

1st AMENDMENT TO AGREEMENT

This AMENDMENT TO AGREEMENT is dated for identification this 2nd day of April, 2024 and amends that certain agreement for Auditing Services dated 1/12/2022, made by and between the Town of Los Gatos, ("Town,") and the Chavan & Associates, LLP. ("Consultant.")

RECITALS

- A. Town and Consultant entered into an Auditing Services Agreement on 1/12/2022, ("Agreement"), a copy of which is attached hereto and incorporated by reference as Attachment 1 to this Amendment.
- B. Town desires to amend the Agreement to update the scope of work and compensation sections.

AMENDMENT

- 1. Section 2.1, "Scope of Services" is amended to include the additional services described in that certain proposal sent to the Town on October 8, 2021 and Engagement letter dated March 25, 2024, which is hereby incorporated by reference and included as attachments 1 and 2, respectively.
- 2. Section 2.6, "Compensation" is amended to read Compensation for the consultant's professional services will be increased by \$15,500 for total agreement that **shall not exceed \$132,500**, inclusive of all costs. Payment shall be based upon Town approval of each task.
- 3. All other terms and conditions of the Agreement remain in full force and effect.

IN WITNESS WHEREOF, the Town and Consultant have executed this Amendment.

Town of Los Gatos

DocuSigned by:
By: Laurel Prevetti 4/8/2024
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Laurel Prevetti, Town Manager

Approved as to Consent:

DocuSigned by:
By: Sheldon Chavan 4/3/2024
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Chavan & Associates, LLP

Department Approval:

DocuSigned by:
By: Gitta Ungvari 4/3/2024
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Gitta Ungvari
Director of Finance

Approved as to Form:

DocuSigned by:
 4/8/2024
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Gabrielle Whelan, Town Attorney

Attest:

DocuSigned by:
 4/9/2024
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Wendy Wood, CMC, Town Clerk



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March 25, 2024

Town of Los Gatos
110 E. Main Street
Los Gatos, CA 95030

We are pleased to confirm our understanding of the services we are to provide for the Town of Los Gatos (the "Town") for the fiscal years ending June 30, 2017, 2020, 2021, 2022 and 2024. We will audit the Transportation Development Act (TDA) financial statements and the related notes to the TDA financial statements for each fiscal year then ended. This includes the annual fiscal audit as required by PUC Section 99245. Our audit will be conducted with the objective of our expressing an opinion on each opinion unit and an opinion on compliance regarding the Town's compliance with the regulations of the Transportation Development Act, including section 6666 of Title 21, of the California Code of Regulations, and the allocation instructions and resolutions of the Metropolitan Transportation Commission.

Audit of the Financial Statements

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America (GAGAS). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. If appropriate, our procedures will therefore include tests of documentary evidence that support the transactions recorded in the accounts. As part of our audit process, we will request written representations from your attorneys, and they may bill you for responding. At the conclusion of our audit, we will also request certain written representations from you about the financial statements and related matters.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements or noncompliance (whether caused by errors, fraudulent financial reporting, misappropriation of assets, detected abuse, or violations of laws or governmental regulations) may not be detected exists, even though the audit is properly planned and performed in accordance with U.S. GAAS and *Government Auditing Standards* of the Comptroller General of the United States of America. Please note that the



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determination of abuse is subjective and *Government Auditing Standards* does not require auditors to detect abuse.

In making our risk assessments, we consider internal control relevant to the Town's preparation and fair presentation of the financial statements 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. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit. Our responsibility as auditors is limited to the period(s) covered by our audit and does not extend to any other periods.

We will issue a written report upon completion of our audit of the Town's basic financial statements. Our report will be addressed to the governing body of the Town. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the basic financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

In accordance with the requirements of *Government Auditing Standards*, we will also issue a written report describing the scope of our testing over internal control over financial reporting and over compliance with laws, regulations, and provisions of grants and contracts, including the results of that testing. However, providing an opinion on internal control and compliance over financial reporting will not be an objective of the audit and, therefore, no such opinion will be expressed. We also will perform tests and procedures required by the regulations of the Transportation Development Act, including section 6666 of Title 21, of the California Code of Regulations, and the allocation instructions and resolutions of the Metropolitan Transportation Commission.

