



SPECIAL MEETING AGENDA

Date: 3/28/2024
Time: 5:30 p.m.
Locations: [Zoom.us/join](https://zoom.us/join) – ID# 834 2885 4939 and
City Hall Downtown Conference Room, 1st Floor
701 Laurel St., Menlo Park, CA 94025

Members of the public can listen to the meeting and participate using the following methods.

How to participate in the meeting

- Access the meeting, in-person, at Downtown Conference Room
- Access the meeting real-time online at:
[Zoom.us/join](https://zoom.us/join) – Meeting ID 834 2885 4939
- Access the meeting real-time via telephone at:
(669) 900-6833
Meeting ID 834 2885 4939
Press *9 to raise hand to speak

Subject to Change: The format of this meeting may be altered or the meeting may be cancelled. You may check on the status of the meeting by visiting the city website menlopark.gov. The instructions for logging on to the webinar and/or the access code is subject to change. If you have difficulty accessing the webinar, please check the latest online edition of the posted agenda for updated information (menlopark.gov/agendas).

Special Session

A. Call To Order

B. Roll Call

C. Regular Business

- C1. Review audit reports for the fiscal year ended June 30, 2023 and the auditor's report on the calculations of the appropriations limit for fiscal year 2023-24 and recommend receipt by City Council ([Staff Report #24-004-FAC](#))

D. Adjournment

At every Regular Meeting of the Commission, in addition to the Public Comment period where the public shall have the right to address the Commission on any matters of public interest not listed on the agenda, members of the public have the right to directly address the Commission on any item listed on the agenda at a time designated by the Chair, either before or during the Commission's consideration of the item.

At every Special Meeting of the Commission, members of the public have the right to directly address the Commission on any item listed on the agenda at a time designated by the Chair, either before or during consideration of the item. For appeal hearings, appellant and applicant shall each have 10 minutes for presentations.

If you challenge any of the items listed on this agenda in court, you may be limited to raising only those issues you or

someone else raised at the public hearing described in this notice, or in written correspondence delivered to the City of Menlo Park at, or prior to, the public hearing.

Any writing that is distributed to a majority of the Commission by any person in connection with an agenda item is a public record (subject to any exemption under the Public Records Act) and is available by request by emailing the city clerk at jaherren@menlopark.gov. Persons with disabilities, who require auxiliary aids or services in attending or participating in Commission meetings, may call the City Clerk's Office at 650-330-6620.

Agendas are posted in accordance with Government Code §54954.2(a) or §54956. Members of the public can view electronic agendas and staff reports by accessing the City website at menlopark.gov/agendas and can receive email notification of agenda and staff report postings by subscribing to the "Notify Me" service at menlopark.gov/subscribe. Agendas and staff reports may also be obtained by contacting City Clerk at 650-330-6620. (Posted: 3/27/2024)



STAFF REPORT

Finance and Audit Commission

Meeting Date: 3/28/2024
Staff Report Number: 24-004-FAC

Regular Business: Review audit reports for the fiscal year ended June 30, 2023 and the auditor's report on the calculations of the appropriations limit for fiscal year 2023-24 and recommend receipt by City Council

Recommendation

Staff recommends that the Finance and Audit Commission review the audit reports for the fiscal year ended June 30, 2023 and the auditor's report on the calculation of the appropriations limit for fiscal year 2023-24 and recommend receipt by City Council.

Policy Issues

Pursuant to Code of Federal Regulations (CFR) 2 CFR 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, a non-federal agency that expends \$750,000 or more during the fiscal year in federal awards is required to have a single audit. The single audit tests the Schedule of Expenditures of Federal Awards (SEFA) to ensure that an agency has used federal funds correctly in compliance with Office of Budget Management (OMB) standards.

Article XIII-B of the California Constitution creates a restriction on the amount of revenue which may be appropriated in any fiscal year with adjustments as provided in Article XIII-B. In order to meet the requirements of Section 1.5 of Article XIII-B, the annual calculation of the appropriations limit is reviewed by the auditors as part of the financial audit. A report is prepared by the auditors outlining the procedures performed as part of this review.

Background

The City has contracted with the independent CPA firm the Pun Group, LLP to perform an audit of its financial statements, complete the single audit, and render relevant opinions in accordance with generally accepted auditing standards. The financial statement audit has already been completed and presented with the Annual Comprehensive Financial Report (ACFR).

