

**From:** [Phil Koen](#)  
**To:** [Laurel Prevetti](#)  
**Cc:** [Mary Badame](#); [Rick Tinsley](#); [Wendy Wood](#)  
**Subject:** Re: Audit Status Update  
**Date:** Thursday, August 31, 2023 11:05:30 AM  
**Attachments:** [Pages from MEET-Packet-53da3574fd424623bbf1df17f5cf5d20\(7\).pdf](#)

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[EXTERNAL SENDER]

Hello Laurel,

Thank you for your email. I fully agree the Town's business should be conducted in public. To that end, having the most current drafts of the FY 23 financial statements available for the FC to review/discuss with Staff and the auditor is essential to having a constructive meeting. I have asked the FC Chair to formally request that drafts of these three financial statements (attached are the FY 22 version for sake of clarity) be made available for the October FC meeting. Thank you.

Phil Koen

On Aug 31, 2023, at 10:18 AM, Laurel Prevetti <[LPrevetti@losgatosca.gov](mailto:LPrevetti@losgatosca.gov)> wrote:

Thank you, Vice Mayor.

As mentioned by the Clerk, Mr. Koen's question is appropriate for the upcoming October Finance Commission meeting. It is important that the business of the Town is conducted in public at our Commission meetings.

Thank you,  
Laurel

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**From:** Mary Badame <[MBadame@losgatosca.gov](mailto:MBadame@losgatosca.gov)>

**Sent:** Tuesday, August 29, 2023 9:45 AM

**To:** Phil Koen [REDACTED]

**Cc:** Laurel Prevetti <[LPrevetti@losgatosca.gov](mailto:LPrevetti@losgatosca.gov)>

**Subject:** Re: Audit Status Update

Dear Phil,

Thank you for reaching out and your work on the Finance Commission.

I have copied our Town Manager, Laurel Prevetti for a response in providing initial draft financial statements showing preliminary results for the General Fund.

In consideration of the cancelled meeting, the fiscal year ending 06/30, and further

delaying review for three months, I am hopeful your request can be accommodated.

Kind Regards,  
Mary

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**From:** Phil Koen [REDACTED]  
**Sent:** Tuesday, August 29, 2023 7:03:02 AM  
**To:** Mary Badame <[MBadame@losgatosca.gov](mailto:MBadame@losgatosca.gov)>  
**Subject:** Fwd: Audit Status Update

[EXTERNAL SENDER]

Help Mary,

I received this email from Wendy Wood in response to my email to Gitta. How do I request the initial draft financial statements (no footnotes required) which would show preliminary results for the General Fund? The fiscal year ended on June 30. The Town must have an initial set of draft financial statements at this point.

Waiting until November is too long. Any thoughts on how to accomplish this?

Thanks,

Phil

Begin forwarded message:

**From:** Wendy Wood <[WWood@losgatosca.gov](mailto:WWood@losgatosca.gov)>  
**Date:** August 28, 2023 at 9:49:23 AM PDT  
**Cc:** Laurel Prevetti <[LPrevetti@losgatosca.gov](mailto:LPrevetti@losgatosca.gov)>, Gabrielle Whelan <[GWhelan@losgatosca.gov](mailto:GWhelan@losgatosca.gov)>, Gitta Ungvari <[GUngvari@losgatosca.gov](mailto:GUngvari@losgatosca.gov)>, Katy Nomura <[KNomura@losgatosca.gov](mailto:KNomura@losgatosca.gov)>  
**Subject: Audit Status Update**

Good morning Town Council and Finance Commission,

One of the Finance Commissioners inquired about the status of the Town's annual audit.

For the benefit of the entire Town Council and Finance Commission, please know that the Town is in the process of the annual audit. The auditors started their preliminary work in May 2023. The draft financial statements are expected to be available for the Commission's review by

November 27th.

Staff anticipates a special Finance Commission meeting in early December to discuss the Draft Annual Comprehensive Financial Report (ACFR) and for the Commission to complete its review at the December 11th regular meeting. Council consideration of the ACFR is scheduled for December 19, 2023.

