668,201	\$ 196,901
LIABILITIES			
Accounts payable	\$ -	\$ 1,540	\$ 3,295
Accrued payroll and benefits	-	2,493	-
Unearned revenue	64,795	-	-
Total Liabilities	64,795	4,033	3,295
DEFERRED INFLOWS OF RESOURCES			
Leases	-	-	-
FUND BALANCE			
Restricted for:			
Library	-	-	-
Repairs and maintenance	-	-	193,606
Capital projects	-	-	-
Committed to:			
Special revenue funds	166,653	664,168	-
Total Fund Balances	166,653	664,168	193,606
Total Liabilities and Fund Balances	\$ 231,448	\$ 668,201	\$ 196,901

(Continued)

TOWN OF LOS GATOS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2025

Draft

SPECIAL REVENUE FUNDS				Total Nonmajor Governmental Funds
LG Theatre	Library Trust	Total Special Revenue Funds		
ASSETS				
Cash & investments	\$ 119,336	\$ 561,166	\$ 1,605,783	\$ 10,521,798
Restricted cash & investments	-	-	58,344	58,344
Receivables:				
Accounts	176,991	-	211,224	211,224
Intergovernmental receivable	-	-	-	84,341
Leases receivable	225,652	-	225,652	225,652
Long term notes receivable	-	-	78,752	78,752
Total Assets	\$ 521,979	\$ 561,166	\$ 2,179,755	\$ 11,180,111
LIABILITIES				
Accounts payable	\$ 6,022	\$ 1,422	\$ 12,339	\$ 293,000
Accrued payroll and benefits	-	-	2,493	2,493
Unearned revenue	-	-	64,795	64,795
Total Liabilities	6,022	1,422	79,627	360,288
DEFERRED INFLOWS OF RESOURCES				
Leases	134,835	-	134,835	134,835
FUND BALANCE				
Restricted for:				
Library	-	559,744	559,744	559,744
Repairs and maintenance	-	-	193,606	193,606
Capital projects	-	-	-	8,719,695
Committed to:				
Special revenue funds	381,122	-	1,211,943	1,211,943
Total Fund Balances	381,122	559,744	1,965,293	10,684,988
Total Liabilities and Fund Balances	\$ 521,979	\$ 561,166	\$ 2,179,755	\$ 11,180,111

(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, 2025**

	CAPITAL PROJECTS FUNDS			
	Storm Drain	Construction Tax	Gas Tax	Total Capital Projects Funds
REVENUES				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	22,516	-	22,516
License and permits	97,939	-	-	97,939
Intergovernmental	-	-	1,850,488	1,850,488
Interest	146,669	157,146	77,927	381,742
Use of property	-	-	-	-
Other	-	-	-	-
Total Revenues	244,608	179,662	1,928,415	2,352,685
EXPENDITURES				
Current:				
Parks and public works	-	-	-	-
Library services	-	-	-	-
Sanitation and other	-	-	-	-
Capital Outlay	950,622	-	1,620,034	2,570,656
Total Expenditures	950,622	-	1,620,034	2,570,656
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(706,014)	179,662	308,381	(217,971)
OTHER FINANCING SOURCES (USES)				
Transfers (out)	-	-	(106,000)	(106,000)
Total Other Financing Sources (Uses)	-	-	(106,000)	(106,000)
Changes in Fund Balances	(706,014)	179,662	202,381	(323,971)
Fund Balances - Beginning of year	3,531,248	3,584,251	1,928,167	9,043,666
Fund Balances - End of year	\$ 2,825,234	\$ 3,763,913	\$ 2,130,548	\$ 8,719,695

(Continued)

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**TOWN OF LOS GATOS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

	SPECIAL REVENUE FUNDS		
	Community Development	Non-Point Source Maintenance	Lighting and Landscaping
REVENUES			
Property Taxes	\$ -	\$ -	\$ 38,650
Other Taxes	-	-	-
License and permits	-	163,690	-
Intergovernmental	-	-	-
Interest	-	-	7,926
Use of property	-	-	-
Other	-	20,532	-
Total Revenues	-	184,222	46,576
EXPENDITURES			
Current:			
Parks and public works	-	10,300	30,675
Library services	-	-	-
Sanitation and other	-	263,888	-
Capital Outlay	-	-	-
Total Expenditures	-	274,188	30,675
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(89,966)	15,901
OTHER FINANCING SOURCES (USES)			
Transfers (out)	-	-	(4,920)
Total Other Financing Sources (Uses)	-	-	(4,920)
Changes in Fund Balances	-	(89,966)	10,981
Fund Balances - Beginning of year	166,653	754,134	182,625
Fund Balances - End of year	\$ 166,653	\$ 664,168	\$ 193,606

(Continued)

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**TOWN OF LOS GATOS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

	SPECIAL REVENUE FUNDS			
	LG Theatre	Library Trust	Total Special Revenue Funds	Total
REVENUES				
Property Taxes	\$ -	\$ -	\$ 38,650	\$ 38,650
Other Taxes	-	-	-	22,516
License and permits	-	-	163,690	261,629
Intergovernmental	-	-	-	1,850,488
Interest	-	25,436	33,362	415,104
Use of property	291,155	-	291,155	291,155
Other	-	60,322	80,854	80,854
Total Revenues	291,155	85,758	607,711	2,960,396
EXPENDITURES				
Current:				
Parks and public works	81,068	-	122,043	122,043
Library services	-	82,862	82,862	82,862
Sanitation and other	-	-	263,888	263,888
Capital Outlay	-	-	-	2,570,656
Total Expenditures	81,068	82,862	468,793	3,039,449
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	210,087	2,896	138,918	(79,053)
OTHER FINANCING SOURCES (USES)				
Transfers (out)	-	-	(4,920)	(110,920)
Total Other Financing Sources (Uses)	-	-	(4,920)	(110,920)
Changes in Fund Balances	210,087	2,896	133,998	(189,973)
Fund Balances - Beginning of year	171,035	556,848	1,831,295	10,874,961
Fund Balances - End of year	\$ 381,122	\$ 559,744	\$ 1,965,293	\$ 10,684,988

(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, 2025**

Draft

	STORM DRAIN			CONSTRUCTION TAX		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	30,000	22,516	(7,484)
License and permits	94,350	97,939	3,589	-	-	-
Intergovernmental	-	-	-	-	-	-
Interest	12,480	146,669	134,189	15,590	157,146	141,556
Use of property	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Revenues	106,830	244,608	137,778	45,590	179,662	134,072
EXPENDITURES						
Current:						
Parks and public works	-	-	-	-	-	-
Library services	-	-	-	-	-	-
Sanitation and other	-	-	-	-	-	-
Capital outlay	1,100,623	950,622	150,001	299,573	-	299,573
Total Expenditures	1,100,623	950,622	150,001	299,573	-	299,573
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(993,793)	(706,014)	287,779	(253,983)	179,662	433,645
OTHER FINANCING SOURCES (USES)						
Operating transfers in	-	-	-	-	-	-
Operating transfers (out)	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
CHANGE IN FUND BALANCE	<u>\$ (993,793)</u>	<u>(706,014)</u>	<u>\$ 287,779</u>	<u>\$ (253,983)</u>	<u>179,662</u>	<u>\$ 433,645</u>
BEGINNING FUND BALANCE		<u>3,531,248</u>			<u>3,584,251</u>	
ENDING FUND BALANCE		<u>\$ 2,825,234</u>			<u>\$ 3,763,913</u>	

(Continued)

**TOWN OF LOS GATOS
BUDGETED NONMAJOR FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (GAAP)
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

Draft

	GAS TAX			COMMUNITY DEVELOPMENT		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-	-	-
License and permits	-	-	-	-	-	-
Intergovernmental	1,783,113	1,850,488	67,375	-	-	-
Interest	1,472	77,927	76,455	-	-	-
Use of property	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Revenues	1,784,585	1,928,415	143,830	-	-	-
EXPENDITURES						
Current:						
Parks and public works	-	-	-	-	-	-
Library services	-	-	-	-	-	-
Sanitation and other	-	-	-	-	-	-
Capital outlay	1,620,034.00	1,620,034	-	-	-	-
Total Expenditures	1,620,034	1,620,034	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	164,551	308,381	143,830	-	-	-
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	\$ 58,551	202,381	\$ 143,830	\$ -	-	\$ -
BEGINNING FUND BALANCE		1,928,167			166,653	
ENDING FUND BALANCE		\$ 2,130,548			\$ 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, 2025**

