

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2012



CITY OF MENLO PARK, CALIFORNIA

PREPARED BY
THE FINANCE DEPARTMENT

Carol Augustine
Finance Director

Geoffrey Buchheim
Financial Services Manager

This report is printed on recycled paper.

City of Menlo Park
For the year ended June 30, 2012

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INTRODUCTORY SECTION

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701 LAUREL STREET, MENLO PARK, CA 94025-3483
www.menlopark.org

January 17, 2013

Honorable Mayor
Members of the City Council
and Citizens of Menlo Park

Comprehensive Annual Financial Report

We are pleased to submit the comprehensive annual financial report for the City of Menlo Park, California (the City), for the fiscal year ended June 30, 2012. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the data is accurate in all material respects, and is reported fairly and honestly. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities are included.

The comprehensive annual financial report (CAFR) is presented in four major sections that provide introductory, financial, supplementary, and statistical information about the City. The introductory section includes this transmittal letter, the City's organizational chart and a list of principal officials. The financial section includes the basic financial statements, notes to basic financial statements, required supplementary information on budgetary principles and schedule of funding progress for the Public Employee Retirement System, supplementary information on non-major funds, and the independent auditor's report. The statistical section, which is unaudited, includes selected financial and demographic information.

The notes to the financial statements are provided in the financial section and are considered essential to fair presentation and adequate disclosure. The notes include the summary of significant accounting policies for the City and other necessary disclosures of important matters relating to the financial position of the City. The notes are treated as an integral part of the financial statements and should be read in conjunction with them.

Generally accepted accounting principles (GAAP) require that management provide a narrative of introductions, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter complements the MD&A and should be read in conjunction with it. The City of Menlo

Park's MD&A can be found immediately following the report of the independent auditors.

Background

The City of Menlo Park is in San Mateo County, midway between the cities of San Francisco and San Jose. It is an area of comparatively high property values and is a vital part of the region commonly referred to as the Silicon Valley. One of its noteworthy neighbors is Stanford University. Because of the number of venture capital firms and the amount of venture capital invested through local companies, the City is often referred to as the "Capital of Venture Capital".

The City maintains a healthy balance of residential, commercial, and industrial uses. Residential home prices are still among the highest in the area reflecting the desirability of living in the community. Now home to the headquarters of social networking giant Facebook, other major companies that have facilities in Menlo Park include the Rosewood Hotel, TE Corporation (formerly Tyco), E*Trade Financial, SRI International, Sunset Publishing, and a regional distribution center for OfficeMax. Menlo Park is also home to the Western Region Headquarters of the United States Geological Survey, a major Veterans Administration medical facility, and the U.S. Department of Energy funded SLAC National Accelerator Laboratory.

Reporting Entity

The financial reporting entity (the government) includes all the funds of the primary government (i.e., the City of Menlo Park, as legally defined), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. Accordingly, the Community Development Agency is reported as a blended component unit of the primary government. Activities of the Agency ceased as of January 31, 2012, due to the statewide dissolution of redevelopment agencies.

The City of Menlo Park provides a varied range of services, including police protection, public works (engineering and streets, park, building and vehicle maintenance), water distribution and maintenance, transportation services, community services (recreation, child care and senior services), community development (planning, zoning and building inspection), code and parking enforcement, library services, housing and general administration (finance, personnel, economic development, management information systems, legal and record keeping). Fire protection services are provided by the Menlo Park Fire Protection District, an entity separate and distinct from the City.

Economic Condition and Outlook

At the turn of the 21st century, Menlo Park was a beneficiary of a vibrant regional economy, experiencing significant increases in sales tax revenue and property values. The national economic downturn in 2001 resulted in decreased revenues and compelled the City to begin a rigorous analysis of its long-term sustainability. Because Menlo Park had prudently built up General Fund reserves over the preceding decade, it was able to weather the challenges in each annual operating budget with a combination of improved efficiencies, modest service and workforce reductions, fee increases, and planned use of the General Fund reserve. The downturn stabilized and economic growth returned at a moderate pace in 2005-06, but the near 50 percent decline in sales tax revenues from the height of the technology boom continued to limit the City's fiscal flexibility. That year, the City launched a unique budget process that informed the public of the budgetary tradeoffs, and engaged them in helping to determine fiscal priorities going forward. As a result of the community feedback, the Council approved net cost reductions of more than \$1.5 million. In addition, voters approved a Utility Users Tax (UUT) in November 2006.

This budget refinement was beneficial in weathering the 2007-09 national economic recession. Nonetheless, the severe downturn compelled the City to develop and employ various long-term strategies focusing on preparedness for recovery. Blended with shorter-term cost reductions, these strategies limited the recession's impact on the City's reserves while maintaining quality community services. The City was also able to substantially maintain its annual \$2.1 million investment in infrastructure - the amount needed to maintain the City's current infrastructure in its current condition - to prevent deterioration of these assets and the higher future cost that accompanies deferred maintenance.

The State's budget woes have continued to provide additional uncertainty to municipal funding. Midway through fiscal year 2011-12, the State successfully litigated the dissolution of redevelopment agencies statewide, effective February 1, 2012. This funding "realignment" presented a severe challenge to the City's ability to develop a balanced budget while still providing needed services and improvements in the redevelopment area.

Fortunately, regular property tax revenues remain fairly secure for the City. Although sales tax receipts are still well below historic trends, the continued recovery and increased business activity in the Business-to-Business transactions sector should contribute to positive changes in sales tax generation. Significantly lower yields on the City's investment portfolio will continue to drag on revenues, but the City's fiscal policies do not support reliance on this cyclical income. On the expenditure side, rising personnel costs related to health and pension benefits continue to be of concern. The City has implemented a second tier of benefits for future City employees, increased employee contributions and taken other steps to control these long-term liabilities.

The City's continued emphasis on long-term planning has provided cost reductions and efficiencies with the least negative impact on current services without relying heavily on reserves or tax increases. As revenues improve with the slowly recovering economy, Staff will continue to monitor the long-term budget situation, keep the City Council informed of critical economic events, and be proactive in developing plans to promote the City and maintain its financial health. Various revenue options will continue to be explored, along with alternative service delivery models, further operational review and aggressive pursuit of available federal, state and local funding.

Major Initiatives

FOR THE YEAR: Given the aggressive efforts to cut costs in recent years, City departments struggled to maintain service levels under the reduced budgets implemented during the economic downturn. The improving economy has resulted in a renewed interest in development projects, increased business opportunities and a rise in demand for City service. However, the loss of redevelopment revenue forced the City to remain focused on addressing the basics: Council's priorities and the services and programs that make Menlo Park unique.

The **Department of Administrative Services** undertook a number of proactive measures to protect the City's strong fiscal position and ensure that anticipated outcomes and service levels align well with the Council's goals.

The Finance Division worked extensively during the past year dealing with the financial and regulatory impact of the loss of redevelopment agencies. Unrealistically short time frames imposed by the state made this a monumental task. The City, as Successor Agency to the former redevelopment agency, is required to pay all enforceable obligations that were in effect as of the signing of the dissolution bill and manage the remaining assets of the former agency until they can be distributed to other units of state and local governments. Regulatory compliance dictates that multiple levels of audit, review and disclosure be undertaken. The Successor Agency makes reports to and receives direction from the Oversight Board, a public body with seven representatives from the County and other taxing agencies. Requirements and interpretations associated with dissolution law continue to evolve and require constant effort to maintain compliance and serve the City's best interests.

Although operating under temporary contract leadership throughout the fiscal year, the Personnel Division managed several major recruitments, including the hiring of a new City Manager in March 2012. The Clerk's Office continued to support the Commission Two-Year Work Plan process and began implementation of "less paper" with electronic agenda management. The department also produced an informational document for voters describing the City's fiscal future in relation to a proposed increase in TOT (hotel tax) rate. The measure, which increased the rate from 10 to 12 percent was placed on the November 2012 ballot and passed with 77 percent of voter approval.

A highlight for the year was the continuation of the Menlo Park Leadership Academy for both the Executive staff and a fourth cohort, in which 15 employees graduated with additional skills and knowledge focused on creating organizational leaders at all levels. These classes have inspired not just those in the class but others throughout the organization.

One of the primary focuses of the **Community Development Department** during the fiscal year has been the El Camino Real/Downtown Specific Plan, consistent with the Council's goals. The Plan passed on June 5 and work on subsequent planning efforts, including a major overhaul of the City's Housing Element to be completed early 2013, began in earnest.

The second priority for the Department has been processing land use entitlements for the Facebook East Campus, approved by the Council in May. Additional permitting and other planning support for the Facebook West Campus was recently commenced. The Department also finalized the sale of the City's Terminal Avenue property, once a potential housing site, to Beechwood School. Building Division staff is continuing work with major land owners in the M-2 zoning district to expedite the plan check process for tenant improvements.

The **Community Services Department** continued refining business plans designed to maximize program capacity and achieve greater cost recovery at the new facilities on the Burgess Campus, especially the Arrillaga Family Gymnastics Center that was completed in May 2012. An improved branding and marketing strategy will be implemented in the coming year to support these goals. The Social Services Division implemented a strategic focus on community capacity-building and sustainable partnerships. Unfortunately, the State's dissolution of redevelopment agencies as of February 1st has greatly impacted Menlo Park's ability to provide the previous level of service to the Belle Haven neighborhood. Use of the agency's tax increment revenues allowed a higher annual allocation of funds per resident for the redevelopment area in prior years. The City prioritized the preservation of Police services in the area, but the Housing Division was eliminated and budgets were cut in several internal service areas. Therefore, a comprehensive community snapshot of neighborhood conditions was prepared, and the department recently launched a community visioning process to determine the neighborhood's values and issues, define goals and identify existing community assets that could be leveraged for future neighborhood improvement. The visioning process should ensure that City funds are spent on the services that have the highest priorities for the people receiving them.

The main **Library** was closed for three weeks during the spring of 2012 to install equipment and furnishings for a redesigned circulation area to allow for expanded self-check-out services. Both of these efforts should improve the use of staff resources within the library, freeing available staff to provide more direct patron assistance.

A new patrol schedule was adopted in the **Police Department** in the 2011-12 fiscal year, reducing the current 2,184-hour annual work year to the standard 2080-hour work year and saving approximately \$275,000 annually. The Department's dispatching contract with the City of San Carlos expired in November and was not renewed, reducing the dispatch unit from 11 personnel to 7. A police volunteer program was developed, and the department has adopted a social media program for improved community outreach.

Though redevelopment funding is no longer available, the Police Department will maintain the important operations of the Narcotics Enforcement Team (NET) with General Fund resources. The NET serves to combat narcotics and gang violence, partnering with allied agencies for maximum impact in making the community a safer place to live and a desirable place to do business.

During the 2011-12 fiscal year, the **Public Works Department** completed the final of the three most recent major capital improvement projects on the Burgess Campus funded in partnership with the Arrillaga family - the Arrillaga Family Gymnastics Center. Other significant projects completed this year included improvements to the parking system downtown, and renovation to Parking Plaza 2. The Department has continued to look for ways to reduce operating costs and work toward a long-term sustainable budget. Energy retrofits and water conservation improvements, which have both environmental benefits and cost savings, have been completed in many city facilities. The transition to LED streetlights has been completed for approximately 25 percent of the City.

Maintenance of the City's infrastructure continues to be a high priority. The CIP Fund, as reflected in the 5-Year Capital Improvement Plan (CIP), has also become the funding tool for long range planning projects, information systems upgrades and new or replacement facilities. The annual CIP transfer from the General Fund was not intended to fund all of these important projects, so other funding sources will need to be identified in order to prevent the dilution of amounts available for infrastructure maintenance for the City in the long term. In fiscal year 2011-12, the CIP was extensively altered to reflect the loss of redevelopment funding, and will continue as a valuable resource in prioritizing capital projects as the plan is updated.

FOR THE FUTURE: Financial Planning and Fiscal Policies

The goal of a vibrant and resilient economy supporting a sustainable City budget is the top priority for Menlo Park. The City has, for many years, strived to record and report all expenses in the proper fiscal year, avoid unintended subsidization of non-essential programs with tax revenues, resist the creation of future liabilities, and initiate funding of long-term liabilities that currently exist. Such long-term financial planning efforts are essential to the City's prudent financial management, and are particularly powerful when combined with sound financial policies.

Rating agencies recognize the City's financial strength and policies when assigning excellent ratings to Menlo Park general obligation bond issuances. The City continues to focus strategically on appropriate funding strategies, for not only current operations and top-ranked priority capital improvement projects, but also to cover long-term on-going expenses. The operating budget includes annual funding for large infrastructure maintenance projects, and on-going retiree medical benefit obligations. In addition, all funds are regularly evaluated in terms of on-going sustainability, to avoid any future burden on the General Fund.

Menlo Park strives to maintain fiscal policies that will provide guidance on preserving its sound financial standing in the long term. Last year, a General Fund Reserve Policy was finalized, incorporating requirements of Governmental Accounting Standards Board (GASB Statement No. 54). The policy outlines the City Council's formal commitment of amounts of fund balance to be set aside specifically for emergency (\$6 million) and economic (\$8 million) contingencies. The total goal range for the City's unrestricted fund balance is 43 to 55 percent of General Fund expenditures. As of June 30, 2012, the unrestricted fund balance of nearly \$19.3 million represents approximately 48.2 percent of General Fund Expenditures budgeted for the 2012-13 fiscal year.

Although reserves are available to provide temporary financing for extraordinary events such as an economic recession, the City must be able to distinguish between operating structural deficits and deficits resulting from temporary downturns in the economy. As the economic recovery has been relatively slow and the loss of redevelopment funding is permanent, making and maintaining this distinction will be a critical challenge to the City's long-term fiscal well-being. Infrastructure maintenance, comprehensive planning activities, and storm water programs lead the list of priorities to be funded in a sustainable fiscal plan for the City.

The City administration is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected and that adequate accounting data are compiled to prepare financial statements in conformity with generally accepted accounting principles. In addition, the City maintains budgetary controls to ensure compliance with legal provisions embodied in the annual budget approved by the City's governing body. The City also maintains sound financial management through an encumbrance accounting system demonstrated by the statements and schedules included in the financial section of this report.

In addition, the City has established certain fiscal policies defining its long-term financial objectives. For example, the Cost Recovery/Subsidization Policy minimizes the unintentional subsidization of certain services by the General Fund, allowing general tax dollars to be available for greater public benefit. The City also maintains an Investment Policy, reviewed annually, defining (by limiting the types of investments permitted and providing guidelines for duration and diversification) the level of risk that is appropriate in the City's portfolio.

The City will continue to follow established cash management, accounting, budgetary and risk management policies and processes essential to the City's long-term fiscal health. In addition, the strategic direction provided in the 5-Year Capital Improvement Plan and the various General Plan updates (both completed and currently being pursued) will be used in the City's efforts toward a sustainable budget for the future.

Other Information

Statistical Section. Issued in May 2004, the Governmental Accounting Standards Board (GASB) Statement No. 44, *Economic Condition Reporting: the Statistical Section*, significantly changed the content and presentation of information reported in the statistical section of a Comprehensive Annual Financial Report. The new Statistical Section structure was developed to assist the reader in understanding financial trends, assessing the City's revenue capacity, gauging the affordability of outstanding debt, and understanding the environment in which the City's financial activities take place. Operating information is included to help the reader understand how the data in the City's financial report relates to services the City provides. Over time, the intent is to accumulate meaningful trend information useful in assessing performance.

Independent Audit. State statutes require an annual audit of the City's financial systems by independent certified public accountants. The accounting firm of OUM & Co., LLP Certified Public Accountants and Consultants, was selected by the City for this purpose early in the fiscal year. The auditor's report and *unqualified* opinion on the general purpose financial statements and combining and individual fund statements is included in the financial section of this report.

Awards and Acknowledgments. The GFOA of the United States has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended June 30, 2011. In order to be awarded this Certificate, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, and satisfy both generally accepted accounting principles and applicable legal requirements. The award is valid for a period of one year. We believe our current report continues to meet the Certificate of Achievement Program's requirements.

This Comprehensive Annual Financial Report (CAFR) represents the culmination of numerous hours of hard work expended by the entire Finance staff. Especially in light of the numerous budget revisions, transfers, adjustments and the new accounting structure needed to reflect the dissolution of the redevelopment Agency, this was an extremely complicated fiscal year.

Timely and efficient accounting practices, in coordination with the City's independent auditors, were essential in producing this annual document. Geoffrey Buchheim, the

City's Financial Services Manager, bears the primary responsibility for overseeing the fiscal year-end close and coordinating the annual audit process.

The City Council's continued support in fiscal matters, especially in the maintenance of a long-term, sustainable financial vision, is essential and sincerely appreciated. The financial health of our City is a direct result of their vigilant fiduciary stewardship.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'AM', with a long horizontal flourish extending to the right.

Alex D. McIntyre
City Manager

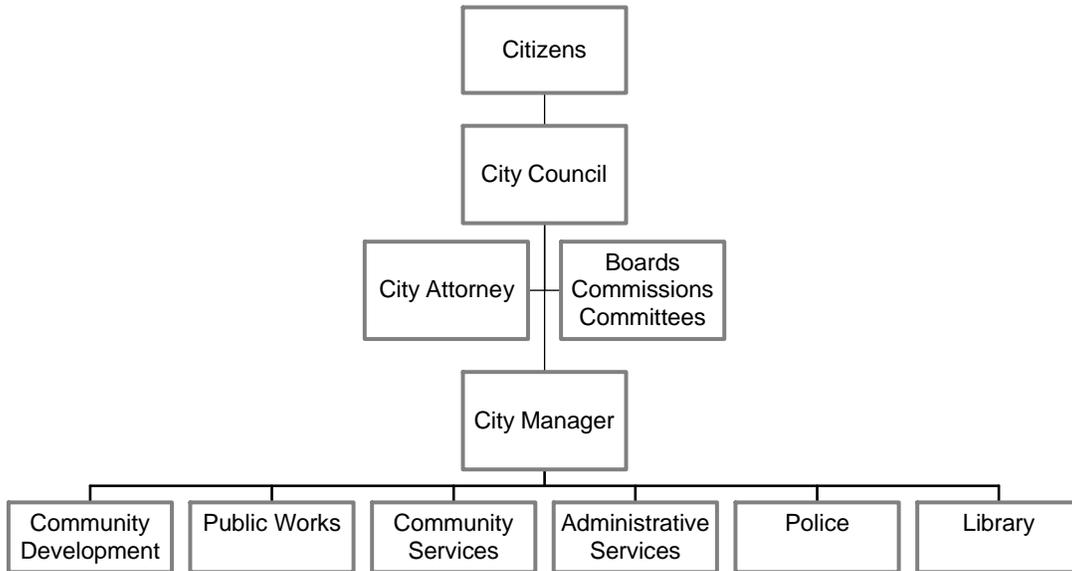
A handwritten signature in blue ink, appearing to read 'Carol Augustine', with a long horizontal flourish extending to the right.

Carol Augustine
Finance Director

CITY OF MENLO PARK, CALIFORNIA

ORGANIZATIONAL CHART

JUNE 30, 2012



CITY OF MENLO PARK, CALIFORNIA

LIST OF CITY OFFICIALS

JUNE 30, 2012

CITY COUNCIL

Kirsten Keith, Mayor

Peter Ohtaki, Vice Mayor

Richard Cline, Councilmember

Andrew Cohen, Councilmember

Kelly Fergusson, Councilmember

ADMINISTRATION AND DEPARTMENT HEADS

City Attorney William McClure

City Manager Alex D. McIntyre

Assistant City Manager Starla Jerome-Robinson

Administrative Services:

Human Resources Director Gina Donnelly

Finance Director Carol Augustine

City Clerk Margaret Roberts

Community Services Director Cherise Brandell

Police Chief Bryan Roberts

Library Director Susan Holmer

Developmental Services:

Director of Community Development Arlinda Heineck

Director of Public Works Charles Taylor

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Menlo Park
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Moynell
President

Jeffrey R. Enew
Executive Director

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Menlo Park, California ("City"), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2012, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about 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 do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

OUM + Co. LLP

San Francisco, California
January 15, 2013



701 LAUREL STREET, MENLO PARK, CA 94025-3483
www.menlopark.org

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2012

This Management's Discussion and Analysis (MD&A) of the City of Menlo Park's financial performance provides a narrative overview of the City's financial activities for the fiscal year ended June 30, 2012. The MD&A is an objective and easily readable analysis when read in conjunction with the accompanying transmittal letter and the basic financial statements.

FINANCIAL HIGHLIGHTS

Government-Wide Highlights:

Net Assets - The assets of the City exceeded its liabilities at fiscal year ending June 30, 2012 by \$433,557,590. Of this amount, \$48,792,966 was reported as "unrestricted net assets" and may be used to meet ongoing obligations.

Changes in Net Assets - The City's total net assets increased by \$30,973,898 in fiscal year 2011-12. Net assets of governmental activities increased by \$31,409,271 due largely to the \$28.2 million extraordinary gain that resulted from the dissolution of the City's former redevelopment agency (RDA) as of January 31, 2012. The former RDA was a blended component unit of the City, reported in the governmental fund financial statement schedules until February 1, 2012, and had long-term debt liabilities that exceeded its assets. Net assets of the business-type activities decreased by \$435,373, reflecting the total year's net loss for the Menlo Park Municipal Water District.

Long-Term Debt:

The City's total bonded debt obligations decreased by \$64,854,804 during fiscal year 2011-12 due primarily to the transfer of the former redevelopment agency's debt, upon dissolution, to the City acting as Successory Agency. Activities of the Successor Agency are reported in the City financial statements as a fiduciary fund (private-purpose trust fund), and excluded from the government-wide financial statement schedules. The trust fund reflects slightly over \$61 million in long-term debt outstanding as of June 30, 2012. In addition, scheduled annual payment of principal balances of outstanding debt served to reduce these obligations.

Fund Highlights:

Governmental Funds - Fund Balances - As of the close of fiscal year 2011-12, the City's governmental funds reported a combined ending fund balance of \$64,665,859. This is a \$33,944,411 decrease from the prior year and reflects a \$25,814,163 extraordinary loss associated with the closing out of all funds established for the former redevelopment agency as of January 31, 2012. Prior to dissolution, over \$6.5 million had been drawn from these funds, expended on programs and obligations of the agency through that date. In addition, approximately \$10.1 million of non-redevelopment funds were expended for the acquisition of capital assets city-wide. The City's General Fund increased \$1,892,060 with revenues of nearly \$39.1 million and expenditures of \$37.2 million, including an annual transfer of \$2,163,200 to support infrastructure maintenance in the Capital Improvement Projects fund. The

surplus is credited to elevated levels of expenditure savings in every department when compared to the budget.

Of the total fund balances, \$6.5 million are categorized as “nonspendable”, largely representing amounts associated with loans and notes receivable. In establishing its General Fund Reserve Policy, the City Council last year set aside \$14 million as “committed” fund balance. Most of the remaining funds are restricted within special revenue funds for specific purposes, capital improvement projects, or debt service. Governmental fund balances that are categorized as “unassigned fund balance” totaled \$1,776,214, reported in the City’s General Fund.

City Highlights:

Undoubtedly the most impactful series of events for the City’s fiscal affairs in fiscal year 2011-12 was the dissolution of redevelopment agencies in the State of California. Proported to help resolve the State’s fiscal imbalance, the Dissolution Bill was introduced in June 2011, and immediately challenged as unconstitutional. However, the Supreme Court upheld the prerogative of the State to eliminate redevelopment agencies, and the dissolution was effective on February 1, 2012. The effect of the dissolution of the Community Development Agency of the City of Menlo Park is reflected throughout these financial statements.

The move came just as the municipal revenues, curtailed during the 2007-09 recession, began to recover. The City continued its work on development of a long-term, sustainable budget for the General Fund. Over recent budget cycles, the City has attempted to keep spending levels in line with revenues. In addition, one-time revenues and expenditures have been eliminated from the General Fund operating budget so as to gain fiscal consistency and comparability from year-to-year. A variety of net cost reduction strategies introduced in prior years remained in place for the 2011-12 budget in order to avert a heavy reliance on reserves. However, with a focus on sustainability in the long term, the City was still able to make substantial investments in the community. The strength of the City’s fiscal processes continues to be centered not on a “balanced” budget in the short-term, but on maintaining the City’s infrastructure - including the internal capacity to provide a consistently high level of services - throughout varying economic cycles.

Governmental Fund revenues decreased nearly \$8.4 million (14.2 percent) from the previous fiscal year. The decline in property tax revenues (over \$10 million) largely reflects the absence of tax increment revenues from the former redevelopment agency. Other property tax revenues increased 3.4 percent, sales taxes declined modestly and other taxes (particularly hotel taxes) experienced a healthy 11.1 percent rate of growth, contributing an increase of \$733,000 in revenues over the prior year as the economy continued its slow recovery. Of particular note is an increase in charges for services, which grew over \$1.4 million. The increase is mostly attributable to a large jump in planning/development fee revenues (over \$900,000 in planning fees alone), and an increase in nearly \$300,000 of recreation fee revenues. The City also collected an administrative charge of \$250,000 for the costs of activities related to dissolution of the former redevelopment agency. City-wide investment earnings continued to decline - approximately 21 percent in 2011-12, or \$330,147 over the prior year. Such returns reflect the leveling off of yields on treasuries and federally-secured investments at historically low rates, the maturity of higher-yielding investments, and slightly lower cash balances than in the prior year.

Governmental Fund expenditures dropped approximately \$17.3 million, or 22.7 percent. In addition to the winding down of redevelopment activities throughout the year, capital outlay of the prior year was \$5.8 million higher than in fiscal year 2011-12. In addition, prior year expenditures included the pay-off of a previously unrecorded pension liability for safety personnel (\$7.1 million).