A status update on the audit was an agenized item for the regular September meeting. Since the meeting was cancelled due to lack of quorum, the item is on the agenda for the regular October meeting. The Town's independent auditor will participate in the meeting to give an update and address the Commissioners' questions.

Thank you,

**Wendy Wood, CMC • Town Clerk**

110 E. Main Street, Los Gatos CA 95030

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**TOWN OF LOS GATOS, CALIFORNIA**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**JUNE 30, 2022**

Item 5.

	General	Appropriated Reserves	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash & investments	\$ 33,524,572	\$ 17,435,006	\$ 9,419,042	\$ 60,378,620
Restricted cash & investments	690,000	-	-	690,000
Receivables:				
Accounts	1,813,336	396,644	63,244	2,273,224
Interest	193,357	-	-	193,357
Intergovernmental	1,938,789	47	237,941	2,176,777
Other assets	136,908	-	-	136,908
Lease receivable	-	331,696	-	331,696
Long term note receivable	1,359,000	-	78,752	1,437,752
<b>Total Assets</b>	<b>\$ 39,655,962</b>	<b>\$ 18,163,333</b>	<b>\$ 979,979</b>	<b>\$ 67,618,334</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 1,453,060	\$ 982,744	\$ 4,45	\$ 2,440,254
Accrued payroll and benefits	1,109,010	-	5,096	1,114,106
Due to other governments	62,712	100 00	42	162,754
Unearned revenue	3,240,516	0 ,096	64,795	5,312,407
Deposits	6,893,875	-	-	6,893,875
<b>Total Liabilities</b>	<b>1 5 173</b>	<b>3,089 40</b>	<b>74,383</b>	<b>15,923,396</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Leases		32 ,100	-	327,100
Unavailable revenue		505,700	-	505,700
<b>Total Deferred Inflows of Resource</b>		<b>832,800</b>	<b>-</b>	<b>832,800</b>
<b>FUND BALANCE</b>				
Nonspendable:				
Loans receivable	159,000	-	-	159,000
Restricted for:				
Library	-	-	555,253	555,253
Capital proje	-	-	8,357,393	8,357,393
Repairs and m intenance	-	-	174,239	174,239
Pensions	690,000	-	-	690,000
VTA	-	296,598	-	296,598
Committed to:				
Budget stabilization	5,991,566	-	-	5,991,566
Catastrophic	5,991,566	-	-	5,991,566
Pensions/OPEB	300,000	-	-	300,000
Special revenue funds	-	-	637,711	637,711
Assigned to:				
Open Space	410,000	152,000	-	562,000
Parking	-	100,000	-	100,000
Sustainability	140,553	-	-	140,553
Capital/Special projects	11,071,231	13,642,155	-	24,713,386
Carryover encumbrances	33,145	-	-	33,145
Comcast PEG	-	50,000	-	50,000
Compensated Absences	1,519,147	-	-	1,519,147
Measure G 2018 district sales tax	590,581	-	-	590,581
<b>Total Fund Balances</b>	<b>26,896,789</b>	<b>14,240,753</b>	<b>9,724,596</b>	<b>50,862,138</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 39,655,962</b>	<b>\$ 18,163,393</b>	<b>\$ 9,798,979</b>	<b>\$ 67,618,334</b>