Draft

	NON-POINT SOURCE MAINTENANCE			LIGHTING AND LANDSCAPING		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ 38,220	\$ 38,650	\$ 430
Other taxes	-	-	-	-	-	-
License and permits	163,690	163,690	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Interest	-	-	-	1,010	7,926	6,916
Use of property	-	-	-	-	-	-
Other	-	20,532	20,532	-	-	-
Total Revenues	163,690	184,222	20,532	39,230	46,576	7,346
EXPENDITURES						
Current:						
Parks and public works	-	-	-	35,480	30,675	4,805
Library services	-	-	-	-	-	-
Sanitation and other	294,706	274,188	20,518	-	-	-
Capital outlay	-	-	-	-	-	-
Total Expenditures	294,706	274,188	20,518	35,480	30,675	4,805
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(131,016)	(89,966)	41,050	3,750	15,901	12,151
OTHER FINANCING SOURCES (USES)						
Operating transfers in	-	-	-	-	-	-
Operating transfers (out)	-	-	-	(4,920)	(4,920)	-
Total Other Financing Sources (Uses)	-	-	-	(4,920)	(4,920)	-
CHANGE IN FUND BALANCE	<u>\$ (131,016)</u>	<u>(89,966)</u>	<u>\$ 41,050</u>	<u>\$ (1,170)</u>	<u>10,981</u>	<u>\$ 12,151</u>
BEGINNING FUND BALANCE		<u>754,134</u>			<u>182,625</u>	
ENDING FUND BALANCE		<u>\$ 664,168</u>			<u>\$ 193,606</u>	

(Continued)

**TOWN OF LOS GATOS
BUDGETED NONMAJOR FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (GAAP)
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

Draft

	LG Theatre			Library Trust		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-	-	-
License and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Interest	-	-	-	5,900	25,436	19,536
Use of property	117,960	291,155	173,195	-	-	-
Other	-	-	-	60,500	60,322	(178)
Total Revenues	117,960	291,155	173,195	66,400	85,758	19,358
EXPENDITURES						
Current:						
Parks and public works	119,685	81,068	38,617	-	-	-
Library services	-	-	-	118,002	82,862	35,140
Sanitation and other	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total Expenditures	119,685	81,068	38,617	118,002	82,862	35,140
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,725)	210,087	211,812	(51,602)	2,896	54,498
OTHER FINANCING SOURCES (USES)						
Operating transfers in	-	-	-	-	-	-
Operating transfers (out)	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
CHANGE IN FUND BALANCE	<u>\$ (1,725)</u>	<u>210,087</u>	<u>\$ 211,812</u>	<u>\$ (51,602)</u>	<u>2,896</u>	<u>\$ 54,498</u>
BEGINNING FUND BALANCE		<u>171,035</u>			<u>556,848</u>	
ENDING FUND BALANCE		<u>\$ 381,122</u>			<u>\$ 559,744</u>	

(Continued)

**TOWN OF LOS GATOS
BUDGETED NONMAJOR FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (GAAP)
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

Draft

	TOTALS		
	Budget	Actual	Variance Positive (Negative)
REVENUES			
Property taxes	\$ 38,220	\$ 38,650	\$ 430
Other taxes	30,000	22,516	(7,484)
License and permits	258,040	261,629	3,589
Intergovernmental	1,783,113	1,850,488	67,375
Interest	36,452	431,626	395,174
Use of property	117,960	274,633	156,673
Other	60,500	80,854	20,354
Total Revenues	2,324,285	2,960,396	636,111
EXPENDITURES			
Current:			
Parks and public works	155,165	111,743	43,422
Library services	118,002	82,862	-
Sanitation and other	294,706	274,188	20,518
Capital outlay	3,020,230	2,570,656	449,574
Total Expenditures	3,588,103	3,039,449	513,514
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,263,818)	(79,053)	1,184,765
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	\$ (1,374,738)	(189,973)	\$ 1,184,765
BEGINNING FUND BALANCE		10,874,961	
ENDING FUND BALANCE		\$ 10,684,988	

(Concluded)

TOWN OF LOS GATOS, CALIFORNIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

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, 2025**

	Equipment	Workers' Comp	Self Insurance	Information Technology	Facilities Maintenance	Total
ASSETS						
Cash & Investments	\$ 3,893,502	\$ 2,443,408	\$ 313,777	\$ 2,620,971	\$ 400,250	\$ 9,671,908
Restricted Cash & Investments	-	106,582	-	-	-	106,582
Accounts receivable	4,553	-	-	3,365	86,570	94,488
Leases receivable	-	-	-	-	1,217,607	1,217,607
Subscription assets, net	-	-	-	308,593	-	308,593
Total Assets	\$ 3,898,055	\$ 2,549,990	\$ 313,777	\$ 2,932,929	\$ 1,704,427	\$ 11,399,178
LIABILITIES						
Accounts Payable	\$ 7,626	\$ 3,964	\$ 23,155	\$ 50,581	\$ 192,035	\$ 277,361
Due to Other Governments	-	-	-	-	86	86
Interest payable	-	-	-	12,795	-	12,795
Claims Payable	-	1,286,054	81,875	-	-	1,367,929
Subscription liabilities	-	-	-	284,449	-	284,449
Total Liabilities	\$ 7,626	\$ 1,290,018	\$ 105,030	\$ 347,825	\$ 192,121	\$ 1,942,620
Deferred Inflows of Resources						
Leases	\$ -	\$ -	\$ -	\$ -	\$ 692,207	\$ 692,207
NET POSITION						
Net investment in capital assets	\$ -	\$ -	\$ -	\$ 24,144	\$ -	\$ 24,144
Restricted for:						
Workers compensation claims	-	106,582	-	-	-	106,582
Unrestricted	3,890,429	1,153,390	208,747	2,560,960	820,099	8,633,625
Total Net Position	\$ 3,890,429	\$ 1,259,972	\$ 208,747	\$ 2,585,104	\$ 820,099	\$ 8,764,351

TOWN OF LOS GATOS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

Draft

	Equipment	Workers' Comp	Self Insurance	Information Technology	Facilities Maintenance	Total
OPERATING REVENUES						
Charges for services	\$ 1,123,659	\$ 1,474,500	\$ 1,291,328	\$ 948,821	\$ 1,052,961	\$ 5,891,269
Use of money and property	-	-	-	-	137,633	137,633
Other local taxes	-	-	-	-	22,516	22,516
Other revenue & reimbursements	43,409	330,789	-	-	-	374,198
Total Operating Revenues	1,167,068	1,805,289	1,291,328	948,821	1,213,110	6,425,616
OPERATING EXPENSES						
Insurance expenses	-	1,114,555	1,320,458	-	-	2,435,013
Services and supplies	563,191	17,009	-	684,644	1,439,205	2,704,049
Depreciation/amortization expense	-	-	-	202,422	-	202,422
Total Operating Expenses	563,191	1,131,564	1,320,458	887,066	1,439,205	5,341,484
Operating Income (loss)	603,877	673,725	(29,130)	61,755	(226,095)	1,084,132
NONOPERATING REVENUE (EXPENSES)						
Investment earnings	-	-	-	-	85,669	85,669
Income (loss) before transfers	603,877	673,725	(29,130)	61,755	(140,426)	1,169,801
TRANSFERS						
Transfers in	-	-	60,000	-	-	60,000
Change in Net Position	603,877	673,725	30,870	61,755	(140,426)	1,229,801
BEGINNING NET POSITION	3,286,552	586,247	177,877	2,523,349	960,525	7,534,550
ENDING NET POSITION	\$ 3,890,429	\$ 1,259,972	\$ 208,747	\$ 2,585,104	\$ 820,099	\$ 8,764,351