Toward the end of the year the importance of funding comprehensive planning projects was addressed, as the City Council approved a settlement agreement that required the Menlo Park to take on an immediate update to its Housing Element. At year's end, \$966,760 remained in the General Fund balance, assigned to the completion of this priority project.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities and Changes in Net Assets

The Statement of Net Assets and the Statement of Activities and Changes in Net Assets include information about the City as a whole and about its activities. These statements include *all* assets and liabilities of the City using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net assets* and changes in them. Net assets are the difference between assets and liabilities, which is one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net assets are an indicator of whether its *financial health* is improving or deteriorating. Other factors to consider are changes in the City's property tax base and the condition of the City's roads.

In the Statement of Net Assets and the Statement of Activities and Changes in Net Assets, City activities are separated as follows:

Governmental activities—Most of the City's basic services are reported in this category, including the General Government, Public Safety, Public Works, Culture and Recreation (including library services) and Community Development. Property and sales taxes, user fees, interest income, franchise fees, and state and federal grants finance these activities.

Business-type activities—The City charges a fee to customers to cover the cost of water distribution services, including a surcharge for future capital improvements as necessary. The City's Water system activities are the only activities reported in this category.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds. Some funds are required to be established by State law and by bond covenants. However, management

establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

Governmental funds—Most of the City’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City’s general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. The differences of results in the Governmental fund financial statements to those in the Government-Wide financial statements are explained in a reconciliation schedule following each Governmental fund financial statement.

Proprietary funds—When the City charges customers for the services it provides—whether to outside customers (enterprise funds) or to other units of the City (internal service funds)—these services are generally reported in proprietary funds. The City’s Water Fund is the single enterprise fund that accounts for the business-type activities reported in the government-wide statements. Four internal service funds account for administrative activities that are provided to other funds and departments on a cost-reimbursement basis. These are included as governmental activities in the government-wide statements. Together, these proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Fund Net Assets. In addition, a statement of cash flows is provided.

Fiduciary funds - The City is the trustee, or *fiduciary*, for certain funds held in a trustee or agency on behalf of individuals, private organizations, other governments and/or other funds. The City’s fiduciary activities are reported in separate Statements of Fiduciary Net Assets. These activities are excluded from the City’s other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Financial Statements

The notes provide additional information essential to a full understanding of the data in the Government-Wide and Fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information providing a budgetary comparison statement for the General Fund and all major funds. It also includes Employees Pension Plan Schedule of Funding.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Statement of Net Assets combines and consolidates government funds’ current financial resources (short-term spendable resources) with capital assets and long-term obligations. Program expenses by function, general revenues by major source, excess and/or deficiency of revenues over expenses before contributions to fund principal, special, and extraordinary items, and total assets are presented in the Statement of Activities and Changes in Net Assets. Both statements are condensed

below for purposes of this analysis.

City of Menlo Park's Net Assets						
	Governmental Activities		Business-Type Activities		Total	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
Current Assets	\$67,673,572	\$90,251,988	\$15,682,411	\$17,071,297	\$83,355,983	\$107,323,285
Noncurrent Assets	12,999,463	35,206,088	-	-	12,999,463	35,206,088
Capital Assets	367,133,028	366,572,756	9,524,216	8,536,711	376,657,244	375,109,467
Total Assets	<u>447,806,063</u>	<u>492,030,832</u>	<u>25,206,627</u>	<u>25,608,008</u>	<u>473,012,690</u>	<u>517,638,840</u>
Current Liabilities	8,823,566	11,923,567	700,384	654,150	9,523,950	12,577,717
Noncurrent Liabilities	29,899,439	102,433,478	31,711	43,953	29,931,150	102,477,431
Total Liabilities	<u>38,723,005</u>	<u>114,357,045</u>	<u>732,095</u>	<u>698,103</u>	<u>39,455,100</u>	<u>115,055,148</u>
Investments in Capital						
Net of Related Debt	345,357,433	279,942,360	9,524,216	8,536,711	354,881,649	288,479,071
Restricted	14,501,130	36,420,811	15,381,845	16,771,000	29,882,975	53,191,811
Unrestricted	49,224,495	61,310,616	(431,529)	(397,806)	48,792,966	60,912,810
Total Net Assets	<u>\$409,083,058</u>	<u>\$377,673,787</u>	<u>\$24,474,532</u>	<u>\$24,909,905</u>	<u>\$433,557,590</u>	<u>\$402,583,692</u>

The City's programs for governmental activities include General Government, Public Safety, Public Works, Culture and Recreation and Community Development. The programs for the business-type activities consist of water services provided by the Menlo Park Municipal Water District.

As noted earlier, the City as a whole has net assets of \$433,557,590. The largest portion of the City's net assets (approximately 82 percent) reflects its investment in capital assets (e.g., land, buildings, equipment, improvements, construction in progress, and infrastructure); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net assets (6.9 percent) represents resources that are subject to external restrictions on how they may be utilized. The remaining balance of unrestricted net assets (11.1 percent) may be used to meet the government's ongoing obligation to citizens and creditors.

Total net assets of the City increased \$30,973,898 (approximately 1 percent) in the fiscal year ended June 30, 2012. The increase was primarily related to a sizeable extraordinary gain in the City's governmental activities. The \$28,170,332 gain was the result of closing out the assets and liabilities of the former Community Development Agency of the City of Menlo Park, as dictated by the state-wide dissolution of all redevelopment agencies.

City of Menlo Park's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
Revenues:						
Program Revenues:						
Charges for Services	\$16,764,073	\$15,305,973	\$5,750,659	\$4,935,649	\$22,514,732	\$20,241,622
Operating Grants and Contribution:	2,729,866	2,185,417	-	-	2,729,866	2,185,417
Capital Grants and Contributions	6,922,360	12,342,612	-	-	6,922,360	12,342,612
General Revenue:						
Property Taxes	13,239,856	23,936,578	-	-	13,239,856	23,936,578
Sales Taxes	5,938,310	5,988,055	-	-	5,938,310	5,988,055
Transient Occupancy Taxes	2,939,475	2,453,981	-	-	2,939,475	2,453,981
Other Taxes	4,607,758	4,490,992	-	-	4,607,758	4,490,992
Investment Earnings	1,133,432	1,431,440	103,480	135,619	1,236,912	1,567,059
Miscellaneous	255,185	235,145	(5,953)	0	249,232	235,145
Total Revenues	54,530,315	68,370,194	5,848,186	5,071,268	60,378,501	73,441,462
Expenses:						
General Government	7,386,399	6,812,499	-	-	7,386,399	6,812,499
Public Safety	14,248,362	20,707,475	-	-	14,248,362	20,707,475
Public Works	10,809,670	10,789,784	-	-	10,809,670	10,789,784
Culture and Recreation	9,860,317	9,461,866	-	-	9,860,317	9,461,866
Community Development	6,186,002	11,502,885	-	-	6,186,002	11,502,885
Interest on Long-term Debt	2,971,231	4,481,135	-	-	2,971,231	4,481,135
Water Operations			6,112,954	4,874,711	6,112,954	4,874,711
Total Expenses	51,461,981	63,755,644	6,112,954	4,874,711	57,574,935	68,630,355
Inc/Dec in Net Assets before Transfers:	3,068,334	4,614,550	(264,768)	196,557	2,803,566	4,811,107
Extraordinary gain (loss)	28,170,332	-	-	-	28,170,332	-
Transfers	170,605	165,639	(170,605)	(165,639)	-	-
Changes in Net Assets	31,409,271	4,780,189	(435,373)	30,918	30,973,898	4,811,107
Net Assets - Beginning of the Year	377,673,787	372,778,145	24,909,905	24,878,987	402,583,692	397,657,132
Prior Period Adjustment	-	115,453	-	-	-	115,453
Net Assets - End of the Year	\$409,083,058	\$377,673,787	\$24,474,532	\$24,909,905	\$433,557,590	\$402,583,692

Governmental Activities

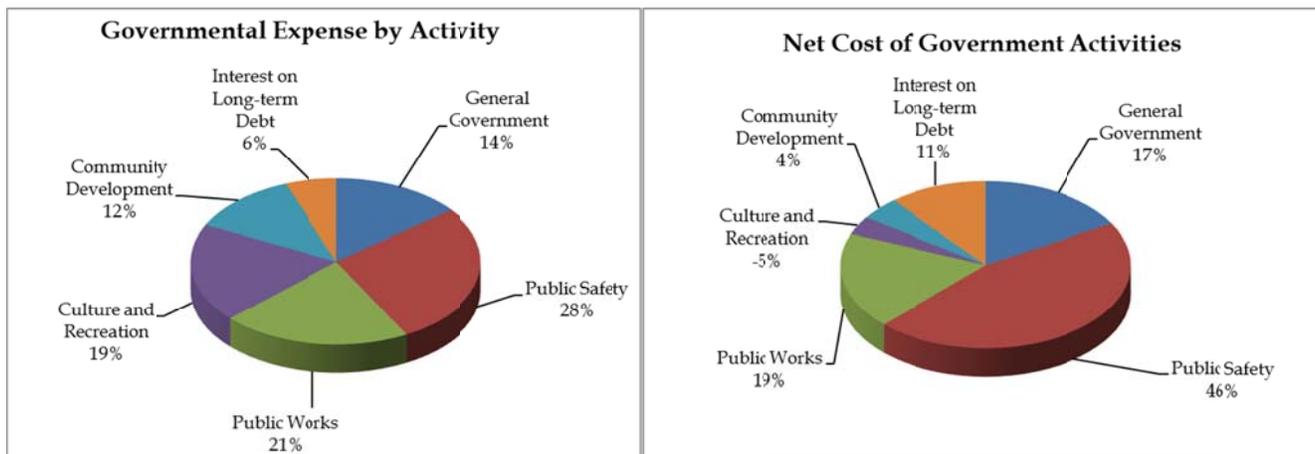
Governmental activities increased the City of Menlo Park’s net assets by \$31,409,271. Again, the significant increase was attributable to the \$28.1 million extraordinary gain experienced when all assets of the City’s former redevelopment agency, as well as the \$63.7 million long-term debt and other obligations incurred by the agency, were transferred out of the City’s governmental funds to a private-purpose trust fund established to account for the activities of the Successor Agency. The City, acting as Successor Agency, is responsible for winding down all redevelopment activities and commitments of the former agency, and liquidating all remaining assets for the benefit of all taxing entities associated with the redevelopment area. These activities are isolated in the Successor Agency’s Trust Fund, reported in the fiduciary financial statements, which follow the City-wide financial statements.

Prior to dissolution as of February 1, 2012, the former agency had expended nearly \$6.5 million, largely in the area of “general government” expenses, with no 2011-12 property tax increment

revenues. The overall annual decrease in expenses is attributable to the cessation of redevelopment activities, reflected as a decrease in the category of “community development”. Although it appears that spending in the Public Safety category slowed, the decrease in this expense category is the result of the \$7.1 million payoff of a safety pension obligation in the prior year. Offsetting these changes somewhat were capital contributions of \$6.2 million. Due to the continued generosity of a private donor in completion of the construction of a new gymnastic facility (\$4.48 million in 2011-12), the City’s inventory of capital assets grew, with no offsetting increase in related debt.

Operationally, with a continued recovery from the economic downturn that began in late 2007 and continued through 2009, local revenues appeared to stabilize and increased mildly throughout most of the 2011-12 fiscal year. Revenues hardest hit by the recession, such as transient occupancy taxes and charges for services, showed the highest gains over the prior year. Despite upward pressures on some expenses, there was a 3.1 percent increase in expenses from governmental activities from the prior year, once the \$7.1 million previously mentioned pension liability payoff (\$7.1 million) in 2010-11 is excluded.

The following charts of expenses and net cost of the City’s various governmental activities have been derived from the Statement of Activities and Changes in Net Assets. The first pie chart reflects expenses incurred in each area as a percentage of the total expense of governmental activities (\$51,461,981 in fiscal year 2011-12). This compares with the relative net cost after applying program revenues derived from each area’s activity. The total net cost of governmental activities (\$25,045,682 in fiscal year 2011-12) must be funded out of the City’s general revenues – primarily taxes and investment earnings. Areas with the highest program revenues (i.e., Culture and Recreation) are able to offset relatively more costs than activities that have fewer opportunities to derive program revenues (such as Public Safety). Again, capital contributions served to increase program revenues sufficiently to offset all the costs pertaining to Culture and Recreation.



Business Type Activities

Net assets for business-type activities were \$24,474,532. Total program revenues for business-type activities (operation of the Menlo Park Municipal Water District) were \$5,750,659, which consisted solely of Charges for Services related to the water usage and capital surcharge fees. Total expenses for the business-type activities were \$6,112,954 during fiscal year 2011-12, nearly all of which were related to water operations. With investment earnings of \$103,480, miscellaneous refunds of \$5,953

and transfers out for administrative overhead costs, business-type activities decreased the City's net assets by \$435,373.

FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS

Major Fund Balances - Governmental Funds

A key function of fund accounting is to segregate resources. In order to reduce frustration when different individual funds are combined for financial reporting purposes and because it is common for governments to have too many funds to include information on each individual fund within the basic financial statements, Major Fund reporting was implemented with Government Accounting Standards Board (GASB) Statement 34. Each major individual fund is required to be presented separately and all non-major governmental funds to be aggregated into a single other governmental fund category. The General Fund is always considered a major fund. The criteria to determine what other funds must be reported as a major fund are:

- Ten percent criterion. An individual fund reports at least 10 percent of any of the following: a) total governmental fund assets, b) total governmental fund liabilities, c) total governmental fund revenues, or d) total governmental fund expenditures.
- Five percent criterion. An individual governmental fund reports at least 5 percent of the total for both governmental and enterprise funds of any one of the items for which it met the 10 percent criterion.

Because of the dissolution of the redevelopment agency, composition of the City's major funds in the current fiscal year are markedly different than in prior years. Major balances and aggregate other governmental funds balances are:

<u>Governmental Fund Balances</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>Increase (Decrease) From 2010-11</u>
General Fund	\$ 21,497,995	\$ 19,605,935	\$ 1,892,060
Housing Fund	312,474	0	312,474
Housing Authority	0	6,054,918	(6,054,918)
Below Market Rate Housing Fund	10,947,253	0	10,947,253
Redevelopment Services Fund	0	9,910,456	(9,910,456)
CDA Debt Service Fund	0	9,149,618	(9,149,618)
CDA Capital Projects Fund	0	43,137	(43,137)
General Capital Improvement Project Fund	8,992,118	0	8,992,118
Other Governmental Funds	<u>22,916,019</u>	<u>53,846,206</u>	<u>(30,930,187)</u>
TOTAL	<u>\$ 64,665,859</u>	<u>\$ 98,610,270</u>	<u>(33,944,411)</u>

Note that the 2010-11 statements included the Housing Authority Special Revenue and Redevelopment Services Agreement Special Revenue funds as major governmental funds to account for agreements between the City and the Community Development Agency (CDA). These funds, as well as the CDA Debt Service Fund and CDA Capital Projects Fund, were eliminated as a result of the

state mandated dissolution of redevelopment agencies. The Below Market Rate Housing Fund and the General Capital Improvement Project Fund were previously included as “Other Governmental Funds” for financial statement purposes. These are now classified as Major Governmental Funds, and reflected separately in the Fund Financial Statements (Basic Financial Statement section). The Housing Fund was created in the 2011-12 fiscal year to account for the housing loans transferred from the dissolved redevelopment agency, and is also classified as a major governmental fund.

General Fund Balance

As noted, the General Fund is always one of the major Governmental funds, and is the primary operating fund of the City. Most City services are accounted for in the General Fund, including most public safety, public works, parks and community services, library, planning and community development, and general government.

At the end of the current fiscal year, the fund balance of the City’s General Fund was \$21,497,995, an increase of \$1,892,060 from the prior year. The rise in fund balance (8.8 percent) was due in part to an increase in revenues of 6.5 percent. More notably, spending restraints carried over from prior years and additional net cost reductions built into the 2011-12 budget limited expenditure growth to 3.3 percent (excluding extraordinary expenses of the prior year), despite the loss of redevelopment funding for projects and programs critical to the redevelopment project area.

Although \$2.2 million of the fund balance was categorized as “nonspendable”, the City’s General Fund Reserve Policy sets aside (“committed”) \$6 million for emergency contingencies and \$8 million to mitigate the effects of major economic uncertainties. The reserve policy affirms the Council’s desire to limit use of General Fund balances to address unanticipated, one-time needs or opportunities, and establishes a goal range for the City’s unrestricted fund balance (including commitments and assignments of fund balance) of 43-55 percent of General Fund expenditures. As of June 30, 2012, the City’s General Fund unrestricted fund balance equaled 51.8 percent of the fund’s total expenditures for the year.

The considerable increase in the City’s total General Fund balance reflects positive operating results for the fiscal year that were only partly anticipated in the fund’s budget. Key factors in the General Fund’s operations are discussed further in General Fund Budgetary Highlights, later in this report.

Below Market Rate Housing Fund Balance

The Below Market Rate Housing Fund is a major fund for financial statement purposes starting in fiscal year 2011-12, based on the assets of the fund relative to the City’s total governmental fund assets. The BMR Housing Program was established in 1987, to increase the housing supply for people who live and/or work in Menlo Park and have limited income per the limits established by San Mateo County. The program requires the provision of BMR units or in-lieu fees for certain development projects. State law requires that all BMR in-lieu fees be committed to affordable housing development within five years of collection. At year end, the funds were committed to a loan program for first-time homebuyers (\$4.5 million), a Neighborhood Stabilization Program (NSP)(\$1 million), the Habitat for Humanity Neighborhood Revitalization Program (\$650,000), and a variety of other programs to create affordable housing units in the City. During the 2011-12 fiscal year, the fund had revenue that included \$515,000 of BMR in-lieu fees and expenditures of \$500,000 for the Habitat program and approximately \$332,000 for rehabilitation of two NSP homes. The balance at fiscal year-end is increased due to a prior period adjustment: the two below market rate housing units that had previously been expensed to the fund are now reflected as assets held for resale.

General Capital Improvement Project Fund Balance

The General Capital Improvement Project Fund, is also now considered a major fund for financial statement purposes, based on the relative amount of assets in the fund. In 2011-12, fund expenditures of \$1.7 million were less than the annual transfer from the General Fund for infrastructure maintenance (\$2,163,200 in 2011-12). With the inclusion of \$627,511 in State grant revenue and \$81,696 in solid waste franchise fees, the resulting net change in fund balance for the year was an increase of over \$1.1 million. Expenditures included smaller sidewalk and street pavement projects as well as minor improvement projects for City parks and buildings.

The surplus is anticipated every other year for the fund, which provides a significant portion of the funding needed for the semi-annual street resurfacing project. Work on the \$5.7 million 2011-12 Street Resurfacing Project included the detailed design and selection of streets to be resurfaced throughout the City; but construction did not start until late June 2012.

Housing Fund

As Successor for both housing and non-housing activities of the former redevelopment agency, the City transferred all loans of the former CDA Housing Fund to the City's own, newly established Housing Fund. In previous years, the CDA Housing Fund had received twenty percent of all the tax increment revenues of the former Agency to advance low- and moderate-income housing programs in the area. Per dissolution law, all future tax increment revenues will go to the County, and any unencumbered funds of the former agency will be distributed to other taxing agencies once recognized obligations have been paid. Therefore, the current housing fund exists to account for the housing loans of the former agency. Net revenues from loan payments may go back to the fund to provide further loans, or to other qualifying housing programs. The Housing Fund is considered a major fund for financial statement purposes based on the relative amount of liabilities in the fund.

Other Governmental Funds Balances

At the end of the 2011-12 fiscal year, the total fund balance of the City's 35 non-major governmental funds was \$22,916,019. The total \$37,807,039 net decrease in fund balance for these combined funds reflects the \$25,814,163 extraordinary loss which resulted from the dissolution of the City's redevelopment agency and the close-out of the balances of all associated with the former agency. These funds had decreased by nearly \$7.2 million as of the February 1, 2012 dissolution date, including \$5.1 million for debt service, \$1.3 million for public safety and housing programs within the redevelopment area, and \$189,000 for the completion of capital projects. Approximately \$5.4 million in housing loans were transferred to the City as successor to the former redevelopment agency (reported as a major governmental fund). All other assets were transferred to the Successor Agency and reported in the City's fiduciary fund financial statements.

The fund balances that remain consist of 24 special revenue funds, 2 debt service funds and 2 capital projects funds. Within the special revenue funds, eleven fund balances decreased over the course of the fiscal year, while thirteen experienced a drop. The largest fund increase (nearly \$1.1 million) was experienced in the City's Traffic Impact Fees fund, due in large part to the receipt of over \$1.2 million in fees from Stanford University for traffic mitigation of its Medical Center expansion in neighboring Palo Alto. The special revenue fund that experienced the largest drop in fund balance was the Recreation In-Lieu Fund, spending nearly \$3.1 million for the completion of the Arrillaga Family Gymnsatics Center.

As previously noted, the 2011-12 Street Resurfacing project was just barely underway as of July 1, 2012. Several of the City's special revenue funds contribute to this major bi-annual project. As funds

were not expended as of year end, the Highway Users Tax (Gas Tax) Fund and Construction Impact Fee Fund experienced fund balance increases (\$751,899 and \$481,352, respectively).

Proprietary Funds

Proprietary Funds are comprised of enterprise funds and internal service funds. The City has one enterprise operation: the Water Fund. An enterprise fund accounts for activities that are financed and operated in a manner similar to private business enterprises. The Menlo Park Municipal Water District (MPMWD) is a self-supporting enterprise in which the sale of water to customers generates the revenue needed to support the operations and capital needs of the district.

The Water Fund accounts for water supplied to the approximately 4,000 customers of the MPMWD. The net assets of the fund at June 30, 2012 were \$24,474,532; a decrease of \$435,373 from the prior fiscal year. This decrease was the result of net operating income of \$953,782 (approximately 18.7 percent of operating revenues) in the Water Operating Fund, and a \$1,389,155 net operating loss in the Water Capital Fund. Reserve funding policies established in 2006 were revised in 2010, with the City adopting a 16.5 percent annual increase in water meter and consumption block rates through fiscal year 2013-14, based on projected increases in the cost of water. The Water Fund Reserve Policy anticipated the need for transfers/loans from the capital fund to maintain the operating fund during this period of water rate increases. The capital surcharge was established in 1990 to fund major water capital projects; the surcharge netted the Water Capital Fund \$660,506 in fiscal year 2011-12.

The City uses internal service funds to account for four major administrative activities: Workers' Compensation Insurance, General Liability Insurance, Retiree Medical Benefit, and Vehicle Replacement. Separation of these programs from the General Fund allows for better tracking and allocation of the costs associated with these "overhead" activities, and provides a mechanism for funding those costs in the year incurred. The Vehicle Replacement Fund collected "charges for services" of \$199,992 in 2011-12 from the departments and programs which utilize the assets being replaced, to provide for the cost of anticipated vehicle purchases. Departmental charges received in both the General Liability Insurance Fund (\$1,091,970) and Workers' Compensation Insurance Fund (\$505,260) were not sufficient to meet the (actuarially determined) costs of current and past claims charged to the funds, as evidenced by the net loss reported in these funds for the fiscal year. However, both funds maintained positive net asset positions after allowing for actuarially determined long term claims payable.

The Retiree Medical Benefit Fund was created in 2008-09 for the sole purpose of providing contributions to the California Employers Retiree Benefits Trust (CERBT), the funding vehicle for the City's long-term obligations under its retiree medical benefits program. \$9.2 million was sufficient to fund the accumulated liability of these benefits in fiscal year 2007-08. Going forward, the amount of the contributions are generated as a percentage-of-payroll charge, actuarially calculated to reflect full funding of the normal (annual) cost of these benefits. In fiscal year 2011-12 these costs were \$555,209. Charges to the Internal Service Funds are adjusted each year to cover the anticipated cost of the various overhead services provided to the benefiting departments/programs.

Fiduciary Operations

Fiduciary Fund Financial Statements are presented in the Basic Financial Statements separately from the Government Wide Financial Statements. In previous years the City's only fiduciary funds were agency funds, used to account for certain assets held on behalf of others. As the City's role is purely

custodial, all assets reported in the agency funds are offset by a liability to the party on whose behalf they are held. The amount of agency funds held by the City increased from \$210,268 to \$291,470, due largely to the receipt of refundable cash bonds held for current development projects. This increase was somewhat offset by a rise in the liabilities recognized in the payroll revolving account.

A new private purpose trust fund was established to account for the activities related to the dissolution of the former Community Development Agency of the City of Menlo Park. As previously discussed, this former redevelopment agency was eliminated by State law as of February 1, 2012. All assets and obligations (including long-term debt) of the former agency were transferred to the City, as Successor Agency, as of that date. Housing loans are reported as assets in a governmental fund, but all other assets and liabilities are held in trust capacity in the new fiduciary fund. Unlike agency funds, trust funds report an "income statement"; the activity of the Successor Agency Trust from January 31, 2012 forward is reported in the Statement of Changes in Fiduciary Net Assets. Because the transferred debt exceeded the transferred assets of the former agency, an extraordinary loss (\$28,170,332) reflects the net assets received upon dissolution. Property tax revenues of nearly \$2.8 million reflect monies sent from the County's Redevelopment Property Tax Trust Fund to cover obligations of the former agency that are to be paid in the first six months of the new fiscal year.