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, 2022**

	General	Appropriated Reserves	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Property Taxes	\$ 21,129,082	\$ -	\$ 38,640	\$ 21,167,722
Sales Taxes	8,483,673	-	-	8,483,673
Other Taxes	1,909,816	-	66,382	1,976,198
Licenses & Permits	5,096,318	420,055	538,667	6,055,040
Intergovernmental	1,263,352	9,400,918	4,828,712	15,492,982
Charges for Services	5,460,613	1,464,746	-	6,925,359
Fines and Forfeitures	319,170	-	-	319,170
Franchise Fees	2,822,515	-	-	2,822,515
Developer Fees	1,200,000	35,571	-	1,735,571
Interest	(1,404,527)	34,805	90 39	(1,278,983)
Use of Property	32,400	93,001	19,500	144,901
Other	311,040	-	38,105	349,145
Total Revenues	46,623,452	949,096	5,620,745	64,193,293
<b>EXPENDITURES</b>				
Current:				
General Government	9, 3,968	6,9 0,000	-	15,953,968
Public Safety	16,45 0	-	-	16,451,190
Parks and Public Works	8,605 57	-	33,671	8,639,128
Community Development	6,313, 1	-	-	6,313,511
Library Services	2 752,3 7	-	74,813	2,827,210
Sanitation and Other	-	-	194,969	194,969
Capital Outlay	-	9,570,780	907,890	10,478,670
Debt service:				
Principal	156,034	-	-	156,034
Total Expenditu	43,332,557	16,470,780	1,211,343	61,014,680
<b>EXCESS (DEFICIEN ) OF RE ENUES OVER EXPENDITURES</b>	3,290,895	(4,521,684)	4,409,402	3,178,613
<b>OTHER FINANCING SOURCES (USES)</b>				
Gain from sale of assets	2,151	-	-	2,151
Transfers in	4,047,313	4,074,141	32,853	8,154,307
Transfers (out)	(4,358,188)	(427,616)	(3,524,881)	(8,310,685)
Total Other Financing Sources (Uses)	(308,724)	3,646,525	(3,492,028)	(154,227)
<b>NET CHANGES IN FUND BALANCES</b>	2,982,171	(875,159)	917,374	3,024,386
<b>BEGINNING FUND BALANCES</b>	23,914,618	15,115,912	8,807,222	47,837,752
<b>ENDING FUND BALANCES</b>	\$ 26,896,789	\$ 14,240,753	\$ 9,724,596	\$ 50,862,138

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, 2022**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>REVENUES</b>				
Property Taxes	\$ 20,036,156	\$ 20,138,320	\$ 21,129,082	\$ 990,762
Sales Taxes	8,177,859	8,671,606	8,483,673	(187,933)
Other Taxes	927,040	1,482,000	1,909,816	427,816
Licenses & Permits	3,869,779	4,477,907	5,096,318	618,411
Intergovernmental	3,881,836	1,148,993	1,263,352	114,359
Charges for Services	3,882,490	4,385,547	5,460,613	1,075,066
Fines and Forfeitures	203,450	213 0	319,170	105,720
Franchise Fees	2,597,630	2,514,020	822,515	308,495
Developer Fees	-	-	1, 0 000	1,200,000
Interest	440,833	440,833	(1,40 27)	(1,845,360)
Use of Property	32,400	32,400	32,400	-
Other	290,898	290 8	311,040	20,142
Total Revenues	44,340,371	3 95,974	46,623,452	2,827,478
<b>EXPENDITURES</b>				
Current:				
General Government:				
Town Council	2 499	202,890	189,569	13,321
Town Attorney	66 9	669,733	629,936	39,797
Administrative Services	5,087, 7	5,965,803	5,441,604	524,199
Non-Departmental	3,546,6	3,581,965	2,792,859	789,106
Total General Government	9 495,61	10,420,391	9,053,968	1,366,423
Public Safety	17, 480	17,390,966	16,451,190	939,776
Parks & Public Works	8,494,629	9,080,666	8,605,457	475,209
Community Develop	5,395,864	5,461,713	6,313,511	(851,798)
Library Services	3,016,395	3,062,707	2,752,397	310,310
Debt Service:				
Principal	-	-	156,034	(156,034)
Total Expenditure	43,641,983	45,416,443	43,332,557	2,083,886
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	698,388	(1,620,469)	3,290,895	4,911,364
<b>OTHER FINANCING SOURCES (USES)</b>				
Gain from sale of assets	600	600	2,151	1,551
Transfers In	633,352	4,047,313	4,047,313	-
Transfers Out	(2,801,047)	(3,833,094)	(4,358,188)	(525,094)
Total Other Financing Sources (Uses)	(2,167,095)	214,819	(308,724)	(523,543)
<b>NET CHANGES IN FUND BALANCE</b>	<u>\$ (1,468,707)</u>	<u>\$ (1,405,650)</u>	2,982,171	<u>\$ 4,387,821</u>
<b>BEGINNING FUND BALANCE</b>			23,914,618	
<b>ENDING FUND BALANCE</b>			<u>\$ 26,896,789</u>	