Audit of TDA Compliance

Our audit of the Town's compliance will be made in accordance with the requirements of the regulations of the Transportation Development Act, including section 6666 of Title 21, of the California Code of Regulations, and the allocation instructions and resolutions of the Metropolitan Transportation Commission; and will include tests of accounting records and other procedures we consider necessary to enable us to express such an opinion on TDA program compliance and to render the required reports. We cannot provide assurance that an unmodified opinion on compliance will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or withdraw from the engagement.



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Management's Responsibilities

Our audit will be conducted on the basis that management acknowledge and understand that they have responsibility:

1. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America;
2. 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 error fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements;
3. For identifying, in its accounts, all TDA awards received and expended during the period and the TDA programs under which they were received.
4. For maintaining records that adequately identify the source and application of funds for TDA funded activities;
5. For the design, implementation, and maintenance of internal control over TDA awards;
6. For establishing and maintaining effective internal control over TDA awards that provides reasonable assurance that the Town is managing TDA awards in compliance with section 6666 of Title 21, of the California Code of Regulations, and the allocation instructions and resolutions of the Metropolitan Transportation Commission;
7. For identifying and ensuring that the Town complies with laws, regulations, grants, and contracts applicable to its activities and its TDA award programs and implementing systems designed to achieve compliance with applicable laws, regulations, grants, and contracts applicable to activities and its TDA award programs;
8. For disclosing accurately, currently, and completely the financial results of each TDA award in accordance with the requirements of the award;
9. For identifying and providing report copies of previous audits, attestation engagements, or other studies that directly relate to the objectives of the audit, including whether related recommendations have been implemented;
10. For taking prompt action when instances of noncompliance are identified;
11. For addressing the findings and recommendations of auditors, for establishing and maintaining a process to track the status of such findings and recommendations and taking corrective action on reported audit findings from prior periods and preparing a summary schedule of prior audit findings;
12. For following up and taking corrective action on current year audit findings and preparing a corrective action plan for such findings;
13. For submitting the reporting package to the appropriate parties;
14. For making the auditor aware of any significant vendor / contractor relationships where the vendor / contractor is responsible for program compliance;
15. To provide us with:
 - a. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, and relevant to federal award programs, such as records, documentation, and other matters;



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- b. Additional information that we may request from management for the purpose of the audit; and
 - c. Unrestricted access to persons within the Town from whom we determine it necessary to obtain audit evidence.
16. For including the auditor's report in any document containing basic financial statements that indicates that such basic financial statements have been audited by the Town's auditor;
 17. For adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the current year period(s) under audit are immaterial, both individually and in the aggregate, to the financial statements as a whole;
 18. For acceptance of nonattest services, including identifying the proper party to oversee nonattest work;
 19. For maintaining adequate records, selecting and applying accounting principles, and safeguarding assets;
 20. For informing us of any known or suspected fraud affecting the Town involving management, employees with significant role in internal control and others where fraud could have a material effect on compliance and the financial statements;
 21. For the accuracy and completeness of all information provided;
 22. For taking reasonable measures to safeguard protected personally identifiable and other sensitive information; and
 23. For confirming your understanding of your responsibilities as defined in this letter to us in your management representation letter.

As part of our audit process, we will request from management, written confirmation concerning representations made to us in connection with the audit. We understand that your employees will prepare all confirmations we request and will locate any documents or invoices selected by us for testing.

If you intend to publish or otherwise reproduce the financial statements and make reference to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

Audit Administration and Fees

Our all-inclusive maximum fee for these services will be as follows:

Fiscal year ending June 30, 2017	\$2,500
Fiscal year ending June 30, 2020 (Program 1)	\$2,500
Fiscal year ending June 30, 2020 (Program 2)	\$2,500
Fiscal year ending June 30, 2021	\$500
Fiscal year ending June 30, 2022	\$2,500
Fiscal year ending June 30, 2024	\$2,500 to \$5,000



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Our fees include out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.).

Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit as follows:

Engagement Partner	\$175 per hour
Associate Partner	\$125 per hour
Manager	\$95 per hour
Senior Auditor	\$80 per hour
Staff Auditor	\$65 per hour
Administrative	\$50 per hour

Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes thirty days or more overdue and may not be resumed until your account is paid in full. 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.

