



**TOWN OF LOS GATOS  
COUNCIL FINANCE COMMITTEE  
REPORT**

MEETING DATE: 12/9/2019  
ITEM NO: 2  
ADDENDUM

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DATE: December 3, 2019  
TO: Council Finance Committee  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Discuss and Provide Comments to the Town Council Regarding the Draft Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019.

**REMARKS:**

Attachment 2 contains public comments received after publishing the Staff Report and before 11:00 a.m. Friday December 6, 2019.

In anticipation of the Committee's interest in the public comment, below are staff responses.

The adopted FY 2018/19 Budget identified the budgeted amounts scheduled to be transferred from the General Fund and placed into the Public Agency Retirements System (PARS) Section 115 Pension Trust account as General Fund Non-Departmental expenditures made to the PARS Trust.

After the Budget adoption, staff began to explore the possibility of adding further transparency in its financial statements by an early implementation of Governmental Accounting Standards Board (GASB) Statement #84 regarding Fiduciary Activities. Specifically, GASB 84 provides guidance for the 115 Pension Trust to be absorbed into the General Fund for reporting purposes as a restricted cash and investment asset with an equal amount reported as a "restricted" amount of fund balance within the General Fund.

The early implementation of GASB 84 led to a reclassification in which amounts formerly treated as expenditures were instead reclassified as a movement from cash to a General

**PREPARED BY:** Stephen Conway  
Finance Director

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Reviewed by: Town Manager and Assistant Town Manager

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SUBJECT: Draft Comprehensive Annual Financial Report for the Fiscal Year Ended  
June 30, 2019

DATE: December 3, 2019

REMARKS (continued):

Fund restricted asset account. This reclassification substantially lowered the amounts previously budgeted as expenditures (approximately \$3.6 million of payments made to the PARS Trust in FY 2018/19) leading to a large budget savings reported for the year in the General Government Non-Departmental cost category.

The Draft Comprehensive Annual Financial Report provides an opportunity to identify potential needed changes. Staff appreciates the public comment regarding General Government expenditures changes from the prior year on the Government-Wide Statement of Activities. Staff and the independent auditor's subsequent review revealed an allocation error related to pension costs between the categories that does not change the total expenses. The correction has no impact on the total net position or fund statements. Attachment 3 contains the revised Statement of Activities and a redline of the associated narrative in the Management's Discussion and Analysis that describes the year to year expense comparisons.

Attachment previously received with the Staff Report:

1. Draft Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2019.

Attachment received with this Addendum:

2. Public Comments received after publishing the report and before 11:00 a.m., Friday, December 6, 2019
3. Replacement pages for the Draft CAFR