DEBT ADMINISTRATION

As of June 30, 2012, the City's debt obligations were comprised of General Obligation Bonds. These bonds include the City of Menlo Park General Obligation Refunding Bonds, Series 1996, a bond funding used to finance the 1990 Library Improvement Project. The balance of these bonds at June 30, 2012 was \$1,575,000. The bonds are paid from special assessments to property owners within the City. In addition, the City has two outstanding issuances of "Measure T" bonds, approved by voters in 2001, to finance certain parks and recreation improvements: the balance of the 2002 General Obligation Bonds issuance (\$11,165,000) was refinanced through a direct placement sale of 2012 General Obligation Bonds in January 2012. The refinancing allowed for lower interest rates which will provide debt service savings of nearly \$2.5 million over the remaining life of the original obligation. The second issuance of these "Measure T" bonds was sold on July 1, 2009, adding \$10,440,000 to the amount of bonds outstanding; the outstanding balance was \$10,375,000 as of June 30, 2012. Of this 2009 issuance, \$1,015,000 is outstanding on Series A tax exempt bonds. The remaining \$9,360,000 is the principal outstanding on Series B taxable Build America Bonds (BABs). The decision to include BABs in the 2009 financing allowed the City to generate an additional \$1,049,000 over the tax exempt bonds.

In May 2006, the City's Community Development Agency issued Tax Allocation Refunding Bonds in a par amount of \$72,430,000 for the purpose of refunding at lower interest rates outstanding Series 1996 and Series 2000 Tax Allocation Bonds. These bonds had been issued to finance capital projects of benefit to the Las Pulgas Community Development Project Area. With the dissolution of redevelopment agencies in 2012, this bonded debt is no longer reported in the Government Wide Financial Statements. These obligations are included in Fiduciary Fund Financial Statements.

Additional information on the City's long-term debt can be found in Note 6 of this report. In addition, the long-term debt of the former redevelopment agency is discussed in the Required Supplementary Information section.

As disclosed in the Notes to Basic Financial Statements, a liability has been recorded to reflect the City's obligation to provide post-closure care of the landfill at Bayfront Park. Although the City has established a revenue stream to fund landfill post-closure care, governmental accounting standards require the calculation and recording of the liability associated with this activity. The liability is included in the reporting of the City's long-term liabilities, at an estimated \$6,001,794 at June 30, 2012.

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2012 amounts to \$376,657,244, net of accumulated depreciation of \$86,659,896. This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the City such as roads, bridges, streets and sidewalks, drainage systems, lighting systems and similar items. The City's investment in capital assets for the current fiscal year increased by \$2,196,062 from the prior year as a result of capital asset additions of \$16,118,810 offset with depreciation charges (\$5,392,406) and retirements and adjustments of assets (\$7,535,223). The Arrillaga Family Gymnastics Center Center accounted for approximately \$10.9 million of the capital asset additions during the current fiscal year, and the transfer of redevelopment properties (undeveloped land) to the Successor Agency was the largest "adjustment" of capital assets (\$5,694,977). Information on the City's capital assets can be found in Note 5 of this report.

GENERAL FUND BUDGETARY HIGHLIGHTS

The 2011-12 fiscal year adopted budget for General Fund expenditures, including transfers out, amounted to \$37,460,596. The adopted budget was increased to include \$419,900 in purchase orders and other commitments from the prior year, for an "original" budget of \$37,880,496. The final (adjusted) budget amount was \$39,670,622, a net increase of \$1,790,126 from the original budget, due in large part to the dissolution of the former redevelopment agency. The mid-year report presented to the Council in February 2012 reflected a close-out of the former agency's funds. To continue the services previously funded by the RDA tax increment revenues, budgets were provided largely within the City's General Fund. The added burden to the fund could not be offset with the positive adjustments (\$578,580) made to the City's revenue forecast at that time. Departments were asked to identify all reasonable cost reduction opportunities for the remainder of the fiscal year (largely through personnel vacancies) to reduce the necessary impact to General Fund. Ultimately, expenditure budgets in the fund were increased by \$783,146 at mid-year. Also included with the mid-year budget revisions was a \$150,000 budget to begin work on the Housing Element Update project.

Prior to the end of the fiscal year, the Housing Element Update became a priority as the result of a law suit filed by housing advocacy groups alleging that the City had failed to update its general plan in compliance with State law. An additional \$714,000 was appropriated to the project, and plans to begin the Willow Business Area Zoning Ordinance Amendment project, funded by the General Fund for \$102,000 in 2011-12, was postponed. Various other amendments were authorized to the budget throughout the course of the year, including an additional amount needed (\$225,000) for completion of the Downtown/El Camino Real Specific Plan. Council approved the plan in June 2012.

General Fund Revenues

With a slow recovery from the recent economic recession, the City of Menlo Park's General Fund saw increases in most revenue categories in fiscal year 2011-12. This is the second year of increased revenues for General Fund revenues as a whole. In fact, revenues were slightly higher than in the pre-recessionary fiscal year 2007-08, despite a severe decline in revenues from the City's investment portfolio (\$2 million) since that time. Although sales tax revenues declined slightly, property and taxes improved 3.3 percent over the prior year, as property assessments grew at a healthy pace. Local hotels also fared well during the fiscal year, as reflected in a 19.8 percent rise (\$485,494) in hotel tax revenues for the City. When compared with the prior fiscal year, the sharpest revenue increase (approximately \$1.5 million) is reflected in the category of charges for services, due largely to the higher degree of staff work billed for large development projects, such as the new Facebook campus. In this same category, the City's parks and recreation programs have been able to increase revenues through optimizing the use of the new facilities, including the new gymnastics center which opened in October 2011. Revenues from licenses and permits were also up over \$440,000 (13.8 percent) due to an aggressive business license compliance program and a higher volume of building permits. Many of these increases were anticipated and reflected in mid-year budget changes.

Declines in intergovernmental revenues and interest income were largely anticipated in the General Fund budget. For example, the decline in intergovernmental revenue was due largely to the expiration (November 2011) of a contract with a neighboring city in which Menlo Park supplied police dispatch services. The largest mid-year reduction (\$240,000) was in the area of investment income. This revenue source has experienced record lows due to the very low yield environment in which to reinvest older (higher yielding) notes as they matured. The City's portfolio has always been comprised of only the safest of securities, so that no investment losses were incurred. However, the average yield earned in 2011-12 was .90 percent net of fees, compared with the prior year's 1.36 percent - a 33.8 percent decline.

The total positive variance with the final budget for General Fund revenues was 2.4 percent for fiscal year 2011-12. Exclusive of transfers in from other funds, General Fund revenues increased approximately \$2.3 million when compared to fiscal year 2010-11. Coupled with last year \$1.5 million increase, these revenues have returned to the pre-recessionary levels of fiscal year 2007-08. However, throughout each of the past five fiscal years, the City has continued to implement both short- and long-term budget strategies aimed at reducing the General Fund expenditure budget.

General Fund Expenditures

As stated, departmental budgets were gleaned at mid-year to identify possible expenditure reductions in order to be able to fund services formerly funded from redevelopment revenues. Ultimately, General Fund expenditures increased only 3.3 percent (\$1.1 million) in fiscal year 2011-12 when compared to the prior fiscal year, (exclusive of the safety pension fund liability pay-off at a cost of over \$6.5 million to the fund in 2010-11). Budgetary savings were experienced in all departments, amounting to nearly \$2,470,000, or over 7 percent of departmental budgets for the year.

The only budgetary category with higher General Fund expenditures than experienced in the prior year was that of Community Development, in which expenditures rose slightly over \$1 million. Included in the fiscal year's General Fund cost of operations are expenditures incurred in the fiscal year (\$338,515) to complete the El Camino Real/Downtown Specific Plan. The plan establishes a framework for private and public improvements on El Camino Real, in the Caltrain station area and in downtown Menlo Park for the next several decades. Five years in the making, the Specific Plan builds upon the El Camino Real/Downtown Vision Plan, unanimously accepted by the City Council

on July 15, 2008. The Planning effort includes an associated Environmental Impact Report (EIR), fiscal impact analysis (FIA) and revisions to the Menlo Park General Plan and Zoning Ordinance.

In addition, the expenditures in the Community Development area were increased to provide adequate planning and legal services required for the review of the application documents and negotiation of the development agreement associated with the Facebook Headquarters (East Campus) project. These costs, which exceeded \$800,000, were offset with reimbursement revenues (recorded in the category of charges for services).

Recognizing that infrastructure maintenance is more costly when deferred, a transfer of approximately \$2.1 million from the General Fund to the Capital Improvement Projects (CIP) Fund has been incorporated into the City's annual operating budget for many years. To ease the anticipated draw on General Fund reserves this transfer amount was decreased somewhat in recessionary years, and reduced in fiscal year 2010-11 by \$110,000 when other capital funding was procured. However, no change was made to the 2011-12 transfer, which remained at \$2,163,200, for a 4.8 percent increase in total, transfers to other funds over the prior year.

ECONOMIC CONDITION AND OUTLOOK

While it is clear that the economy has turned the corner at the national, state levels and local levels, economic growth for the past few years has been weak, relative to the significant degree of the downturn. Because the San Francisco Bay Area has added jobs at a faster rate than the state and the nation, with the bulk of the growth in Silicon Valley, Menlo Park has been able to maintain fiscal stability throughout the slow recovery. Property taxes and Transient Occupancy taxes remain bright spots in the revenue picture, as real estate values in the area continue to buck national trends and local hotels recover both rates and occupancy levels to pre-recession levels. Sales tax – the City's second-largest general revenue source – has been slow to recover from the recession. But the forecast is favorable as the City pursues comprehensive planning efforts and citywide zoning ordinance amendments that encourage economic vitality in the downtown area, the El Camino Real corridor and commercial/light industrial areas of Menlo Park. The Housing Element Update is to be completed in the 2012-13 fiscal year. By providing for the City's projected housing needs, this important update will help inform future development so that Menlo Park continues to be a diverse and desirable community in which to live.

Business activity appears to be gaining momentum in various sectors. The increase in the number of development project applications and permit activity that began in the final quarters of the fiscal year 2009-10 continues, with a focus on large development projects that could potentially drive the City's economic future. Completion of the development agreement with Facebook's East Campus (the 56 acre site formerly occupied by Sun Microsystems/Oracle) allows for focus to turn to the West Campus development. This new development will complete the social media's headquarters with a 433,000 square foot building on top of surface parking. Facebook's presence has already spurred additional development – both commercial and residential – on Menlo Park's accessible east side, including the former redevelopment area.

The completed Downtown/El Camino Real Specific Plan, nearly five years in the making, has prompted recent interest in the replacement of existing buildings on El Camino Real – current and former auto dealerships – with a new mixed-use development consisting of offices, housing and

retail. Having weathered the financial meltdown of 2008, banks, investment funds, venture capitalists and others are also eager to reestablish their foothold in Menlo Park's economy.

The California Supreme Court's decision to dissolve redevelopment agencies across the State had a major impact to the City's General Fund and other governmental resources. The City Council has acknowledged the need to continue vital services, as well as infrastructure and facility improvements in the project area, that were formerly funded through redevelopment tax increment revenues. Although bondholders are protected from loss (the terms of all bond indentures remain intact, and tax increment revenues continue to provide nearly 200 percent coverage for the bonds), the dissolution process has created an administrative workload for the City (as Successor Agency) that continues into the current fiscal year.

Incorporation of cost saving strategies in past annual budget processes has allowed the City's General Fund expenditures to stabilize despite increasing personnel costs. Because these expenditures represent approximately 70 percent of the City's General Fund budget, particular attention has been paid to controlling rising health care and employee retirement costs. In addition to adequate funding of infrastructure, careful comprehensive planning and optimization of business and residential development opportunities remain as fiscal priorities for the City. As long-term needs are identified, the necessary resources continue to be accrued appropriately. The promotion and municipal application of sustainable environmental practices also reflect the long-term nature of the City's goals.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Menlo Park Finance Division, 701 Laurel Street, Menlo Park, California 94025.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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City of Menlo Park
Statement of Net Assets
June 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 63,576,159	\$ 14,909,575	\$ 78,485,734
Receivables:			
Accounts	2,556,540	743,050	3,299,590
Interest	170,542	29,786	200,328
Due from other governments	1,215,899	-	1,215,899
Deposits and prepaid items	154,432	-	154,432
Total current assets	<u>67,673,572</u>	<u>15,682,411</u>	<u>83,355,983</u>
Noncurrent assets:			
Restricted cash and investments	231,073	-	231,073
Real estate held for resale	1,643,404	-	1,643,404
Notes receivable	11,076,423	-	11,076,423
Deferred charges	48,563	-	48,563
Capital assets:			
Non-depreciable	234,266,709	2,621,480	236,888,189
Depreciable, net	132,866,319	6,902,736	139,769,055
Total capital asset	<u>367,133,028</u>	<u>9,524,216</u>	<u>376,657,244</u>
Total noncurrent assets	<u>380,132,491</u>	<u>9,524,216</u>	<u>389,656,707</u>
Total assets	<u>447,806,063</u>	<u>25,206,627</u>	<u>473,012,690</u>
LIABILITIES			
Current liabilities:			
Accounts payable	3,349,524	625,569	3,975,093
Accrued payroll	1,230,960	36,487	1,267,447
Interest payable	490,719	-	490,719
Deposits	653,182	17,754	670,936
Unearned revenue	727,600	-	727,600
Net OPEB liability	4,947	-	4,947
Claims payable due within one year	659,698	-	659,698
Compensated absences due within one year	764,928	20,574	785,502
Landfill postclosure care due within one year	183,195	-	183,195
Long-term debt due within one year	758,813	-	758,813
Total current liabilities	<u>8,823,566</u>	<u>700,384</u>	<u>9,523,950</u>
Noncurrent liabilities:			
Claims payable due in more than one year	1,878,422	-	1,878,422
Compensated absences due in more than one year	1,185,636	31,711	1,217,347
Landfill postclosure care due in more than one year	5,818,599	-	5,818,599
Long-term debt due in more than one year	21,016,782	-	21,016,782
Total noncurrent liabilities	<u>29,899,439</u>	<u>31,711</u>	<u>29,931,150</u>
Total liabilities	<u>38,723,005</u>	<u>732,095</u>	<u>39,455,100</u>
NET ASSETS			
Invested in capital assets, net of related debt	345,357,433	9,524,216	354,881,649
Restricted for:			
Capital projects	9,432,413	15,381,845	24,814,258
Debt service	2,225,873	-	2,225,873
Special projects	2,842,844	-	2,842,844
Unrestricted	49,224,495	(431,529)	48,792,966
Total net assets	<u>\$ 409,083,058</u>	<u>\$ 24,474,532</u>	<u>\$ 433,557,590</u>

See accompanying Notes to Basic Financial Statements.

City of Menlo Park
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 7,386,399	\$ 2,830,591	\$ 28,605	\$ -	\$ 2,859,196
Public safety	14,248,362	1,609,755	358,967	-	1,968,722
Public works	10,809,670	3,650,442	1,449,207	689,149	5,788,798
Culture and recreation	9,860,317	3,679,129	893,087	6,233,211	10,805,427
Community development	6,186,002	4,994,156	-	-	4,994,156
Interest on long-term debt	2,971,231	-	-	-	-
Total governmental activities	51,461,981	16,764,073	2,729,866	6,922,360	26,416,299
Business-type activities:					
Water	6,112,954	5,750,659	-	-	5,750,659
Total business-type activities	6,112,954	5,750,659	-	-	5,750,659
Total primary government	\$ 57,574,935	\$ 22,514,732	\$ 2,729,866	\$ 6,922,360	\$ 32,166,958

General Revenues:

Taxes:

Property taxes

Sales taxes

Motor vehicle fee taxes

Transient occupancy taxes

Franchise taxes

Other taxes

Total taxes

Investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Extraordinary gain(loss)

Change in net assets

Net assets - beginning of year

Net assets - end of year

See accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (4,527,203)	\$ -	\$ (4,527,203)
(12,279,640)	-	(12,279,640)
(5,020,872)	-	(5,020,872)
945,110	-	945,110
(1,191,846)	-	(1,191,846)
(2,971,231)	-	(2,971,231)
<u>(25,045,682)</u>	<u>-</u>	<u>(25,045,682)</u>
<u>-</u>	<u>(362,295)</u>	<u>(362,295)</u>
<u>-</u>	<u>(362,295)</u>	<u>(362,295)</u>
<u>(25,045,682)</u>	<u>(362,295)</u>	<u>(25,407,977)</u>
13,239,856	-	13,239,856
5,938,310	-	5,938,310
16,989	-	16,989
2,939,475	-	2,939,475
1,840,351	-	1,840,351
2,750,418	-	2,750,418
26,725,399	-	26,725,399
1,133,432	103,480	1,236,912
255,185	(5,953)	249,232
170,605	(170,605)	-
<u>28,284,621</u>	<u>(73,078)</u>	<u>28,211,543</u>
28,170,332	-	28,170,332
31,409,271	(435,373)	30,973,898
377,673,787	24,909,905	402,583,692
<u>\$ 409,083,058</u>	<u>\$ 24,474,532</u>	<u>\$ 433,557,590</u>

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FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUND FINANCIAL STATEMENTS

General Fund - Accounts for all revenues and expenditures necessary to carry out basic governmental activities of the City that are not accounted for through other funds. For the City, the General Fund includes such activities as police, planning, engineering, public works operations and maintenance, and legal and administrative services.

Below Market Rate Housing Fund - Utilized to account for fees collected from developers of 10 or more residential units, which are used to develop below market rate housing units through down payment assistance loans. In addition, it is utilized to account for fees collected from commercial and industrial developers, which are used to expand the stock of low and moderate income houses for people who work in the City.

Housing Special Revenue Fund - Established to service the low to moderate income housing loans created by the former Community Development Agency. The loans were transferred to this fund upon the dissolution of the Agency.

General Capital Improvement Project Fund - Utilizes an annual City General Fund transfer to provide adequate funding for maintenance of the City's current infrastructure.

City of Menlo Park
Balance Sheet
Governmental Funds
June 30, 2012

	Major Funds					Total Governmental Funds
	General Fund	Below Market Rate Housing Special Revenue Fund	Housing Special Revenue Fund	General Capital Improvement Project Fund	Non-Major Governmental Funds	
ASSETS						
Cash and investments	\$ 20,301,927	\$ 7,017,750	\$ 4,810	\$ 8,907,259	\$ 23,760,887	\$ 59,992,633
Restricted cash and investments	-	-	-	-	231,073	231,073
Receivables:						
Accounts	2,154,102	593	-	8,284	388,722	2,551,701
Interest	106,203	14,024	-	-	43,709	163,936
Notes	2,221,061	2,279,031	5,397,418	-	1,178,913	11,076,423
Due from other governments	487,131	-	-	463,027	265,741	1,215,899
Deposits and prepaid items	6,532	-	-	-	2,900	9,432
Due from other funds	49,407	-	-	-	-	49,407
Real estate held for resale	-	1,643,404	-	-	-	1,643,404
Total assets	\$ 25,326,363	\$ 10,954,802	\$ 5,402,228	\$ 9,378,570	\$ 25,871,945	\$ 76,933,908
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 1,271,802	\$ 7,549	\$ 58	\$ 365,638	\$ 1,558,110	\$ 3,203,157
Accrued payroll and related liabilities	1,135,869	-	460	20,814	70,903	1,228,046
Due to other funds	-	-	-	-	38,577	38,577
Deposits	568,180	-	-	-	85,000	653,180
Deferred revenue	852,517	-	5,089,236	-	1,203,336	7,145,089
Total liabilities	3,828,368	7,549	5,089,754	386,452	2,955,926	12,268,049
Fund Balances:						
Nonspendable	2,227,593	3,922,435	308,182	-	2,900	6,461,110
Restricted:						
Special programs	-	7,024,818	4,292	-	18,983,075	26,012,185
Capital improvement	-	-	-	8,992,118	1,729,759	10,721,877
Debt service	-	-	-	-	2,225,672	2,225,672
Committed	14,000,000	-	-	-	-	14,000,000
Assigned, reported in:						
General fund	3,494,188	-	-	-	-	3,494,188
Capital project funds	-	-	-	-	-	-
Unassigned, reported in:						
General fund	1,776,214	-	-	-	-	1,776,214
Special revenue funds	-	-	-	-	(25,387)	(25,387)
Total fund balances	21,497,995	10,947,253	312,474	8,992,118	22,916,019	64,665,859
Total liabilities and fund balances	\$ 25,326,363	\$ 10,954,802	\$ 5,402,228	\$ 9,378,570	\$ 25,871,945	\$ 76,933,908

See accompanying Notes to Basic Financial Statements.

City of Menlo Park
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2012

Total Fund Balances - Total Governmental Funds \$ 64,665,859

Amounts reported for Governmental Activities in the Statement of Net Assets were different because:

Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet.

Non-depreciable (net of real estate held for resale in special revenue funds)	234,266,709
Depreciable (net of internal service fund capital assets of \$3,139,952)	210,215,440
Accumulated depreciation/amortization (net of internal service fund of \$2,644,098)	(77,844,975)

Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in the Governmental Funds Balance Sheet. (490,719)

Deferred charges on issuance of debt are recorded as expenditures in the Fund Financial Statements. In the Government-Wide Financial Statements, these costs are capitalized and amortized over the life of the debt. 48,563

Net OPEB liabilities are not due and payable in the current period, and therefore are not recorded in the governmental funds (4,947)

Deferred revenues recorded in governmental fund financial statements in the amount of \$7,145,089, less actual unearned revenue recorded on the Government-wide financial statements in the amount of \$727,600, resulting from activities in which revenues were earned but funds were not available are reclassified as revenues in the Government-Wide Financial Statements. 6,417,489

Landfill postclosure care costs do not require current financial resources and are not reported as a liability in the governmental fund financials statements. (6,001,794)

Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet. The compensated absences is net of the internal service funds in the amount of \$2,620 short-term, and \$4,039 long-term.

Long-term liabilities - due within one year:	
Compensated absences payable	(762,308)
Long-term debt	(758,813)
Long-term liabilities - due in more than one year:	
Compensated absences payable	(1,181,597)
Long-term debt	(21,016,782)

Internal service funds are used to charge the costs of risk management, other post employment benefits and vehicle replacement to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Government-Wide Statement of Net Assets. 1,530,933

Net Assets of Governmental Activities \$ 409,083,058

City of Menlo Park
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2012

	Major Funds					Total Governmental Funds
	General Fund	Below Market Rate Housing Special Revenue Fund	Housing Special Revenue Fund	General Capital Improvement Project Fund	Non-Major Governmental Funds	
REVENUES:						
Taxes:						
Secured property taxes	\$ 12,258,233	\$ -	\$ -	\$ -	\$ -	\$ 12,258,233
Unsecured property taxes	404,916	-	-	-	-	404,916
Other property taxes	576,707	-	-	-	-	576,707
Sales taxes	5,938,310	-	-	-	-	5,938,310
Other taxes	5,778,616	-	-	81,646	1,669,983	7,530,245
Special assessments	-	-	-	-	2,862,076	2,862,076
Licenses and permits	3,685,556	-	-	-	408,422	4,093,978
Fines and forfeitures	1,067,328	-	-	-	-	1,067,328
Use of money and property	761,326	53,399	129	-	287,466	1,102,320
Intergovernmental	1,158,010	-	-	627,511	539,715	2,325,236
Charges for services	6,743,126	515,720	9,500	-	4,675,115	11,943,461
Other	27,740	-	-	-	242,827	270,567
Total revenues	38,399,868	569,119	9,629	709,157	10,685,604	50,373,377
EXPENDITURES:						
Current:						
General government	4,531,144	-	-	-	14,720	4,545,864
Public safety	13,946,440	-	-	-	31,839	13,978,279
Public works	4,439,228	-	-	-	3,446,831	7,886,059
Culture and recreation	7,961,078	-	-	-	325,996	8,287,074
Community development	3,561,220	-	-	-	1,999,154	5,560,374
Urban development and housing	146,301	47,119	9,463	-	412,068	614,951
Capital outlay	238,532	669,182	-	1,715,366	7,591,930	10,215,010
Debt service:						
Principal	-	-	-	-	2,570,000	2,570,000
Interest and fiscal charges	-	-	-	-	4,204,904	4,204,904
Cost of Issuance	-	-	-	-	49,808	49,808
Total expenditures	34,823,943	716,301	9,463	1,715,366	20,647,250	57,912,323
REVENUES OVER (UNDER) EXPENDITURES	3,575,925	(147,182)	166	(1,006,209)	(9,961,646)	(7,538,946)
OTHER FINANCING SOURCES (USES):						
Transfers in	693,935	-	312,308	2,163,200	6,552,982	9,722,425
Transfers out	(2,377,800)	-	-	-	(7,174,020)	(9,551,820)
Proceeds from sale of assets	-	-	-	-	-	-
Bond proceeds	-	-	-	-	9,830,000	9,830,000
Payment to bond escrow account	-	-	-	-	(11,166,467)	(11,166,467)
Discount on issuance of bonds	-	-	-	-	(73,725)	(73,725)
Total other financing sources (uses)	(1,683,865)	-	312,308	2,163,200	(2,031,230)	(1,239,587)
Extraordinary gain(loss)	-	-	-	-	(25,814,163)	(25,814,163)
Net change in fund balances	1,892,060	(147,182)	312,474	1,156,991	(37,807,039)	(34,592,696)
FUND BALANCES:						
Beginning of year, as previously reported	19,605,935	10,446,150	-	7,835,127	60,723,058	98,610,270
Prior period adjustment (Note 23)	-	648,285	-	-	-	648,285
End of year	\$ 21,497,995	\$ 10,947,253	\$ 312,474	\$ 8,992,118	\$ 22,916,019	\$ 64,665,859

See accompanying Notes to Basic Financial Statements.