The City had total federal expenditures of \$4.1 million and normally would be required to have a single audit; however, certain Coronavirus State and Local Fiscal Recovery Funds (SLFRF American Rescue Plan Act of 2021 (ARPA) funds recipients are provided with an option to have an alternative compliance examination engagement in lieu of a Single Audit. This alternative examination applies to entities that would not be required to have a single audit if it was not for the expenditures of APRA and is intended to reduce the burden of a full single audit. This compliance examination is completed in accordance with the Government Accountability Office (GAO) Government Auditing Standards, the American Institute of Certified Public Accountants (AICPA) Statements on Standards for Attestation Engagements. A formal SEFA is not required with the alternative examination as the audit opinion will be issued directly on the ARPA. The City's ARPA expenditures were \$3.7 million and the remaining expenditures were below the

\$750,000 threshold.

ARPA authorized the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) and is implemented by the US Treasury's Interim Final Rule and Final Rule. The purpose of these funds is to provide direct payments to local government to:

1. Respond to the public health emergency with respect to Coronavirus Disease 2019 (COVID-19) or its negative economic impacts, including by providing assistance to households, small businesses, nonprofits, and impacted industries, such as tourism, travel, and hospitality;
2. Respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers that perform essential work;
3. Provide government services, to the extent of the reduction in revenue of eligible entities due to the COVID-19 public health emergency relative to revenues collected in the most recent full fiscal year prior to the emergency. To simplify the calculation, recipients can elect a one-time "standard allowance" of up to \$10 million (not to exceed the award amount); and
4. Make necessary investments in water, sewer, or broadband infrastructure.

These funds may only be used to cover cost incurred during the period beginning March 3, 2021 and ending December 31, 2024. All obligation incurred during this timeframe must be paid by December 31, 2026.

Analysis

Based on the independent audit, the Pun Group, LLP, the auditor rendered an unmodified or clean opinion, indicating that the City complied, in all material respects, with the specific requirements related to the SLFRF for the year ended June 30, 2023. This report is included as Attachment A.

Also included as part of Attachment A is the "Report on Internal Control". This report does not provide an opinion on internal controls, but does list any deficiencies identified. The Pun Group, LLP did not identify any deficiencies in internal controls, instances of noncompliance, or other matters.

In addition, the auditor reviewed and issued a report on the City's Appropriations Limit Schedule for the fiscal years ended June 30, 2023 and June 30, 2024. No exceptions were noted. These are included as Attachment B and C.

Finally, the auditors provided a letter to the Mayor and City Council (Attachment D). In this letter, the auditor provides a listing of new accounting standards and notes, "no other new accounting policies were adopted and the application of existing policies was not changed during 2023". Additionally, the auditor found "no transactions entered into by the City where there is a lack of authoritative guidance or consensus" and that "all transactions have been recognized in the financial statements in the proper period".

Impact on City Resources

Independent auditing services are a covered expense within the City's fiscal year 2023-24 approved budget.

Environmental Review

This action is not a project within the meaning of the California Environmental Quality Act (CEQA) Guidelines §§ 15378 and 15061(b)(3) as it will not result in any direct or indirect physical change in the environment.

Public Notice

Public notification was achieved by posting the agenda, with the agenda items being listed, at least 72 hours prior to the meeting.

Attachments

- A. SLFRF Examination, Independent Auditors' Report and Independent Accountant's Report
- B. Independent Accountants' Report on the Appropriations Limit Schedule for the year ended June 30, 2023
- C. Independent Accountants' Report on the Appropriations Limit Schedule for the year ended June 30, 2024
- D. Auditor's Communication with Those Charged with Governance

Report prepared by:

Adrian Patino, Management Analyst II

Reviewed by:

Jared Hansen, Assistant Administrative Services Director

City of Menlo Park

Menlo Park, California

SLFRF Examination, Independent Auditors' Report and Independent Accountants' Report

For the Year Ended June 30, 2023



City of Menlo Park

Table of Contents

	<u><i>Page</i></u>
Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>.....	1
Independent Accountants’ Report.....	3

This page intentionally left blank



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Independent Auditors' Report

To the Honorable Mayor and Members of City Council
of the City of Menlo Park
Menlo Park, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Menlo Park, California (the "City"), as of and for the year ended June 30, 2023, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 6, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Honorable Mayor and Members of City Council
of the City of Menlo Park
Menlo Park, California
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California
February 6, 2024



INDEPENDENT ACCOUNTANTS' REPORT



To the Honorable Mayor and Members of the City Council
of the City of Menlo Park
Menlo Park, California

We have examined the City of Menlo Park's (the "City") compliance with the compliance requirements "activities allowed or unallowed" and "allowable cost/cost principles" (the "specified requirements") as described in Part IV "Requirements for an Alternative Compliance Examination Engagement for Recipients That Would Otherwise be Required to Undergo a Single Audit or Program-Specific Audit as a Result of Receiving Coronavirus State and Local Fiscal Recovery Funds" of the Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) section of the 2023 OMB *Compliance Supplement* (referred to herein as "Requirements for an Alternative CSLFRF Compliance Examination Engagement") during the year ended June 30, 2023. Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the AICPA; the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in the requirements for an Alternative CSLFRF Compliance Examination Engagement. Those standards and requirements require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the City's compliance with the specified requirements.