**TOWN OF LOS GATOS
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

	Equipment	Workers' Comp	Self Insurance	Information Technology	Facilities Maintenance	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 1,167,068	\$ 1,474,500	\$ 1,291,328	\$ 949,860	\$ 1,218,005	\$ 6,100,761
Payments to suppliers and providers	(556,540)	(1,144,331)	(1,329,462)	(656,659)	(1,402,097)	(5,089,089)
Insurance reimbursements	-	330,789	-	-	-	330,789
Claims paid	-	(429,543)	(82,622)	-	-	(512,165)
Net Cash Provided (Used) by Operating Activities	610,528	231,415	(120,756)	293,201	(184,092)	830,296
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in	-	-	60,000	-	-	60,000
Net Cash Provided (Used) by Noncapital Financing Activities	-	-	60,000	-	-	60,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Interest paid	-	-	-	(7,148)	-	(7,148)
Principal paid	-	-	-	(161,332)	-	(161,332)
Net Cash Used by Capital and Related Financing Activities	-	-	-	(168,480)	-	(168,480)
CASH FLOWS FROM INVESTING ACTIVITIES						
Collections from investment earnings	-	-	-	-	85,669	85,669
Net Cash Provided by Investing Activities	-	-	-	-	85,669	85,669
Net Increase(Decrease) in Cash and Investments	610,528	231,415	(60,756)	124,721	(98,423)	807,485
Cash and investments - beginning of year	3,282,974	2,318,575	374,533	2,496,250	498,673	8,971,005
Cash and investments - end of year	\$ 3,893,502	\$ 2,549,990	\$ 313,777	\$ 2,620,971	\$ 400,250	\$ 9,778,490
Reconciliation of Operating Income to Cash Flows from Operating Activities:						
Operating Income	\$ 603,877	\$ 673,725	\$ (29,130)	\$ 61,755	\$ (226,095)	\$ 1,084,132
Adjustments to reconcile operating income to cash flows from operating activities:						
Depreciation/amortization	-	-	-	202,422	-	202,422
Change in assets and liabilities:						
Accounts receivable	-	-	-	1,039	(56,116)	(55,077)
Leases receivable	-	-	-	-	190,076	190,076
Deferred inflows of resources	-	-	-	-	(129,065)	(129,065)
Accounts payable	6,651	(12,767)	894	27,985	37,081	59,844
Claims payable	-	(429,543)	(92,520)	-	-	(522,063)
Cash Flows From Operating Activities	\$ 610,528	\$ 231,415	\$ (120,756)	\$ 293,201	\$ (184,092)	\$ 830,296

Statistical Section

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STATISTICAL (UNAUDITED)

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

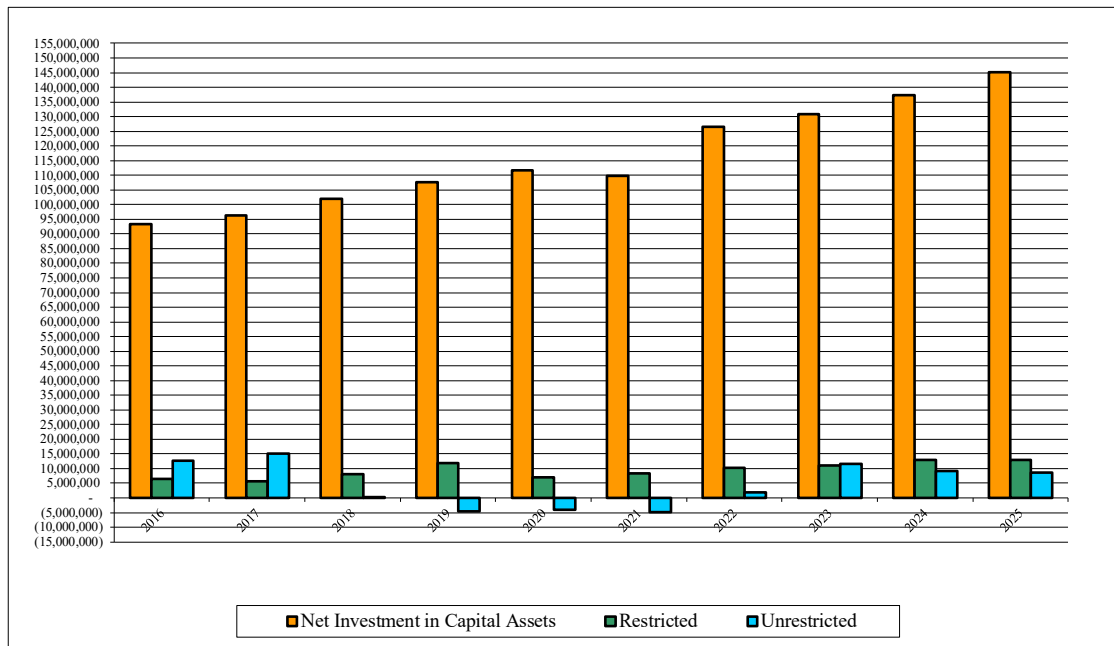
These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town’s financial activities take place (Schedule 12, Schedule 13, and schedule 14).

Operating Information

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

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



Fiscal Year	Net Investment in Capital Assets	Restricted	Unrestricted	Total Net Position
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) ⁽²⁾	114,819,109
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
2025	145,079,170	12,933,419	8,676,121	166,688,710

(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

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

	Fiscal Year				
	2015-16	2016-17	2017-18	2018-19	2019-20
Expenses					
Governmental Activities:					
General Government	\$ 6,993,661	\$ 6,771,628	\$ 7,948,918	\$ 8,163,991	\$ 7,405,368
Public Safety	12,825,688	14,587,597	15,545,521	16,635,726	20,446,188
Parks and Public Works	8,320,623	9,502,707	10,047,003	10,627,716	11,803,005
Community Development	3,227,224	5,093,459	4,667,609	5,064,637	5,001,958
Library Services	2,522,142	2,868,748	3,087,684	3,059,294	3,347,523
Sanitation	528,580	466,762	536,296	684,673	3,041
Interest	-	-	-	-	-
Total Governmental Activities	34,417,918	39,290,901	41,833,031	44,236,037	48,007,083
Program Revenues					
Charges for Services:					
General Government	1,517,012	1,669,020	1,701,146	1,562,683	1,470,324
Public Safety	3,278,585	2,076,688	1,888,359	1,745,889	1,549,207
Parks and Public Works	1,516,108	2,155,841	4,150,068	2,910,936	3,674,222
Community Development	4,359,146	3,803,626	3,456,390	4,155,231	3,351,753
Library Services	46,192	46,746	14,702	9,476	11,522
Sanitation	368,813	410,626	771,442	966,130	231,323
Operating Grants and Contributions:					
General Government	15,291	-	-	-	12,290
Public Safety	98,138	837,329	895,730	826,643	952,045
Parks and Public Works	749,300	665,779	953,294	1,301,152	2,824,638
Community Development	-	-	-	-	15,864
Library Services	12,228	-	57,200	47,482	49,351
Capital Grants and Contributions:					
General Government	-	-	-	-	8,258
Public Safety	-	-	-	-	9,100
Parks and Public Works	1,610,657	770,600	348,437	146,792	832,755
Community Development	-	9,280	-	-	-
Total Program Revenues	13,571,470	12,445,535	14,236,768	13,672,414	14,992,652
General Revenues and Special Items:					
Property Taxes	13,763,458	14,756,214	15,958,406	17,321,347	18,330,426
Sales Taxes	7,501,175	8,925,276	7,466,253	8,158,152	7,531,425
Franchise Taxes	2,258,892	2,366,908	2,474,814	2,475,916	2,495,792
Other Taxes	1,997,497	2,351,223	2,667,840	2,726,743	1,911,774
Motor Vehicle in Lieu	12,308	14,056	16,483	14,689	24,526
Developer Assessments	-	-	-	-	-
Investment Earnings	698,324	192,260	333,120	1,809,128	2,428,470
Miscellaneous	598,170	528,946	622,105	2,407,840	323,940
Insurance recoveries	-	-	-	-	-
Total General Revenues and Special Items	26,829,824	29,134,883	29,539,021	34,913,815	33,046,353
Change in Net Position	\$ 5,983,376	\$ 2,289,517	\$ 1,942,758	\$ 4,350,192	\$ 31,922