City of Menlo Park

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets For the year ended June 30, 2012

Net Change in Fund Balances - Total Governmental Funds	\$ (34,592,696)
Amounts reported for governmental activities in the Statement of Activities were different because:	
Governmental Funds reported acquisition of capital assets as expenditures in various functions and in capital outlay. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets was allocated over their estimated useful lives as depreciation expense. This was the amount of capital assets recorded in the current period. This amount is net of changes recorded in the internal service funds of \$110,276.	9,480,366
Contribution of capital assets that are to be held and used by the City are not current financial resources, and therefore the revenue is not recorded in the governmental funds.	4,479,905
Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in the Governmental Funds. This amount is net of depreciation expense of \$172,635 recorded in the internal service funds.	(5,222,444)
Loss on the disposal of capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they did not require the use of current financial resources. Therefore, it was not reported as expenditures in the Governmental Funds.	(1,944,569)
Revenues that have not met the revenue recognition criteria in the Fund Financial statements are recognized as revenue in the Government-Wide Financial Statements. This amount represents the change in deferred revenue from the prior year.	17,968
Expenses to accrue for long-term compensated absences and OPEB liability (asset) is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, these expenses are not reported in the Governmental Funds.	
Change in compensated absences	231,594
Net change in OPEB asset/liability	(166,350)
Bond proceeds provided current financial resources to Governmental Funds, but issuing debt increased long-term liabilities in the Government-Wide Statement of Net Assets. Repayment of bond principal was an expenditure in Governmental Funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Assets.	
Long-term debt repayments	13,735,000
Deferred charges on issuance of debt are recorded as expenditures in the Fund Financial Statements. In the Government-Wide Financial Statements, these costs are capitalized and amortized over the life of the debt.	(71,943)
Proceeds and premiums/discounts on issuance of debt are recorded as revenues/expenditures in the Fund Financial Statements. In the Government-Wide Financial Statements, these costs are capitalized and reported as long-term debt and the premium/discounts are amortized over the life of the debt.	(9,756,275)
Expenses for landfill postclosure costs are expenditures in the Governmental Fund Financial Statements but reduce the liability in the Government-Wide Financial Statements.	204,509
Interest expense on long-term debt was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it did not require the use of current financial resources. Therefore, interest expense was not reported as expenditures in the Governmental Funds. The following amount represents the change in accrued interest from the prior year.	1,356,891
Internal service funds are used to charge the costs of risk management, other post employment benefits and vehicle replacements to individual funds. The net revenue of the internal service funds is reported with governmental activities.	(327,180)
With the dissolution of the City's Community Development Agency (Agency), the Agency's long-term debt, capital assets and deferred charges has been recorded in the propriety trust funds of the Successor Agency.	53,984,495
Change in Net Assets of Governmental Activities	\$ 31,409,271

See accompanying Notes to Basic Financial Statements.

PROPRIETARY FUND FINANCIAL STATEMENTS

Proprietary funds are used to account for activities that are financed and operated in a manner similar to private business enterprises. The City Council has determined that the cost of providing the following services to both internal and external customers be recovered primarily through user charges.

Enterprise Fund - Established to account for the financing of goods or services provided to external users. The water distribution operations of the Menlo Park Municipal Water District are the only enterprise activities of the City.

Internal Service Funds - These funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

City of Menlo Park
Statement of Net Assets
Proprietary Funds
June 30, 2012

	Major Enterprise Fund Water Fund	Governmental Activities Internal Service Funds
ASSETS		
Current assets:		
Cash and investments	\$ 14,909,575	\$ 3,583,526
Receivables:		
Accounts	743,050	4,839
Interest	29,786	6,604
Deposits and prepaid expenses	-	145,000
Due from other funds	434,001	-
Total current assets	<u>16,116,412</u>	<u>3,739,969</u>
Capital assets:		
Non-depreciable	2,621,480	-
Depreciable, net	6,902,736	495,854
Total capital assets	<u>9,524,216</u>	<u>495,854</u>
Total assets	<u>25,640,628</u>	<u>4,235,823</u>
LIABILITIES		
Current liabilities:		
Accounts payable	625,569	146,367
Accrued payroll	36,487	2,914
Deposits	17,754	-
Due to other funds	434,001	10,830
Claims payable, due within one year	-	659,698
Compensated absences, due within one year	20,574	2,620
Total current liabilities	<u>1,134,385</u>	<u>822,429</u>
Noncurrent liabilities:		
Claims payable, due in more than one year	-	1,878,422
Compensated absences, due in more than one year	31,711	4,039
Total noncurrent liabilities	<u>31,711</u>	<u>1,882,461</u>
Total liabilities	<u>1,166,096</u>	<u>2,704,890</u>
NET ASSETS		
Net assets, invested in capital assets	9,524,216	495,854
Restricted for:		
Capital projects	15,381,845	-
Unrestricted	(431,529)	1,035,079
Total net assets	<u>\$ 24,474,532</u>	<u>\$ 1,530,933</u>

See accompanying Notes to Basic Financial Statements.

City of Menlo Park
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the year ended June 30, 2012

	Major Enterprise Fund Water Fund	Governmental Activities Internal Service Funds
OPERATING REVENUES:		
Charges for services	\$ 5,719,922	\$ 2,352,026
Connection fees	30,737	-
Total operating revenues	5,750,659	2,352,026
OPERATING EXPENSES:		
Cost of sales and services	5,624,132	-
Personnel Services	-	80,233
General and administrative	318,860	376,675
Insurance	-	2,074,133
Depreciation	169,962	172,635
Total operating expenses	6,112,954	2,703,676
OPERATING INCOME (LOSS)	(362,295)	(351,650)
NONOPERATING REVENUES (EXPENSES):		
Interest income	103,480	19,980
Gain (loss) on sale of equipment	(5,953)	4,490
Total nonoperating revenues	97,527	24,470
INCOME (LOSS) BEFORE OPERATING TRANSFERS	(264,768)	(327,180)
TRANSFERS:		
Transfers in	1,000,000	-
Transfers out	(1,170,605)	-
Contributions	-	-
Total transfers	(170,605)	-
Net income (loss)	(435,373)	(327,180)
NET ASSETS:		
Beginning of year	24,909,905	1,858,113
End of year	\$ 24,474,532	\$ 1,530,933

See accompanying Notes to Basic Financial Statements.

City of Menlo Park
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2012

	Major Enterprise Fund	Governmental Activities
	Water Fund	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers/other funds	\$ 5,724,677	\$ 2,344,796
Cash payment to suppliers	(5,200,084)	(2,048,981)
Cash payments for general and administrative	(806,237)	-
Cash paid to employees	-	(82,250)
Cash receipts other	-	7,230
Net cash provided (used) by operating activities	(281,644)	220,795
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers from other funds	1,000,000	-
Transfers to other funds	(1,170,606)	-
Contributions	-	-
Net cash provided (used) by noncapital financing activities	(170,606)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(1,206,740)	(282,911)
Proceeds from disposal of capital assets	-	5,209
Net cash provided (used) by capital and related financing activities	(1,206,740)	(277,702)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	143,804	28,014
Net cash provided (used) by investing activities	143,804	28,014
Net increase (decrease) in cash and cash equivalents	(1,515,186)	(28,893)
CASH AND CASH EQUIVALENTS:		
Beginning of year	16,424,761	3,612,419
End of year	\$ 14,909,575	\$ 3,583,526
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET		
CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (362,295)	\$ (351,650)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	169,962	172,635
Changes in current assets and liabilities:		
Accounts receivable	(128,142)	12,506
Accounts payable	92,262	(14,272)
Accrued payroll	(37)	(14,739)
Insurance claim payable	-	414,681
Compensated absences	(23,736)	1,634
Deposits	(29,658)	-
Total adjustments	80,651	572,445
Net cash provided (used) by operating activities	\$ (281,644)	\$ 220,795

See accompanying Notes to Basic Financial Statements.

FIDUCIARY FUND FINANCIAL STATEMENTS

Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurements of results of operations. They are used to account for assets held in an agency capacity for others and therefore cannot be used to support the City's programs.

City of Menlo Park
Combining Statement of Fiduciary Net Assets (Deficit)
June 30, 2012

	Total Successor Agency Trust Fund	Agency Funds
ASSETS		
Current assets:		
Cash and investments:		
Held with City	\$ 21,310,891	\$ 291,470
Held with trustees	9,887,747	-
Deferred outflows of resources (Note 6.C)	15,337,103	-
Deferred charges	1,278,481	-
Prepays	-	120,517
Nondepreciable capital assets	5,694,977	-
Total assets	53,509,199	411,987
LIABILITIES		
Liabilities:		
Accounts payable	3,115	-
Accrued payroll	-	37,500
Interest payable	1,290,402	-
Deposits	108,891	374,487
Deferred revenue	2,597,200	-
Deferred outflows of resources (Note 6.C)	15,337,103	-
Long-term debt:		
Due within one year	1,808,521	-
Due in more than one year	59,208,381	-
Total liabilities	80,353,613	411,987
NET ASSETS (DEFICIT)		
Held in trust for private purpose	(26,844,414)	-
Total net assets (deficit)	\$ (26,844,414)	\$ -

See accompanying Notes to Basic Financial Statements.

City of Menlo Park
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Agency Funds
	<u> </u>
ASSETS	
Cash and cash equivalents	\$ 291,470
Prepays	120,517
Total assets	<u>411,987</u>
LIABILITIES	
Accrued payroll	37,500
Deposits	374,487
Total liabilities	<u>411,987</u>
Total Net Assets	<u>\$ -</u>

See accompanying Notes to Basic Financial Statements.

City of Menlo Park
Statement of Fiduciary Net Assets (Deficit)
Private-Purpose Trust Fund - Successor Agency
June 30, 2012

	<u>Total Successor Agency Funds</u>
ASSETS	
Current assets:	
Cash and investments:	
Held with City	\$ 21,310,891
Held with trustees	9,887,747
Interest receivable	-
Deferred outflows of resources (Note 6)	15,337,103
Deferred charges	1,278,481
Nondepreciable capital assets	5,694,977
Total assets	<u>53,509,199</u>
LIABILITIES	
Liabilities:	
Accounts payable	3,115
Interest payable	1,290,402
Deposits	108,891
Deferred revenue	2,597,200
Deferred inflows of resources (Note 6)	15,337,103
Long-term debt:	
Due within one year	1,808,521
Due in more than one year	59,208,381
Total liabilities	<u>80,353,613</u>
NET ASSETS (DEFICIT)	
Held in trust for other governments	<u>(26,844,414)</u>
Total net assets (deficit)	<u>\$ (26,844,414)</u>

See accompanying Notes to Basic Financial Statements.

City of Menlo Park
Statement of Changes in Fiduciary Net Assets
Private-Purpose Trust Fund - Successor Agency
For the Period February 1, 2012 through June 30, 2012

	<u>Total Successor Agency Funds</u>
Additions:	
Property taxes	\$ 2,781,882
Investment earnings	-
Other	-
Total additions	<u>2,781,882</u>
Deductions:	
Program expenses of former redevelopment agency	103,499
Administrative expenses	-
Interest and fiscal agency expenses of former redevelopment agency	<u>1,352,465</u>
Total deductions	<u>1,455,964</u>
Extraordinary gain(loss)	<u>(28,170,332)</u>
Change in net assets	<u>(26,844,414)</u>
Net assets - beginning of the year	<u>-</u>
Net assets - end of the year	<u>\$ (26,844,414)</u>

See accompanying Notes to Basic Financial Statements.

City of Menlo Park
Notes to Basic Financial Statements
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Menlo Park (City) was incorporated under the General Laws of the State of California and enjoys all the rights and privileges pertaining to such "General Law" cities. The City uses the City Council/Manager form of government. The financial reporting entity consists of (a) the primary government, the City; (b) organizations for which the primary government is financially accountable; and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the primary government's exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The criteria used in determining the scope of the reporting entity are based on the provisions of GASB Statement No. 14, *The Financial Reporting Entity*. The City is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the City appoints a voting majority of the component unit's board, or because the component unit will provide a financial benefit or impose a financial burden on the City.

The following is a brief review of the component unit included in the accompanying Basic Financial Statements of the City.

Community Development Agency of the City of Menlo Park - The Community Development Agency (Agency) was established in November 1981 pursuant to the State of California Health and Safety Codes, Section 33000, entitled "Community Redevelopment Law." Its purpose was to prepare and carry out plans for the improvement, rehabilitation, and redevelopment of blighted areas within the territorial limits of the City.

As of June 30, 2012, the City did not have any component units, because as of February 1, 2012, the Community Development Agency was dissolved through State Assembly Bill 1X 26, which dissolved redevelopment agencies throughout the state of California. The activity of the former Community Development Agency is reported in the City's financial statements for the shortened period of July 1, 2012 through January 31, 2012. Certain assets, primarily loans receivable, have been retained by the City, as it has taken over the housing functions of the former Agency. All remaining assets have been transferred to the Successor Agency of the former Community Development Agency. The Successor Agency is reported in the City's financial statements as a fiduciary private-purpose trust fund.

Detailed financial statements of the former Community Development Agency for the period ended January 31, 2012 are available from the City's Finance Department.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

A. Reporting Entity, Continued

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The City government-wide financial statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of governmental and business-type activities for the City, the primary government, accompanied by a total column. Fiduciary activities of the City are not included in these statements.

These government-wide financial statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the City’s assets and liabilities, including capital assets and related infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets.

Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Certain types of transactions are reported as program revenues for the City in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. However, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- Due to/from other funds
- Advances to/from other funds
- Transfers in/out

B. Basis of Accounting and Measurement Focus

The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, to the business-type activities, unless those pronouncements conflict with or contradict GASB pronouncements:

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the committee on Accounting Procedure. The City applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the government-wide financial statements. The City has presented the following major funds:

General Fund - Accounts for all revenues and expenditures necessary to carry out basic governmental activities of the City that are not accounted for through other funds. For the City, the General Fund includes such activities as police, planning, engineering, public works operations and maintenance, library, recreational programs and legal and administrative services.

Below Market Rate Housing Fund - Utilized to account for fees collected from developers of 10 or more residential units, which are used to develop below market rate housing units through down payment assistance loans. In addition, it is utilized to account for fees collected from commercial and industrial developers, which are used to expand the stock of low and moderate income houses for people who work in the City.

Housing Special Revenue Fund - Established to service the low and moderate income housing loans created by the former Community Development Agency. The loans were transferred to this fund upon dissolution of the Agency.

General Capital Improvement Project Fund - Utilizes an annual General Fund transfer to provide adequate funding for the maintenance of the City's current infrastructure.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Revenues are recorded when received in cash, except those revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Deferred revenues arise when potential revenues do not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the government has a legal claim to the resources, the deferred revenue is removed from the balance sheet and revenue is recognized.

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Change in Net Assets, and a Statement of Cash Flows for all proprietary funds.

Proprietary funds are accounted for using the “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

There are two types of proprietary funds: enterprise funds and internal service funds. The City accounts for the activities of the Menlo Park Municipal Water District in its only enterprise fund. As such, the fund comprises the only Business-type activities reported in the City-wide financial statements. Activities of the City’s Workers’ Compensation, General Liability, Retiree Medical Benefit and Vehicle Replacement programs are accounted for in four separate internal service funds. These activities are included in the City-wide financial statements as Governmental activities.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Net Assets. The City's fiduciary funds represent agency funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are accounted for using the accrual basis of accounting. Agency funds are used to account for Refundable Deposits, Cash Bonds Payable and the Payroll Revolving.

The City also maintains fiduciary funds (private-purpose trust funds) for the Successor Agency to the former Community Development Agency. Private-purpose trust funds include a Statement of Net Assets and a Statement of Changes in Net Assets.

C. Use of Restricted and Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

D. Cash and Investments

The City pools cash resources from all funds in order to facilitate the management of cash. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms.

In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures (Amendment of GASB No. 3)*, certain disclosure requirements for Deposits and Investment Risks were made in the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentrations of Credit Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

The City participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF) which has invested a portion of the pooled funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Cash and Investments, Continued

of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to change in interest rates.

Cash equivalents are considered amounts in demand deposits and short-term investments with a maturity date within three months of the date acquired by the City and are presented as "Cash and Investments" in the accompanying Basic Financial Statements.

E. Capital Assets

Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated capital assets are valued at their estimated fair market value on the date donated. City policy has set the capitalization threshold for reporting capital assets at \$2,000. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Buildings	40 years
Other improvements	40 years
Equipment	3-15 years
Infrastructure	15-50

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with GASB Statement No. 34, the City has included all infrastructures into the current Basic Financial Statements.

The City defines infrastructure as the basic physical assets that allow the City to function. The assets include streets, sewer, and park lands. Each major infrastructure system can be divided into subsystems. For example the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, landscaping and land. These subsystems were not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems.

Interest accrued during capital assets construction, if any, is capitalized for the business-type and proprietary funds as part of the asset cost.

For all infrastructure systems, the City elected to use the Basic Approach as defined by GASB Statement No. 34 for infrastructure reporting. The City commissioned an appraisal of City owned infrastructure and property as of June 30, 2002. This appraisal determined the original cost, which is defined as the actual cost to acquire new property in accordance with market prices at the time of first construction/acquisition. Original costs were developed in one of three ways: (1) historical records; (2) standard unit costs appropriate for the construction/acquisition date; or (3) present cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the current date. The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date on a straight line, unrecovered cost method was computed using industry accepted life expectancies for each

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Capital Assets, Continued

infrastructure subsystem. The book value was then computed by deducting the accumulated depreciation from the original cost.

F. Real Estate Held for Resale

Real property held for resale is carried at the lower of cost of estimated net realizable value.

G. Long-Term Obligations

In the Government-Wide Financial Statements the long-term obligations are reported as liabilities in the appropriate funds.

The Fund Financial Statements do not present long-term debt but are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

H. Net Assets and Fund Equity

In the Government-Wide Financial Statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Assets – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Assets – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

Fund Financial Statements

In the Fund Financial Statements, fund balances are in classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in the governmental funds. Fund balances are classified in the following categories:

Nonspendable – Items that cannot be spent because they are not in spendable form, such as prepaid items and inventories, items that are legally or contractually required to be maintained intact, such as principal of an endowment or revolving loan funds.

Restricted – Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors, such as through debt covenants, grantors, contributors, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

H. Net Assets and Fund Equity, Continued

Committed - Committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations that the government imposes upon itself at its highest level of decision making, normally the governing body through council resolutions, etc., and that remain binding unless removed in the same manner. The City Council is considered the highest authority for the City.

Assigned - Assigned fund balances encompassed the portion of net fund resources reflecting the government's intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for the purpose. The City Council has given the authorization to the City Manager to assign any net fund resources.

Unassigned - This category is for any balances that have no restrictions placed upon them.

I. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

J. Compensated Absences

City employees have vested interests in varying levels of vacation, sick leave, and compensatory time. If sick leave and vacation is not used by the employee during the term of employment, compensation is payable to the employee at the time of retirement. Such compensation is calculated at the employees' then prevalent rate at the time of retirement or termination. Whereas vacation is compensated at 100% of accumulated hours, sick leave is accrued and compensated only at retirement at 15% of accumulated hours. On termination, only accrued vacation is compensated and not sick leave. The liabilities for compensated absences of the governmental activities are recorded in the Government-Wide financial statements. The liabilities of compensated absences of proprietary funds are recorded as liabilities in the appropriate proprietary fund and in the business-type activities in the Government-Wide financial statements. The liabilities of compensated absences of governmental funds are reported in those funds only if there is an unused reimbursable leave still outstanding following an employee's resignation or retirement as of June 30, 2012.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

J. Compensated Absences, Continued

A recap of the maximum accruals by bargaining unit is as follows:

<u>Bargaining Unit</u>	<u>Vacation</u>	<u>Sick Leave</u>
SEIU	336 hours	1,440 hours
AFSCME	336 hours	1,440 hours
POA	424 hours	1,500 hours
PMA	1,400 hours combined	
Administration	1,200 hours combined	

K. Property Taxes

Under California law, property taxes are assessed and collected by the counties up to 1% of assessed value, plus other increases approved by the voters. The property taxes go into a pool, and are then allocated to the cities based on complex formulas. Accordingly, the City accrues only those taxes which are receivable from the County of San Mateo (County) within sixty days after year-end.

Lien Date	March 1
Levy Date	July 1
Due Date	November 1 and
Collection	December 10 and April 10

Property taxes levied are recorded as revenue when received, in the fiscal year of levy, because of the adoption of the "alternate method of property tax distribution," known as the Teeter Plan, by the City and the County. The Teeter Plan authorizes the Auditor/Controller of the County to allocate 100% of the secured property taxes billed, but not yet paid.

L. Interfund Balances/Internal Balances

Advances to and advances from other funds represent interfund loans in the fund financial statements. Advances between funds are offset by a fund balance reservation or by deferred revenue in the applicable governmental funds to indicate that they are not available financial resources. Any unpaid interest due to lack of funds in the borrowing fund increases the principal owed and is reported in the lending fund as deferred revenue.

All other outstanding balances between funds are reported as due to and due from other funds. These are generally repaid within the following fiscal year.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the Government-Wide Financial Statements as "internal balances."

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

M. New Pronouncements

The City is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following Governmental Accounting Standards Board (GASB) Statements:

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* ("GASB 63"), which is effective for financial statements for periods beginning after December 31, 2011. The objective of GASB 63 is to clarify where deferred outflows and deferred inflows of resources should be reported in the statement of net assets and the balance sheet. It will provide users with information about how past transactions that are not assets or liabilities will continue to impact a government's financial statements in the future periods. Under these new standards, consolidated financial statements will include deferred outflows of resources and deferred inflows of resources ("deferrals"), in addition to assets and liabilities, and will report net position instead of net assets. The City is reviewing the impact of the adoption of GASB 63 for the fiscal year ending June 30, 2013.

In April 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB 65"), which is effective for consolidated financial statements for periods beginning after December 31, 2012. GASB 65 reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, this statement recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources. The City is reviewing the impact of the adoption of GASB 65 for the fiscal year ending June 30, 2014.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* ("GASB 68"). The primary objective of GASB 68 is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. GASB 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. Statement 68 requires the liability of employers and nonemployer contributing entities to employees for defined benefit pensions (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. This will result in requiring employers to recognize an unfunded pension obligation (i.e., the "net pension liability") as a balance sheet liability in their government-wide basic financial statements. Governments will also have to enhance note disclosures and schedules of required supplementary information. GASB 68 is effective for fiscal year June 30, 2015 and earlier application is encouraged. The City is currently evaluating the impact of adopting this GASB Standard.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

2. CASH AND INVESTMENTS

The City maintains a cash and investment pool for all funds. Certain restricted funds, which are held and invested by independent outside custodians through contractual agreements, are not pooled. These restricted funds are reported as cash with fiscal agents.

Investment income earned on pooled cash and investments (including realized and unrealized gains and losses) are allocated monthly to the various funds based on monthly cash balances. Investment income from cash and investments with fiscal agents is credited directly to the related funds.

The investments made by the City Treasurer are limited to those allowable under State statutes as incorporated into the City's Investment Policy, which is adopted annually and is more conservative than that allowed by State statute.

Under provisions of this policy, the City is authorized to invest in the following types of investments:

- Certificates of Deposit
- Bankers Acceptances
- Commercial Papers
- Repurchase Agreements
- Government Agency Securities
- Treasury Bills and Notes
- Medium Term Notes
- Money Market Funds
- State of California Local Agency Investment Fund

A. Authorized Investments

The City will not invest in securities maturing more than five years from the date of purchase, unless the Council has by resolution granted authority to make such an investment at least three months prior to the date of investment.

GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires that the City's investments be carried at fair market value instead of cost. Accordingly, the City adjusts the carrying value of its investments to reflect their fair value at each fiscal year-end, and the effects of these adjustments are included in income for that fiscal year. Changes in fair value in the fiscal year ended June 30, 2012 from the fiscal year ended June 30, 2011, amounted to a decrease of \$89,201.

B. Deposits

At June 30, 2012, the carrying amount of the City's deposits was \$2,914,002 and the bank balances were \$3,349,723. The total bank balance was covered by federal depository insurance or by collateral held by the City's agent in the City's name. In addition, the City has \$145,000 deposited with the Bay Cities Joint Powers Insurance Authority.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

2. CASH AND INVESTMENTS, Continued

B. Deposits, Continued

All pooled certificates of deposit and bank balances are entirely insured or collateralized. The California Government Code requires California banks and savings and loan associations to secure an agency's deposits by pledging government securities as collateral. The market value of the pledged securities must equal at least 110% of an agency's deposits. California law also allows financial institutions to secure local agency deposits by pledging first trust deed mortgage notes having a value of 150% of a local agency's deposits. The City may waive collateral requirements for deposits which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC).

C. Risks Disclosures

The following is a summary of pooled cash and investments, including cash and investments with fiscal agent at June 30, 2012.

	Government-Wide Statement of Net Assets			Fund Financials	
	Governmental Activities	Business-Type Activities	Total	Fiduciary Funds	
				Statement of Net Assets	Total
Cash and investments	\$ 63,576,159	\$ 14,909,575	\$ 78,485,734	\$ 21,602,361	\$ 100,088,095
Restricted cash and investments	\$ 231,073	\$ -	\$ 231,073	\$ 9,887,747	\$ 10,118,820

Restricted cash and investments held by fiscal agent in the City's debt service funds are restricted for the payment of principal and interest on general obligation and tax refunding bonds.

As of June 30, 2012, the City had the following cash and investments and maturities:

Investment Type	Fair Value	Investment Maturities (in years)				
		1 year or less	1-2 years	2-3 years	3-4 years	4-5 years
Deposits	\$ 2,914,002	\$ 2,914,002	\$ -	\$ -	\$ -	\$ -
Petty cash	8,634	8,634	-	-	-	-
Securities of U.S. Government:						
U.S. Treasury T-notes	5,056,288	1,004,023	2,012,890	1,003,359	-	1,036,016
U.S. instrumentality	22,176,092	2,013,344	-	12,139,876	2,009,612	6,013,260
Local Agency Investments Funds	50,028,409	50,028,409	-	-	-	-
Commercial paper	9,987,561	9,987,561	-	-	-	-
Corporate notes	9,917,109	2,987,143	4,366,145	-	1,034,154	1,529,667
Total	\$ 100,088,095	\$ 68,943,116	\$ 6,379,035	\$ 13,143,235	\$ 3,043,766	\$ 8,578,943

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

3. CASH AND INVESTMENTS, Continued

C. Risks Disclosures, Continued

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy provides that final maturities of securities cannot exceed five years. Specific maturities of investments depend on liquidity needs. At June 30, 2011, the City's pooled cash and investments had the following maturities:

<u>Maturity</u>	<u>Percentage of Investment</u>
Less than one year	69%
One to two years	6%
Two to three years	13%
Three to four years	3%
Four to five years	9%

Credit Risk: It is the City's policy that commercial paper have a rating of "A-1" or higher by a nationally recognized statistical rating organization (NRSRO) and with a maturity date not exceeding 270 days from the date of purchase. Medium-term notes, with a final maturity not exceeding four years from the date of purchase, must have a rating of AA or the equivalent by a NRSRO. Medium-term notes with a final maturity exceeding four years from the date of purchase shall be rated at least AA or the equivalent by a NRSRO at the time of purchase. According to the City's investment policy, the aggregate investment in medium-term notes will not exceed 10% of the City's total portfolio. Federal instrumentalities must have a rating of AA+ or the equivalent by a NRSRO at the time of purchase. The Local Agency Investment Fund (LAIF), administered by the State of California, has a separate investment policy, governed by Government Code Sections 16480-16481.2, that provides credit standards for its investments. The investments in the City's investment portfolio are rated as follows:

Issuer	Type	Ratings	
		Standard & Poor's	Moody's
FNMA	U.S. Instrumentality	AA+	Aaa
FHLMC	U.S. Instrumentality	AA+	Aaa
U.S. Treasury	T-Note	AA+	Aaa
FHLB	U.S. Instrumentality	AA+	Aaa
GE Capital	Corporate bond	AA+	A1
Kells Funding LLC	Commercial Paper	A-1+	P-1
Barclays US Funding	Commercial Paper	A-1	P-1
Rabobank USA	Commercial Paper	A-1+	P-1
Standard Chartered Bank	Commercial Paper	A-1+	P-1
Berkshire Hathaway	Corporate bond	AA+	Aa2
Microsoft Corp	Corporate bond	AAA	Aaa
Wal-Mart	Corporate bond	AA	Aa2

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

2. CASH AND INVESTMENTS, Continued

C. Risks Disclosures, Continued

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All securities, with the exception of the money market funds and LAIF, are held by a third-party custodian (Union Bank of California Trust Division). Union Bank is a registered member of the Federal Reserve Bank. The securities held by Union Bank are in street name, and an account number assigned to the City identifies ownership.

D. External Investment Pool

The City's investments with LAIF at June 30, 2012, included a small portion of the pooled funds invested in Structured Notes and Asset-Backed Securities. These investments may include the following:

Structured Notes – debt securities (other than asset-back securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities – generally mortgage-backed securities which entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMO's) or credit card receivables.

As of June 30, 2012, the City had \$50,198,222 invested in LAIF, which had invested 3.47% of the pool investment funds in Structured Notes and Asset-Back Securities. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. The City valued its investments in LAIF as of June 30, 2012, by multiplying its account balance with LAIF times a fair value factor determined by LAIF. This fair value factor was determined by dividing all LAIF participants' total aggregate amortized cost by total aggregate fair value. Accordingly, as of June 30, 2012, the City's investment in LAIF at fair value amounted to \$50,259,446 using a LAIF fair value factor of 1.001219643.

E. Successor Agency Pooled Cash and Investments

Cash and investments consisted of \$31,198,638 at June 30, 2012. The Agency pools cash from all sources and all funds with the City so that it can be invested at the maximum yield, consistent with safety and liquidity, while individual funds can make expenditures at any time. Restricted cash and investments amounted to \$9,887,747. These are funds held by fiscal agents to service outstanding bonds of the former Community Development Agency.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

3. RECEIVABLES

A. Accounts Receivable

As of June 30, 2012, accounts receivable consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Taxes:			
Occupancy taxes	\$ 839,921	\$ -	\$ 839,921
Utility taxes	126,856	-	126,856
Total taxes	966,777	-	\$ 966,777
Franchise fees	215,480	-	215,480
Rental income	303	-	303
General government charges	13,147	-	13,147
Public works charges	38,763	-	38,763
Community development fees	1,048,298	-	1,048,298
Recreation programs	73,752	-	73,752
Solid waste service fees	65,332	-	65,332
Water service fees	-	743,050	743,050
Shuttle program revenues	115,959	-	115,959
Library service fees	18,729	-	18,729
Total accounts receivable	\$ 2,556,540	\$ 743,050	\$ 3,299,590

B. Notes Receivable

As of June 30, 2012, notes receivable consisted of the following:

	Notes Receivable
Major Funds:	
General Fund	\$ 2,221,061
Below Market Rate Housing	2,279,031
Housing Fund	5,397,418
Total major funds	9,897,510
Other Governmental Funds:	
Community Development Block Grant	1,082,956
Emergency repair loan (ERL)	95,957
Total special revenue funds	1,178,913
Total notes receivable	\$ 11,076,423

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

3. RECEIVABLES, Continued

B. Notes Receivable, Continued

City Manager Housing

As part of an employment agreement that was effective August 2007, the City Council authorized a loan evidenced by two notes totaling \$1.27 million to the former City Manager in order to assist in the purchase of residential real estate property. These notes were secured by deeds of trust on the property. The notes bear an interest rate of 5% per annum; however, 3.25% per annum is deferred until the ultimate sale of the property or payment of the loan. The notes are due and payable within, at the most, 24 months of termination of employment or sale of the property. The outstanding balance of the notes, including interest, at June 30, 2012 was \$1,231,061.

As part of the employment agreement with the new City Manager, effective March 2012, the City Council has authorized a loan evidenced by two notes totaling \$1.1 million in order to assist in the purchase of residential real estate property. These notes are secured by deeds of trust on the property. The notes bear an interest rate of 3.5% per annum, or, at the option of the City Manager, he may pay 2% per annum interest only, and 1.5% per annum would be deferred until the ultimate sale of the property or payment of the loans. The notes are due and payable within 24 months of termination of employment or within 12 months if he no longer resides in the property. One of the notes, in the amount of \$110,000, was repaid as of June 30, 2012. The outstanding balance of the remaining note at June 30, 2012 was \$990,000.

Community Development Block Grant

The City administers home improvement loans to seniors and very low income residents using Community Development Block Grant (CDBG) funds. The program provides for no or very low interest loans, which are secured by deeds of trust. Although payments for some loans are amortized over an established schedule, some loans allow for deferred payment of accrued interest and principal until the property changes ownership. Repayments received from outstanding loans are used to make additional housing rehabilitation loans. Outstanding loans at June 30, 2012, were \$1,082,956. Since the funds have not been legally vested with the City as of June 30, 2012, these funds are reported as deferred revenue.

Housing Fund

With the dissolution of the Menlo Park Community Development Agency (Agency) as of February 1, 2012, the City has assumed all the loans from the Agency.

The City assumed a loan the Agency made to Peninsula Habitat for Humanity for purchase of two mini-park lots as sites to develop two single-family houses for very low-income homeowners. Loan repayment is structured as a zero interest note with a twenty-year term. The outstanding balance at June 30, 2012, was \$24,375.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

3. RECEIVABLES, Continued

B. Notes Receivable, Continued

The City also assumed a loan the Agency made to Mid-Peninsula Housing Coalition for the purchase of a five-unit apartment building for very low-income households. The loan carries a 3% simple interest rate per annum, with payments made from residual receipts of the property. The outstanding balance at June 30, 2012, was \$161,109.

The City has housing rehabilitation loans to six eligible participants. Loans bear no or very low interest and are not due until the property changes ownership. The outstanding balance of these loans at June 30, 2012, was \$464,701.

Gateway – In June 1987, the Agency issued \$8,605,000 of multifamily housing revenue bonds for Menlo Gateway, Inc., a California nonprofit public benefit corporation, to fund a mortgage loan for paying the costs of acquisition and rehabilitation of a 130-unit multifamily housing project known as The Gateway, designed for occupancy by persons eligible for assistance under Section 8 of the United States Housing Act of 1937. The bonds had interest rates ranging from 5.75% to 8.25%, with payments which were to be made semi-annually on June 1 and December 1 through 2028. The bonds were payable solely from and were secured by a pledge of payments and other amounts due to the Menlo Gateway Inc. The bonds did not constitute a debt or liability of the Agency of the City and, therefore, were not reflected in the financial statements. In addition, the City did not act in any capacity in making debt service payments.

On October 28, 2002, the Agency made a loan to Menlo Gateway, Inc. to refinance Menlo Gateway's debt in the amount of \$4,022,157. The loan bears a compounded interest rate of 3% per annum. The payment is secured by the Deed of Trust. The final payment is due on February 15, 2043. The outstanding balance as of June 30, 2012, was \$4,747,233. Menlo Gateway is to make annual payments on the loan as defined in the promissory note.

Total Housing Authority loans at June 30, 2012, amounted to \$5,397,418.

Below Market Rate Housing

The City uses Below Market Rate Housing Reserve funds to provide residents and employees who work in Menlo Park with second mortgage loans to purchase their first home in Menlo Park. These "PAL" loans are amortized over 30 years, and are currently restricted to purchasers of Below Market Rate.

Housing units, which are income and price restricted housing units produced through the City's Below Market Rate Housing program. Outstanding loans at June 30, 2012, were \$2,279,031.

Emergency Repair Loan (ERL)

The Emergency Repair Loan (ERL) Program is designed to assist lower income households with minor emergency repairs to their home. The revolving loan program was originally funded by a Federal Revenue Sharing Grant. The maximum loan amount is \$10,000 at 3% interest per annum, with a loan term of either 5, 10, or 15 years. Outstanding loans at June 30, 2012, were \$95,957.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

4. UNEARNED/DEFERRED REVENUE

A. Government-Wide Financial Statements

Unearned revenues in Government-Wide Financial Statements represent amounts for which revenues have not been earned. At June 30, 2012, deferred revenues in the Government-Wide Financial Statements were as follows:

	<u>Governmental Activities</u>
Recreation summer programs	\$ 563,704
COPS grant deferred	9,423
Police donations	388
Library donations	13,224
Planning deferred	752
MCC deferred	903
Percent for art deferred	8,647
Successor Agency fees deferred	<u>130,559</u>
Total	<u><u>\$ 727,600</u></u>

B. Fund Financial Statements

At June 30, 2012, the following deferred revenues were recorded in the Fund Financial Statements because either the revenues had not been earned or the funds were not available to finance expenditures of the current period:

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

3. UNEARNED/DEFERRED REVENUE, Continued

B. Fund Financial Statements, Continued

Governmental Funds:

	General Fund	Special Revenue Funds		Total
		Housing Authority	Non-Major Funds	
Recreation Summer Programs	\$ 563,704	\$ -	\$ -	\$ 563,704
Successor Agency deferred	130,559	-	-	130,559
Planning deferred	752	-	-	752
Library donations	13,224	-	-	13,224
Percent for art deferred	8,647	-	-	8,647
City Manager Housing loan interest	134,340	-	-	134,340
Peninsula Partnership grant	-	-	15,000	15,000
Police donations	388	-	-	388
MCC deferred	903	-	-	903
COPS Grant deferred	-	-	9,423	9,423
Menlo Gateway loan	-	4,747,233	-	4,747,233
CDBG loans	-	-	1,082,956	1,082,956
Emergency repair loans	-	-	95,957	95,957
Mid Peninsula loans	-	342,003	-	342,003
Total	\$ 852,517	\$ 5,089,236	\$ 1,203,336	\$ 7,145,089

C. Successor Agency:

As of June 30, 2012, the Successor Agency has \$2,597,200 in unearned revenue. This amount represents allocated revenue from the County of San Mateo to the Successor Agency to provide for the enforceable obligations of the former Community Development Agency for the period of July 1, 2012 through December 31, 2012.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

5. CAPITAL ASSETS

A. Government-Wide Financial Statements

The following is a summary of capital assets for governmental activities:

	Balance June 30, 2011 (as restated)	Additions	Retirements	Reclass	Adjust- ments (A)	Balance June 30, 2012
Governmental Activities:						
Capital assets, not being depreciated/amortized:						
Land	\$ 204,949,233	\$ -	\$ -	\$ -	\$ (5,694,977)	\$ 199,254,256
Land improvements	32,900,109	-	-	-	-	32,900,109
Construction in progress	6,979,308	1,479,057	(1,034,387)	(5,311,634)	-	2,112,344
Total capital assets, not being depreciated/amortized	244,828,650	1,479,057	(1,034,387)	(5,311,634)	(5,694,977)	234,266,709
Capital assets, being depreciated/amortized:						
Buildings	65,959,147	10,753,872	(1,403,836)	1,282,397	-	76,591,580
Shared use facilities	2,600,000	-	-	-	-	2,600,000
Equipment	6,464,074	661,010	(195,490)	-	-	6,929,594
Other improvements	12,878,068	45,505	(406,529)	3,742,946	-	16,259,990
Infrastructure	109,994,804	1,020,827	(327,694)	286,291	-	110,974,228
Total capital assets, being depreciated/amortized	197,896,093	12,481,214	(2,333,549)	5,311,634	-	213,355,392
<i>Less accumulated depreciation/amortization for:</i>						
Buildings	(14,901,477)	(1,301,169)	1,010,772	-	-	(15,191,874)
Shared use facilities	(156,000)	(104,000)	-	-	-	(260,000)
Equipment	(5,444,714)	(381,286)	179,862	-	-	(5,646,138)
Other improvements	(4,138,568)	(602,853)	172,915	-	-	(4,568,506)
Infrastructure	(52,159,513)	(2,833,136)	170,094	-	-	(54,822,555)
Total accumulated depreciation/amortization	(76,800,272)	(5,222,444)	1,533,643	-	-	(80,489,073)
Total capital assets, being depreciated/amortized, net	121,095,821	7,258,770	(799,906)	5,311,634	-	132,866,319
Governmental activities capital assets, net	\$ 365,924,471	\$ 8,737,827	\$ (1,834,293)	\$ -	\$ (5,694,977)	\$ 367,133,028

(A) - The City transferred land to the Successor Agency (also see Note 17).

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

5. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

Depreciation expense was charged to the various governmental activities as follows:

General government	\$ 579,288
Public safety	94,438
Public works	3,038,598
Culture and recreation	1,509,642
Community development	478
Total depreciation expense - governmental departments	\$ 5,222,444

The following is a summary of capital assets for business-type activities:

	Balance				Balance
	June 30, 2011	Additions	Retirements	Reclassifications	June 30, 2012
Business Activities:					
Capital assets, not being depreciated/amortized:					
Land	\$1,066,454	\$ -	\$ -	\$ -	\$ 1,066,454
Construction in progress	2,041,278	535,309	-	(1,021,561)	1,555,026
Total capital assets, not being depreciated/amortized	3,107,732	535,309	-	(1,021,561)	2,621,480
Capital assets, being depreciated/amortized:					
Buildings	4,159,460	-	-	-	4,159,460
Equipment	503,003	39,562	-	-	542,565
Infrastructure	6,812,639	588,549	(51,215)	1,021,561	8,371,534
Total capital assets, being depreciated/amortized	11,475,102	628,111	(51,215)	1,021,561	13,073,559
<i>Less accumulated depreciation/amortization for:</i>					
Buildings	(1,463,533)	(83,189)	-	-	(1,546,722)
Equipment	(454,586)	(14,479)	-	-	(469,065)
Infrastructure	(4,128,004)	(72,294)	45,262	-	(4,155,036)
Total accumulated depreciation/amortization	(6,046,123)	(169,962)	45,262	-	(6,170,823)
Total capital assets, being depreciated/amortized, net	5,428,979	458,149	(5,953)	1,021,561	6,902,736
Business activities capital assets, net	\$8,536,711	\$ 993,458	\$ (5,953)	\$ -	\$ 9,524,216

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

5. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

Depreciation expense for all proprietary funds was \$169,962 for the year ended June 30, 2012, which was recorded in the City's water business-type activity.

B. Successor Agency Capital Assets

The following is a summary of capital assets for fiduciary activities:

	June 30, 2011	Additions	Retirements	Adjustments (A)	June 30, 2012
Fiduciary Activities:					
Capital assets, not being depreciated/amortized:					
Land	\$ -	\$ -	\$ -	\$ 5,694,977	\$ 5,694,977
Construction in progress	-	-	-	-	-
Total capital assets, not being depreciated/amortized	-	-	-	5,694,977	5,694,977
Fiduciary activities capital assets, net	\$ -	\$ -	\$ -	\$ 5,694,977	\$ 5,694,977

(A) - The City transferred land to the Successor Agency (also see Note 17)

As of June 31, 2012, the Successor Agency is holding \$5,694,977 in capital assets to be liquidated and the proceeds sent to the County. The entire amount consists of land held by the former Community Development Agency for low to moderate income housing. The Successor Agency is in the process of selling the 2.2 acre tract of land.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

6. LONG-TERM DEBT

A. Long-Term Obligations

Summary of changes in long-term debt transactions for the year ended June 30, 2012 was as follows:

	Balance July 1, 2011	Additions	Deletions	Adjustments (A)	Balance June 30, 2012	Due within one year
<u>Governmental Activities</u>						
1996 General Obligation Refunding Bonds	\$ 1,915,000	\$ -	\$ (340,000)	\$ -	\$ 1,575,000	\$ 360,000
2002 General Obligation Bonds	11,460,000	-	(11,460,000)	-	-	-
2006 Las Pulgas Project Tax Allocation Bonds	65,585,000	-	(1,880,000)	(63,705,000)	-	-
Deferred amount of refunding of the 2006 Las Pulgas Project Tax Allocation Bonds	(2,560,137)	-	74,671	2,485,466	-	-
Discount on 2006 Las Pulgas Project Tax Allocation Bonds	(269,440)	-	7,859	261,581	-	-
2009A General Obligation Bonds	1,070,000	-	(55,000)	-	1,015,000	60,000
2009B General Obligation Bonds	9,360,000	-	-	-	9,360,000	-
Premium on 2009 General Obligation Bonds	69,973	-	(2,499)	-	67,474	2,499
2012 General Obligation Refunding Bonds	-	9,830,000	-	-	9,830,000	340,000
Discount on 2012 General Obligation Bonds	-	(73,725)	1,843	-	(71,882)	(3,686)
Total governmental activities	\$ 86,630,396	\$ 9,756,275	\$ (13,653,126)	\$ (60,957,953)	\$ 21,775,592	\$ 758,813
	Balance July 1, 2011	Adjustments (A)	Additions	Deletions	Balance June 30, 2012	Due within one year
<u>Fiduciary Activities</u>						
2006 Las Pulgas Project Tax Allocation Bonds	\$ -	63,705,000	\$ -	\$ -	\$ 63,705,000	\$ 1,950,000
Deferred amount of refunding of the 2006 Las Pulgas Project Tax Allocation Bonds	-	(2,485,466)	-	53,336	(2,432,130)	(128,007)
Discount on 2006 Las Pulgas Project Tax Allocation Bonds	-	(261,581)	-	5,613	(255,968)	(13,472)
Total fiduciary activities	\$ -	\$ 60,957,953	\$ -	\$ 58,949	\$ 61,016,902	\$ 1,808,521

(A)- Due to the passage of AB 1x 26, the dissolution of redevelopment agencies throughout California, this outstanding bond of the former Menlo Park Community Development Agency was transferred to the Menlo Park Successor Agency fiduciary fund. (Also see Note 17)

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

6. LONG-TERM DEBT, Continued

A. Long-Term Obligations, Continued

1996 General Obligation Refunding Bonds

During fiscal year 1995-1996, the City issued \$4,630,000 of 1996 General Obligation Refunding Bonds to fund certain library improvement projects. The bonds bear interest rates between 3.75% and 5.0% annually between June 30, 2000 and August 1, 2015. The bonds mature on August 1 of each year from 1996 to 2015 in amounts ranging from \$40,000 to \$430,000. Interest is payable semi-annually on February 1 and August 1 of each year. The bonds are paid from special assessments to property owners within the City.

Outstanding bonds maturing on or before August 1, 2008, are subject to optional redemption prior to maturity at the option of the City, in whole or in part, at any time, from any available source of funds thereof at redemption prices of 100 percent of the principal amount, plus accrued interest to the date fixed for redemption.

The annual debt service requirements to maturity for the 1996 General Obligation Refunding Bonds Outstanding at June 30, 2012, were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 360,000	\$ 69,750	\$ 429,750
2014	380,000	51,250	431,250
2015	405,000	31,625	436,625
2016	430,000	10,750	440,750
Total	<u>\$ 1,575,000</u>	<u>\$ 163,375</u>	<u>\$ 1,738,375</u>

2002 General Obligation Bonds

On April 17, 2002, the City issued \$13,245,000 of the 2002 General Obligation Bonds known as “Measure T” bonds. This financing was used to fund various parks and recreation projects in the City. The bonds bear annual interest at rates between 4.50% and 5.75%, with interest payments made semi-annually on February 1 and August 1. As noted below, the bonds were defeased as of June 30, 2012.

2009 General Obligation Bonds

On July 1, 2009, the City issued a second series of the “Measure T” General Obligation bonds in the amount of \$10,440,000. The financing was used to fund new recreation facilities, specifically, a new gymnasium and new gymnastic center on the Burgess campus. The decision to include Build America Bonds (BABs) in the financing allowed the City to generate an additional \$1,049,000 over the tax exempt bonds. The overall “total issuance cost” for the series was 4.638%.

The Series A (Tax Exempt) Bonds totaled \$1,080,000; the (serial) bonds bear an annual interest of 5% and mature annually from 2010 to 2024 on August 1 in amounts ranging from \$10,000 to \$100,000.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

6. LONG-TERM DEBT, Continued

A. Long-Term Obligations, Continued

The Series B (Taxable Build America) Bonds totaled \$9,360,000; the (term) bonds bear an annual interest at rates between 6.82% and 7.02% and mature annually from 2025 to 2039 on August 1 in amounts ranging from \$110,000 to \$1,355,000.

The 2009 General Obligation Bonds maturing on or before August 1, 2019 are not subject to redemption prior to their stated maturities. The bonds maturing in each year beginning August 1, 2020, are subject to redemption prior to maturity, at the option of the City, from any source of available funds, as a whole or in part on any date on or after August 1, 2019, at a redemption price equal to the principal amount of the Bonds called, together with interest accrued to the date of redemption. If less than all of the bonds are called for redemption, the bonds will be redeemed in inverse order of maturities, and if less than all of the bonds of any given maturity are called for redemption, the portions of such bonds of a given maturity to be redeemed shall be determined by lot.

The annual debt service requirements to maturity for the 2009 General Obligation Bonds outstanding at June 30, 2012, were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 60,000	\$ 704,435	\$ 764,435
2014	60,000	701,435	761,435
2015	65,000	698,435	763,435
2016	65,000	695,185	760,185
2017	70,000	691,935	761,935
2018-2022	405,000	3,403,675	3,808,675
2023-2027	510,000	3,290,423	3,800,423
2028-2032	650,000	3,108,087	3,758,087
2033-2037	4,595,000	2,483,490	7,078,490
2038-2039	3,895,000	554,931	4,449,931
Total	\$ 10,375,000	\$ 16,332,031	\$ 26,707,031

2012 General Obligation Bonds

In January 2012, the City of Menlo Park issued General Obligation Bonds in a par amount of \$9,380,000 for the purpose of refunding at lower interest rates the City's outstanding Series 2002 General Obligation Bonds. The bonds bear an interest rate of 3.75% annually between January 2012 and August 1, 2032. The bonds mature on August 1 of each year starting in 2013 and ending 2032 in amounts ranging from \$180,000 to \$640,000. No amount of the bonds are to mature before August 1, 2012. Interest is paid semi-annually on February 1 and August 1 of each year. The bonds are paid from special assessments to property owners within the City.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

6. LONG-TERM DEBT, Continued

A. Long-Term Obligations, Continued

The annual debt service requirements to maturity for the 2012 General Obligation Bonds outstanding at June 30, 2012, were as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 340,000	\$ 197,624	\$ 537,624
2014	180,000	355,875	535,875
2015	535,000	349,125	884,125
2016	555,000	329,063	884,063
2017	355,000	308,250	663,250
2018-2022	1,975,000	1,332,188	3,307,188
2023-2027	2,390,000	931,500	3,321,500
2028-2032	2,860,000	449,813	3,309,813
2033	640,000	24,000	664,000
Total	\$ 9,830,000	\$ 4,277,438	\$ 14,107,438

B. Prior Years' Defeased Obligations

1996 and 2000 Tax Allocation Bonds

During fiscal year 2005-2006, the City's former Community Development Agency issued \$72,430,000 of 2006 Tax Allocation Refunding Bonds to refund and defease the Agency's outstanding principal of \$25,515,000 of the 1996 Tax Allocation Refunding Bonds and the outstanding principal of \$43,215,000 of the 2000 Tax Allocation Refunding Bonds. Both the 1996 and 2000 series bonds have been 100% defeased and the liability has been removed from the long-term Debt.

The refundings were undertaken to reduce total debt service payments over the next 25 years and to obtain and estimated net savings of over \$5,122,000 over the life of the bonds.

The balance of the defeased bonds outstanding as of June 30, 2012, was \$57,360,000.