In our opinion, the City complied, in all material respects, with the specified requirements referenced above during the year ended June 30, 2023.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud, and noncompliance with provisions of laws, regulations, contracts or grant agreements that have a material effect on the City's compliance with the specified requirements and any other instances that warrant the attention of those charged with governance. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on the City's compliance with the specified requirements and not for the purpose of expressing an opinion on the internal control over the specified requirements or on compliance and other matters; accordingly, we express no such opinions. The results of our tests disclosed no matters that are required to be reported under *Government Auditing Standards*.

To the Honorable Mayor and Members of the City Council
of the City of Menlo Park
Menlo Park, California
Page 2

Intended Purpose

The purpose of this examination report is solely to express an opinion on whether the City complied, in all material respects with the specified requirements referenced above during the year ended June 30, 2023. Accordingly, this report is not suitable for any other purpose.

The PwC Group, LLP

Walnut Creek, California
March 15, 2024

City of Menlo Park

Menlo Park, California

Independent Accountants' Report on Agreed-Upon Procedures Applied to Appropriations Limit Schedule

For the Year Ended June 30, 2023





INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Honorable Mayor and Members of City Council
of the City of Menlo Park
Menlo Park, California

We have performed the procedures enumerated below to the accompanying Appropriations Limit Schedule of the City of Menlo Park, California (the "City") for the year ended June 30, 2023. The City's management is responsible for the Appropriations Limit Schedule.

The City has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of meeting the requirements set forth in Section 1.5 of Article XIII-B of the California Constitution. These procedures, which were suggested by the League of California Cities and presented in the publication entitled *Agreed-upon Procedures Applied to the Appropriations Limitation Prescribed by Article XIII-B of the California Constitution*, were performed solely to assist you in meeting the requirements. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

1. We obtained the completed worksheets used by the City to calculate its appropriations limit for the year ended June 30, 2023, and compared the limit and annual calculation factors that were adopted by resolution of the City Council. We also compared that the population and inflation options included in the aforementioned worksheets were selected by a recorded vote of the City Council.

Finding: No exceptions were noted as a result of our procedures.

2. For the accompanying Appropriations Limit Schedule, we added the prior year's limit to the total adjustments, and compared the resulting amount to the current year's limit.

Finding: No exceptions were noted as a result of our procedures.

3. We compared the current year information presented in the accompanying Appropriations Limit Schedule to corresponding information in worksheets used by the City.

Finding: No exceptions were noted as a result of our procedures.

4. We compared the prior year appropriations limit presented in the accompanying Appropriations Limit Schedule to the appropriations limit adopted by the City Council for the prior year.

Finding: No exceptions were noted as a result of our procedures.

To the Honorable Mayor and Members of City Council
of the City of Menlo Park
Menlo Park, California
Page 2

We were engaged by the City to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an audit or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the accompanying Appropriations Limit Schedule. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the City Council and management of the City and is not intended to be and should not be used by anyone other than those specified parties. However, this report is a matter of public record and its distribution is not limited.

The PwC Group, LLP

Santa Ana, California
February 8, 2024

City of Menlo Park
Appropriations Limit Schedule
For the Year Ended June 30, 2023

	Amount	Source
A. Appropriations Limit from FY 2021-2022	\$ 71,227,381	<i>Prior Year appropriations limit adopted by the City</i>
B. Adjustment Factors:		
1. Growth in City Population	0.9864	<i>State Department of Finance</i>
2. California per Capita Personal Income Growth	1.0755	<i>State Department of Finance</i>
3. Adjustment Factor	1.0609	B1*B2
C. Annual Adjustment Increase	4,335,839	A * (B3 - 1)
D. Other Adjustments:		
1) Loss responsibility (-)	-	N/A
2) Transfer to private (-)	-	N/A
3) Transfer to fees (-)	-	N/A
4) Assumed responsibility (-)	-	N/A
E. Total Adjustments	4,335,839	(C+D)
F. Appropriations Limit FY 2022-2023	\$ 75,563,220	(A+E)

City of Menlo Park
Notes to the Appropriations Limit Schedule
For the Year Ended June 30, 2023

Note 1 – Purpose of Limited Procedures Review

Under Article XIII-B of the California Constitution (the Gann Spending Limitation Initiative), California governmental agencies are restricted as to the amount of annual appropriations from proceeds of taxes. Effective for years beginning on or after July 1, 1990, under Section 1.5 of Article XIII-B, the annual calculation of the appropriations limit is subject to a limited procedures review in connection with the annual audit.