Continued

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

	Fiscal Year				
	2020-21	2021-22	2022-23	2023-24	2024-25
Expenses					
Governmental Activities:					
General Government	\$ 7,086,377	\$ 15,681,345	\$ 10,522,568	\$ 11,113,238	\$ 11,122,319
Public Safety	19,808,230	15,093,308	17,428,923	23,783,313	24,095,151
Parks and Public Works	13,141,034	12,969,615	12,258,626	14,075,171	17,745,141
Community Development	6,846,834	5,827,001	5,215,961	5,481,765	5,734,087
Library Services	3,496,153	2,969,954	3,653,642	3,853,748	3,716,806
Sanitation	185,981	178,575	208,262	263,706	276,528
Interest	-	-	29,221	26,137	41,403
Total Governmental Activities	50,564,609	52,719,798	49,317,203	58,597,078	62,731,435
Program Revenues					
Charges for Services:					
General Government	1,894,080	1,725,857	2,635,527	2,694,162	5,809,508
Public Safety	1,288,358	1,596,313	1,846,312	1,980,431	1,793,058
Parks and Public Works	4,209,048	5,090,014	3,590,936	4,211,420	4,095,474
Community Development	4,063,776	4,129,718	3,971,336	4,247,279	6,055,131
Library Services	-	521	2,039	2,514	2,515
Sanitation	299,478	231,323	359,950	359,950	163,690
Operating Grants and Contributions:					
General Government	-	2,766,833	-	63,088	112,216
Public Safety	1,061,344	1,144,226	4,622,373	917,317	869,926
Parks and Public Works	1,547,102	1,482,896	1,735,608	1,828,050	1,902,414
Community Development	223,129	670,929	616,937	692,151	95,126
Library Services	55,181	114,958	174,663	167,303	118,472
Capital Grants and Contributions:					
General Government	2,365	12,205,050	-	-	-
Public Safety	-	-	-	-	-
Parks and Public Works	843,980	10,021,156	3,915,175	5,668,252	6,710,310
Community Development	-	-	-	-	-
Total Program Revenues	15,487,841	41,179,794	23,470,856	22,831,917	27,727,840
General Revenues and Special Items:					
Property Taxes	19,878,835	21,132,098	22,746,842	24,224,142	25,252,782
Sales Taxes	7,933,604	8,483,673	8,806,477	8,071,735	8,330,978
Franchise Taxes	2,499,463	2,822,515	3,074,624	2,547,011	1,057,483
Other Taxes	1,126,887	2,042,580	2,292,008	2,422,849	2,417,630
Motor Vehicle in Lieu	23,058	35,624	34,406	41,461	50,036
Developer Assessments	-	1,735,571	614,820	12,880	52,733
Investment Earnings	227,136	(1,278,978)	797,587	3,129,616	3,783,217
Miscellaneous	1,528,039	755,400	1,029,864	1,199,422	1,341,229
Insurance recoveries	-	-	1,565,000	-	-
Total General Revenues and Special Items	33,217,022	35,728,483	40,961,628	41,649,116	42,286,088
Change in Net Position	<u>\$ (1,859,746)</u>	<u>\$ 24,188,479</u>	<u>\$ 15,115,281</u>	<u>\$ 5,883,955</u>	<u>\$ 7,282,493</u>

Concluded

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

	Fiscal Year				
	2015-16	2016-17	2017-18	2018-19	2019-20
General Fund					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	1,206,851	5,015,316	669,978
Committed	20,019,187	15,129,925	12,953,399	15,070,944	15,387,706
Assigned	9,555,085	14,050,699	17,475,285	18,256,895	13,277,813
Unassigned	-	-	-	-	-
Total General Fund	29,574,272	29,180,624	31,635,535	38,343,155	29,335,497
All Other Governmental Funds					
Restricted	6,386,014	5,627,707	6,992,747	6,903,372	6,448,006
Committed	3,696,000	10,354,584	5,571,087	2,579,997	-
Assigned	11,099,076	7,928,994	6,361,403	6,180,930	14,181,679
Unassigned	-	-	-	-	-
Total All Other Governmental Funds	21,181,090	23,911,285	18,925,237	15,664,299	20,629,685
Total Fund Balances	\$ 50,755,362	\$ 53,091,909	\$ 50,560,772	\$ 54,007,454	\$ 49,965,182

Continued

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

	Fiscal Year				
	2020-21	2021-22	2022-23	2023-24	2024-25
General Fund					
Nonspendable	\$ 159,000	\$ 159,000	\$ 159,000	\$ 159,000	\$ 159,000
Restricted	-	690,000	1,444,501	2,532,997	3,090,731
Committed	11,220,970	12,283,132	13,150,130	14,364,143	16,741,278
Assigned	12,534,648	13,764,657	14,774,673	14,005,932	5,399,532
Unassigned	-	-	-	-	10,372,775
Total General Fund	23,914,618	26,896,789	29,528,304	31,062,072	35,763,316
All Other Governmental Funds					
Restricted	8,562,653	9,383,483	9,530,538	10,361,026	9,736,106
Committed	-	637,711	2,590,257	2,664,441	2,588,124
Assigned	15,360,481	13,944,155	19,536,429	16,915,064	15,254,358
Unassigned	-	-	-	-	-
Total All Other Governmental Funds	23,923,134	23,965,349	31,657,224	29,940,531	27,578,588
Total Fund Balances	\$ 47,837,752	\$ 50,862,138	\$ 61,185,528	\$ 61,002,603	\$ 63,341,904

Concluded

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

	Fiscal Year				
	2015-16	2016-17	2017-18	2018-19	2019-20
Revenues:					
Taxes	\$ 23,269,892	\$ 25,945,129	\$ 26,253,026	\$ 28,244,329	\$ 27,811,665
Licenses & Permits	5,442,133	5,075,503	5,937,044	5,173,876	4,818,671
Intergovernmental	2,573,475	1,715,580	2,124,903	2,310,655	4,498,153
Charges for Services	4,773,001	4,210,174	5,395,057	5,584,504	5,309,470
Fines and Forfeitures	879,277	917,105	676,212	510,266	271,117
Franchise Fees	2,258,892	2,366,908	2,474,814	2,475,916	2,495,792
Developer Fees	-	-	-	-	-
Investment Income	698,308	192,978	332,938	1,809,164	2,428,453
Use of Property	31,723	32,096	32,206	32,960	31,039
Other	2,396,992	1,011,939	640,844	579,755	376,922
Total Revenues	42,323,693	41,467,412	43,867,044	46,721,425	48,041,282
Expenditures:					
Current					
General Government	9,144,797	8,390,959	8,770,082	8,004,254	13,024,146
Public Safety	13,763,316	13,251,288	14,423,554	14,945,407	15,793,815
Parks and Public Works	6,307,266	6,633,748	7,125,686	7,962,135	8,168,599
Community Development	3,695,504	3,793,930	4,192,165	4,577,495	4,473,790
Library Services	2,332,268	2,508,677	2,529,017	2,493,617	2,700,802
Sanitation & Other	452,726	466,762	521,147	628,240	162,837
Capital Outlay	3,241,657	6,867,034	9,778,058	7,888,914	7,861,972
Debt Service					
Principal Repayment	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	38,937,534	41,912,398	47,339,709	46,500,062	52,185,961
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,386,159	(444,986)	(3,472,665)	221,363	(4,144,679)
Other Financing Sources(Uses):					
Transfers In	3,315,846	7,907,692	3,176,760	4,264,131	8,935,260
Transfers Out	(1,284,514)	(7,612,012)	(3,880,131)	(3,323,756)	(8,628,719)
Gain from Sale of Property	-	-	378,219	1,912,316	1,566
Insurance Recoveries	-	-	-	-	-
Issuance of Debt	-	4,435	-	-	-
Total Other Financing Sources(Uses)	2,031,332	300,115	(325,152)	2,852,691	308,107
Net Change in Fund Balances	\$ 5,417,491	\$ (144,871)	\$ (3,797,817)	\$ 3,074,054	\$ (3,836,572)
Capitalized Capital Outlay	\$ 3,241,657	\$ 6,867,034	\$ 9,778,058	\$ 7,861,972	\$ 7,861,972
Debt Service as a Percentage of Non Capital Expenditures	0.00%	0.00%	0.00%	0.00%	0.00%