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



## Wendy Wood

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**Subject:** FW: Audit Status Update  
**Attachments:** Pages from FY-202122-ACFR (2).pdf; Pages from MEET-Packet-b3e1d6416cda46d69c43814c159cb106(2).pdf

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**From:** Phil Koen [REDACTED]  
**Sent:** Wednesday, September 20, 2023 12:12 AM  
**To:** Wendy Wood <WWood@losgatosca.gov>  
**Cc:** Laurel Prevetti <LPrevetti@losgatosca.gov>; Gabrielle Whelan <GWhelan@losgatosca.gov>; Gitta Ungvari <GUngvari@losgatosca.gov>; Katy Nomura <KNomura@losgatosca.gov>; Rick Tinsley [REDACTED]  
**Subject:** RE: Audit Status Update

[EXTERNAL SENDER]

Hello Wendy,

Thank you for your email of August 29. I wanted to circle back on this topic since the October FC is coming up. I have a specific request that I am hoping Staff will be able to accommodate.

Not exactly knowing what topics are planned to be discussed as part of the “annual premeeting with the auditors” my request is for the staff/auditor to present and discuss the draft FY 23 financial statements with the FC. To be clear this is not a request to review the entire ACFR but only the three funds financial statements (without any footnotes) consisting of 1) the governmental funds balance sheet, 2) the governmental funds statement of revenues, expenditures, and changes in fund balances and 3) budget and actual general fund. I have attached copies of the FY 22 financial statements that I am requesting to be presented for sake of clarity.

Last year at the August 8, 2022 FC the agenda for this meeting was “Discuss Upcoming Audit and Provide Input to June 30, 2022 ACFR with

the Town's Independent Auditor". The auditor reviewed the attached presentation.

Since our upcoming meeting is 2 months later and using last year's audit timeline as a proxy for this year, it would suggest the FY 23 audit is substantially complete including the drafting of financial statements. Therefore, in addition to the reviewing the three draft financial statements, I would request the auditor specifically discuss the revenue recognition policy and how it has been applied to the ARPA funds received in FY 22 and FY 23. Additionally, a discussion of significant areas of risk and how they were addressed in the audit and a review of all proposed audit adjustments to date would be very valuable.

Thank you for your assistance.

Phil Koen



**TOWN OF LOS GATOS, CALIFORNIA**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
**JUNE 30, 2022**

	General	Appropriated Reserves	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash & investments	\$ 33,524,572	\$ 17,435,006	\$ 9,419,042	\$ 60,378,620
Restricted cash & investments	690,000	-	-	690,000
Receivables:				
Accounts	1,813,336	396,644	63,244	2,273,224
Interest	193,357	-	-	193,357
Intergovernmental	1,938,789	47	237,941	2,176,777
Other assets	136,908	-	-	136,908
Lease receivable	-	331,696	-	331,696
Long term note receivable	1,359,000	-	78,752	1,437,752
<b>Total Assets</b>	<b>\$ 39,655,962</b>	<b>\$ 18,163,393</b>	<b>\$ 9,798,979</b>	<b>\$ 67,618,334</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 1,453,060	\$ 982,744	\$ 4,450	\$ 2,440,254
Accrued payroll and benefits	1,109,010	-	5,096	1,114,106
Due to other governments	62,712	100,000	42	162,754
Unearned revenue	3,240,516	2,007,096	64,795	5,312,407
Deposits	6,893,875	-	-	6,893,875
<b>Total Liabilities</b>	<b>12,759,173</b>	<b>3,089,840</b>	<b>74,383</b>	<b>15,923,396</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Leases	-	327,100	-	327,100
Unavailable revenue	-	505,700	-	505,700
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>832,800</b>	<b>-</b>	<b>832,800</b>
<b>FUND BALANCE</b>				
Nonspendable:				
Loans receivable	159,000	-	-	159,000
Restricted for:				
Library	-	-	555,253	555,253
Capital projects	-	-	8,357,393	8,357,393
Repairs and maintenance	-	-	174,239	174,239
Pensions	690,000	-	-	690,000
VTA	-	296,598	-	296,598
Committed to:				
Budget stabilization	5,991,566	-	-	5,991,566
Catastrophic	5,991,566	-	-	5,991,566
Pensions/OPEB	300,000	-	-	300,000
Special revenue funds	-	-	637,711	637,711
Assigned to:				
Open Space	410,000	152,000	-	562,000
Parking	-	100,000	-	100,000
Sustainability	140,553	-	-	140,553
Capital/Special projects	11,071,231	13,642,155	-	24,713,386
Carryover encumbrances	33,145	-	-	33,145
Comcast PEG	-	50,000	-	50,000
Compensated Absences	1,519,147	-	-	1,519,147
Measure G 2018 district sales tax	590,581	-	-	590,581
<b>Total Fund Balances</b>	<b>26,896,789</b>	<b>14,240,753</b>	<b>9,724,596</b>	<b>50,862,138</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 39,655,962</b>	<b>\$ 18,163,393</b>	<b>\$ 9,798,979</b>	<b>\$ 67,618,334</b>

