

SPECIAL MEETING MINUTES



Date: 2/15/2024
Time: 5:30 p.m.
Location: Teleconference and
City Hall Downtown Conference Room, 1st Floor
701 Laurel St., Menlo Park, CA 94025

A. Call To Order

Chair Wong called the meeting to order at 5:30 p.m.

B. Roll Call

Present: Bramlett (remote – Brown Act), Dey, Leroux, Normington, Prohaska, Wong
Absent: Hill
Staff: Administrative Services Director Brittany Mello, Assistant Administrative Services Director Jared Hansen, Interim Finance and Budget Manager Rani Singh, Senior Accountant Ying Chen, Management Analyst II Adrian Patino

C. Regular Business

- C1. Review the Annual Comprehensive Financial Report for the fiscal year ended June 30, 2023 and recommend receipt by City Council (Staff Report #24-003-FAC)

The Pun Group, LLP representative Mark Hu made the presentation (Attachment).

The Commission received clarification on the City's general fund reserve policy, the results of the Belle Haven Child Development Center audit, review of the prior auditor's work, review of internal controls and reporting of grant funds.

ACTION: Motion and second (Bramlett/ Leroux), to recommend receipt of the Annual Comprehensive Financial Report for the fiscal year ended June 30, 2023 Investment Reports by City Council, passed 6-0 (Hill absent).

D. Adjournment

Chair Wong adjourned the meeting at 6:38 p.m.

Management Analyst II Adrian Patino

Minutes approved at the April 18, 2024 Finance and Audit Commission meeting

CITY OF MENLO PARK

Presentation to the Finance and Audit
Commission

For the Fiscal Year Ended
June 30, 2023

February 15, 2024



CONTENTS

- Required Communications (AU-C 260)
- Audit Responsibilities
- Overview of Financial Statements
- Financial Indicators and Key Pension/OPEB Information
- Audit Results

REQUIRED COMMUNICATIONS (AU-C 260)

Required Communications (AU-C 260)

- **Independence**
 - The Pun Group complied with ALL relevant requirements regarding independence
- **Significant Accounting Policies**
 - The City disclosed all significant accounting policies in Note 1 to the financial statements.
 - The City implemented GASB Statement No. 96, *Subscription-Based IT Arrangements*
- **Significant Estimates**
 - Fair value on investments
 - Depreciation on capital assets
 - Net pension liability actuarial inputs
 - Net other postemployment benefit liability actuarial inputs

Required Communications (AU-C 260)

- **Sensitive Disclosures**

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

- **Misstatements**

- There were no uncorrected misstatements reported.

- **Consultations with Other Accountants**

- Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and other matters.

Required Communications (AU-C 260)

- **Significant Difficulties**
 - We encountered no significant difficulties in dealing with management.
- **Disagreements with Management**
 - We did not have any disagreements with management in terms of accounting treatments or audit procedures performed.

AUDIT RESPONSIBILITIES

Management's Responsibilities

- Responsible for the financial statements;
- Present the financial statements in accordance with accounting principles generally accepted in the United States of America;
- Adopt sound accounting policies;
- Establish and maintain internal controls over financial reporting and compliance;
- Provide evidence supporting the amounts and disclosures in the financial statements; and
- Prevent and detect fraud

OUR RESPONSIBILITY IN ACCORDANCE WITH PROFESSIONAL STANDARDS

- Form and express an opinion about whether the financial statements that have been prepared by management with Council/Commission oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America
- Plan and perform the audit to obtain “reasonable” assurance (not “absolute” assurance) about whether the financial statements are free of material misstatements.
- Consider internal control over financial reporting. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

OVERVIEW OF THE FINANCIAL STATEMENTS

City of Menlo Park Government-Wide Condensed Statement of Net Position June 30, 2023 and 2022