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. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If cooperation is not provided as anticipated and at a level that hinders the progress of the services to be provided, we retain the right to terminate the contract for cause with thirty (30) days' notice. During that time, the Town will have the opportunity to provide the cooperation required to complete the audit and C&A may rescind the cancellation.

If the services to be performed by C&A are not performed in an acceptable manner to the Town, the Town may cancel this contract for cause by providing notice to C&A, giving at least thirty (30) days' notice of the proposed cancellation and the reasons for same. During that time period, C&A may seek to bring the performance of services to a level that is acceptable to the Town, and the Town may rescind the cancellation if such action is in Town's best interest. Notwithstanding the above provisions, the Town may, upon the expiration of thirty (30) days written notice to C&A, terminate the agreement at will. Payment for services or goods received prior to termination shall be made by the Town provided those goods or services were provided in a manner acceptable to the Town. Payment for those goods and services shall not be unreasonably withheld.

Sheldon Chavan, CPA, is the engagement partner for the audit services specified in this letter. His responsibilities include supervising Chavan & Associates LLP's services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the audit report.



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Other Matters

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

Regarding the electronic dissemination of audited financial statements, including financial statements published electronically on your Internet website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

The audit documentation for this engagement is the property of Chavan & Associates LLP and constitutes confidential information. However, we may be requested to make certain audit documentation available to state and federal agencies and the U.S. Government Accountability Office pursuant to authority given to it by law or regulation, or to peer reviewers. If requested, access to such audit documentation will be provided under the supervision of Chavan & Associates LLP's personnel. Furthermore, upon request, we may provide copies of selected audit documentation to these agencies and regulators. The regulators and agencies may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies. We agree to retain our audit documentation or work papers for a period of at least seven years from the date of our report.

We will be available during the year to consult with you on financial management and accounting matters of a routine nature. You agree to inform us of facts that may affect the financial statements of which you may become aware during the period from the date of the auditor's report to the date the financial statements are issued.

With respect to any nonattest services we perform, the Town's management is responsible for (a) making all management decisions and performing all management functions; (b) assigning a competent individual to oversee the services; (c) evaluating the adequacy of the services performed; (d) evaluating and accepting responsibility for the results of the services performed; and (e) establishing and maintaining internal controls, including monitoring ongoing activities. Nonattest services include the preparation of the audited financial statements and note disclosures. These items will be prepared from information prepared and provided by the Town during our audit, such as the Town's trial balance.

We will not assume management responsibilities on behalf of the Town. However, we will provide advice and recommendations to assist management in performing its responsibilities.

Our responsibilities and limitations of the engagement are as follows:

- We will perform the services in accordance with applicable professional standards, including GAAS and GAGAS.



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- This engagement is limited to the services previously outlined. Our firm, in its sole professional judgment, reserves the right to refuse to do any procedure or take any action that could be construed as making management decisions or assuming management responsibilities, including determining account coding and approving journal entries. Our firm will advise the Town with regard to the nonattest services provided, but the Town must make all decisions with regard to those matters.

Government Auditing Standards require that we document an assessment of the skills, knowledge, and experience of management, should we participate in any form of preparation of the basic financial statements and related schedules or disclosures as these actions are deemed a non-audit service.

During the course of the audit, we may observe opportunities for economy in, or improved controls over, your operations. We will bring such matters to the attention of the appropriate level of management, either orally or in writing.

At the conclusion of our audit engagement, we will communicate to management and the Council the following significant items from the audit:

- Our view about the qualitative aspects of the Town's significant accounting practices;
- Significant difficulties, if any, encountered during the audit;
- Uncorrected misstatements, other than those we believe are trivial, if any;
- Disagreements with management, if any;
- Other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process;
- Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures;
- Representations we requested from management;
- Management's consultations with other accountants, if any; and
- Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

In accordance with the requirements of *Government Auditing Standards*, a copy of our latest external peer review report of our firm is available upon request or on our website.

If the foregoing is in accordance with your understanding, please indicate your agreement by signing this letter and emailing it to us at info@cnallp.com or follow the DocuSign link in the email provided. If you have any questions, please let us know.

We appreciate the opportunity to be your financial statement auditors and look forward to working with you and your staff.



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Very truly yours,

C & A LLP

Sheldon Chavan, CPA, Managing Partner
Chavan & Associates, LLP

RESPONSE:

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

Signature:

Title:

Date: