

**CITY OF MOUNTAIN VIEW,  
CALIFORNIA**

Report to the City Council  
November 27, 2023



Certified  
Public  
Accountants

November 27, 2023

Honorable Mayor and Members of the City Council  
City of Mountain View, California

We are pleased to present this report related to our audit of the governmental activities, the business activities, each major fund, and the aggregate remaining fund information of the City of Mountain View (City), as of and for the year ended June 30, 2023. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the City's financial reporting process.

In addition to the City's basic financial statements, we audit and separately report on the governmental activities and each major fund of the Mountain View Shoreline Regional Park Community (Shoreline Community), a component unit of the City, as of and for the year ended June 30, 2023. The results of this audit are encompassed in this communication as well. The Shoreline Community financial statements are reported as part of the City's governmental funds.

This report is intended solely for the information and use of the City Council, management, and others within the City, and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to the City.

A handwritten signature in black ink that reads "Macias Gini &amp; O'Connell LLP". The signature is written in a cursive, flowing style.

Walnut Creek, California

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## REQUIRED COMMUNICATIONS

Auditing standards generally accepted in the United States of America (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the City's financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial and related compliance reporting process.

### **Our Responsibilities With Regard to the Financial Statement Audit**

Our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States have been described in our engagement letter dated July 1, 2023. Our audit of the City's financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

### **Overview of the Planned Scope and Timing of the Financial Statement Audit**

We conducted our audit consistent with the planned scope and timing in our engagement letter dated July 1, 2023.

### **Accounting Policies and Practices**

#### **Preferability of Accounting Policies and Practices**

Under accounting principles generally accepted in the United States of America, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

#### **Adoption of, or Change in, Accounting Policies**

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the City. The following is a description of significant accounting policies or their application that were either initially selected or changed during the year:

In May 2020, the Governmental Accounting Standards Board (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. The requirements of this statement are effective for the City's fiscal year ended June 30, 2023. Note 12 to the City's financial statements describes the impact of the implementation of Statement No. 96 for the year ended June 30, 2023.

#### **Significant Accounting Policies**

We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

## Significant Unusual Transactions

We did not identify any significant unusual transactions.

## Management's Judgments and Accounting Estimates

Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates are as below.

Significant Accounting Estimates	
<b>Valuation of investments</b>	<p>The City's investments are generally carried at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. All of the City's investments are measured using level 2 inputs, except for investments in the California Local Agency Investment Fund and money market mutual funds which are not subject to fair value hierarchy.</p> <p>MGO compared investment values to market prices reported by the custodian bank and determined that they were reasonable.</p>
<b>Depreciation for capital assets</b>	<p>The estimated useful lives of capital assets were determined based on the nature of the capital assets and management's estimate of the economic life of the assets.</p> <p>MGO assessed the reasonableness of the useful lives based on the nature of the capital assets and performed substantive analytical procedures on depreciation expenses and determined that the estimates were reasonable.</p>
<b>Net pension and other postemployment benefits (OPEB) liabilities, contributions, expenses, and other related balances</b>	<p>Balances for pension and OPEB are based on actuarial valuations, which incorporate actuarial methods and assumptions adopted by the City, performed by the California Public Employees' Retirement System's and the City's independent actuaries, respectively.</p> <p>MGO agreed the calculations to the actuarial valuations developed through CalPERS and tested the reasonableness of allocations to various City funds.</p>
<b>Accrual for landfill containment costs</b>	<p>The City estimated the landfill containment and post-closure costs of the landfill sites based on what it would cost to perform all currently mandated containment and post-closure care. Actual costs may be different due to inflation, changes in State or Federal regulations, or changes in technology.</p> <p>MGO reviewed the assumptions used in the City's calculation for the landfill liability balance for the year ended June 30, 2023 and determined that the estimate was reasonable.</p>

## Significant Accounting Estimates (Continued)

### Claims liabilities

The City is exposed to a variety of risks of loss due to general liability, workers' compensation and other claims, and records an estimate of these losses based on actuarial studies performed by third-party actuaries. These studies are prepared based on the City's prior claims history, which is used as a basis for extrapolating losses for known and incurred but not reported claims.

MGO evaluated the methodologies and assumptions used to develop the workers' compensation claims estimate and agreed the City's adjusted balances to the actuarial valuations for the year ended June 30, 2023. For general liability and other claims, MGO obtained a legal confirmation from the City Attorney's office with current specific case information and evaluated the period in which the underlying cause for legal action occurred, the degree of probability of an unfavorable outcome and the amount or range of potential loss. Based on this analysis, MGO determined that the City's estimates for claims liabilities for the year ended June 30, 2023 are reasonable.

### Discount rates used for the calculation of lease liabilities and receivables and SBITA liabilities

The discount rate used for the calculation of lease liabilities, lease receivables and SBITA liabilities are based on the City's estimated incremental borrowing rates using AAA General Obligations rates.

MGO evaluated the City's methodology and assumptions behind the estimates and verified on a test-basis that the discount rates had been appropriately applied in the City's calculation of the lease and SBITA balances.

## Audit Adjustments and Uncorrected Misstatements

In the course of the audit, there were no misstatements that were not recorded by management and no material adjustments identified.

## Observations About the Audit Process

### Disagreements With Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the City's financial statements.

### Consultations With Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

### Significant Issues Discussed With Management

No significant issues arising from the audit were discussed or were the subject of correspondence with management.

### **Significant Difficulties Encountered in Performing the Audit**

We did not encounter any significant difficulties in dealing with management during the audit.

### **Difficult or Contentious Matters That Required Consultation**

We did not encounter any significant and difficult or contentious matters that required consultation outside the engagement team.

### **Shared Responsibilities for Independence**

Independence is a joint responsibility and is managed most effectively when management, audit committees (or their equivalents), and audit firms work together in considering compliance with American Institute of Certified Public Accountants (AICPA) and *Government Accountability Office* (GAO) independence rules. For MGO to fulfill its professional responsibility to maintain and monitor independence, management, the City Council, and MGO each play an important role.

### **Our Responsibilities**

1. AICPA and GAO rules require independence both of mind and in appearance when providing audit and other attestation services. MGO is to ensure that the AICPA and GAO's General Requirements for performing non-attest services are adhered to and included in all letters of engagement.
2. Maintain a system of quality management over compliance with independence rules and firm policies.

### **The City's Responsibilities**

1. Timely inform MGO, before the effective date of transactions or other business changes, of the following:
  - a. New affiliates, directors, or officers.
  - b. Changes in the organizational structure or the reporting entity impacting affiliates such as subsidiaries, partnerships, related entities, investments, joint ventures, component units, jointly governed organizations.
2. Provide necessary affiliate information such as new or updated structure charts, as well as financial information required to perform materiality calculations needed for making affiliate determinations.
3. Understand and conclude on the permissibility, prior to the City and its affiliates, officers, directors, or persons in a decision-making capacity, engaging in business relationships with MGO.
4. Not entering into arrangements of nonaudit services resulting in MGO being involved in making management decisions on behalf of the City.
5. Not entering into relationships resulting in close family members of MGO covered persons, temporarily or permanently acting as an officer, director, or person in an accounting, financial reporting or compliance oversight role at the City.

**EXHIBIT A**

**Accounting Pronouncements**



## ACCOUNTING PRONOUNCEMENTS

The following accounting pronouncements have been issued as of the date of this communication but are not yet effective and may affect the future financial reporting by the City.

Pronouncement	Summary
<b>GASB Statement No. 100, <i>Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62</i></b>	The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.
<b>GASB Statement No. 101, <i>Compensated Absences</i></b>	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.