Note 2 – Method of Calculation

Under Section 10.5 of Article XIIB, for fiscal years beginning on or after July 1, 1990, the appropriations limit is required to be calculated based on the limit for the fiscal year 1986-87, adjusted for the inflation and population factors discussed in Notes 3 and 4 below.

Note 3 – Population Factors

A California governmental agency may use as its population factor either the annual percentage change of the jurisdiction's own population or the annual percentage change in population of the county where the jurisdiction is located. The factor adopted by the City for the year ended June 30, 2023, represents the annual percentage change in population for the City.

Note 4 – Inflation Factors

A California governmental agency may use as its inflation factor either the annual percentage change in the 4th quarter per capita personal income (which percentage is supplied by the State Department of Finance) or the percentage change in the local assessment roll from the preceding year due to the change of local nonresidential construction. The factor adopted by the City for the year ended June 30, 2023, represents the percentage change in California per capita personal income.

Note 5 – Other Adjustments

A California government agency may be required to adjust its appropriations limit when certain events occur, such as the transfer of responsibility for municipal services to, or from, another government agency or private entity. The City had no such adjustments for the year ended June 30, 2023.

City of Menlo Park

Menlo Park, California

Independent Accountants' Report on Agreed-Upon Procedures Applied to Appropriations Limit Schedule

For the Year Ending June 30, 2024





INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Honorable Mayor and Members of City Council
of the City of Menlo Park
Menlo Park, California

We have performed the procedures enumerated below to the accompanying Appropriations Limit Schedule of the City of Menlo Park, California (the "City") for the year ending June 30, 2024. The City's management is responsible for the Appropriations Limit Schedule.

The City has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of meeting the requirements set forth in Section 1.5 of Article XIII-B of the California Constitution. These procedures, which were suggested by the League of California Cities and presented in the publication entitled *Agreed-upon Procedures Applied to the Appropriations Limitation Prescribed by Article XIII-B of the California Constitution*, were performed solely to assist you in meeting the requirements. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

1. We obtained the completed worksheets used by the City to calculate its appropriations limit for the year ending June 30, 2024, and compared the limit and annual calculation factors that were adopted by resolution of the City Council. We also compared that the population and inflation options included in the aforementioned worksheets were selected by a recorded vote of the City Council.

Finding: No exceptions were noted as a result of our procedures.

2. For the accompanying Appropriations Limit Schedule, we added the prior year's limit to the total adjustments, and compared the resulting amount to the current year's limit.

Finding: No exceptions were noted as a result of our procedures.

3. We compared the current year information presented in the accompanying Appropriations Limit Schedule to corresponding information in worksheets used by the City.

Finding: No exceptions were noted as a result of our procedures.

4. We compared the prior year appropriations limit presented in the accompanying Appropriations Limit Schedule to the appropriations limit adopted by the City Council for the prior year.

Finding: No exceptions were noted as a result of our procedures.

To the Honorable Mayor and Members of City Council
of the City of Menlo Park
Menlo Park, California
Page 2

We were engaged by the City to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an audit or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the accompanying Appropriations Limit Schedule. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the City Council and management of the City and is not intended to be and should not be used by anyone other than those specified parties. However, this report is a matter of public record and its distribution is not limited.

The PwC Group, LLP

Santa Ana, California
February 8, 2024

City of Menlo Park
Appropriations Limit Schedule
For the Year Ending June 30, 2024

	Amount	Source
A. Appropriations Limit from FY 2022-2023	\$ 75,563,220	<i>Prior Year appropriations limit adopted by the City</i>
B. Adjustment Factors:		
1. Growth in City Population	0.9909	<i>State Department of Finance</i>
2. California per Capita Personal Income Growth	1.0444	<i>State Department of Finance</i>
3. Adjustment Factor	1.0349	B1*B2
C. Annual Adjustment Increase	2,636,851	A * (B3 - 1)
D. Other Adjustments:		
1) Loss responsibility (-)	-	N/A
2) Transfer to private (-)	-	N/A
3) Transfer to fees (-)	-	N/A
4) Assumed responsibility (-)	-	N/A
E. Total Adjustments	2,636,851	(C+D)
F. Appropriations Limit FY 2023-2024	\$ 78,200,071	(A+E)

City of Menlo Park
Notes to the Appropriations Limit Schedule
For the Year Ending June 30, 2024

Note 1 – Purpose of Limited Procedures Review

Under Article XIII-B of the California Constitution (the Gann Spending Limitation Initiative), California governmental agencies are restricted as to the amount of annual appropriations from proceeds of taxes. Effective for years beginning on or after July 1, 1990, under Section 1.5 of Article XIII-B, the annual calculation of the appropriations limit is subject to a limited procedures review in connection with the annual audit.