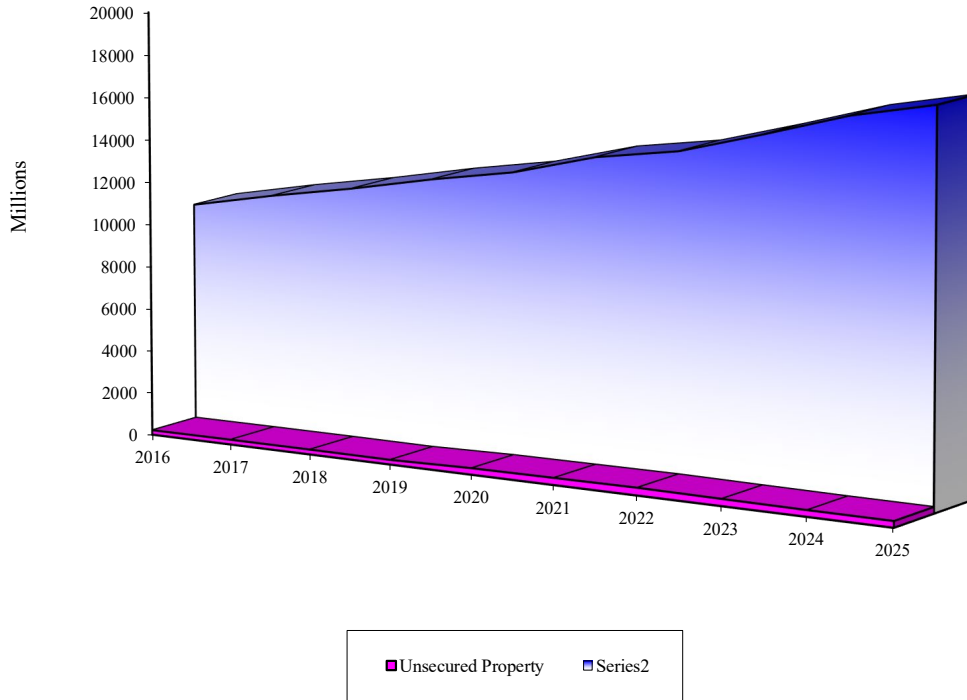
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Town of Los Gatos
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year				
	2020-21	2021-22	2022-23	2023-24	2024-25
Revenues:					
Taxes	\$ 28,977,919	\$ 31,627,593	\$ 33,851,411	\$ 34,735,349	\$ 36,081,643
Licenses & Permits	5,212,831	6,055,040	6,333,675	6,227,298	10,077,688
Intergovernmental	3,746,587	15,492,982	10,145,820	6,317,644	11,038,323
Charges for Services	6,035,659	6,925,359	5,718,714	7,051,179	6,648,503
Fines and Forfeitures	103,468	319,170	416,950	480,634	420,127
Franchise Fees	2,499,463	2,822,515	3,074,624	2,547,011	1,057,483
Developer Fees	-	1,735,571	614,820	12,880	-
Investment Income	227,940	(1,278,983)	797,582	3,108,100	3,783,218
Use of Property	40,372	144,901	237,647	297,501	442,078
Other	423,115	349,145	985,188	604,493	748,259
Total Revenues	47,267,354	64,193,293	62,176,431	61,382,089	70,297,322
Expenditures:					
Current					
General Government	14,040,134	15,953,968	8,828,779	9,573,022	10,884,414
Public Safety	16,570,836	16,451,190	18,446,048	20,718,781	20,827,888
Parks and Public Works	8,229,944	8,639,128	9,084,406	9,899,083	10,828,974
Community Development	5,195,302	6,313,511	5,065,412	5,246,729	5,637,742
Library Services	2,847,988	2,827,210	3,208,027	3,335,389	3,651,358
Sanitation & Other	166,173	194,969	204,097	252,605	274,188
Capital Outlay	5,707,439	10,478,670	8,917,075	12,366,255	15,545,674
Debt Service					
Principal Repayment	39,008	156,034	156,034	225,370	206,380
Interest	-	-	-	3,716	41,403
Total Expenditures	52,796,824	61,014,680	53,909,878	61,620,950	67,898,021
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,529,470)	3,178,613	8,266,553	(238,861)	2,399,301
Other Financing Sources(Uses):					
Transfers In	4,053,535	8,154,307	11,886,022	3,666,235	2,595,491
Transfers Out	(3,940,015)	(8,310,685)	(11,396,347)	(4,317,235)	(2,655,491)
Gain from Sale of Property	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)	2,875,225	(154,227)	2,056,837	55,936	(60,000)
Net Change in Fund Balances	\$ (2,654,245)	\$ 3,024,386	\$ 10,323,390	\$ (182,925)	\$ 2,339,301
Capitalized Capital Outlay	\$ 5,707,439	\$ 9,180,716	\$ 8,598,811	\$ 12,016,644	\$ 13,404,632
Debt Service as a Percentage of Non Capital Expenditures	0.08%	0.30%	0.35%	0.46%	0.38%

Concluded

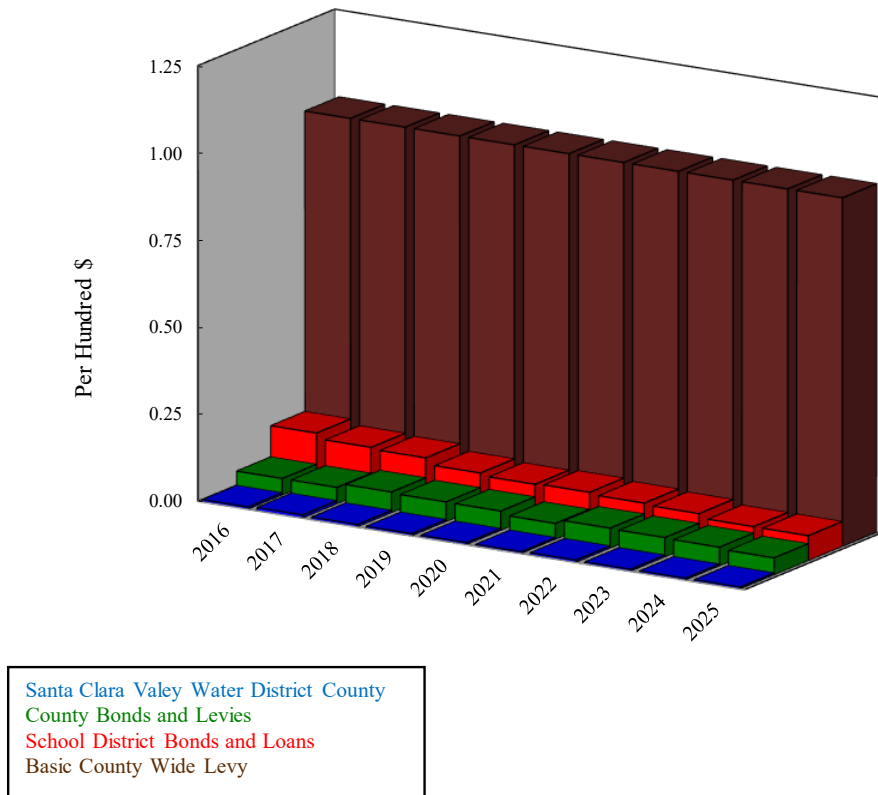
Town of Los Gatos
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years



Fiscal Year	Utility and Unsecured Property	Percent Change	Secured Property	Percent Change	Total Assessed	Estimated Full Market	Total Direct Tax Rate
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	1.0614
2021	308,749,655	-6.87%	14,599,669,332	8.06%	14,908,418,987	58,398,677,328	1.0509
2022	304,460,199	-1.39%	15,255,884,284	4.49%	15,560,344,483	61,023,537,136	1.0642
2023	357,370,065	17.38%	16,404,930,826	7.53%	16,762,300,891	65,619,723,304	1.0616
2024	432,381,651	20.99%	17,623,641,576	7.43%	18,056,023,227	70,494,566,304	1.0591
2025	326,140,681	-24.57%	18,478,666,192	4.85%	18,804,806,873	73,914,664,768	1.0540

Source: Santa Clara County Assessed Value Report

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



Fiscal Year	Basic County Wide Levy	County Bonds and Levies	Santa Clara Special Districts	School District Bonds and Loans	Total
2016	1.0000	0.0476	0.0065	0.1373	1.1914
2017	1.0000	0.0474	0.0092	0.1217	1.1783
2018	1.0000	0.0597	0.0071	0.1168	1.1836
2019	1.0000	0.0565	0.0060	0.0988	1.1613
2020	1.0000	0.0557	0.0057	0.0919	1.1533
2021	1.0000	0.0457	0.0052	0.0944	1.1453
2022	1.0000	0.0576	0.0066	0.0887	1.1529
2023	1.0000	0.0559	0.0057	0.0841	1.1457
2024	1.0000	0.0538	0.0053	0.0720	1.1311
2025	1.0000	0.0486	0.0054	0.0716	1.1256