	2023	2022	\$ Diff	% Diff
Current assets	\$ 232,178,523	\$ 248,257,953	\$ (16,079,430)	-6.48%
Noncurrent assets	69,147,256	35,256,907	33,890,349	96.12%
Capital assets	400,951,886	389,944,839	11,007,047	2.82%
Deferred Outflows of Resources	37,656,221	18,487,968	19,168,253	103.68%
Current Liabilities	29,137,106	24,052,318	5,084,788	21.14%
Noncurrent liabilities	106,601,054	71,384,388	35,216,666	49.33%
Deferred Inflows of Resources	41,122,517	64,985,265	(23,862,748)	-36.72%
Net Position				
Net investment in capital assets	384,671,012	358,266,384	26,404,628	7.37%
Restricted	122,015,791	93,361,363	28,654,428	30.69%
Unrestricted	56,386,406	79,897,949	(23,511,543)	-29.43%
Total Net Position	<u>\$ 563,073,209</u>	<u>\$ 531,525,696</u>	<u>\$ 31,547,513</u>	<u>5.94%</u>

City of Menlo Park
Government-Wide Summary
Statement of Activities
For the Years Ended June 30, 2023 and 2022

	2023	2022	\$ Change	% Change
Expenses	\$ (100,838,151)	\$ (81,854,697)	\$ (18,983,454)	23.19%
Program Revenues				
Charges for services	39,254,897	45,334,209	(6,079,312)	-13.41%
Operating grants and contributions	13,577,223	7,745,034	5,832,189	75.30%
Capital grants and contributions	11,735,634	-	11,735,634	n/a
Total program revenues	<u>64,567,754</u>	<u>53,079,243</u>	<u>11,488,511</u>	21.64%
Net cost of services	<u>(36,270,397)</u>	<u>(28,775,454)</u>	<u>(7,494,943)</u>	26.05%
General revenues - taxes	66,206,003	57,161,191	9,044,812	15.82%
Investments earnings (loss)	3,317,431	(1,295,185)	4,612,616	-356.14%
Miscellaneous	2,705,943	2,237,511	468,432	20.94%
Extraordinary item - settlement	(4,411,467)	-	(4,411,467)	n/a
Change in net position	<u>\$ 31,547,513</u>	<u>\$ 29,328,063</u>	<u>\$ 2,219,450</u>	7.57%

**City of Menlo Park
General Fund
Condensed Balance Sheet
June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Assets	\$ 83,918,403	\$ 82,018,861	\$ 1,899,542	2.32%
Liabilities	14,462,589	11,407,250	3,055,339	26.78%
Deferred Inflows of Resources	34,872,009	36,379,251	(1,507,242)	100.00%
Fund Balance				
Nonspendable	79,958	446,047	(366,089)	-82.07%
Restricted	-	-	-	0.00%
Committed	27,278,574	31,315,394	(4,036,820)	-12.89%
Assigned	4,612,407	1,540,643	3,071,764	199.38%
Unassigned	2,612,866	930,276	1,682,590	180.87%
Total Fund Balance	<u>34,583,805</u>	<u>34,232,360</u>	<u>351,445</u>	<u>1.03%</u>
Total Liabilities and Fund Balance	<u>\$ 83,918,403</u>	<u>\$ 82,018,861</u>	<u>\$ 1,899,542</u>	<u>2.32%</u>

City of Menlo Park
General Fund
Condensed Statement of Revenues, Expenditures and Changes in Fund Balance
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Revenues	\$ 73,734,391	\$ 64,764,752	\$ 8,969,639	13.85%
Expenditures	<u>(62,603,473)</u>	<u>(57,326,120)</u>	<u>(5,277,353)</u>	9.21%
Revenues over Expenditures	11,130,918	7,438,632	3,692,286	49.64%
Other Financing Sources and Uses				
Transfers (net)	<u>(5,018,181)</u>	<u>(11,426,638)</u>	<u>6,408,457</u>	-56.08%
Extraordinary item	<u>(4,411,467)</u>	<u>-</u>	<u>(4,411,467)</u>	n/a
Change in Fund Balance	<u><u>\$ 1,701,270</u></u>	<u><u>\$ (3,988,006)</u></u>	<u><u>\$ 5,689,276</u></u>	142.66%

City of Menlo Park

Prior Period Adjustments – Government-Wide Statements

For the Year Ended June 30, 2023

	Governmental Activities	Business-Type Activities	Total
Net position, original, July 1, 2022	\$ 479,907,155	\$ 50,026,018	\$ 529,933,173
Reclassify OPEB	(163,114)	163,114	-
Reclassify pension	(22,452)	22,452	-
Adjust beginning unavailable revenue	1,590,643	-	1,590,643
Miscellaneous	1,880	-	1,880
Total adjustments	1,406,957	185,566	1,592,523
Net position, restated, July 1, 2022	\$ 481,314,112	\$ 50,211,584	\$ 531,525,696