2002 General Obligation Bonds

As noted above, on April 17, 2002, the City issued \$13,245,000 of the 2002 General Obligation Bonds known as "Measure T" bonds. This financing was used to fund various parks and recreation projects in the City. The bonds bear annual interest at rates between 4.50% and 5.75%, with interest payments made semi-annually on February 1 and August 1. In January 2012, the City issued \$9,830,000 in 2012 General Obligation Bonds for the purpose of refunding the 2002 General Obligation bonds, and the 2002 General Obligation Bonds have been 100% defeased and the liability has been removed from long-term debt. Additionally, the City placed \$1,460,000 into escrow. The balance of the defeased bonds outstanding as of June 30, 2012, was \$11,165,000. Future debt service payments will be reduced by \$2,349,066 with a present value savings of \$999,288.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

6. LONG-TERM DEBT, Continued

C. Fiduciary Fund Long Term Obligations

2006 Las Pulgas Project Tax Allocation Bonds

In May 2006, the former Community Development Agency of the City of Menlo Park, now the Successor Agency, issued Tax Allocation Refunding Bonds in a par amount of \$72,430,000 for the purpose of refunding at lower interest rates the Agency's outstanding Series 1996 and Series 2000 Tax Allocation Bonds. As such, the Series 2006 is the only outstanding bond issuance funding redevelopment activities of benefit to the former Agency's Las Pulgas Community Development Project Area. The bonds are repayable from the former Agency's tax revenues, including a portion of its housing set-aside tax increment revenues. In addition, pass-through payments to other local taxing agencies were subordinated to payment of debt service on the Bonds. Principal payments are due annually on January 1st of each year.

The 2006 Bonds were issued as variable rate bonds, with interest calculated monthly. The rate fluctuates according to market conditions. In order to protect against the potential of rising interest rates associated with the Bonds and to maximize refunding savings, the Agency entered into a pay-fixed, receive variable interest rate swap. The terms, fair value and credit risk of the swap agreement are disclosed below. Other than the net interest receipts and expenditures resulting from the swap agreement, no amounts are recorded in the basic financial statements.

Terms:

Former Community Development Agency of the City of Menlo Park Swap Portfolio						
Bond Issue	Initial Notional Amount	Counter-party	Fixed Rate Paid	Variable Rate Received	Swap Termination Date	Counterparty Credit Ratings Moody's/S&P/Fitch
Tax Allocation Refunding Series 2006	\$72,430	Piper Jaffray with guarantee from Morgan Stanley Capital Services	6.632 %	63.5% of 1-month LIBOR + 0.15%	01/01/2031	Aa3/A+/AA-

In connection with the issuance of the refunding bonds, the Agency elected to enter into a floating-to-fixed interest rate swap, creating a synthetic fixed-rate debt for the Agency. The bonds annual interest rate of 6.632% includes the 3.794% base swap rate plus the 2.75% liquidity fee plus the 0.0875% remarketing fee.

Fair Value: At June 30, 2012, the swap had a negative fair value of (\$15,337,103). Because the coupons on the Agency's variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the LIBOR swap yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swaps. Valuations based on other models or different assumptions may yield different results.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

6. LONG-TERM DEBT, Continued

C. Fiduciary Fund Long Term Obligations, Continued

Credit Risk: As of June 30, 2012, the Agency was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the Agency would be exposed to credit risk in the amount of the derivative's fair value.

The swap agreement contains specific collateral requirements that are in effect for the Agency and the counterparties, which would require collateralization of the fair value of the swap should credit ratings fall below the applicable thresholds. As a result of the downgrade of the Agency's bond insurer early in 2008, the swap payments associated with the Series 2006 bonds are now guaranteed by a direct-pay letter of credit with State Street Bank and Trust Co. Inc. The original Ambac insurance is also intact. Cross-default provisions allow a nondefaulting party to accelerate and terminate all outstanding transactions and to net the transactions' fair values into a single sum to be owed by or owed to the nondefaulting party.

Basis Risk: The interest rates on the Agency's variable rate bonds are expected to be equivalent, but not necessarily equal to the variable rate payments received from the counterparty on the swap. To the extent these variable payments differ, the Agency is exposed to basis risk.

In particular, the swap exposes the City to *tax* risk, should an imbalance develop between LIBOR (a taxable index) and the variable rate paid on the bonds. For example, if a reduction in the benefits of the tax exemption for municipal bonds were to occur, resulting in a convergence of these rates, the expected cost savings of the swap may not be realized.

Termination Risk: The agency may terminate the swap if the counterparty fails to perform under the terms of the swap agreement. If the swap were to be terminated, the associated variable rate bonds would no longer carry a synthetic fixed interest rate. Also, if at the time of termination the swap has a negative fair value, the Agency would be liable to the counterparty for a payment equal to the swap's fair value.

The annual debt service requirements to mature the Series 2006 Community Development Agency Tax Allocation Refunding Bonds outstanding at June 30, 2012 were as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 1,950,000	\$ 2,416,968	\$ 4,366,968
2014	2,030,000	2,342,985	4,372,985
2015	2,105,000	2,265,966	4,370,966
2016	2,190,000	2,186,103	4,376,103
2017	2,785,000	2,103,014	4,888,014
2018-2022	15,720,000	8,841,728	24,561,728
2023-2027	18,940,000	5,622,328	24,562,328
2028-2031	17,985,000	1,738,411	19,723,411
Total	<u>\$ 63,705,000</u>	<u>\$ 27,517,503</u>	<u>\$ 91,222,503</u>

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

6. LONG-TERM DEBT, Continued

C. Fiduciary Fund Long Term Obligations, Continued

The issuance of the 2006 Las Pulgas Tax Allocation Bonds included a discount of \$336,800. This amount was recorded as expenditures in the fund financial statements but was capitalized in the government-wide financials statements and recorded as a reduction of long-term debt. The discount will be amortized over the life of the debt. The amortization recorded in fiscal year 2012 was a total of \$13,472 of which \$7,859 was recorded in the City's financial statements related to the seven month period July 1, 2011 to January 31, 2012, and \$5,613 was recorded in the Successor Agency trust fund for the five month period February 1 to June 30, 2012.

In connection with the issuance of the 2006 Las Pulgas Tax Allocation Bonds, the City recorded a deferral on refunding of debt which is reported as part of long-term debt. This deferral was in connection with interest payments made to the escrow agent for future payments of interest. The total amount deferred was \$3,200,172, which will be amortized over the life of the bond. The amortization recorded in fiscal year 2012 was a total of \$128,007, of which \$74,671 was recorded in the City's financial statements related to the seven month period July 1, 2011 to January 31, 2012, and \$53,336 was recorded in the Successor Agency trust fund for the five month period February 1 to June 30, 2012.

Event Disclosure: On April 23, 2008, the Agency remarketed its outstanding Series 2006 Bonds, substituting the preexisting State Street line of credit for a State Street direct-pay letter of credit. This letter of credit effectively "wrapped" around the preexisting Ambac Assurance Corporation bond insurance policy, providing additional credit enhancement on the Bonds. The Ambac policy remains in effect, but is secondary to the State Street letter of credit. The Bonds remained otherwise unchanged, continuing as before as daily reset variable rate demand bonds (VRDBs). The swap associated with the Bonds, entered into with Piper Jaffray at the original issuance of the Bonds, remains in effect.

7. COMPENSATED ABSENCES

Compensated absences at June 30, 2012 were as follows:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012	Estimated Due Within One Year	Estimated Due in More than One Year
Governmental Activities	\$ 2,183,793	\$ 633,782	\$ (867,011)	\$ 1,950,564	\$ 764,928	\$ 1,185,636
Business-Type Activities	76,021	13,449	(37,185)	52,285	20,574	31,711
Total compensated absences	<u>\$ 2,259,814</u>	<u>\$ 647,231</u>	<u>\$ (904,196)</u>	<u>\$ 2,002,849</u>	<u>\$ 785,502</u>	<u>\$ 1,217,347</u>

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

8. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The City participates in pooled insurance programs offered by the Bay Cities Joint Powers Insurance Authority (BCJPIA) for losses in excess of specific program deductibles. The purpose of the pool is to provide certain levels of liability coverage, claims administration, and loss control support to member Cities. The bylaws of the BCJPIA, the risk coverage agreement, and an associated memorandum of coverage govern the rights and responsibilities of the BCJPIA's 19 members. Each member chooses its self-insured liability retention levels. Each member has a vote in approving the pool's self-insured retention level, in setting the coverage limits, in establishing the level of pool reserves and in approving the premium allocation methodology used for setting the premiums for each member.

Complete financial statement for the BCJPIA may be obtained from the offices of Bickmore Risk Services & Consulting at the following address:

Bay Cities Joint Powers Insurance Authority
 1750 Creekside Oaks Drive, Suite 200
 Sacramento, CA 95833

The City's Liability program has a per claim deductible of \$250,000 and a policy limit of \$29,000,000. The Employment Practices program has a per claim deductible of \$250,000 and a policy limit of \$1,000,000. The Property and Fire program has a per claim deductible of \$10,000 and a policy limit of replacement value.

The City's Workers' Compensation program has a per claim deductible of \$350,000 and through the Authority, pooled coverage and reinsurance up to statutory limits.

Claims for long-term disability are covered by standard insurance.

Estimated reserves for all claims are recorded in internal service funds. No claim settlement has exceeded the coverage amounts in place for any of the years shown. The amount of claims due in one year from June 30, 2012 is estimated to total \$659,698.

Changes in the balances of the City's claims liabilities during the years ended June 30, 2012, 2011 and 2010 were as follows:

	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claim Payments for Current and Prior Years	End of Year Liability
2009-2010	\$ 2,305,836	\$ 712,895	\$ (1,078,074)	\$ 1,940,657
2010-2011	1,940,657	781,438	(598,656)	2,123,439
2011-2012	2,123,439	865,749	(451,068)	2,538,120

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

9. INTERFUND TRANSACTIONS

Interfund receivables and payables at June 30, 2012, were as follows:

Due To / From Other Funds

Interfund due to/ due from represent short term loans owed for purposed of covering short term negative cash positions and will be repaid when fund revenues are received. The composition of due to/from other funds as of June 30, 2012 is as follows:

Due to other funds	Due from other funds		
	General Fund	Water Capital Improvement Fund	Total
Governmental Activities:			
OPEB Internal Service Fund	\$ 10,830	\$ -	\$ 10,830
Peninsula Partnership Fund	38,577	-	38,577
Business-Type Activities:			
Water Operating Fund	-	434,001	434,001
TOTAL	\$ 49,407	\$ 434,001	\$ 483,408

All Due To/From Other Funds were established as of June 30, 2012 to cover short-term negative cash balances.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

9. INTERFUND TRANSACTIONS, Continued

Interfund Transfers

Interfund transfers for the year ended June 30, 2012, were as follows:

		Transfers In											
		Governmental Activities											
					County	Development	Community	Community	Community		Business-type		
		General Fund	Landscaping/Tree	Literacy	Transportation	Agency -	Development	Development	Development	Capital	City Housing	Activities -	
			Assessment Fund	Grants Fund	Tax Fund	Capital	Agency - Non-	Agency -	Agency - Debt	Improvement -	Fund	Water	
						Improvements	Housing Fund	Housing Fund	Service	General Fund	Operating Fund	Total	
Transfers Out	Governmental Activities												
	General Fund		159,600	55,000						2,163,200		2,377,800	
	Housing Authority Fund							664,898			312,308	977,206	
	Landscape/Tree Assessment Fund	59,454										59,454	
	Sidewalk Assessment Fund	17,860										17,860	
	Storm Water Management Fund	33,917										33,917	
	Community Development Agency - Housing	52,407							612,418			664,825	
	Community Development Agency - NonHousing	143,413							2,449,671			2,593,084	
	Public Improvements Capital Project Fund					1,060							1,060
	Garbage Service Fund	56,968											56,968
	Downtown Parking Permits Fund	23,770											23,770
	Bedwell - Bayfront Park Landfill Fund	7,424											7,424
	Bedwell - Bayfront Park Mt. Operation Fund	11,917											11,917
Redevelopment Services Fund	115,500						2,593,335					2,708,835	
Misc Trust Funds	700				17,000							17,700	
Business-Type Activities													
Water Fund - Operating	170,606											170,606	
Water Fund - Capital											1,000,000	1,000,000	
TOTAL	693,936	159,600	55,000	17,000	1,060	2,593,335	664,898	3,062,089	2,163,200	312,308	1,000,000	10,722,426	

The most significant transfers were from the former Community Development Agency Housing and non-Housing funds to the former Community Development Agency Debt Service Fund of \$2,593,335 in total, which were provided to make debt service payments. An annual transfer of \$2,163,350 from the General Fund to the General Capital Improvement Project Fund was made to support infrastructure improvements.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

10. FUND BALANCE

In the Fund Financial Statements, governmental funds report restriction of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. The various committed and assigned balances are established by actions of the City Council and Management and can be increased, reduced or eliminated by similar actions. The following are the classifications that were utilized according to GASB 54 at June 30, 2012:

	General Fund	Below Market Rate Housing Special Revenue	Housing Fund Special Revenue	General Capital Improvement Project Fund	Non-Major Governmental Funds	Total
Nonspendable:						
Deposits and prepaid items	6,532	-	-	-	2,900	9,432
Housing loans	-	2,279,031	308,182	-	-	2,587,213
Real estate held for sale	-	1,643,404	-	-	-	1,643,404
Notes receivable	2,221,061	-	-	-	-	2,221,061
Total nonspendable	2,227,593	3,922,435	308,182	-	2,900	6,461,110
Committed to:						
Emergency contingency	6,000,000	-	-	-	-	6,000,000
Economic stabilization	8,000,000	-	-	-	-	8,000,000
Total committed	14,000,000	-	-	-	-	14,000,000
Assigned to:						
Infrastructure maintenance	2,249,728	-	-	-	-	2,249,728
Comprehensive planning	959,320	-	-	-	-	959,320
GASB 31 adjustment	5,146	-	-	-	2,322	7,468
Other purposes	279,994	-	-	-	4,186,085	4,466,079
Capital improvements	-	-	-	8,992,118	1,570,759	10,562,877
Debt service	-	-	-	-	2,225,672	2,225,672
Specific revenue sources	-	7,024,818	4,292	-	14,953,668	21,982,778
Total assigned	3,494,188	7,024,818	4,292	8,992,118	22,938,506	42,453,922
Unassigned:						
General fund	1,776,214	-	-	-	-	1,776,214
Special revenue funds	-	-	-	-	(25,387)	(25,387)
Total unassigned	1,776,214	-	-	-	(25,387)	1,750,827
Total Fund Balance	21,497,995	10,947,253	312,474	8,992,118	22,916,019	64,665,859

Nonspendable Amounts - represents amounts that cannot be spent or appropriated because they are not in spendable form or are legally or contractually required to be maintained intact.

Committed Amounts - represent amounts that are only to be used for specific purposes pursuant to the constraints imposed by formal action of the City Council. The committed amounts cannot be used for any other purposes unless the Council removes or changes the specified use by taking the same action it used to previously commit those amounts.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

10. Fund Balance, Continued

Assigned Amounts - represents funds that are constrained by the City's intent to be used for a specific purpose.

Infrastructure Maintenance - represents funds intended to be used for the long-term cost of maintaining the City's infrastructure.

Comprehensive Planning - represents funds intended for implementation of the City's long-term comprehensive planning projects.

GASB 31 Adjustment - represents funds identifying that portion of fund balance that is the result of unrealized investment gains as it does not represent funds available for operations.

Other Purposes - represents funds intended for various commitments such as encumbrances.

Capital Improvements - represents funds set aside for capital improvements.

Reserved for Debt Service - represents amounts accumulated in accordance with a bond indenture or similar covenant.

Designated for Special Revenue Sources - represents funds designated for special programs and services in the City's Special Revenue Funds.

11. NET ASSETS

The government-wide and proprietary fund financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

Invested in Capital Assets, Net of Related Debt: This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted Net Assets: This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets: This category represents net assets of the City, not restricted for any project or other purpose.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

12. OTHER FUND DISCLOSURES

Expenditures over Appropriations

The following funds had an excess of expenditures over appropriations:

Major:	
Housing Fund	\$ 9,463
Non-Major:	
Special Revenue Funds:	
Narcotic Seizure Fund	\$ 218
Miscellaneous Trust Fund	923,570

The Housing Fund experienced additional rehabilitation loan expenses during the fiscal year due to the dissolution of the former Community Development Agency, exceeding the fund's budget by \$9,463.

The Narcotic Seizure Fund experienced additional capital outlay with the purchase of new equipment, exceeding the fund's budget by \$218.

The Miscellaneous Trust Special Revenue Fund exceeding appropriations by \$923,570 due to additional Environmental Impact Report expenses for community development, largely due to improvements being made at the Facebook campus. These costs are offset by Charges for Services revenues paid by the developers. There were sufficient extra revenues to cover the additional costs.

13. PUBLIC EMPLOYEE RETIREMENT SYSTEM

Plan Description

The City contributes to the California Public Employee Retirement System (PERS). The miscellaneous employees of the City are part of an agent multiple-employer defined benefit pension plan. The safety employees are part of a cost-sharing multiple-employer defined benefit plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of PERS' annual financial report may be obtained from their executive office at 400 P Street, Sacramento, CA 95814.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

13. PUBLIC EMPLOYEE RETIREMENT SYSTEM, Continued

Funding Policy

Participants are required to contribute 8% for miscellaneous and 9% for safety employees of their annual covered salary. The City is required to contribute at an actuarially determined rate; the current rate is 16.070% for miscellaneous employees, and 37.559% for safety employees, of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Cost

For the fiscal year ended June 30, 2012, the City's annual pension cost of \$3,350,411 for PERS was equal to the City's required and actual contribution. The required contribution was determined as part of the June 30, 2009, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions were as follows:

	Miscellaneous	Safety
Valuation date	June 30, 2009	June 30, 2009
Actuarial cost method	Entry age Normal Cost Method	Entry age Normal Cost Method
Amortization method	Level Percent of Payroll over a closed period	Level Percent of Payroll over a closed period
Average remaining period	17 years as of the valuation date	19 years as of the valuation date
Asset valuation method	15 year smoothed market	15 year smoothed market
Actuarial assumptions:		
Investment rate of return	7.75% (net of administrative expenses)	7.75% (net of administrative expenses)
Projected salary increases	3.55% to 14.45% depending on age, service, and type of employment	3.55% to 14.45% depending on age, service, and type of employment
Inflation	3.00%	3.00%
Payroll growth	3.25%	3.25%
Individual salary growth	A merit scale varying by duration of employment, coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%.	A merit scale varying by duration of employment, coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

13. PUBLIC EMPLOYEE RETIREMENT SYSTEM, Continued

The following is the four-year trend information for both safety and miscellaneous employees:

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2009	\$ 3,565,493	100%	\$ -
June 30, 2010	4,072,795	100%	-
June 30, 2011	3,920,409	100%	-
June 30, 2012	3,350,411	100%	-

Funded Status of Plan – Miscellaneous Employees

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Entry Age Actuarial Accrued Liability</u>	<u>Unfunded (Overfunded) Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded (Overfunded) Liability as a Percentage of Covered Payroll</u>
2009	\$ 64,904,974	\$ 74,625,179	\$ 9,720,205	87.0%	\$ 14,224,996	68.3%

** Additional information regarding the funded status of the miscellaneous employees' retirement plan can be found in the Required Supplementary Information Section (page 86).

Funded Status of Plan – Safety Employees

The City's retirement plan for safety employees is a part of the CalPERS risk pool for cities and other government entities that have less than 100 active members. Actuarial valuations performed included other participants within the same risk pool. Therefore, standalone information of the schedule of the funding progress for the City's safety employees is no longer available nor disclosed.

14. OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The City sponsors and administers a single-employer defined benefit postemployment healthcare plan (the Plan) to provide healthcare insurance benefits to eligible retired employees and their dependents. Benefit provisions are established and may be amended by the City.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

14. OTHER POST-EMPLOYMENT BENEFITS, Continued

The City participates in the CalPERS healthcare program (PEMHCA) and allows retirees to continue participation in the medical insurance program after retirement. The following summarizes the retiree healthcare benefits:

PEMHCA Minimum: The City pays the PEMHCA minimum required employer contribution for retirees participating in PEMHCA towards the retiree monthly premium.

Retiree Health Benefit Credits (RHBC): Employee can convert unused sick or general leave balance (up to a maximum) to RHBC at retirement. The City pays retiree medical or dental coverage based on RHBC. Sick leave hour accrual and RHBC conversion rates vary by bargaining unit and service.

Implied Subsidy: An implied subsidy generally exists when retiree premiums are based on blended active and retiree experience. Since PEMHCA is a community rated plan for the City, no implied subsidy is valued for the PEMHCA plan.

Funding Policy

The City pre-funds the Plan through CalPERS OPEB Trust (CERBT) by contributing the City's Annual Required Contribution (ARC) every year. For fiscal years 2009-10 and 2010-11, the City contributed more than the ARC each year. For fiscal year 2011-12, the City contributed \$552,650, including \$488,617 in benefit payments and a \$64,033 deposit to CERBT. The City's ARC was \$716,000 for fiscal year 2011-12. The difference between the ARC and actual contributions is approximately equal to the excess contributions over the ARC in prior years.

CERBT is a tax qualified irrevocable trust, organized under Internal Revenue Code (IRC) Section 115, established to pre-fund OPEB as described in GASB Statement 45. The CERBT issues a publicly available financial report that included financial statements and required supplementary information for the City, not individualizing, but in aggregate with the other CERBT participants. That report may be obtained by contacting CalPERS.

Annual Other Postemployment Benefit Cost and Net Obligation

The City's annual OPEB cost is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

14. OTHER POST-EMPLOYMENT BENEFITS, Continued

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the City's net OPEB obligation/(asset).

Annual required contribution	\$ 716,000
Interest on net OPEB obligation	(12,000)
Adjustment to annual required contribution	15,000
Annual OPEB cost (expense)	<u>719,000</u>
Contributions made	(64,033)
Benefit payments	<u>(488,617)</u>
Increase (decrease) in net OPEB obligation	166,350
Net OPEB asset - beginning of year	<u>(161,403)</u>
Net OPEB obligation/(asset) - end of year	<u><u>\$ 4,947</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net post-employment healthcare plan obligation were as follows:

Fiscal Year Ended June 30,	OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation/ (Asset)
2010	\$ 680,452	120%	\$ (115,453)
2011	631,950	108%	(161,403)
2012	552,650	77%	4,947

Funded Status

The funded status of the plan as of June 30, 2011, was as follows:

	Total
Actuarial Accrued Liability (AAL)	<u>\$ 11,873,000</u>
Actuarial Value of Plan Assets	11,891,000
Unfunded Actuarial Accrued Liability (UAAL)	<u>(18,000)</u>
Funded Ratio (Actuarial value of plan assets/AAL)	100.2%
Covered Payroll (active plan members)	\$ 18,752,000
UAAL as a Percentage of Covered Payroll	-0.10%

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

14. OTHER POST-EMPLOYMENT BENEFITS, Continued

An annual valuation of the City's OPEB obligation must be performed every other year. The City's most recent valuation was prepared with data as of June 30, 2011. Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each evaluation and the historical pattern of sharing of benefit costs between employer and plan members to that point.

In the June 30, 2011 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 7.25% investment rate of return (net of administrative expenses), a 3.0% general inflation increase, and annual pre-Medicare eligible healthcare cost trend rates for medical of 9.0% in 2013 (actual 2012 premium rates were used) decreasing to 5.0% over eight years. The post-Medicare eligible healthcare trend stated 0.4% higher for 2013. Sick leave accrual, benefit conversion rates, and maximum conversion amounts are all assumed fixed in the future. Salary scale and demographic assumptions for withdrawal, mortality, disability, and retirement rates were based on CalPERS 1997-2002 Experience Study. Actuarial value of assets was based on 5-year smoothed market value.

15. LANDFILL POST-CLOSURE CARE

The City owns and maintains a closed, municipal, non-hazardous solid waste landfill known as the Marsh Road Landfill. Landfill operations began at the site in 1957 through a Joint Exercise of Powers Agreement initiated by San Mateo County. In 1968, the City took responsibility for the landfill and its eventual post-closure maintenance. The landfill ceased the receipt of wastes in May of 1984. In 1995, the construction of Bayfront Park was completed, incorporating required features such as a gas recovery and leachate control system.

State and Federal laws and regulations require that the City perform certain maintenance and monitoring functions at the landfill site at Bayfront Park through the year 2025. These same regulations require the City to make annual contributions and/or provide an alternative funding mechanism to finance closure and post-closure care costs. In January 2003, the City Council approved a plan for a 5.4% surcharge on solid waste collection fees, increasing at a rate of 0.2% per year, in order to cover these costs. The surcharge is currently 7.2 percent, the maximum approved rate.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

15. LANDFILL POST-CLOSURE CARE, Continued

The City's outstanding future post-closure care costs were estimated at \$6,001,794 at June 30, 2012. This estimate is based upon the present value of future cash flows associated with the landfill site's post-closure costs, discounted using the City's projected return on investment. The amount of fund balance within the Landfill Special Revenue Fund is not sufficient to cover such a liability, though the revenue stream provided by the solid waste collection surcharge and all post-closure costs will be accounted for in this fund. The City has recorded the post-closure cost liability as part of governmental activities in the government-wide financial statements.

The City will fund on-going post-closure costs with a combination of revenues from the surcharge and interest earnings. However, if these revenues are inadequate or additional post-closure care requirements are determined (due to changes in technology, applicable laws or regulations, for example), these costs may need to be covered by additional garbage surcharges or from future tax revenue. The following is the activity for landfill post closure care for fiscal year 2012:

	Balance July 1, 2011	Deletions	Balance June 30, 2012	Due within one year	Due in more than one year
Governmental Activities	\$ 6,206,303	\$ (204,509)	\$ 6,001,794	\$ 183,195	\$ 5,818,599

16. COMMUNITY DEVELOPMENT AGENCY OF THE CITY OF MENLO PARK

The former Community Development Agency of the City of Menlo Park (Agency) was established in 1981 with the adoption of the Las Pulgas Community Development Plan (1981 Plan). Since 1981, the Agency has implemented numerous programs to improve housing in the project area. During the fiscal year 2011-12, the Agency was dissolved in accordance to State Assembly Bill 1X26. All assets of the Agency were transferred to the Successor Agency private-purpose trust fund. More information on the Successor Agency can be found in Note 17.