*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, 2022**

	General	Appropriated Reserves	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Property Taxes	\$ 21,129,082	\$ -	\$ 38,640	\$ 21,167,722
Sales Taxes	8,483,673	-	-	8,483,673
Other Taxes	1,909,816	-	66,382	1,976,198
Licenses & Permits	5,096,318	420,055	538,667	6,055,040
Intergovernmental	1,263,352	9,400,918	4,828,712	15,492,982
Charges for Services	5,460,613	1,464,746	-	6,925,359
Fines and Forfeitures	319,170	-	-	319,170
Franchise Fees	2,822,515	-	-	2,822,515
Developer Fees	1,200,000	535,571	-	1,735,571
Interest	(1,404,527)	34,805	90,739	(1,278,983)
Use of Property	32,400	93,001	19,500	144,901
Other	311,040	-	38,105	349,145
Total Revenues	46,623,452	11,949,096	5,620,745	64,193,293
<b>EXPENDITURES</b>				
Current:				
General Government	9,053,968	6,900,000	-	15,953,968
Public Safety	16,451,190	-	-	16,451,190
Parks and Public Works	8,605,457	-	33,671	8,639,128
Community Development	6,313,511	-	-	6,313,511
Library Services	2,752,397	-	74,813	2,827,210
Sanitation and Other	-	-	194,969	194,969
Capital Outlay	-	9,570,780	907,890	10,478,670
Debt service:				
Principal	156,034	-	-	156,034
Total Expenditures	43,332,557	16,470,780	1,211,343	61,014,680
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	3,290,895	(4,521,684)	4,409,402	3,178,613
<b>OTHER FINANCING SOURCES (USES)</b>				
Gain from sale of assets	2,151	-	-	2,151
Transfers in	4,047,313	4,074,141	32,853	8,154,307
Transfers (out)	(4,358,188)	(427,616)	(3,524,881)	(8,310,685)
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<b>NET CHANGES IN FUND BALANCES</b>	2,982,171	(875,159)	917,374	3,024,386
<b>BEGINNING FUND BALANCES</b>	23,914,618	15,115,912	8,807,222	47,837,752
<b>ENDING FUND BALANCES</b>	<u>\$ 26,896,789</u>	<u>\$ 14,240,753</u>	<u>\$ 9,724,596</u>	<u>\$ 50,862,138</u>