Source: Santa Clara County Book of Tax Rates

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

ASSESSEE NAME	2015-16		2016-17		2017-18		2018-19		2019-20	
	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	\$ 19,379,620	0.19%	\$ 19,675,159	0.18%	\$ 25,241,863	0.21%	\$ 25,746,699	0.20%	\$ 26,261,632	0.19%
980 JR LLC							\$ 19,277,879	0.15%		
140 Toll House Hotel LLC										
17443 Farley Rd LLC										
Alberto Way Holdings LLC	24,188,966	0.23%	24,557,845	0.22%	25,048,998	0.21%	25,549,975	0.20%	24,158,350	0.18%
Ann R. Desantis										
A W Los Gatos LLC										
Boccardo Corporation	21,617,318	0.21%	21,918,921	0.20%	22,211,650	0.19%	22,651,732	0.18%	23,099,314	0.17%
CH Realty IV Downing LP										
CHL Ventures LP										
D&K Los Gatos LLC	16,293,163	0.16%								
David A. and Shari Flick Trustee										
Donahue Schriber Realty Group LP					53,872,083	0.45%	56,370,186	0.44%	57,497,587	0.43%
DS Downing Los Gatos LLC	21,980,568	0.21%	22,315,770	0.20%						
DS Village Square			22,799,599	0.20%						
El Camino Hospital	26,477,160	0.25%	26,880,933	0.24%	23,353,576	0.20%	28,596,104	0.22%	30,789,155	0.23%
EL Gato 15 LLC										
Equestrian 3 Investments LLC					29,584,251	0.25%	28,563,864	0.22%	25,525,880	0.19%
Fox Creek Fund LLC							21,558,664	0.17%		
Good Samaritan Hospital LP	19,880,366	0.19%	22,402,756	0.20%	22,516,823	0.19%	22,934,274	0.18%	23,391,289	0.17%
Grade Way Associations VI										
Green Eyes LLC										
Grosvenor USA Ltd.	23,449,975	0.23%								
Health Care REIT Inc,	20,089,903	0.19%	20,396,274	0.18%						
Hercules Holding II LLC										
International Hotel					30,144,617	0.25%	30,747,509	0.24%	31,362,458	0.23%
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%	28,864,942	0.21%
Knowles Los Gatos LLC	49,167,836	0.47%	49,917,644	0.44%	50,915,995	0.43%	51,934,313	0.41%	52,972,998	0.39%
KSL Capital Partners	30,134,614	0.29%	30,105,945	0.27%	25,893,946	0.22%	26,411,820	0.21%	33,069,058	0.24%
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	17,507,261	0.17%	31,070,572	0.28%						
LG Hotel LLC	15,497,395	0.15%								
Los Gatos Hotel Corp.	15,676,113	0.15%								
Lyon Baytree Apartments LLC										
Paul H. Roskoph										
Preylock Los Gatos LLC									89,141,472	0.66%
Safeway Inc.					24,394,468	0.20%			25,752,231	0.19%
San Jose Water Works	37,081,049	0.36%	38,710,728	0.34%	41,202,805	0.34%	46,150,577	0.36%	47,777,432	0.35%
Serramonte Corporate Center LLC							200,844,610	1.57%	204,861,501	1.52%
SF Los Gatos LLC										
SHP Newark LLC										
SI 32 LLC	141,348,894	1.36%	143,442,269	1.28%	146,317,944	1.22%	149,208,182	1.17%	152,166,578	1.13%
Sobrato Interests IV LLC	44,930,482	0.43%	42,240,994	0.38%	43,071,837	0.36%	43,919,879	0.34%	44,781,377	0.33%
SRI Old Town LLC	31,744,252	0.30%	32,228,351	0.29%	32,872,917	0.27%	33,530,374	0.26%	34,200,980	0.25%
Summerhill N40 LLC									56,244,782	0.42%
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%	115,777,792	0.86%
Wealthcap Los Gatos 31			84,000,000	0.75%	85,680,000	0.72%	87,393,600	0.68%		
Oaks at Los Gatos LP										
Total - Principal taxpayers	\$ 1,296,723,012	6.37%	\$ 814,164,568.00	7.24%	\$ 916,633,381	7.66%	\$ 1,061,033,843	8.29%	\$ 1,127,696,808	8.35%
Total - All real properties assessed by the Town (1)	\$10,416,786,877		\$11,239,536,718		\$11,968,031,792		\$12,793,751,423		\$13,509,034,656	

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

Source Data: California Municipal Statistics, Inc.

Continued

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

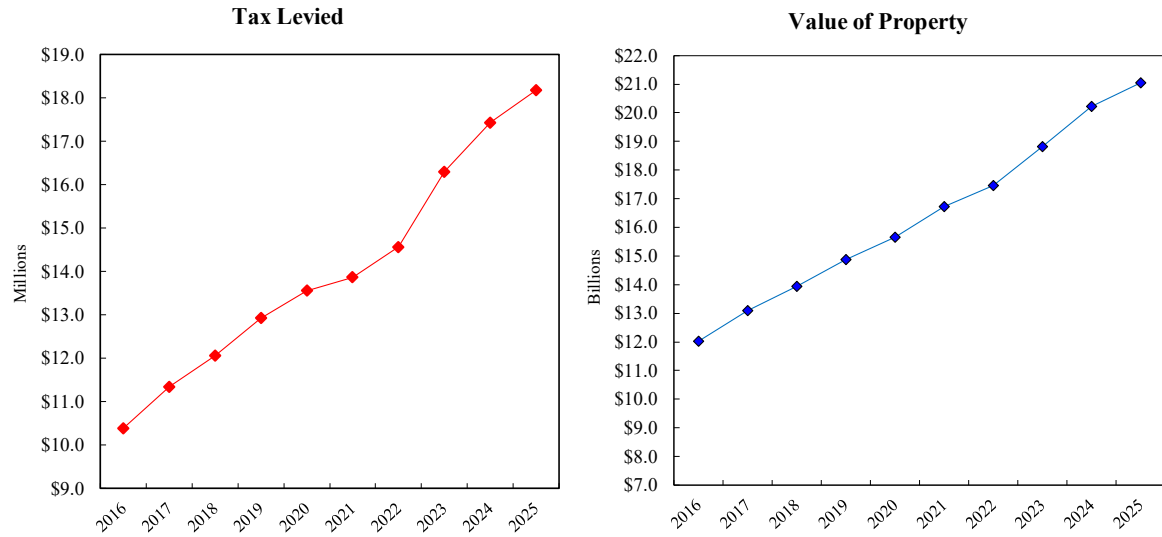
ASSESSEE NAME	2020-21		2021-22		2022-23		2023-24		2024-25	
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
750 University LLC	\$ 26,786,863	0.18%	\$ 27,064,374	0.19%	\$ 27,605,660	0.17%	28,157,772	0.16%	28,720,926	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%	28,677,162	0.16%
17443 Farley Rd LLC							29,000,000	0.16%	29,580,000	0.16%
Alberto Way Holdings LLC	24,641,514	0.17%	24,896,799	0.17%						
Ann R. Desantis										
A W Los Gatos LLC					26,749,500	0.16%				
Boccardo Corporation					24,268,078	0.15%				
CH Realty IV Downing LP										
CHL Ventures LP										
D&K Los Gatos LLC										
David A. and Shari Flick Trustee										
Donahue Schriber Realty Group LP	58,647,535	0.40%	59,255,121	0.41%	60,440,222	0.37%	61,649,025	0.35%	62,882,002	0.34%
DS Downing Los Gatos LLC										
DS Village Square										
El Camino Hospital	42,611,768	0.29%	50,456,560	0.35%	43,379,731	0.26%	42,156,737	0.24%	75,699,788	0.41%
EL Gato 15 LLC							36,719,999	0.21%	37,454,398	0.20%
Equestrian 3 Investments LLC	26,036,395	0.18%	26,306,130	0.18%	26,832,251	0.16%	27,368,894	0.16%	27,916,270	0.15%
Fox Creek Fund LLC			27,231,335	0.19%	27,078,255	0.17%	28,331,465	0.16%		
Good Samaritan Hospital LP	23,846,402	0.16%	24,111,608	0.17%	24,569,780	0.15%				
Grade Way Associations VI										
Green Eyes LLC										
Grosvenor USA Ltd.										
Health Care REIT Inc,										
Hercules Holding II LLC										
International Hotel	31,989,706	0.22%								
Kay K. & Go Sasaki Sr., Trustee	27,190,951	0.19%	27,471,495	0.19%	28,020,326	0.17%	28,585,258	0.16%	29,151,822	0.16%
Knowles Los Gatos LLC	54,032,455	0.37%	54,592,229	0.37%	55,684,072	0.34%	56,797,751	0.32%	57,933,704	0.31%
KSL Capital Partners	33,118,759	0.23%	33,037,818	0.23%	32,098,542	0.20%	31,484,883	0.18%	34,126,554	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.										
Lyon Baytree Apartments LLC										
Paul H. Roskoph										
Preylock Los Gatos LLC	95,880,000	0.66%	96,873,316	0.66%	98,810,782	0.60%	96,498,189	0.55%	98,428,152	0.53%
Safeway Inc.	25,577,034	0.18%								
San Jose Water Works	49,649,154	0.34%	53,320,614	0.37%	51,657,625	0.31%	52,511,158	0.30%	66,462,434	0.36%
Serramonte Corporate Center LLC	208,958,729	1.43%	211,123,540	1.45%	215,346,008	1.31%	219,652,926	1.25%	224,045,983	1.21%
SF Los Gatos LLC			33,214,527	0.23%						
SHP Newark LLC					32,435,541		31,799,550	0.18%	32,435,541	0.18%
SI 32 LLC	155,181,793	1.06%	158,132,236	1.08%	159,929,209	0.97%	163,243,322	0.93%	166,484,193	0.90%
Sobrato Interests IV LLC	45,682,006	0.31%	46,155,127	0.32%	47,067,863	0.29%	48,004,098	0.27%	48,969,831	0.27%
SRI Old Town LLC	34,884,999	0.24%	35,246,406	0.24%	35,951,333	0.22%	36,670,359	0.21%	37,403,765	0.20%
Summerhill N40 LLC	57,369,661	0.39%	59,462,462	0.41%	71,006,795	0.43%	42,705,086	0.24%	28,816,212	0.16%
Summerhill Prospect Avenue LLC										
Wealthcap Los Gatos 121	118,093,347	0.81%	119,316,793	0.82%	121,703,128	0.74%	124,137,190	0.70%	126,619,932	0.69%
Wealthcap Los Gatos 31										
Oaks at Los Gatos LP									33,020,269	0.18%
Total - Principal taxpayers	\$ 1,175,222,251	8.05%	\$ 1,202,767,594	8.24%	\$ 1,245,442,767	7.39%	\$ 1,220,964,252	6.93%	\$ 1,274,828,938	6.90%
Total - All real properties assessed by the Town (1)	\$14,598,027,652		\$15,254,242,604		\$16,403,289,146		\$17,621,748,976		\$18,476,773,592	

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

Source Data: California Municipal Statistics, Inc.

Concluded

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



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
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
2025	18,178,096	-	18,178,096	18,804,806,873	2,238,952,783	21,043,759,656

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

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

Governmental Activities						
Fiscal Year	PG&E Loan	SBITA's	Total Governmental Activities	Total Primary Government	Percentage of Personal Income	Per Capita
2016	\$ -	\$ -	\$ -	\$ -	0.0%	0.00
2017	\$ -	\$ -	\$ -	\$ -	0.0%	0.00
2018	\$ -	\$ -	\$ -	\$ -	0.0%	0.00
2019	\$ -	\$ -	\$ -	\$ -	0.0%	0.00
2020	\$ -	\$ -	\$ -	\$ -	0.0%	0.00
2021	\$ 1,508,325	\$ -	\$ 1,508,325	\$ 1,508,325	56.2%	48.91
2022	\$ 1,352,291	\$ -	\$ 1,352,291	\$ 1,352,291	44.3%	40.90
2023	\$ 1,196,257	\$ -	\$ 1,196,257	\$ 1,196,257	34.7%	36.14
2024	\$ 1,040,223	\$ 1,083,158	\$ 2,123,381	\$ 2,123,381	53.0%	63.90
2025	\$ 884,190	\$ 871,479	\$ 1,755,669	\$ 1,755,669	43.7%	52.64

Town of Los Gatos
Direct and Overlapping Governmental Activities Debt
As of June 30, 2025

2024-25 Assessed Valuation:	\$18,804,806,873		Estimated Share of Direct and Overlapping Debt at June 30, 2025
DIRECT AND OVERLAPPING BONDED DEBT:	% Applicable ⁽¹⁾	Total Debt at June 30, 2025	
Overlapping Tax & Assessment Debt			
Santa Clara County	2.704%	\$ 1,217,905,000	\$ 32,932,151
West Valley-Mission Community College District	9.385%	\$ 631,255,000	\$ 59,243,282
Campbell Union High School District	7.614%	\$ 318,105,000	\$ 24,220,515
Los Gatos-Saratoga Joint Union High School District	36.825%	\$ 72,445,000	\$ 26,677,871
Cambrian School District	0.464%	\$ 113,749,944	\$ 527,800
Campbell Union School District	7.363%	\$ 240,714,324	\$ 17,723,796
Los Gatos Union School District	74.199%	\$ 116,965,000	\$ 86,786,860
Saratoga Union School District	0.048%	\$ 10,336,159	\$ 4,961
Union School District	20.077%	\$ 134,454,631	\$ 26,994,456
Midpeninsula Regional Open Space District	4.399%	\$ 114,920,000	\$ 5,055,331
Santa Clara Valley Water District Benefit Assessment District	2.704%	\$ 24,940,000	\$ 674,378
Total Overlapping Tax and Assessment Debt			\$ 280,841,401
Overlapping General Fund Debt			
Santa Clara County General Fund Obligations	2.704%	\$ 1,002,458,930	\$ 27,106,489
Santa Clara County Pension Obligation Bonds	2.704%	\$ 317,654,990	\$ 8,589,391
Santa Clara County Board of Education Certificates of Participation	2.704%	\$ 12,072,417	\$ 326,438
West Valley-Mission Community College District General Fund Obligations	9.385%	\$ 2,520,000	\$ 236,502
Campbell Union High School District General Fund Obligations	7.614%	\$ 12,500,000	\$ 951,750
Campbell Union School District General Fund Obligations	7.363%	\$ 855,000	\$ 62,954
Saratoga Union School District Certificates of Participation	0.048%	\$ 990,000	\$ 475
Town of Los Gatos	100%	\$ 2,123,381	\$ 2,123,381
Santa Clara County Central Fire Protection District Certificates of Participation	26.116%	\$ 26,475,000	\$ 6,914,211
Midpeninsula Regional Open Space Park District General Fund Obligations	4.399%	\$ 74,065,600	\$ 3,258,146
Total Gross Overlapping General Fund Debt			\$ 49,569,737
Less: Santa Clara County Supported Obligations			\$ 65,437
Total Overlapping General Fund Debt			\$ 49,504,300
Overlapping Tax Increment Debt (Successor Agency)			
Town of Los Gatos Certificated of Participations			\$ 8,530,000
Total of Overlapping Tax Increment Debt			\$ 8,530,000
Total Direct Debt			\$ 2,123,381
Total Gross Overlapping Debt			\$ 338,941,138
Total Net Overlapping Debt			\$ 338,875,701
Gross Combined Total Debt			\$ 338,941,138 ⁽²⁾
Net Combined Total Debt			\$ 338,875,701

(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 2024-25 Assessed Valuation:

Total Overlapping Tax and Assessment Debt: 1.49%
Total Direct Debt: 0.01%
Gross Combined Total Debt: 1.79%
Net Combined Total Debt: 1.79%

Ratios to Redevelopment Incremental Valuation (\$1,992,831,755):

Total Overlapping Tax Increment Debt: 0.43%

Source Data: California Municipal Statistics, Inc.

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

Legal Debt Margin Calculation
for Fiscal Year 2024-25

Assessed Value	\$	18,804,806,873
Debt Limit		2,820,721,031
Debt Applicable to Limit:		-
Legal Debt Margin	\$	2,820,721,031

	Fiscal Year									
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Debt Limit	\$ 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	\$ 2,820,721
Debt Applicable to Limit	-	-	-	-	-	-	1,352	1,196	1,040	1,756
Legal Debt Margin	\$ 1,444,943	\$ 1,556,252	\$ 1,679,736	\$ 1,789,097	\$ 2,076,329	\$ 2,236,263	\$ 2,332,699	\$ 2,513,149	\$ 2,707,363	\$ 2,818,965
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%	0.06%	0.05%	0.04%	0.06%

Notes:

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

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

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)
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	47.55	5,895	3.7%
2024	33,230	\$ 4,006,242	120,561	47.03	5,856	4.1%
2025	33,355	\$ 4,021,312	120,561 (7)	47.55	5,860	4.6%

Source and Footnotes:

- (1) California State Dept. of Finance - Population Research Unit (January 2025)
- (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.
- (7) US Census data was unavailable. Prior fiscal year's per capita personal income used.