17. SUCCESSOR AGENCY TRUST FOR THE FORMER COMMUNITY DEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1x26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Menlo Park that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the "successor agency" to hold the assets of the former redevelopment agency until they are distributed to other units of state and local government. On January 10, 2012, the

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

**17. SUCCESSOR AGENCY TRUST FOR THE FORMER COMMUNITY DEVELOPMENT AGENCY,
Continued**

City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number 6043.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California to review the propriety of any transfers between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfer is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management of the City believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011), all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months of the activity of the redevelopment agency continued to be reported in the governmental funds of the City. After the date of dissolution, the assets, liabilities and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively close of business January 31, 2012) from the governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund as an extraordinary gain.

Because of the different measurement focus of the governmental funds (*current financial resources measurement focus*) and the measurement focus of the trust funds (*economic resources measurement focus*), the extraordinary

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

**17. SUCCESSOR AGENCY TRUST FOR THE FORMER COMMUNITY DEVELOPMENT AGENCY,
Continued**

loss recognized in the governmental funds was not the same amount as the extraordinary loss recognized in the fiduciary fund financial statements.

The difference between the extraordinary loss recognized in the fund financial statements and the extraordinary gain recognized in the fiduciary fund financial statement is reconciled as follows:

Total extraordinary loss reported in the governmental funds - increase to net assets of the Successor Agency Trust Fund	\$ 25,814,163
Capital assets recorded in the government-wide financial statements - increase to net assets of the Successor Agency Trust Fund	5,694,977
Deferred charges recorded in the government-wide financial statements - increase to net assets of the Successor Agency Trust Fund	1,278,481
Long-term debt reported in the government-wide financial statements - decrease to net assets of the Successor Agency Trust Fund	<u>(60,957,953)</u>
Net decrease to net deficit of the Successor Agency Trust Fund as a result of initial transfers (equal to amount of extraordinary gain reported in the government-wide financial statements of the City)	<u>\$ (28,170,332)</u>

18. CONTINGENCIES

The City participates in a number of Federal, State, and County programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grantor program regulations, the City may be required to reimburse the grantor government. As of June 30, 2012, some amounts of grant expenditures have not been audited, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any individual governmental funds or the overall financial condition of the City.

19. LITIGATION

The City is a defendant in a number of lawsuits which have arisen in the normal course of business. While substantial damages are alleged in some of these actions, their outcome cannot be predicted with certainty. In the opinion of the City Attorney, most of these actions, when finally adjudicated, will not have a material adverse effect on the financial condition of the City.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

20. COMMITMENTS

The City had various commitments totaling \$7,771,258 as of June 30, 2012. The City committed \$4,702,974 for the Street Resurfacing Project; \$1,345,851 for the Police Substation Project in the Belle Haven neighborhood; and other commitments for various small construction and operations projects. All commitments are evidenced by contractual agreements with contractors.

21. JOINT VENTURES

General

The City of Menlo Park participates in joint ventures through Joint Powers Authorities (JPAs) established under the Joint Exercise of Powers Act of the State of California. Obligations and liabilities of the JPAs are not those of the City.

San Francisquito Creek

The San Francisquito Creek Joint Powers Authority (SFCJPA) was created in May 1999 as a joint powers authority by the City of Menlo Park, the City of Palo Alto, the City of East Palo Alto, the Santa Clara Valley Water District and the San Mateo Flood Control District. The Authority's board is comprised of one director appointed by each of these member entities, and is a legally separate and fiscally independent entity.

The Authority was formed to manage the joint contribution of services and provide policy direction on issues of mutual concern related to the San Francisquito Creek, including bank stabilization, channel clearing and other creek maintenance, planning of flood control measures, preserving environmental values and instream uses and emergency response coordination. The SFCJPA and U.S. Army Corps of Engineers are presently working together with the area's Congressional delegation to secure Federal funding for studies needed to identify a comprehensive flood management and ecosystem restoration project within the Creek watershed.

In the fiscal year ended June 30, 2012, each member entity contributed \$98,000 to cover Authority administrative costs for the year.

Complete financial statements for the SFCJPA may be obtained from their offices at the following address:

San Francisquito Creek Joint Powers Authority
1231 Hoover Street
Menlo Park, CA 94025

South Bayside Waste Management Authority

The City of Menlo Park is one of twelve members of the South Bayside Waste Management Authority (SBWMA). The SBWMA was formed in October 1999 for the purpose of joint ownership, financing and administration of solid waste transfer and recycling facilities; and the planning, administration management review, monitoring, enforcement and reporting of solid waste, recyclable material and plant material collection activities within the Authority's service area.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

21. JOINT VENTURES, Continued

The Authority is controlled by a twelve member board consisting of one representative from each member entity. None of the SBWMA member entities exercise specific control over the budgeting and financing of the Authority's activities beyond their representation of the board.

Through the operation of franchise agreements with each member, Allied Waste Services (Allied) collects fees charged for the use of the Authority's facilities and remits them to the Authority. Pursuant to an operations agreement with the Authority effective through December 31, 2011, Allied operates the facilities and is paid compensation based on costs, a provision for profit and incentives for cost savings and performance.

Complete financial statement for the SBWMA may be obtained from their offices at the following address:

South Bayside Management Authority
610 Elm Street, Suite 202
San Carlos, CA 94070

22. NEGATIVE FUND BALANCE

As of June 30, 2012, the Peninsula Partnership Grant Fund has a negative fund balance of \$25,387. The grant funding for this program was overestimated but expenditures were not reduced. Additional funding in future years will be needed or the General Fund will add additional support.

23. PRIOR PERIOD ADJUSTMENT

The City recorded a prior period adjustment totaling \$648,285, to increase the beginning governmental funds' fund balance. The adjustment relates to not recording two below market rate housing units as real estate held for resale in the governmental fund financial statements in prior years.

REQUIRED SUPPLEMENTARY INFORMATION

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City of Menlo Park
Required Supplementary Information
For the year ended June 30, 2012

BUDGETARY PRINCIPLES

The City followed these procedures in establishing the budgetary data reflected in the General Purpose Financial Statements:

1. City Council identifies the priority projects/programs for the budget at a study session with public input. The City Council annually adopts the budget for the ensuing fiscal year generally prior to July 1.
2. The City Manager is authorized to transfer budgetary amounts within a single fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.
3. Legally adopted budgets and formal budgetary integration is employed as a management control device during the year for the general fund, special revenue funds, debt service funds, and capital projects funds. Proprietary funds and Agency funds are not budgeted.
4. Budgets for the general, special revenue and capital projects funds are adopted on a basis consistent with GAAP.
5. Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller, returned to the taxpayers through revised tax rates or revised fee schedules, or an excess in one year may be offset against a deficit in the following year. For the fiscal year ended June 30, 2012, based on the calculations by City Management, proceeds of taxes did not exceed the appropriations limit.
6. Budgeted revenue amounts represent the original budget modified by adjustments authorized during the year. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year which were contingent upon new or additional revenue sources and reappropriated amounts for prior year encumbrances. The City Manager must approve adjustments to departmental budgets; however, management may amend the budgeted amounts within departmental expenditure classifications.
7. Appropriations lapse at the end of the fiscal year and then are rebudgeted for the coming year.
8. Budgeted appropriations for the various governmental funds become effective each July 1. The City Council may amend the budget during the fiscal year. The legal level of budgetary control has been established at the fund level. Appropriations generally lapse at the end of the fiscal year to the extent they have not been expended or encumbered.

Encumbrances

Under encumbrance accounting, purchase orders, contracts and other commitments for expenditures are recorded to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of formal budgetary accounting. Since encumbrances do not yet constitute expenditures or liabilities, encumbrances outstanding at year-end are reported as reservations of fund balances.

City of Menlo Park
Required Supplementary Information, Continued
For the year ended June 30, 2012

Budgetary Comparison Schedule, General Fund

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
REVENUES:				
Taxes:				
Secured property taxes	\$ 12,140,000	\$ 12,140,000	\$ 12,258,233	\$ 118,233
Unsecured property taxes	400,000	400,000	404,916	4,916
Other property taxes	881,000	881,000	576,707	(304,293)
Sales taxes	6,203,000	6,203,000	5,938,310	(264,690)
Other taxes	5,572,000	5,823,900	5,778,616	(45,284)
Licenses and permits	3,307,140	3,371,465	3,685,556	314,091
Fines and forfeitures	970,000	980,000	1,067,328	87,328
Use of money and property	925,438	681,188	761,326	80,138
Intergovernmental	1,227,631	1,140,552	1,158,010	17,458
Charges for services	5,425,265	6,243,141	6,743,126	499,985
Other	19,550	29,050	27,740	(1,310)
Total revenues	37,071,024	37,893,296	38,399,868	506,572
EXPENDITURES:				
Current:				
General government	4,884,765	4,905,230	4,531,144	374,086
Public safety	13,953,858	14,285,258	13,946,440	338,818
Public works	4,949,273	4,814,909	4,439,228	375,681
Culture and recreation	8,515,169	8,434,561	7,961,078	473,483
Community development	2,919,622	4,349,954	3,561,220	788,734
Urban development and housing	-	196,595	146,301	50,294
Capital outlay	280,009	306,315	238,532	67,783
Total expenditures	35,502,696	37,292,822	34,823,943	2,468,879
REVENUES OVER (UNDER) EXPENDITURES	1,568,328	600,474	3,575,925	2,975,451
OTHER FINANCING SOURCES (USES):				
Transfers in	687,575	560,509	693,935	133,426
Transfers out	(2,377,800)	(2,377,800)	(2,377,800)	-
Proceeds from sale of assets	-	-	-	-
Total other financing sources (uses)	(1,690,225)	(1,817,291)	(1,683,865)	133,426
Net change in fund balance	\$ (121,897)	\$ (1,216,817)	1,892,060	\$ 3,108,877
FUND BALANCE:				
Beginning of year			19,605,935	
End of year			\$ 21,497,995	

City of Menlo Park
Required Supplementary Information, Continued
For the year ended June 30, 2012

Budgetary Comparison Schedule, Below Market Rate Housing Special Revenue Fund

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES:				
Use of money and property	\$ 100,000	\$ 75,000	\$ 53,399	\$ (21,601)
Charges for services	284,000	284,000	515,720	231,720
Total revenues	384,000	359,000	569,119	210,119
EXPENDITURES:				
Current:				
Urban development and housing	22,576	22,576	47,119	(24,543)
Capital outlay	1,346,817	1,346,817	669,182	677,635
Total expenditures	1,369,393	1,369,393	716,301	653,092
REVENUES OVER (UNDER) EXPENDITURES	(985,393)	(1,010,393)	(147,182)	863,211
Net change in fund balance	\$ (985,393)	\$ (1,010,393)	(147,182)	\$ 863,211
FUND BALANCE:				
Beginning of year, as previously reported			10,446,150	
Prior period adjustment (Note 23)			648,285	
End of year			<u>\$ 10,947,253</u>	

City of Menlo Park
Required Supplementary Information, Continued
For the year ended June 30, 2012

Budgetary Comparison Schedule, Housing Special Revenue Fund

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 129	\$ 129
Charges for services	-	-	9,500	9,500
Total revenues	-	-	9,629	9,629
EXPENDITURES:				
Current:				
Community development	-	-	-	-
Urban development and housing	-	-	9,463	(9,463)
Capital outlay	-	-	-	-
Total expenditures	-	-	9,463	(9,463)
REVENUES OVER (UNDER) EXPENDITURES	-	-	166	166
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	312,308	312,308
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	312,308	312,308
Net change in fund balance	\$ -	\$ -	312,474	\$ 312,474
FUND BALANCE:				
Beginning of year			-	
End of year			\$ 312,474	

City of Menlo Park
Required Supplementary Information, Continued
For the year ended June 30, 2012

Budgetary Comparison Schedule, General Capital Improvement Capital Project Fund

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Other taxes	\$ 72,500	\$ 72,500	\$ 81,646	\$ 9,146
Intergovernmental	-	350,000	627,511	277,511
Charges for services	1,130,000	1,130,000	-	(1,130,000)
Total revenues	1,202,500	1,552,500	709,157	(843,343)
EXPENDITURES:				
Capital outlay	6,083,551	7,061,937	1,715,366	5,346,571
Total expenditures	6,083,551	7,061,937	1,715,366	5,346,571
REVENUES OVER (UNDER) EXPENDITURES	(4,881,051)	(5,509,437)	(1,006,209)	4,503,228
OTHER FINANCING SOURCES (USES):				
Transfers in	2,163,200	2,163,200	2,163,200	-
Total other financing sources (uses)	2,163,200	2,163,200	2,163,200	-
Net change in fund balance	\$ (2,717,851)	\$ (3,346,237)	1,156,991	\$ 4,503,228
FUND BALANCE:				
Beginning of year			7,835,127	
End of year			<u>\$ 8,992,118</u>	

City of Menlo Park
Required Supplementary Information, Continued
For the year ended June 30, 2012

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

SCHEDULE OF FUNDING PROGRESS

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Miscellaneous Employees

Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Unfunded (Overfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded (Overfunded) Liability as a Percentage of Covered Payroll
2006	\$ 52,004,618	\$ 55,717,648	\$ 3,713,030	93.3%	\$ 12,190,823	30.5%
2007	56,842,197	64,016,741	7,174,544	88.8%	12,810,019	56.0%
2008	61,338,783	67,682,313	6,343,530	90.6%	13,787,507	46.0%
2009	64,904,974	74,625,179	9,720,205	87.0%	14,224,996	68.3%
2010	69,144,459	79,542,433	10,397,974	86.9%	13,491,814	77.1%
2011	73,863,432	85,715,937	11,852,505	86.2%	13,490,012	87.9%

Safety Employees

The City's retirement plan for safety employees is a part of the CalPERS risk pool for cities and other government entities that have less than 100 active members. Actuarial valuations performed included other participants within the same risk pool. Therefore, standalone information of the schedule of the funding progress for the City's safety employees is no longer available or disclosed.

B. OTHER POST EMPLOYMENT BENEFITS (OPEB)

In order to comply with GASB Statement 45, an actuarial valuation of the City's OPEB obligations must be performed every other year. The City's most recent valuation was prepared with data as of June 30, 2011.

Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Unfunded (Overfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded (Overfunded) Liability as a Percentage of Covered Payroll
1/1/2008	\$ -	\$ 10,057,000	\$ 10,057,000	0.0%	\$ 17,936,000	56.1%
1/1/2010	\$ 10,324,000	\$ 9,862,000	\$ (462,000)	104.7%	\$ 18,863,000	-2.4%
6/30/2011	\$ 11,891,000	\$ 11,873,000	\$ (18,000)	100.2%	\$ 18,752,000	-0.1%

SUPPLEMENTARY INFORMATION

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NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds:

Highway Users Tax Fund - Established to receive and expend the City's allocation of the State Gasoline taxes.

Federal Revenue Sharing Fund - Established to account for Federal Revenue Sharing money used to make emergency repair loans to lower income owners of single-family owner-occupied properties.

Landscape/Tree Assessment Fund - Established to account for property tax assessments collected under the Landscaping and Lighting Act of 1972 utilized for maintaining of City street trees.

Sidewalk Assessment Fund - Established to account for property tax assessments collected under the Landscaping and Lighting Act of 1972 utilized for repair and replacement of hazardous sidewalks and curbs.

Landfill Post-Closure Fund - Established to receive and expend increased solid waste surcharges and other revenues to cover the post closure costs of the Marsh Road landfill at the Bayfront Park.

County Transportation Tax Fund - Established to account for the City's portion of the County-wide 1/2 cent sales tax used for City transportation purposes.

Public Library Fund - Established to provide supplementary funds to public libraries and to encourage local jurisdictions to maintain local support for their libraries.

Literacy Grants Fund - Established to provide literacy services to adult learners.

Narcotic Seizure Fund - Established to account for money seized in arrests for drug law violations used to purchase law enforcement equipment and supplies.

Transportation Impact Fees Fund - Established to account for traffic improvement fees charged to developers and used to mitigate City traffic problems that result either directly or indirectly from the development.

Downtown Parking Permits Fund - Established to provide adequate parking within the Central Business District.

Storm Drainage Fees Fund - Established to account for storm drainage fees used to mitigate City storm drainage problems either directly or indirectly resulting from the development.

Solid Waste Service Fund - Utilized to provide a City-wide garbage pickup service in order to keep health standards high for the single-family residences.

Bay Area Air Quality Management Fund (AB 434) - Established to account for City's share of surcharge funds from motor vehicle registration fees to be used for implementing eligible transportation programs.

Storm Water Management Fund - Established to account for the local requirements delineated in the Storm Water Management Plan, funded by a City-wide fee per parcel.

Peninsula Partnership Grant Fund - Established to account for federal grants used to improve the quality of life for children and their families in the Belle Haven neighborhood.

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds, Continued:

Supplemental Law Enforcement Services Fund - Established to account for funds received from Supplemental Law Enforcement Services Fund (SLESF) Monies under AB3229 used to provide front line law enforcement services.

Construction Impact Fee Fund - Established to account for developer fees paid to mitigate pavement damage due to heavy construction activity.

Bedwell Bayfront Park Maintenance Fund - Utilized to account for prior year fees residing in the fund balance that were charged to the public for trash hauled to the City Landfill site. The interest earned on these fees are used to maintain the Bedwell Bayfront Park built on the site.

Recreation In-Lieu Fund - Established to account for developer fees paid in-lieu of new recreation facilities. The funds are used to improve and expand recreation facilities.

Sharon Hills Park Fund - Established to account for a developer payment to be used for maintenance of Sharon Hills Park.

Vintage Oaks Landscape Fund - Established to account for a developer payment to be used for maintenance of the perimeter landscaping of the Vintage Oaks subdivision.

Community Development Block Grant Special Revenue Fund - Established in 1981 to account for Federal Housing and Community Development Block Grant funds utilized for single family housing rehabilitation and related administration.

Miscellaneous Trust Fund - Includes Refundable Deposits and Payroll Revolving Funds to account for assets held by the City as an agent.

Community Development Agency - Establish to account for tax increment property taxes received under State of California Health and Safety Code Division 24, Part 1. As of January 31, 2012, the Community Development Agency has been dissolved under the passage and upholding of ABx126.

CDA Housing Special Revenue Fund - Established to account for 20% of the tax increment property taxes to promote expansion of local housing opportunities for low and moderate income residents. This fund has been dissolved as of January 31, 2012.

CDA Non-Housing Special Revenue Fund - Accounted for 80% of the tax increment property taxes to reduce and eliminate visual, economic, physical, and social blight existing within the former Las Pulgas Community Development Project Area. This fund has been dissolved as of January 31, 2012.

Redevelopment Services Agreement Fund - This fund was established to account for the planning, specialized public safety and blight remediation services outlined in the Redevelopment Services Agreement with in the former Community Development Agency. This fund has been dissolved as of January 31, 2012.

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds, Continued:

Housing Authority Fund - Established to account for the low and moderate income housing projects and services outlined in the Affordable Housing Cooperation Agreement with the former Community Development Agency. This fund has been dissolved as of January 31, 2012 with all housing loans being transferred to the City.

Debt Service Fund:

with the interest and redemption requirements of the Library Bond and the 2002 Recreation GO Bond Obligations as well as the retirement of the former Community Development Agency's Series 2006 Refunding bonds.

Capital Projects Funds:

Library Addition Fund - Established to account for proceeds of the 1990 Library Improvements Bond Issue used to construct improvements to the existing Library.

Measure T 2002 GO Bond - Established to account for the proceeds of the 2002 Measure T Recreation Improvements Bond Issue used to construct improvements to the City's parks and recreation facilities.

Capital Improvement General Fund - Utilizes an annual City General Fund transfers to provide adequate funding for maintenance of the City's current infrastructure.

Public Improvements Grant Fund - Established to account for the use of Community Development Agency funds in the scoping, designing, construction and completion of public improvement projects in the redevelopment area, in accordance with the Public Improvements Grant and Cooperation Agreement between the City and the Agency.

CDA Capital Projects Fund - Established to account for the proceeds of the Las Pulgas Tax Allocation Refunding Bond Issue and used to construct improvements to the former redevelopment project area. This fund has been dissolved as of January 31, 2012.

City of Menlo Park
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2012

	Special Revenue				
	Highway Users Tax	Federal Revenue Sharing	Landscape/ Tree Assessment	Sidewalk Assessment	Landfill Post-Closure
ASSETS					
Cash and investments	\$ 3,352,441	\$ 32,312	\$ 227,672	\$ 490,517	\$ 3,014,405
Restricted cash and investments	-	-	-	-	-
Receivables:					
Accounts	-	-	-	-	66,410
Interest	6,720	65	-	-	6,043
Notes	-	95,957	-	-	-
Due from other governments	-	-	-	-	-
Deposits and prepaid items	-	-	-	-	2,255
Due from other funds	-	-	-	-	-
Total assets	\$ 3,359,161	\$ 128,334	\$ 227,672	\$ 490,517	\$ 3,089,113
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 38,766	\$ -	\$ 9,090	\$ -	\$ 21,347
Accrued payroll and related liabilities	5,954	-	9,568	5,857	166
Due to other funds	-	-	-	-	-
Deposits	-	-	-	-	-
Deferred revenue	-	95,957	-	-	-
Total liabilities	44,720	95,957	18,658	5,857	21,513
Fund Balances:					
Deposits and prepaid items	-	-	-	-	2,255
Housing loans	-	-	-	-	-
Notes receivable	-	-	-	-	-
Total nonspendable	-	-	-	-	2,255
Restricted:					
GASB 31 adjustment	326	-	-	-	293
Special programs and services	1,622,685	29,577	107,635	483,983	2,983,221
Capital improvements	-	-	-	-	-
Debt service	-	-	-	-	-
Other purposes	1,691,430	2,800	101,379	677	81,831
Total restricted	3,314,441	32,377	209,014	484,660	3,065,345
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	3,314,441	32,377	209,014	484,660	3,067,600
Total liabilities and fund balances	\$ 3,359,161	\$ 128,334	\$ 227,672	\$ 490,517	\$ 3,089,113

(Continued)

Special Revenue

County	Transportation Tax	Public Library	Literacy Grants	Narcotic Seizure	Transportation Impact Fees	Downtown Parking Permits	Storm Drainage Fees	Solid Waste Service
	\$ 954,622	\$ 102,322	\$ 3,000	\$ 41,027	\$ 3,063,092	\$ 2,724,773	\$ 187,638	\$ 1,108,016
	-	-	-	-	-	-	-	-
	115,959	-	18,729	-	-	-	-	65,332
	1,964	-	-	-	6,129	5,419	376	2,083
	-	-	-	-	-	-	-	-
	142,058	-	-	-	-	-	-	-
	345	-	-	-	-	-	-	300
	-	-	-	-	-	-	-	-
	<u>\$ 1,214,948</u>	<u>\$ 102,322</u>	<u>\$ 21,729</u>	<u>\$ 41,027</u>	<u>\$ 3,069,221</u>	<u>\$ 2,730,192</u>	<u>\$ 188,014</u>	<u>\$ 1,175,731</u>
	\$ 158,238	\$ -	\$ 183	\$ -	\$ 108,129	\$ 76,060	\$ -	\$ 560,086
	19,467	-	6,244	-	2,625	2,978	-	6,666
	-	-	-	-	-	-	-	-
	45,000	-	-	-	40,000	-	-	-
	-	-	-	-	-	-	-	-
	<u>222,705</u>	<u>-</u>	<u>6,427</u>	<u>-</u>	<u>150,754</u>	<u>79,038</u>	<u>-</u>	<u>566,752</u>
	345	-	-	-	-	-	-	300
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	<u>345</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>300</u>
	95	-	-	-	297	263	18	101
	499,358	102,322	15,302	41,027	2,769,249	2,614,246	187,996	596,884
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	492,445	-	-	-	148,921	36,645	-	11,694
	<u>991,898</u>	<u>102,322</u>	<u>15,302</u>	<u>41,027</u>	<u>2,918,467</u>	<u>2,651,154</u>	<u>188,014</u>	<u>608,679</u>
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	<u>992,243</u>	<u>102,322</u>	<u>15,302</u>	<u>41,027</u>	<u>2,918,467</u>	<u>2,651,154</u>	<u>188,014</u>	<u>608,979</u>
	<u>\$ 1,214,948</u>	<u>\$ 102,322</u>	<u>\$ 21,729</u>	<u>\$ 41,027</u>	<u>\$ 3,069,221</u>	<u>\$ 2,730,192</u>	<u>\$ 188,014</u>	<u>\$ 1,175,731</u>

(Continued)