*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, 2022**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>REVENUES</b>				
Property Taxes	\$ 20,036,156	\$ 20,138,320	\$ 21,129,082	\$ 990,762
Sales Taxes	8,177,859	8,671,606	8,483,673	(187,933)
Other Taxes	927,040	1,482,000	1,909,816	427,816
Licenses & Permits	3,869,779	4,477,907	5,096,318	618,411
Intergovernmental	3,881,836	1,148,993	1,263,352	114,359
Charges for Services	3,882,490	4,385,547	5,460,613	1,075,066
Fines and Forfeitures	203,450	213,450	319,170	105,720
Franchise Fees	2,597,630	2,514,020	2,822,515	308,495
Developer Fees	-	-	1,200,000	1,200,000
Interest	440,833	440,833	(1,404,527)	(1,845,360)
Use of Property	32,400	32,400	32,400	-
Other	290,898	290,898	311,040	20,142
Total Revenues	44,340,371	43,795,974	46,623,452	2,827,478
<b>EXPENDITURES</b>				
Current:				
General Government:				
Town Council	201,499	202,890	189,569	13,321
Town Attorney	660,229	669,733	629,936	39,797
Administrative Services	5,087,207	5,965,803	5,441,604	524,199
Non-Departmental	3,546,680	3,581,965	2,792,859	789,106
Total General Government	9,495,615	10,420,391	9,053,968	1,366,423
Public Safety	17,239,480	17,390,966	16,451,190	939,776
Parks & Public Works	8,494,629	9,080,666	8,605,457	475,209
Community Development	5,395,864	5,461,713	6,313,511	(851,798)
Library Services	3,016,395	3,062,707	2,752,397	310,310
Debt Service:				
Principal	-	-	156,034	(156,034)
Total Expenditures	43,641,983	45,416,443	43,332,557	2,083,886
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	698,388	(1,620,469)	3,290,895	4,911,364
<b>OTHER FINANCING SOURCES (USES)</b>				
Gain from sale of assets	600	600	2,151	1,551
Transfers In	633,352	4,047,313	4,047,313	-
Transfers Out	(2,801,047)	(3,833,094)	(4,358,188)	(525,094)
Total Other Financing Sources (Uses)	(2,167,095)	214,819	(308,724)	(523,543)
<b>NET CHANGES IN FUND BALANCE</b>	<u>\$ (1,468,707)</u>	<u>\$ (1,405,650)</u>	2,982,171	<u>\$ 4,387,821</u>
<b>BEGINNING FUND BALANCE</b>			23,914,618	
<b>ENDING FUND BALANCE</b>			<u>\$ 26,896,789</u>	

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

# Town of Los Gatos

## Audit Plan Summary

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JUNE 30, 2022



Chavan and Associates, LLP  
Certified Public Accountants

ATTACHMENT 1

# Audit Process

1

- Audit Planning & Preparation

2

- Audit Execution

3

- Audit Reporting

4

- Follow-up

# Auditing Standards

- **AICPA's Statements on Auditing Standards**
- **GAO/GAGAS**
  - We will conduct our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States





# Audit Objective/Responsibilities

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## Objective

- To express an opinion on the financial statements based on our audit.

## Responsibilities

- Plan and perform the audit to obtain ***reasonable assurance*** about whether the financial statements are free from material misstatement.



# Audit Objective/Responsibilities

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## Responsibilities Continued

- 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 fraud or error.
- In making those risk assessments, the auditor considers 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.***



# Significant Areas and Risk Areas

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- Federal compliance: ARPA grant
- Payroll and payroll allocations between departments, funds and sources.
- Disbursements and purchases
- Cash, AR, Capital Assets, Interfund Transactions, AP, other liabilities and Fund Balance.
- Pensions and OPEB
- GASB 87: Leases



# Timeline

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- Interim testing 5/2 through 5/9
- Year-end testing 9/26 through 9/30
- Year-end exit conference 9/30
- List of recommendations and audit adjustments 10/21
- Draft reports and letters 11/4
- Final reports and letters 11/25
- Report to commission and council, as needed.



# Questions

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**From:** [Phil Koen](#)  
**To:** [Wendy Wood](#)  
**Cc:** [Gitta Ungvari](#); [Laurel Prevetti](#); [Rick Tinsley](#)  
**Subject:** Material to be included in the Oct FC package - agenda item FY 23 Audit discussion/review  
**Date:** Monday, September 25, 2023 7:21:54 AM  
**Attachments:** [GF Fund Balance as of June 30 2023 - Treasurer Report July 2023.pdf](#)  
[GF Estimated Fund Balance - FY 24 adopted plan.pdf](#)

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[EXTERNAL SENDER]

Hello Wendy,

Could you please include these schedules to be discussed/reviewed during the agenda item regarding the FY 23 Audit. I am hoping that Staff will share with the FC the three draft financial statements I requested in my prior email (not the entire annual report). This is an important topic since it appears the actual GF surplus for FY 23 is materially greater from what the public and the TC was told both during the mid-year update in February and during the FY 24 planning process in May. The July Treasurer's report shows a revenue over expenditure surplus of approximately \$5.4m for FY 23. I am looking for confirmation from the auditor as to the actual FY 23 GF ending balance and the excess of revenues over expenditures for FY 23 prior to any fund transfers.

Thank you.

Phil Koen



## Fund Schedule

Fund Number	Fund Description	Prior Year Carryforward 7/1/2023*	July 2023				Estimated Fund Balance 7/31/2023**
			Current Revenue	Current Expenditure	Transfer In	Transfer Out	
111	<b>GENERAL FUND</b>						
	<b>Non-Spendable:</b>						
	Loans Receivable	159,000	-	-	-	-	159,000
	<b>Restricted Fund Balances:</b>						
	Pension	690,000	-	-	-	-	690,000
	<b>Committed Fund Balances:</b>						
	Budget Stabilization	5,991,566	-	-	-	-	5,991,566
	Catastrphic	5,991,566	-	-	-	-	5,991,566
	Pension/OPEB	300,000	-	-	-	-	300,000
	<b>Assigned Fund Balances:</b>						
	Open Space	410,000	-	-	-	-	410,000
	Sustainability	140,553	-	-	-	-	140,553
	Capital/Special Projects	11,055,733	-	-	-	-	11,055,733
	Carryover Encumbrances	33,145	-	-	-	-	33,145
	Compensated Absences	1,519,147	-	-	-	-	1,519,147
	Measure G District Sales Tax	590,581	-	-	-	-	590,581
	<b>Unassigned Fund Balances:</b>						
	Other Unassigned Fund Balance Reserve (Pre YE distribution)	5,402,338	654,321	(2,053,348)	-	-	4,003,311
	<b>General Fund Total</b>	<b>32,283,629</b>	<b>654,321</b>	<b>(2,053,348)</b>	<b>-</b>	<b>-</b>	<b>30,884,602</b>

\* Interfund transfers and ARPA funding allocation to be performed as part of the fiscal year end closing entries.

\*\* Interfund transfers to be performed as part of the fiscal year end closing entries.

Comp of A.F. Bal

32,283,629 (b)

27,147,209 (d)

5,136,420

Δ

FY 23 surplus

FY23 forecast surplus

excess over forecast

\$ 5,402,338 (a)

- 1,640,833 (c)

\$ 3,961,505

## Fund Schedule

Fund Number	Fund Description	Prior Year Carryforward 7/1/2023*	July 2023				Estimated Fund Balance 7/31/2023**
			Current Revenue	Current Expenditure	Transfer In	Transfer Out	
	<b>SPECIAL REVENUE</b>						
211/212	CDBG	166,653	-	-	-	-	166,653
222	Urban Runoff (NPDES)	634,232	22,431	(11,685)	-	-	644,978
231-236	Landscape & Lighting Districts	178,826	-	-	-	-	178,826
241	ARPA	3,614,872	-	-	-	-	3,614,872
251	Los Gatos Theatre	24,704	5,514	-	-	-	30,218
711-716	Library Trusts	529,650	-	(2,681)	-	-	526,969
	<b>Special Revenue Total</b>	5,148,937	27,945	(14,366)	-	-	5,162,516
	<b>CAPITAL PROJECTS</b>						
411	GFAR - General Fund Appropriated Reserve	14,457,009	8,000	(2,000)	-	-	14,463,009
421	Grant Funded Projects	(455,989)	19,122	-	-	-	(436,867)
461-463	Storm Basin Projects	3,162,560	-	-	-	-	3,162,560
471	Traffic Mitigation Projects	405,570	-	-	-	-	405,570
472	Utility Undergrounding Projects	3,379,836	-	-	-	-	3,379,836
481	Gas Tax Projects	1,692,725	-	-	-	-	1,692,725
	<b>Capital Projects Total</b>	22,641,711	27,122	(2,000)	-	-	22,666,833
	<b>INTERNAL SERVICE FUNDS</b>						
611	Town General Liability	248,957	5,000	-	-	-	253,957
612	Workers Compensation	873,703	76,414	-	-	-	950,117
621	Information Technology	3,076,585	3,138	(318,457)	-	-	2,761,266
631	Vehicle & Equipment Replacement	2,458,150	10,713	-	-	-	2,468,863
633	Facility Maintenance	727,296	4,000	(9,828)	-	-	721,468
	<b>Internal Service Funds Total</b>	7,384,691	99,265	(328,285)	-	-	7,155,671
	<b>Trust/Agency</b>						
942	RDA Successor Agency	(7,564,760)	-	(1,669,989)	-	-	(9,234,749)
	<b>Trust/Agency Fund Total</b>	(7,564,760)	-	(1,669,989)	-	-	(9,234,749)
	<b>Total Town</b>	59,894,208	808,653	(4,067,988)	-	-	56,634,873