Town of Los Gatos
Principal Employers
Last Ten Fiscal Years

	2015-16		2016-17		2017-18		2018-19		2019-20	
	Percentage of Total Town		Percentage of Total Town		Percentage of Total Town		Percentage of Total Town		Percentage of Total Town	
<u>Principal Employers</u>	Emp.	Employment	Emp.	Employment	Emp.	Employment	Emp.	Employment	Emp.	Employment
Columbia Health Care Assoc/Mission Oaks Hospital	-	0.00%	-	0.00%		0.00%		0.00%		0.00%
El Camino Hospital, Los Gatos	560	3.53%	560	3.49%	560	3.43%	560	3.49%	560	3.49%
Los Gatos Union School District	280	1.76%	274	1.71%	267	1.64%	281	1.75%	281	1.75%
Los Gatos-Saratoga High School District	157	0.99%	370	2.30%	367	2.25%	367	2.28%	367	2.28%
Netflix	1,976	12.45%	1,864	11.61%	2,117	12.98%	2,314	14.41%	2,314	14.41%
Safeway	314	1.98%	314	1.95%	314	1.92%	314	1.95%	314	1.95%
Alain Pinel Realtors	146	0.92%	148	0.92%	131	0.80%	131	0.82%	131	0.82%
Courtside Tennis Club	440	2.77%	468	2.91%	542	3.32%	542	3.37%	542	3.37%
Town of Los Gatos	158	1.00%	160	1.00%	159	0.97%	160	1.00%	160	1.00%
Whole Foods	179	1.13%	179	1.11%	179	1.10%	125	0.78%	125	0.78%
Vasona Creek Health Care Center	233	1.47%	233	1.45%	233	1.43%	233	1.45%	233	1.45%
Good Samaritan Regional Cancer Center	200	1.26%	200	1.25%	200	1.23%	200	1.25%	200	1.25%
Roku	487	3.07%	554	3.45%	664	4.07%	516	3.21%	516	3.21%
Terraces of Los Gatos	228	1.44%	228	1.42%	228	1.40%	228	1.42%	228	1.42%

Source: Town of Los Gatos, Finance
Department and Muniservices

Continued

Town of Los Gatos
Principal Employers
Last Ten Fiscal Years

Principal Employers	2020-21		2021-22		2022-23		2023-24		2024-25	
	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	3.35%	517	3.20%	509	3.04%	548	3.45%	556	3.48%
Los Gatos Union School District	281	1.68%	281	1.74%	281	1.68%	287	1.81%	325	2.03%
Los Gatos-Saratoga High School District	320	1.92%	320	1.98%	320	1.91%	320	2.01%	320	2.00%
Netflix	2,524	15.11%	2,278	14.10%	2,263	13.53%	2444	15.39%	2503	15.65%
Safeway	314	1.88%	314	1.94%	314	1.88%	314	1.98%	314	1.96%
Alain Pinel Realtors		0.00%		0.00%		0.00%		0.00%		0.00%
Courtside Tennis Club	542	3.24%	542	3.36%	542	3.24%	342	2.15%	354	2.21%
Town of Los Gatos	161	0.96%	165	1.02%	163	0.97%	165	1.04%	208	1.30%
Whole Foods	125	0.75%	180	1.11%	132	0.79%	133	0.84%	140	0.88%
Vasona Creek Health Care Center	250	1.50%	250	1.55%	250	1.49%	250	1.57%	250	1.56%
Good Samaritan Regional Cancer Center	200	1.20%	200	1.24%	200	1.20%	111	0.70%	111	0.69%
Roku		0.00%		0.00%		0.00%		0.00%		0.00%
Terraces of Los Gatos	228	1.36%	200	1.24%	200	1.20%	230	1.45%	230	1.44%

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

<u>Function/Program</u>	Full-time-Equivalent Employees as of June 30									
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
General Government	20.97	21.35	21.97	22.16	21.80	21.80	22.06	22.05	22.06	23.06
Police	59.00	59.00	59.00	59.00	60.00	60.00	60.00	60.00	60.00	60.00
Economic Development	0.63	0.63	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Library	11.00	12.25	12.25	12.50	12.50	12.50	12.50	13.50	13.50	13.50
Planning	19.00	19.26	19.63	20.08	20.08	20.20	20.20	20.20	20.45	20.45
Public Works	33.50	33.50	34.50	34.50	34.50	34.75	34.75	36.75	35.75	34.75
Total	144.10	145.98	148.10	148.99	149.63	150.00	150.26	153.25	152.51	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.

Town of Los Gatos
Operating Indicators
Last Ten Fiscal Years

FUNCTION/PROGRAM

	Fiscal Year				
	2015-16	2016-17	2017-18	2018-19	2019-20
General government					
Building Permits Issued					
Residential Permits Issued	899	744	849	814	898
Residential Permits Value	85,000,754	53,625,891	63,083,249	80,030,846	47,961,529
Commercial Permits Issued	147	135	105	122	92
Commercial Permits Value	20,185,884	50,024,177	16,626,196	13,295,999	12,389,688
Publically Owned Permits Issued	-	-	-	-	-
Publically Owned Permits Value	-	-	-	-	-
Residential Parking Permits					
Number of Special Event Permits Issued	107	118	113	78	-
Number of Annual Permits Issued	1,363	1,251	1,342	1,395	1,400
City Clerk					
Number of Council Resolutions Passed	61	69	69	59	57
Number of Ordinances Passed	11	5	17	11	24
Number of Contracts Passed	283	240	262	245	242
General Services					
Number of Purchase Orders Issued	334	331	322	343	359
Police					
Physical Arrests	987	1,030	1,164	1,138	616
Parking Violations	13,975	12,863	11,784	6,817	4,023
Traffic Violations	5,400	4,634	4,757	2,877	1,225
DUI Arrests	58	60	51	70	64
Library					
Number of Library Visits	-	-	-	-	-
Annual Circulation	-	-	-	-	-
Number of Library Card holders	-	-	-	-	-
Circulated e-audiobooks	7,761	10,006	8,844	12,130	57,839
Other Public Works					
Street Resurfacing/Overlay/Reconstruction (miles)	8.0	10.0	2.6	5.8	16.2
ADA Compliance: Curb Ramps	11	30	68	49	68
Traffic Circles	1	1	1	1	1
Street Poles	1,609	1,609	1,762	1,830	1,830
Planning and Development Department					
Building & Safety Inspections Performed	8,655	14,722	13,918	13,966	13,633
Redevelopment: Number of active projects	-	-	-	-	-

Town of Los Gatos
Operating Indicators
Last Ten Fiscal Years

FUNCTION/PROGRAM

	Fiscal Year				
	2020-21	2021-22	2022-23	2023-24	2024-25
General government					
Building Permits Issued					
Residential Permits Issued	1,128	1,144	1,118	957	912
Residential Permits Value	111,242,724	132,784,439	73,432,645	63,352,925	74,306,221
Commercial Permits Issued	68	117	84	62	68
Commercial Permits Value	37,285,259	23,442,964	19,422,918	31,245,689	28,715,444
Publically Owned Permits Issued	-	-	-	-	-
Publically Owned Permits Value	-	-	-	-	-
Residential Parking Permits					
Number of Special Event Permits Issued	-	-	-	-	- (1)
Number of Annual Permits Issued	1,568	1,958	1,827	1,847	2,204
City Clerk					
Number of Council Resolutions Passed	50	64	71	69	53
Number of Ordinances Passed	9	14	10	14	15
Number of Contracts Passed	205	296	275	322	297
General Services					
Number of Purchase Orders Issued	376	306	296	302	281
Police					
Physical Arrests	360	504	522	642	635
Parking Violations	1,584	4,678	8,569	8,644	9,859
Traffic Violations	764	1,245	1,427	1,787	1,640
DUI Arrests	23	49	42	51	156
Library					
Number of Library Visits	-	150,198	206,874	249,120	250,527 (3)
Annual Circulation	-	432,707	397,517	422,733	484,462 (3)
Number of Library Card holders	-	29,322	29,815	33,551	34,048 (3)
Circulated e-audiobooks	54,614	-	-	-	- (2)
Other Public Works					
Street Resurfacing/Overlay/Reconstruction (miles)	10.0	9.9	10.9	10.1	2.7
ADA Compliance: Curb Ramps	91	59	50	69	47
Traffic Circles	1	1	1	1	1
Street Poles	2,113	2,113	2,113	2,113	2,113
Planning and Development Department					
Building & Safety Inspections Performed	13,806	16,906	16,641	14,696	14,560
Redevelopment: Number of active projects	-	-	-	-	-

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

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

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

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

Function/Program	Fiscal Year									
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
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	112	112	112 ⁽¹⁾
Streetlights	1,609	1,609	1,762	1,830	1,830	2,113	2,113	2,113	2,113	2,113
Traffic Signals	30	30	30	31	31	31	31	31	31	31
Parks and Recreation										
Number of Parks	12	12	12	N/A	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	17	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	N/A	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	1,269	1,269	1,269	1,269	1,269	1,269	1,269

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, 2025, 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 19, 2025.

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



Chavan and Associates, LLP
Certified Public Accountants

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

Purpose of this Report

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

C & A LLP

Morgan Hill, California
November 19, 2025

