STAFF REPORT

City Council	
Meeting Date:	**4/28/2026**
Staff Report Number:	**26-061-CC**
Consent Calendar:	**Receive and file the single audit report for the fiscal year ending June 30, 2025, the independent accountants' report on the calculation of the appropriations limit for the fiscal year ending June 30, 2026, and the auditors' communication at the conclusion of the audit**

Recommendation
Staff and the Finance and Audit Commission (FAC) recommend that the City Council receive and file the single audit report for the fiscal year ending June 30, 2025, (Attachment A), the independent accountants' report on the calculation of the appropriations limit for the fiscal year ending June 30, 2026 (Attachment B) and the auditors' communication at the conclusion of the audit (Attachment C).

Policy Issues
Pursuant to Title 2 of Code of Federal Regulations, a non-federal agency that expends federal awards of $750,000 or more during the fiscal year is required to have a single audit. The single audit tests the programs listed on the Schedule of Expenditures of Federal Awards (SEFA) to ensure that an agency meets the compliance requirements outlined by the Office of Management and Budget (OMB).

Additionally, Article XIII-B of the California Constitution creates a restriction on the amount of revenue which may be appropriated in any fiscal year, which is commonly known as the "Gann Appropriations Limit" or simply "appropriations limit." The annual calculation of the appropriations limit is reviewed by the auditors as part of the financial audit, and the auditors prepare a report outlining the procedures performed as part of this review.

Background
The City contracted with an independent Certified Public Accounting 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 and government auditing standards. The opinion on the financial statements has already been presented to City Council as part of the Annual Comprehensive Financial Report (ACFR) Jan. 27 (Attachment D).

The City identified total federal expenditures of $3.13 million for the fiscal year 2024-25. Of this amount, $3.03 million consisted of Federal Emergency Management Agency (FEMA) grant expenditures; $2.53 million of Hazard Mitigation Grant Program (HGMP) expenditures related to the Chrysler pump station improvements project and $0.50 million of Building Resilient Infrastructure Communities (BRIC) expenditures related to the Strategy to Advance Flood protection, Ecosystems Restoration and Recreation along San Francisco Bay (SAFER Bay) project. The remaining $0.10 million was spread between child care programs, food programs, and driving while intoxicated (DWI) enforcement programs. The FAC held a meeting April 16 to review the single audit report for the fiscal year ending June 30, 2025, and the independent accountants' report on the calculation of the appropriations limit for the fiscal year ending June 30, 2026. Based on this review, the FAC voted to recommend receipt of the final approved reports by City Council.

Analysis

Based on the procedures performed by the Pun Group, LLP, the City complied, in all material respects, with the compliance requirements outlined in the OMB Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the fiscal year ended June 30, 2025. This report is included as Attachment A.

Part of the audit is the report on internal control over financial reporting, which is also included in Attachment A. Internal controls are the policies, procedures and practices an organization uses to ensure the accuracy and reliability of its financial records, safeguard assets and ensure compliance with applicable laws and regulations. This report does not provide an opinion on internal controls, but rather lists any deficiencies identified according to their severity. A material weakness is the most serious classification, representing a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements would not be prevented or detected and corrected on a timely basis. A significant deficiency is less severe than a material weakness but still represents a deficiency important enough to merit the attention of those charged with governance.

For fiscal year 2024-25, the Pun Group did not identify any material weaknesses in the City's internal control over financial reporting. One significant deficiency was identified, relating to the allocation of investment interest income across funds. Monitoring controls did not fully ensure that the City's policies and procedures for reviewing and recording investment interest income were consistently followed, which resulted in prior period adjustments during the audit process.

The City takes this finding seriously and has begun implementing a corrective action plan. Finance staff have established an enhanced monthly reporting and review cycle, have prepared correcting journal entries on a monthly basis as needed, and have pursued professional development opportunities, such as relevant conferences and webinars, for continued learning and understanding of best practices. Enhanced year-end close planning and strengthened review procedures are also planned. These measures are intended to reduce the likelihood of post-close adjustments and support a more efficient and accurate financial reporting process.

In addition, the Pun Group conducted agreed-upon procedures on the City's Appropriations Limit Schedule for the fiscal year ending June 30, 2026 (Attachment B), confirming that the City's calculations were accurate, and population and inflation adjustment were properly approved by City Council. No exceptions were noted in the report. Article XIII-B of the California Constitution requires that the appropriations limit be calculated and adopted before the fiscal year begins, rather than after it has concluded. As part of this process, the City Council has approved and accepted the limit as part of the annual budget adoption (Attachment E). By establishing the appropriations cap in advance, the City ensures compliance with constitutional spending limits and proper allocation of tax revenue. As this is not an audit, no formal opinion was expressed, and no adjustments were needed.

Finally, the Pun Group provided a letter to the Mayor and City Council (Attachment C) communicating additional information as required by generally accepted auditing standards. In this letter, the Pun Group provided a list of new accounting standards used in the preparation of the financial statements and noted that the application of existing policies was not changed during fiscal year 2024-25. Additionally, the Pun

Group noted that the City had no transactions recorded that lacked authoritative guidance and that all significant transactions were 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 2025-26 adopted 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. Single Audit Report and Independent Auditors' Report for the year ended June 30, 2025
B. Independent Accountants' Report on the Appropriations Limit Schedule for the year ended June 30, 2026
C. Auditors' communication letter to the City Council at the conclusion of the audit dated Dec. 19, 2025
D. Hyperlink – Jan. 27 Staff Report #26-008-CC: www.menlopark.gov/files/sharedassets/public/v/1/agendas-and-minutes/city-council/2026-meetings/20260127/h1-20260127-cc-acfr-june-2025.pdf
E. Hyperlink – June. 24, 2025, Staff Report #25-101-CC: www.menlopark.gov/files/sharedassets/public/v/1/agendas-and-minutes/city-council/2025-meetings/20250624/g2-20250624-cc-adopt-fy2025-26-budget.pdf

Report prepared by:
Adrian Patino, Management Analyst II

Reviewed by:
Fenny Lei, Assistant Administrative Services Director

City of Menlo Park

Menlo Park, California

Single Audit and Independent Auditor's Reports

For the Year Ended June 30, 2025

THE PUN GROUP
ACCOUNTANTS & ADVISORS

City of Menlo Park
Single Audit and Independent Auditor's Reports
For the Year Ended June 30, 2025

Table of Contents

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THE PUN GROUP
ACCOUNTANTS & ADVISORS

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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 Auditor's Report

To the Honorable Mayor and the 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 ("*Government Auditing Standards*"), 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, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 19, 2025.

Report on 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying Schedule of Finding and Questioned Costs as items 2025-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City’s financial statements are free of 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 entity’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.

The Pun Group, LLP

Santa Ana, California
December 19, 2025

THE PUN GROUP
ACCOUNTANTS & ADVISORS

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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Menlo Park, California's (the "City") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2025. The City's major federal programs are identified in the summary of the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States ("*Government Auditing Standards*"), and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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 as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 19, 2025, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedule of Expenditure of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Pun Group, LLP

Santa Ana, California
March 6, 2026, except for the Schedule of Expenditures of Federal Awards, which is as of December 19, 2025.

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City of Menlo Park
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor Program Title	Assistance Listing Number	Agency or Pass-Through Number	Federal Expenditures
U.S. Department of Health and Human Services			
Passed through the California Department of Education:			
Child Care and Development Fund Cluster:			
Child Care and Development Block Grant	93.575	CSPP-4509	$ 17,810
Total U.S. Department of Health and Human Services			17,810
U.S. Department of Agriculture			
Passed through the California Department of Education:			
Child and Adult Care Food Program	10.558	04312-CACFP-41-GM-IC	44,460
Total U.S. Department of Agriculture			44,460
U.S. Department of Homeland Security			
Passed through California Office of Emergency Services:			
Hazard Mitigation Grant Program	97.039	HMGP #4344-60-97R	2,532,305
BRIC: Building Resilient Infrastructure and Communities	97.047	2020-001	495,332
Total U.S. Department of Homeland Security			3,027,637
U.S. Department of Transportation			
Passed through the State of California Office of Traffic and Safety:			
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT25176	43,494
Total U.S. Department of Treasury			43,494
Total Expenditures of Federal Awards			$ 3,133,401

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

Note 1 – Reporting Entity

The financial reporting entity, as defined by the Governmental Accounting Standards Board ("GASB") Codification, consists of the primary government, which is the City of Menlo Park, California (the "City"), organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the City's financial statements to be misleading or incomplete.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

Funds received under the various grant programs have been recorded within the special revenue funds of the City. The City utilizes the modified accrual basis of accounting for the special revenue funds. The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations ("CFR")* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in, the preparation of City's basic financial statements.

Schedule of Expenditures of Federal Awards

The accompanying Schedule presents the activity of all federal financial assistance programs of the City. Federal financial assistance received directly from federal agencies, as well as federal financial assistance Passed through the California Department of Education, California Office of Emergency Services, and State of California Office of Traffic and Safety, are included in the Schedule. The Schedule was prepared from only the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the City.

Indirect Cost Rate

The City has not elected to use the de minimis indirect rate as allowed under the Uniform Guidance (10 percent of modified total direct costs for awards issued prior to October 1, 2024 and 15 percent for awards issued or amended on or after October 1, 2024).

Subrecipients

During the fiscal year ended June 30, 2025, there were no amounts provided to subrecipients.

City of Menlo Park
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025

Section I – Summary of Auditor's Results

Financial Statements

Types of report the auditors issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	2025-001
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	No
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major federal programs:

Assistance Listing Numbers	Major Federal Program or Cluster	Federal Expenditures
97.039	Hazard Mitigation Grant Program	$ 2,532,305
	Total Expenditures of All Major Federal Programs	$ 2,532,305
	Total Expenditures of Federal Awards	$ 3,133,401
	Percent of Total Expenditures of Federal Awards	80.82%

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as a low-risk auditee in accordance with 2 CFR 200.520?	No

Section II – Financial Statement Findings

A. Current Year Findings – Financial Statements

Finding 2025-001 Internal Control Over Financial Reporting

Criteria:

Management is responsible for the preparation and fair presentation as well as the accuracy of its financial statements including disclosures in accordance with accounting principles generally accepted in the United States of America; this includes 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 fraud or error. As part of satisfying that responsibility, staff should possess skills, knowledge, and experience necessary to complete year-end closing process.

Generally accepted auditing standards defined internal control as a process – affected by the Members of City Council, management, and other personnel – designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Reliability of financial reporting
- Effectiveness and efficiency of operations, and
- Compliance with applicable laws and regulations.

The Committee of Sponsoring Organizations of the Treadway Commission ("COSO") established the following framework that stress the need for policies and procedures to promote effective internal control for an entity:

- Control Environment – Establish structures, reporting lines, authorities and responsibilities
- Risk Assessment– Select and develop control activities that mitigate risks
- Control Activities – Deploy control activities through policies and procedures
- Information and Communication – Communicate internal control information internally
- Monitoring – Evaluations are used to determine if controls are present and functioning

An overall purpose of internal control over financial reporting is to foster the preparation of reliable financial statements. Reliable financial statements must be materially accurate.

Conditions:

During the audit, we noted the following conditions that resulted adjustments to the financial statements:

- Prior period adjustments were made to reallocate the investment interest income between the General Fund and other funds with the gross amount of $3,883,123.

Cause:

Existing monitoring controls did not fully ensure that the City's policies and procedures for evaluating, reviewing, and accurately recording investment interest income were consistently followed, which contributed to incorrect allocation of interest income.

Section II – Financial Statement Findings (Continued)

A. Current Year Findings – Financial Statements (Continued)

Finding 2025-001 Internal Control Over Financial Reporting (Continued)

Effect or Potential Effect:

Multiple adjusting entries were proposed during the audit to correct the financials and delayed the process of the audit.

Context:

See condition above for context of the finding.

Recommendation:

We recommend the City consider enhancing its procedures to help reduce the number of journal entries and adjustments identified after the closing process and to minimize the risk of errors in the preparation of the financial statements. Additionally, the City consider evaluating whether current staffing resources and review processes are sufficient to support effective internal control over financial reporting and across transaction cycles, and to promote an accurate and efficient year-end close of the general ledger.

Views of Responsible Officials:

The City will implement a monthly reporting cycle that includes regular review of internal controls over financial reporting. If errors are identified, correcting journal entries will be prepared on a monthly basis to help ensure the accuracy and completeness of financial reports. Ongoing training and process improvements are planned for Finance staff. These efforts will include professional development opportunities such as relevant conferences and webinars, as well as enhanced year-end close planning, project management practices, and strengthened review procedures to support a more efficient and accurate financial reporting process.

B. Prior Year Findings – Financial Statements

No prior year findings were reported.

Section III – Federal Award Findings and Questioned Costs

A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit

No current year findings were reported.

B. Prior Year Findings and Questioned Costs – Major Federal Award Program Audit

No prior year findings were reported.

City of Menlo Park

Menlo Park, California

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

For the Year Ending June 30, 2026

THE PUN GROUP
ACCOUNTANTS & ADVISORS

200 E. Sandpointe Avenue, Suite 600
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**INDEPENDENT ACCOUNTANT'S 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, 2026. 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, 2026, 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 Pun Group, LLP

Santa Ana, California
August 8, 2025

City of Menlo Park
Appropriations Limit Schedule
For the Year Ending June 30, 2026

	Amount	Source
A. Appropriations Limit from FY 2024-2025	$ 81,525,202	*Prior Year appropriations limit adopted by the City*
B. Adjustment Factors:		
1) Growth in City Population	0.9965	*State Department of Finance*
2) California per Capita Personal Income Growth	1.0644	*State Department of Finance*
3) Adjustment Factor	1.0607	B1*B2
C. Annual Adjustment Increase	4,946,509	A * (B3 - 1)
D. Other Adjustments:		
1) Loss reponsibility (-)	–	N/A
2) Transfer to private (-)	–	N/A
3) Transfer to fees (-)	–	N/A
4) Assumed responsibility (-)	–	N/A
E. Total Adjustments	4,946,509	(C+D)
F. Appropriations Limit FY 2025-2026	$ 86,471,711	(A+E)

See accompanying Notes to the Appropriations Limit Schedule.

City of Menlo Park
Notes to the Appropriations Limit Schedule
For the Year Ending June 30, 2026

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 XIIIB, 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, 2026, 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, 2026, 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, 2026.

THE PUN GROUP
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6 Hutton Centre Drive, Suite 1200
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December 19, 2025

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

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, 2025, and have issued our report thereon dated December 19, 2025. 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 May 5,2025. 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. As described in Note 1 to the financial statements, the City implemented the following accounting standards.

New Accounting Standards

GASB Statement No. 101 – In June 2022, the GASB sued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Implementation of this Statement did not have a significant effect on the City's financial statements for the fiscal year ended June 30, 2025.

GASB Statement No. 102 – In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. Implementation of this Statement did not have a significant effect on the City's financial statements for the fiscal year ended June 30, 2025.

No other new accounting policies were adopted and the application of existing policies was not changed during 2025. 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 investment fair market value is based on information provided by Principal, the custodial of the investments in the U.S. Treasury Securities are based on quoted price in the active markets for identical assets, the U.S. Agency Notes, and the municipal bonds based on IDIS Institutional Bond Quotes and the corporate notes, asset-backed securities, collateralized mortgage obligations, and supernational based on matrix pricing. We evaluated the key factors and assumptions used to develop the investment fair market value in determining that it is reasonable in relation to the financial statements taken as a whole.

- Management's estimate of the depreciation and amortization 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 and amortization 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 pension liability is based on the actuarial valuation on total pension liability and based on financial statements on 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.

- Management's estimate of the net other postemployment benefits ("OPEB") liability is based on the actuarial valuation on total OPEB liability and financial statements on fiduciary net position. We evaluated the key factors and assumptions used to develop the OPEB liability in determining that it is reasonable in relation to the financial statements taken as a whole.

- Management's estimate of compensated absences is based on the District's adopted methodology, consistent with the provisions of GASB 101. We evaluated the key factors and assumptions used to estimate the compensated absences 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 9 – Risk Management
- Note 10 – Defined Benefit Pension Plan
- Note 11 – Other Post Employment Benefits (OPEB)
- Note 13 – Stewardship, Compliance and Accountability
- Note 15 – Contingencies and Litigation
- Note 18 – Restatement of Beginning Net Position and Fund Balance

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 auditor's 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 December 19, 2025.

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 City's financial statements or a determination of the type of auditor's 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 accountant

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 City '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 ("MD&A"), the Budgetary Comparison Schedules, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of City's Proportionate Share of the Net Pension Liability and Related Ratios, Schedules of Contributions – Pension Plans, and Schedule of Changes in Total Other Postemployment Benefits Liability (OPEB) 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.

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,

The Pun Group, LLP

Santa Ana, California