\* Interfund transfers and ARPA funding allocation to be performed as part of the fiscal year end closing entries.

\*\* Interfund transfers to be performed as part of the fiscal year end closing entries.

### Deposit Accounts of Interest:

111-23541 General Plan Update deposit account balance \$1,025,683.96  
 111-23521 BMP Housing deposit account balance \$3,885,172

L Staff will Conf ARPA  
balance to GFAR

**GENERAL FUND**  
**FY 2022/23 & FY 2023/24 ESTIMATED FUND BALANCE ACTIVITY**

	Actual General Fund Balance June 30, 2022	Restricted for Pension	Budget Stabilization	Catastrophic	Pension/OPEB	Open Space	Sustainability	Capital/Special Projects	Encumbrances	Compensated Absences	Measure G District Sales Tax - Operating	Council Priorities - Economic Recovery	ERAF Risk	Rehab Loan (Non-Spendable)	Estimated FY 2023 Balance to be Allocated	Total GF Balance
Estimated FY 2022/23 Actions	Additional Capital Projects															
	Regular Payment to IRS 115 Pension Trust (CEPPT)	390,000														
	Pension/OPEB Reserve to IRS 115 Pension Trust (CEPPT)	300,000			(300,000)											
	Council Priorities - Economic Recovery (Assign the Reserve)							(2,065,302)				2,065,302				
	FY 2022/23 ARPA Proceeds (Recognized as Lost Revenue)											3,614,872				
	Council Priorities - Economic Recovery (FY 2022/23 Estimated Use)											(4,034,893)				
	FY 2022/23 Estimated Surplus to be Allocated														1,640,833	
	Reserve 25% of FY 2021/22 GF Operating Expenditure (per General Fund Reserve Policy)		138,208	138,208											(276,416)	
	To Pension OPEB Reserve (per General Fund Reserve Policy)				300,000											
	Capital/Special Projects Reserve (per General Fund Reserve Policy)							1,364,417							(1,364,417)	
Proposed FY 2023/24 Actions	Estimated General Fund Balance June 30, 2023	\$ 1,380,000	\$ 6,129,774	\$ 6,129,774	\$ 300,000	\$ 410,000	\$ 140,553	\$ 8,020,346	\$ 33,145	\$ 1,519,147	\$ 590,581	\$ 1,645,281	\$ 689,608	\$ 159,000	\$ -	\$ 27,147,209
	Additional Capital Projects per Proposed Budget							(1,615,000)								
	Council Priorities - Economic Recovery (FY 2023/24 Estimated Use)											(779,000)				
	30% of ERAF Proceeds to ERAF Risk Reserve												660,900			
	Regular Payment to IRS 115 Pension Trust (CEPPT)	390,000														
	FY 2023/24 Estimated Surplus to be Allocated														44,423	
	Estimated General Fund Balance June 30, 2024	\$ 1,770,000	\$ 6,129,774	\$ 6,129,774	\$ 300,000	\$ 410,000	\$ 140,553	\$ 6,405,346	\$ 33,145	\$ 1,519,147	\$ 590,581	\$ 866,281	\$ 1,350,508	\$ 159,000	\$ 44,423	\$ 25,848,532

*FY23 surplus projected in FY24 budget*