Note 2 – Method of Calculation

Under Section 10.5 of Article XIIB, for fiscal years beginning on or after July 1, 1990, the appropriations limit is required to be calculated based on the limit for the fiscal year 1986-87, adjusted for the inflation and population factors discussed in Notes 3 and 4 below.

Note 3 – Population Factors

A California governmental agency may use as its population factor either the annual percentage change of the jurisdiction's own population or the annual percentage change in population of the county where the jurisdiction is located. The factor adopted by the City for the year ending June 30, 2024, represents the annual percentage change in population for the City.

Note 4 – Inflation Factors

A California governmental agency may use as its inflation factor either the annual percentage change in the 4th quarter per capita personal income (which percentage is supplied by the State Department of Finance) or the percentage change in the local assessment roll from the preceding year due to the change of local nonresidential construction. The factor adopted by the City for the year ending June 30, 2024, represents the percentage change in California per capita personal income.

Note 5 – Other Adjustments

A California government agency may be required to adjust its appropriations limit when certain events occur, such as the transfer of responsibility for municipal services to, or from, another government agency or private entity. The City had no such adjustments for the year ending June 30, 2024.



200 E. Sandpointe Avenue, Suite 600
Santa Ana, California 92707

February 6, 2024

To the Honorable Mayor and Members of the City Council
of the City of Menlo Park
Menlo Park, California

www.pungroup.cpa

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Menlo Park (the “City”) for the year ended June 30, 2023, and have issued our report thereon dated February 6, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the scope and timing of our audit. We have communicated such information in our letter to you dated June 1, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the basic financial statements.

New Accounting Standards

- In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations* (GASB Statement No. 91), to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Application of this statement did not have an effect on the City’s financial reporting for the fiscal year ending June 30, 2023.
- In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Application of this statement did not have an effect on the City’s financial reporting for the fiscal year ending June 30, 2023.
- In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. Application of this statement had a moderate effect on the City’s financial reporting for the fiscal year ending June 30, 2023.

- GASB Statement No. 99 - In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The Statement is effective immediately for the requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63. The Statement is effective for fiscal year years beginning after June 15, 2022 for requirements related to leases, PPPs, and SBITAS. Implementation of this Statement did not have a significant effect on the City's financial statements for the fiscal year ended June 30, 2023.

We noted no other new accounting policies were adopted and the application of existing policies was not changed during 2023. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the City's financial statements were:

- Management's estimate of the depreciation on capital assets is based on the industry standard and past experience on actual useful life of the asset groups. We evaluated the key factors and assumptions used to develop the depreciation on capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the net other postemployment benefits ("OPEB") liability is based on the actuarial valuation on total OPEB liability. We evaluated the key factors and assumptions used to develop the total OPEB liability in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the net pension liabilities is based on the proportionate share of actuarial valuation on total pension liability and the proportionate share of the fiduciary net position for CalPERS plans. We evaluated the key factors and assumptions used to develop the net pension liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- Note 1 – Summary of Significant Accounting Policies
- Note 4 – Leases Receivable
- Note 10 – Defined Benefit Pension Plan
- Note 11 – Other Postemployment Benefits
- Note 14 – Fund Balance
- Note 16 – Contingencies
- Note 17 – Litigation
- Note 20 – Prior Period Adjustments

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 6, 2024.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis, the Budgetary Comparison Schedules, the Schedule of Changes in the Net Pension Liability and Related Ratios, the Schedule of the City's Proportionate Share of the Net Pension Liability and Related Ratios, the Schedules of the Contributions, and the Schedule of Changes in Total Other Postemployment Benefits Liability and Related Ratios, which are required supplementary information ("RSI") that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

To the Honorable Mayor and Members of the City Council
of the City of Menlo Park
Menlo Park, California
Page 4

We were engaged to report on the Combining and Individual Nonmajor Fund Financial Statements and Budgetary Comparison Schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the Introductory and Statistical Sections, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of the City Council and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California