



June 6, 2022

To the Honorable Mayor and Members of the Town Council
of the Town of Los Gatos
c/o Mr. Stephen Conway, Finance Director
110 East Main Street
Los Gatos, California 95030

Dear Mr. Conway:

This letter sets forth our understanding for applying agreed-upon procedures to the Measure G revenues and expenditures of the Town of Los Gatos (Town) for the period from March 1, 2019 to June 30, 2021. The Town is responsible for the Measure G revenues and expenditures.

This engagement is solely for the purpose of assisting the Town with respect to determining whether Measure G sales taxes were used and accounted for in accordance with specified laws, regulations, and recommendations of the Finance Commission. This report is intended for use by the Town (specified party) and is expected to be restricted to the use of this specified party.

Prior to the completion of the engagement, you agree to provide us with written agreement and acknowledgment that the procedures performed are appropriate for the intended purpose of the engagement as noted above.

We will apply the following procedures:

1. Obtain and review Town Ordinance 2274, Amending Chapter 2.60 of the Town's Municipal Code, "'Transactions and Use Tax' to Extend the One-Eighth Cent Transactions and Use Tax Term for Twenty Years".
2. Obtain and review Town Ordinance 2314, adding Article 5 to Chapter Two and amending Chapter 25.60.140 of the Town's Municipal Code.
3. Obtain a schedule of Measure G revenues and expenditures for the fiscal year(s) and agreed totals reported on the schedule to the Town's audited trial balance.
4. Compare Measure G revenues reported to monthly sales tax reports from the California Department of Tax and Fee Administration (CDTFA).
5. Inquire if the Finance Commission reviewed and recommended use of Measure G revenues to the Town Council to meet the following objectives.
 - a. Maintaining and enhancing neighborhood police patrols and local crime prevention programs;
 - b. Improving Traffic Flow to Reduce Congestion;
 - c. Repairing potholes and maintaining the Town's streets, roads, and sidewalks; and
 - d. Maintaining the Town's long-term financial stability.

6. Inquire if the Town Council received the Finance Commission's recommendation and adopted a Council authorized expenditure plan directing the use of Measure G revenues for the period under reported thereupon.
7. Select a sample of 25 Measure G expenditures to verify if they were for allowable purposes. Per Measure A Ordinance 2314 eligible expenditures include:
 - a. Maintaining and enhancing neighborhood police patrols and local crime prevention programs;
 - b. Improving traffic flow to reduce congestion;
 - c. Repairing potholes and maintaining the Town's streets, roads, and sidewalks; and
 - d. Maintaining the Town's long-term financial stability.
8. Agree amounts held in the General Fund Reserve sub-fund for Measure G agree to Measure G sales tax collections from first receipt of revenues to report date less any amounts reduced for Town Council authorized uses as reported on the auditor's review of tests of expenditures.

We will conduct our engagement in accordance with the attestation standards for agreed-upon procedures engagements established by the AICPA. We are responsible for carrying out the procedures and reporting findings in accordance with these standards. We have no responsibility to determine the differences between the procedures to be performed and the procedures that we would have determined to be necessary had we been engaged to perform another form of attestation engagement.

Our report will list the procedures performed and our findings. Our report will be addressed to the Town and will be intended for use by and restricted to the use of the specified party as identified above. Our report will contain such restricted-use language.

Should we have any reservations with respect to the subject matter, we will discuss them with you before the report is issued.

We have no responsibility to update our report for events and circumstances occurring after the date of our report.

As part of our engagement, we will request from *management and, when appropriate, those charged with governance*, written confirmation concerning representations made to us in connection with the agreed upon procedures. You agree to provide such confirmation.

During the course of the engagement, we may communicate with you or with your personnel via e-mail and you should be aware that communication in those mediums contains a risk of misdirected or intercepted communications.

Professional standards prohibit us from being the sole host and/or the sole storage for your financial and non-financial data. As such, it is your responsibility to maintain your original data and records and we cannot be responsible to maintain such original information. By signing this engagement letter, you affirm that you have all the data and records required to make your books and records complete.

We expect to begin our engagement in approximately June 2022 and to issue our report no later than July 2022.

Ahmed Badawi, CPA, is the engagement partner for the services specified in this letter. His responsibilities include supervising Badawi & Associates' services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the agreed-upon procedures report.

Our fee for these services will be as follows:

<u>Position</u>	<u>Hourly Rate</u>	<u>Hours</u>	<u>Fee Amount</u>
Partner	\$ 200	5	\$ 1,000
Senior	125	10	1,250
Staff	100	30	3,000
Admin.	75	2	150
Total			\$ 5,400

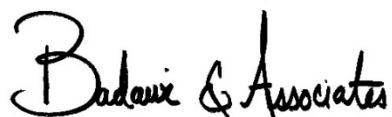
We will submit our bill for services on a progress basis, and billings are due upon submission.

We will maintain the confidentiality of your personal information and will apply procedures to protect against any unauthorized release of your personal information to third parties.

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our engagement including our respective responsibilities. If you have any questions, please let us know.

We appreciate the opportunity to be of service to you and look forward to working with you and your staff.

Respectfully,



Badawi & Associates, CPAs
Berkeley, California

Town of Los Gatos

June 6, 2022

Page 4

RESPONSE:

This letter correctly sets forth our understanding.

Town of Los Gatos

Acknowledged and agreed on behalf of the Town of Los Gatos by:

Signature: _____

Title: _____

Date: _____