City of Menlo Park

Prior Period Adjustments – Fund Financial Statements

For the Year Ended June 30, 2023

	General Fund	Water Fund	Solid Waste Fund	Internal Service Funds
Fund equity, original, July 1, 2022	\$ 34,232,360	\$ 46,880,392	\$ 3,145,626	\$ 7,174,708
Reclass Developer Special Revenue Fund	(1,350,000)	-	-	-
Reclassify pension	-	(23,864)	46,316	(1,290,161)
Reclassify OPEB	-	150,638	12,476	440,363
Miscellaneous	175	-	-	-
Total adjustments	(1,349,825)	126,774	58,792	(849,798)
Fund equity, restated, July 1, 2022	\$ 32,882,535	\$ 47,007,166	\$ 3,204,418	\$ 6,324,910

FINANCIAL INDICATORS AND KEY PENSION AND OPEB INFORMATION

City of Menlo Park Governmental Activities Tax Revenues to Net Cost of Services

	2023	2022
Tax Revenues	\$ 66,206,003	\$ 57,108,598
Net Cost of Services	\$ 41,898,492	\$ 33,141,987
Ratio	158%	172%
 Excess/(Shortfall)	 \$ 24,307,511	 \$ 23,966,611

City of Menlo Park

General Fund

Unassigned Fund Balance to Annual Expenditures

	<u>2023</u>	<u>2022</u>
Unassigned Fund Balance	\$ 2,612,866	\$ 930,276
Annual Expenditures	<u>62,603,473</u>	<u>57,326,120</u>
Ratio	<u>4.17%</u>	<u>1.62%</u>
Unassigned Fund Balance - PY	\$ 930,276	\$ 4,800,628
Net Change in Unassigned Fund Balance	<u>\$ 1,682,590</u>	<u>\$ (3,870,352)</u>
Committed Fund Balance	\$ 27,278,574	\$ 31,315,394
Assigned Fund Balance	\$ 4,612,407	\$ 1,540,643

City of Menlo Park

GASB 68 – The Pension Standard

As of June 30, 2022 (Measurement Date)

	Miscellaneous Plan	Safety Plan	Total
Net Pension Liabilities @ 5.90%	\$ 61,292,099	\$ 50,177,485	\$ 111,469,584
Net Pension Liabilities @ 6.90%	\$ 38,577,376	\$ 33,626,616	\$ 72,203,992
Net Pension Liabilities @ 7.90%	\$ 19,944,367	\$ 20,100,019	\$ 40,044,386
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Total Pension Liability	76.73%	71.94%	
Prior year	88.62%	75.10%	

City of Menlo Park
GASB 75 – The OPEB Standard
As of June 30, 2022 (Measurement Date)

	OPEB
Total OPEB Liability @ 4.25%	\$ 880,429
Total OPEB Liability @ 5.25%	\$ (1,437,896)
Total OPEB Liability @ 6.25%	\$ (3,419,703)
 Fiduciary Net Position as a Percentage of the Total OPEB Liability	 106.80%
 Prior year	 121.57%

AUDIT RESULTS

Audit Results

- Annual Comprehensive Finance Report
 - *Unmodified Opinions issued to all Opinion Units*
 - Financial statements are fairly presented in all material respects
 - Accounting policies have been consistently applied
 - Estimates used are reasonable
 - Disclosures are properly reflected in the financial statements

Audit Results

- **Annual Comprehensive Finance Report**
 - *Issues Noted*
 - Certain adjusting journal entries were posted to correct balances
 - Prior period adjustments were necessary to correct certain 2022 balances

Audit Results

- **Belle Haven Child Development Center**
- **Measure A Fund**
- **Measure W Fund**
 - Unmodified opinions issued
 - No findings for internal control over:
 - Financial reporting, or
 - Compliance

Other Results

- No disagreements with management
- No material weaknesses/significant deficiencies were identified in internal control over financial reporting or compliance
- No accounting issues where there was a question on authoritative guidance noted
- No inappropriate activities were noted



THE
PUN GROUP
ACCOUNTANTS & ADVISORS

Thank you!



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