



April 23, 2021

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:

You have requested that we prepare the financial statements of the Town of Los Gatos, California (Town), as of June 30, 2021, and for the year then ended to be included in the prescribed forms developed by the State of California State Controller's Office (prescribed forms) and perform a compilation engagement with respect to those financial statements. We are pleased to confirm our acceptance and our understanding of this compilation engagement by means of this letter.

### **Our Responsibilities**

The objective of our engagement is to

- a. prepare financial statements in accordance with the prescribed forms' basis of accounting based on information provided by you and,
- b. apply accounting and financial reporting expertise to assist you in the presentation of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements in order for them to be in accordance with the prescribed forms' basis of accounting.

We will conduct our compilation engagement in accordance with Statements on Standards for Accounting and Review Services (SSARSs) promulgated by the Accounting and Review Services Committee of the AICPA and comply with the AICPA's Code of Professional Conduct, including the ethical principles of integrity, objectivity, professional competence, and due care.

We are not required to, and will not, verify the accuracy or completeness of the information you will provide to us for the engagement or otherwise gather evidence for the purpose of expressing an opinion or a conclusion. Accordingly, we will not express an opinion, a conclusion, nor provide any assurance on the financial statements.

Our engagement cannot be relied upon to identify or disclose any financial statement misstatements, including those caused by fraud or error, or to identify or disclose any wrongdoing within the entity or noncompliance with laws and regulations.

**ATTACHMENT 2**

### **Your Responsibilities**

The engagement to be performed is conducted on the basis that you acknowledge and understand that our role is to prepare financial statements in accordance with the prescribed forms' basis of accounting and assist you in the presentation of the financial statements in the prescribed forms in accordance with the prescribed forms' basis of accounting. You have the following overall responsibilities that are fundamental to our undertaking the engagement in accordance with SSARs:

- a. The preparation and fair presentation of financial statements in the prescribed forms in accordance with the prescribed forms' basis of accounting
- b. The inclusion of all informative disclosures that is appropriate for the prescribed form's basis of accounting.
- c. The design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements included in the prescribed forms
- d. The prevention and detection of fraud
- e. To ensure that the entity complies with the laws and regulations applicable to its activities
- f. To make all financial records and related information available to us
- g. The accuracy and completeness of the records, documents, explanations, and other information, including significant judgments, you provide to us for the compilation engagement

You are also responsible for all management decisions and responsibilities and for designating an individual with suitable skills, knowledge, and experience to oversee our preparation of your financial statements included in the prescribed forms. You are responsible for evaluating the adequacy and results of the services performed and accepting responsibility for such services.

### **Our Report**

As part of our engagement, we will issue a report that will state that we did not audit or review the financial statements and that, accordingly, we do not express an opinion, a conclusion, nor provide any assurance on them.

### **Other Relevant Information**

If, for any reason, we are unable to complete the compilation of your financial statements in the prescribed forms, we will not issue a report on such statements as a result of this engagement.

We will ask that your personnel, to the extent possible, prepare required schedules and analyses, and make selected invoices and other required documents available to our staff. This assistance by your personnel will serve to facilitate the progress of our work and minimize our time requirements.

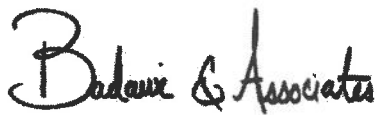
We will provide copies of our reports to the Town; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The documentation for this engagement is the property of Badawi and Associates, CPAs and constitutes confidential information. However, subject to applicable laws and regulations, documentation and appropriate individuals will be made available upon request and in a timely manner to a Cognizant or Oversight Agency or its designee to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such documentation will be provided under the supervision of Badawi and Associates, CPAs personnel. Furthermore, upon request, we may provide copies of selected documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

Our fees for these services were what we agreed on the audit proposal. We will submit our bill for services on a progress basis, and billings are due upon submission. In accordance with our firm policies, work may be suspended if fees are not paid in a timely manner. If the account is not paid in full when due, you agree to pay all expenses of collection, including legal fees. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report(s). You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination.

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our engagement to prepare the financial statements described herein and perform a compilation engagement with respect to those same financial statements and our respective responsibilities.

Respectfully,



Badawi and Associates  
Certified Public Accountants  
Berkeley, California

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RESPONSE:

This letter correctly sets forth the understanding of the Town of Los Gatos.

Town of Los Gatos

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

Name: 

Title: DIRECTOR OF FINANCE

Date: 4-29-21