City of Menlo Park
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2012

	Special Revenue				
	Bay Area Air Quality Management	Storm Water Management	Peninsula Partnership Grant	Supplemental Law Enforcement Service	Construction Impact Fees
ASSETS					
Cash and investments	\$ 2,608	\$ 181,829	\$ -	\$ 70,280	\$ 2,615,726
Restricted cash and investments	-	-	-	-	-
Receivables:					
Accounts	-	-	30,665	-	-
Interest	5	-	-	141	5,244
Notes	-	-	-	-	-
Due from other governments	-	7,500	-	-	-
Deposits and prepaid items	-	-	-	-	-
Due from other funds	-	-	-	-	-
Total assets	\$ 2,613	\$ 189,329	\$ 30,665	\$ 70,421	\$ 2,620,970
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 12,250	\$ -	\$ 5,757	\$ 1,403
Accrued payroll and related liabilities	-	5,991	2,475	-	-
Due to other funds	-	-	38,577	-	-
Deposits	-	-	-	-	-
Deferred revenue	-	-	15,000	9,423	-
Total liabilities	-	18,241	56,052	15,180	1,403
Fund Balances:					
Nonspendable:					
Deposits and prepaid items	-	-	-	-	-
Housing loans	-	-	-	-	-
Notes receivable	-	-	-	-	-
Total nonspendable	-	-	-	-	-
Restricted:					
GASB 31 adjustment	-	-	-	-	254
Special programs and services	2,613	158,355	-	55,241	-
Capital improvements	-	-	-	-	1,289,798
Debt service	-	-	-	-	-
Other purposes	-	12,733	-	-	1,329,515
Total restricted	2,613	171,088	-	55,241	2,619,567
Assigned	-	-	-	-	-
Unassigned	-	-	(25,387)	-	-
Total fund balances	2,613	171,088	(25,387)	55,241	2,619,567
Total liabilities and fund balances	\$ 2,613	\$ 189,329	\$ 30,665	\$ 70,421	\$ 2,620,970

(Continued)

Special Revenue							
Bedwell Bayfront Park Maintenance	Recreation In-Lieu	Sharon Hills Park	Vintage Oaks Landscape	Community Development Block Grant	Miscellaneous Trust	Redevelopment Services	Community Development Agency Housing
\$ 774,339	\$ 469,151	\$ 91,050	\$ 103,065	\$ 702,539	\$ 814,302	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	91,627	-	-
1,553	941	183	207	-	620	-	-
-	-	-	-	1,082,956	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 775,892</u>	<u>\$ 470,092</u>	<u>\$ 91,233</u>	<u>\$ 103,272</u>	<u>\$ 1,785,495</u>	<u>\$ 906,549</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 15,724	\$ -	\$ -	\$ 1,098	\$ 3,048	\$ 226,390	\$ -	\$ -
297	-	-	-	-	1,891	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	1,082,956	-	-	-
<u>16,021</u>	<u>-</u>	<u>-</u>	<u>1,098</u>	<u>1,086,004</u>	<u>228,281</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
75	46	9	10	-	-	-	-
755,246	463,907	91,224	102,164	699,491	571,942	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
4,550	6,139	-	-	-	106,326	-	-
<u>759,871</u>	<u>470,092</u>	<u>91,233</u>	<u>102,174</u>	<u>699,491</u>	<u>678,268</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>759,871</u>	<u>470,092</u>	<u>91,233</u>	<u>102,174</u>	<u>699,491</u>	<u>678,268</u>	<u>-</u>	<u>-</u>
<u>\$ 775,892</u>	<u>\$ 470,092</u>	<u>\$ 91,233</u>	<u>\$ 103,272</u>	<u>\$ 1,785,495</u>	<u>\$ 906,549</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

City of Menlo Park
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2012

	Special Revenue		Debt Service			
	Community Development Agency		Library GO Bond 1990	Recreation GO Bond 2002	Community Development Agency Debt Service	
	Non-housing	Housing Authority				Library Addition
ASSETS						
Cash and investments	\$ -	\$ -	\$ 942,949	\$ 1,163,597	\$ -	\$ 161,901
Restricted cash and investments	-	-	-	-	-	-
Receivables:						
Accounts	-	-	-	-	-	-
Interest	-	-	1,871	2,273	-	327
Notes	-	-	-	-	-	-
Due from other governments	-	-	49	116,134	-	-
Deposits and prepaid items	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Total assets	\$ -	\$ -	\$ 944,869	\$ 1,282,004	\$ -	\$ 162,228
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ 1,000	\$ -	\$ 21,126
Accrued payroll and related liabilities	-	-	-	-	-	707
Due to other funds	-	-	-	-	-	-
Deposits	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Total liabilities	-	-	-	1,000	-	21,833
Fund Balances:						
Nonspendable:						
Deposits and prepaid items	-	-	-	-	-	-
Housing loans	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	-
Total nonspendable	-	-	-	-	-	-
Restricted:						
GASB 31 adjustment	-	-	91	110	-	16
Special programs and services	-	-	-	-	-	-
Capital improvements	-	-	-	-	-	118,766
Debt service	-	-	944,778	1,280,894	-	-
Other purposes	-	-	-	-	-	21,613
Total restricted	-	-	944,869	1,281,004	-	140,395
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances	-	-	944,869	1,281,004	-	140,395
Total liabilities and fund balances	\$ -	\$ -	\$ 944,869	\$ 1,282,004	\$ -	\$ 162,228

(Continued)

Capital Projects			
Measure T	Community Development	Public	Total
2002	Agency	Improvement	Non-Major
GO Bond	Capital Projects		Governmental
			Funds
\$ 365,714	\$ -	\$ -	\$ 23,760,887
231,073	-	-	231,073
-	-	-	388,722
1,545	-	-	43,709
-	-	-	1,178,913
-	-	-	265,741
-	-	-	2,900
-	-	-	-
<u>\$ 598,332</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,871,945</u>
\$ 298,415	\$ -	\$ -	\$ 1,558,110
17	-	-	70,903
-	-	-	38,577
-	-	-	85,000
-	-	-	1,203,336
<u>298,432</u>	<u>-</u>	<u>-</u>	<u>2,955,926</u>
-	-	-	2,900
-	-	-	-
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>2,900</u>
318	-	-	2,322
-	-	-	14,928,281
162,195	-	-	1,570,759
-	-	-	2,225,672
137,387	-	-	4,186,085
<u>299,900</u>	<u>-</u>	<u>-</u>	<u>22,913,119</u>
-	-	-	-
-	-	-	-
<u>299,900</u>	<u>-</u>	<u>-</u>	<u>22,916,019</u>
<u>\$ 598,332</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,871,945</u>

(Concluded)

City of Menlo Park
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2012

	Special Revenue				
	Highway Users Tax	Federal Revenue Sharing	Landscape/ Tree Assessment	Sidewalk Assessment	Landfill Post-Closure
REVENUES:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	923,796	-	-	-	-
Special assessments	-	-	567,193	201,315	-
Licenses and permits	-	-	-	-	-
Use of money and property	22,673	1,987	-	-	53,320
Intergovernmental	-	-	26,763	-	-
Charges for services	-	11,231	1,957	-	726,584
Other	-	-	-	-	-
Total revenues	946,469	13,218	595,913	201,315	779,904
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	164,570	-	651,897	120,068	197,040
Culture and recreation	-	-	-	-	-
Community development	-	-	-	-	-
Urban development and housing	-	6,200	-	-	-
Capital outlay	30,000	-	2,698	112,837	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Cost of issuance	-	-	-	-	-
Total expenditures	194,570	6,200	654,595	232,905	197,040
REVENUES OVER (UNDER) EXPENDITURES	751,899	7,018	(58,682)	(31,590)	582,864
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	159,600	-	-
Transfers out	-	-	(59,454)	(17,860)	(7,424)
Proceeds from sale of fixed assets	-	-	-	-	-
Bond proceeds	-	-	-	-	-
Payment to bond escrow account	-	-	-	-	-
Discount on issuance of bonds	-	-	-	-	-
Total other financing sources (uses)	-	-	100,146	(17,860)	(7,424)
Extraordinary gain (loss)	-	-	-	-	-
Net change in fund balances	751,899	7,018	41,464	(49,450)	575,440
FUND BALANCES:					
Beginning of year	2,562,542	25,359	167,550	534,110	2,492,160
End of year	\$ 3,314,441	\$ 32,377	\$ 209,014	\$ 484,660	\$ 3,067,600

(Continued)

Special Revenue

County Transportation Tax	Public Library	Literacy Grants	Narcotic Seizure	Transportation Impact Fees	Downtown Parking Permits	Storm Drainage Fees	Solid Waste Service
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
746,187	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	408,422	-	-
7,242	-	-	-	24,875	18,271	970	7,638
288,546	-	-	-	-	-	-	8,973
38,953	-	-	-	1,290,257	-	2,593	911,148
-	-	111,474	15,384	-	-	-	70,398
<u>1,080,928</u>	<u>-</u>	<u>111,474</u>	<u>15,384</u>	<u>1,315,132</u>	<u>426,693</u>	<u>3,563</u>	<u>998,157</u>
-	-	-	-	-	-	-	14,720
-	-	-	8,687	-	-	-	-
1,100,348	-	-	-	123,745	228,484	-	240,288
-	2,238	184,901	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
40,323	-	-	1,531	125,888	600,856	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,140,671</u>	<u>2,238</u>	<u>184,901</u>	<u>10,218</u>	<u>249,633</u>	<u>829,340</u>	<u>-</u>	<u>255,008</u>
<u>(59,743)</u>	<u>(2,238)</u>	<u>(73,427)</u>	<u>5,166</u>	<u>1,065,499</u>	<u>(402,647)</u>	<u>3,563</u>	<u>743,149</u>
17,000	-	55,000	-	-	-	-	-
-	-	-	-	-	(23,770)	-	(56,968)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>17,000</u>	<u>-</u>	<u>55,000</u>	<u>-</u>	<u>-</u>	<u>(23,770)</u>	<u>-</u>	<u>(56,968)</u>
-	-	-	-	-	-	-	-
<u>(42,743)</u>	<u>(2,238)</u>	<u>(18,427)</u>	<u>5,166</u>	<u>1,065,499</u>	<u>(426,417)</u>	<u>3,563</u>	<u>686,181</u>
1,034,986	104,560	33,729	35,861	1,852,968	3,077,571	184,451	(77,202)
<u>\$ 992,243</u>	<u>\$ 102,322</u>	<u>\$ 15,302</u>	<u>\$ 41,027</u>	<u>\$ 2,918,467</u>	<u>\$ 2,651,154</u>	<u>\$ 188,014</u>	<u>\$ 608,979</u>

(Continued)

City of Menlo Park
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds, Continued
For the year ended June 30, 2012

	Special Revenue				
	Bay Area Air Quality Management	Storm Water Management (NPDES)	Peninsula Partnership	Supplemental Law Enforcement Services	Construction Impact Fee
REVENUES:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-	-
Special assessments	-	340,262	-	-	-
Licenses and permits	-	-	-	-	-
Use of money and property	(6)	3,200	-	448	15,921
Intergovernmental	-	50,033	65,400	100,000	-
Charges for services	-	-	-	-	682,952
Other	-	-	664	-	-
Total revenues	(6)	393,495	66,064	100,448	698,873
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	23,152	-
Public works	-	501,228	-	-	13,704
Culture and recreation	-	-	71,312	-	-
Community development	-	-	-	-	-
Urban development and housing	-	-	-	-	-
Capital outlay	-	-	-	51,926	203,817
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Cost of issuance	-	-	-	-	-
Total expenditures	-	501,228	71,312	75,078	217,521
REVENUES OVER (UNDER) EXPENDITURES	(6)	(107,733)	(5,248)	25,370	481,352
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	-	(33,917)	-	-	-
Proceeds from sale of assets	-	-	-	-	-
Bond proceeds	-	-	-	-	-
Payment to bond escrow account	-	-	-	-	-
Discount on issuance of bonds	-	-	-	-	-
Total other financing sources (uses)	-	(33,917)	-	-	-
Extraordinary gain (loss)	-	-	-	-	-
Net change in fund balances	(6)	(141,650)	(5,248)	25,370	481,352
FUND BALANCES:					
Beginning of year	2,619	312,738	(20,139)	29,871	2,138,215
End of year	\$ 2,613	\$ 171,088	\$ (25,387)	\$ 55,241	\$ 2,619,567

(Continued)

Special Revenue							
Bedwell Bayfront Park Maintenance	Recreation In-Lieu	Sharon Hills Park	Vintage Oaks Landscape	Community Development Block Grant	Miscellaneous Trust	Redevelopment Services	Community Development Agency Housing Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
4,802	-	633	653	-	1,859	-	61
-	-	-	-	-	-	-	-
-	205,974	-	-	630	784,650	17,086	-
-	-	-	-	-	44,907	-	-
<u>4,802</u>	<u>205,974</u>	<u>633</u>	<u>653</u>	<u>630</u>	<u>831,416</u>	<u>17,086</u>	<u>61</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
79,258	-	11,645	14,556	-	-	-	-
-	-	-	-	-	61,694	-	-
-	-	-	-	-	1,107,665	891,238	-
-	-	-	-	109	-	-	134
-	3,325,127	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>79,258</u>	<u>3,325,127</u>	<u>11,645</u>	<u>14,556</u>	<u>109</u>	<u>1,169,359</u>	<u>891,238</u>	<u>134</u>
<u>(74,456)</u>	<u>(3,119,153)</u>	<u>(11,012)</u>	<u>(13,903)</u>	<u>521</u>	<u>(337,943)</u>	<u>(874,152)</u>	<u>(73)</u>
-	-	-	-	-	-	-	664,898
(11,917)	-	-	-	-	(17,700)	(2,708,835)	(664,825)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>(11,917)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,700)</u>	<u>(2,708,835)</u>	<u>73</u>
-	-	-	-	-	-	(6,327,469)	-
<u>(86,373)</u>	<u>(3,119,153)</u>	<u>(11,012)</u>	<u>(13,903)</u>	<u>521</u>	<u>(355,643)</u>	<u>(9,910,456)</u>	<u>-</u>
846,244	3,589,245	102,245	116,077	698,970	1,033,911	9,910,456	-
<u>\$ 759,871</u>	<u>\$ 470,092</u>	<u>\$ 91,233</u>	<u>\$ 102,174</u>	<u>\$ 699,491</u>	<u>\$ 678,268</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

City of Menlo Park
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds, Continued
For the year ended June 30, 2012

	Special Revenue		Debt Service		Community Development Agency Debt Service
	Community Development Agency Non-housing	Housing Authority	Library GO Bond 1990	Recreation GO Bond 2002	
REVENUES:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-	-
Special assessments	-	-	439,453	1,313,853	-
Licenses and permits	-	-	-	-	-
Use of money and property	-	70,000	4,727	3,072	33,843
Intergovernmental	-	-	-	-	-
Charges for services	-	1,100	-	-	-
Other	-	-	-	-	-
Total revenues	-	71,100	444,180	1,316,925	33,843
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	-	-	451	5,400	-
Community development	251	-	-	-	-
Urban development and housing	-	405,625	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal	-	-	340,000	350,000	1,880,000
Interest	-	-	87,250	805,180	3,312,474
Cost of issuance	-	-	-	49,808	-
Total expenditures	251	405,625	427,701	1,210,388	5,192,474
REVENUES OVER (UNDER) EXPENDITURES	(251)	(334,525)	16,479	106,537	(5,158,631)
OTHER FINANCING SOURCES (USES):					
Transfers in	2,593,335	-	-	-	3,062,089
Transfers out	(2,593,084)	(977,206)	-	-	-
Proceeds from sale of fixed assets	-	-	-	-	-
Bond proceeds	-	-	-	9,830,000	-
Payment to bond escrow account	-	-	-	(11,166,467)	-
Discount on issuance of bonds	-	-	-	(73,725)	-
Total other financing sources (uses)	251	(977,206)	-	(1,410,192)	3,062,089
Extraordinary gain (loss)	-	(4,743,187)	-	-	(7,053,076)
Net change in fund balances	-	(6,054,918)	16,479	(1,303,655)	(9,149,618)
FUND BALANCES:					
Beginning of year	-	6,054,918	928,390	2,584,659	9,149,618
End of year	\$ -	\$ -	\$ 944,869	\$ 1,281,004	\$ -

(Continued)

Capital Projects				
Library Addition	Measure T 2002 GO Bond	Community Development Agency Capital Projects	Public Improvement	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	1,669,983
-	-	-	-	2,862,076
-	-	-	-	408,422
1,190	7,080	(1,241)	4,248	287,466
-	-	-	-	539,715
-	-	-	-	4,675,115
-	-	-	-	242,827
<u>1,190</u>	<u>7,080</u>	<u>(1,241)</u>	<u>4,248</u>	<u>10,685,604</u>
-	-	-	-	14,720
-	-	-	-	31,839
-	-	-	-	3,446,831
-	-	-	-	325,996
-	-	-	-	1,999,154
-	-	-	-	412,068
73,185	2,835,015	-	188,727	7,591,930
-	-	-	-	2,570,000
-	-	-	-	4,204,904
-	-	-	-	49,808
<u>73,185</u>	<u>2,835,015</u>	<u>-</u>	<u>188,727</u>	<u>20,647,250</u>
<u>(71,995)</u>	<u>(2,827,935)</u>	<u>(1,241)</u>	<u>(184,479)</u>	<u>(9,961,646)</u>
-	-	1,060	-	6,552,982
-	-	-	(1,060)	(7,174,020)
-	-	-	-	-
-	-	-	-	9,830,000
-	-	-	-	(11,166,467)
-	-	-	-	(73,725)
<u>-</u>	<u>-</u>	<u>1,060</u>	<u>(1,060)</u>	<u>(2,031,230)</u>
-	-	(42,956)	(7,647,475)	(25,814,163)
<u>(71,995)</u>	<u>(2,827,935)</u>	<u>(43,137)</u>	<u>(7,833,014)</u>	<u>(37,807,039)</u>
212,390	3,127,835	43,137	7,833,014	60,723,058
<u>\$ 140,395</u>	<u>\$ 299,900</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,916,019</u>

(Concluded)

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Highway Users Tax Special Revenue Fund

For the year ended June 30, 2012

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other Taxes	\$ 882,643	\$ 882,643	\$ 923,796	\$ 41,153
Use of money and property	24,500	19,500	22,673	3,173
Intergovernmental	-	-	-	-
Total revenues	907,143	902,143	946,469	44,326
EXPENDITURES:				
Current:				
Public works	135,144	146,154	164,570	(18,416)
Capital outlay	1,822,406	1,811,396	30,000	1,781,396
Total expenditures	1,957,550	1,957,550	194,570	1,762,980
REVENUES OVER (UNDER) EXPENDITURES	(1,050,407)	(1,055,407)	751,899	(1,807,306)
Net change in fund balance	\$ (1,050,407)	\$ (1,055,407)	751,899	\$ 1,807,306
FUND BALANCE:				
Beginning of year			2,562,542	
End of year			\$ 3,314,441	

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Federal Revenue Sharing Special Revenue Fund For the year ended June 30, 2012

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 1,000	\$ 1,000	\$ 1,987	\$ 987
Charges for services	1,022	1,022	11,231	10,209
Total revenues	2,022	2,022	13,218	11,196
EXPENDITURES:				
Current:				
Urban development and housing	14,500	14,500	6,200	8,300
Total expenditures	14,500	14,500	6,200	8,300
Net change in fund balance	\$ (12,478)	\$ (12,478)	7,018	\$ 19,496
FUND BALANCE:				
Beginning of year			25,359	
End of year			\$ 32,377	

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Landscape Tree Assessment Special Revenue Fund For the year ended June 30, 2012

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ 555,500	\$ 555,500	\$ 567,193	\$ 11,693
Intergovernmental	13,000	13,000	26,763	13,763
Charges for services	1,000	1,000	1,957	957
Total revenues	569,500	569,500	595,913	26,413
EXPENDITURES:				
Current:				
Public works	788,648	788,648	651,897	136,751
Capital outlay	14,000	14,000	2,698	11,302
Total expenditures	802,648	802,648	654,595	148,053
REVENUES OVER (UNDER) EXPENDITURES	(233,148)	(233,148)	(58,682)	(174,466)
OTHER FINANCING SOURCES (USES):				
Transfers in	159,600	159,600	159,600	-
Transfers out	(59,454)	(59,454)	(59,454)	-
Total other financing sources (uses)	100,146	100,146	100,146	-
Net change in fund balance	\$ (133,002)	\$ (133,002)	41,464	\$ 174,466
FUND BALANCE:				
Beginning of year			167,550	
End of year			\$ 209,014	

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Sidewalk Assessment Special Revenue Fund For the year ended June 30, 2012

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ 190,025	\$ 190,025	\$ 201,315	\$ 11,290
Total revenues	<u>190,025</u>	<u>190,025</u>	<u>201,315</u>	<u>11,290</u>
EXPENDITURES:				
Current:				
Public works	73,531	128,431	120,068	8,363
Capital outlay	391,373	336,473	112,837	223,636
Total expenditures	<u>464,904</u>	<u>464,904</u>	<u>232,905</u>	<u>231,999</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(274,879)</u>	<u>(274,879)</u>	<u>(31,590)</u>	<u>(220,709)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(17,860)	(17,860)	(17,860)	-
Total other financing sources (uses)	<u>(17,860)</u>	<u>(17,860)</u>	<u>(17,860)</u>	<u>-</u>
Net change in fund balance	<u>\$ (292,739)</u>	<u>\$ (292,739)</u>	<u>(49,450)</u>	<u>\$ 243,289</u>
FUND BALANCE:				
Beginning of year			<u>534,110</u>	
End of year			<u>\$ 484,660</u>	

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Landfill Post-Closure Special Revenue Fund For the year ended June 30, 2012

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 100,000	\$ 90,000	\$ 53,320	\$ (36,680)
Charges for services	647,000	717,000	726,584	9,584
Total revenues	747,000	807,000	779,904	(27,096)
EXPENDITURES:				
Current:				
Public Works	505,626	505,626	197,040	308,586
Capital outlay	25,000	25,000	-	25,000
Total expenditures	530,626	530,626	197,040	333,586
REVENUES OVER (UNDER) EXPENDITURES	216,374	276,374	582,864	(360,682)
OTHER FINANCING SOURCES (USES):				
Transfers out	(7,424)	(7,424)	(7,424)	-
Total other financing sources (uses)	(7,424)	(7,424)	(7,424)	-
Net change in fund balance	\$ 223,798	\$ 283,798	575,440	291,642
FUND BALANCE:				
Beginning of year			2,492,160	
End of year			\$ 3,067,600	

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual County Transportation Tax Special Revenue Fund For the year ended June 30, 2012

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other Taxes	\$ 660,000	\$ 660,000	\$ 746,187	\$ 86,187
Use of money and property	10,000	10,000	7,242	(2,758)
Intergovernmental	546,120	546,120	288,546	(257,574)
Charges for services	44,861	44,861	38,953	(5,908)
Total revenues	<u>1,260,981</u>	<u>1,260,981</u>	<u>1,080,928</u>	<u>(180,053)</u>
EXPENDITURES:				
Current:				
Public works	1,488,629	1,588,033	1,100,348	487,685
Capital outlay	813,864	1,040,664	40,323	1,000,341
Total expenditures	<u>2,302,493</u>	<u>2,628,697</u>	<u>1,140,671</u>	<u>1,488,026</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,041,512)</u>	<u>(1,367,716)</u>	<u>(59,743)</u>	<u>(1,307,973)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	17,000	17,000	17,000	-
Total other financing sources (uses)	<u>17,000</u>	<u>17,000</u>	<u>17,000</u>	<u>-</u>
Net change in fund balance	<u>\$ (1,024,512)</u>	<u>\$ (1,350,716)</u>	<u>(42,743)</u>	<u>\$ 1,307,973</u>
FUND BALANCE:				
Beginning of year			<u>1,034,986</u>	
End of year			<u>\$ 992,243</u>	

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Public Library Special Revenue Fund

For the year ended June 30, 2012

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 2,300	\$ -	\$ -	\$ -
Total revenues	2,300	-	-	-
EXPENDITURES:				
Current:				
Culture and recreation	37,697	37,697	2,238	35,459
Total expenditures	37,697	37,697	2,238	35,459
REVENUES OVER (UNDER) EXPENDITURES	(35,397)	(37,697)	(2,238)	(35,459)
FUND BALANCE:				
Beginning of year			104,560	
End of year			<u>\$ 102,322</u>	

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Literacy Grant Special Revenue Fund

For the year ended June 30, 2012

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 34,786	\$ -	\$ -	\$ -
Other	121,000	134,100	111,474	(22,626)
Total revenues	155,786	134,100	111,474	(22,626)
EXPENDITURES:				
Current:				
Culture and recreation	190,810	190,810	184,901	5,909
Total expenditures	190,810	190,810	184,901	5,909
REVENUES OVER (UNDER) EXPENDITURES	(35,024)	(56,710)	(73,427)	(16,717)
OTHER FINANCING SOURCES (USES):				
Transfers in	55,000	55,000	55,000	-
Transfers out	-	-	-	-
Total other financing sources (uses)	55,000	55,000	55,000	-
Net change in fund balance	\$ 19,976	\$ (1,710)	(18,427)	\$ (16,717)
FUND BALANCE:				
Beginning of year			33,729	
End of year			\$ 15,302	

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Narcotic Seizure Special Revenue Fund

For the year ended June 30, 2012

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for current services	\$ -	\$ 14,000	\$ -	\$ (14,000)
Other	-	-	15,384	15,384
Total revenues	-	14,000	15,384	1,384
EXPENDITURES:				
Current:				
Public safety	10,000	10,000	8,687	1,313
Capital Outlay	-	-	1,531	(1,531)
Total expenditures	10,000	10,000	10,218	(218)
REVENUES OVER (UNDER) EXPENDITURES	(10,000)	4,000	5,166	1,602
Net change in fund balance	\$ (10,000)	\$ 4,000	5,166	\$ 5,166
FUND BALANCE:				
Beginning of year			35,861	
End of year			\$ 41,027	

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Transportation Impact Fees Special Revenue Fund For the year ended June 30, 2012

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 20,000	\$ 17,000	\$ 24,875	\$ 7,875
Intergovernmental	120,000	-	-	-
Charges for services	1,336,000	1,256,000	1,290,257	34,257
Total revenues	1,476,000	1,273,000	1,315,132	42,132
EXPENDITURES:				
Current:				
Public works	219,372	169,594	123,745	45,849
Capital outlay	652,407	337,186	125,888	211,298
Total expenditures	871,779	506,780	249,633	257,147
Net change in fund balance	\$ 604,221	\$ 766,220	1,065,499	\$ 299,279
FUND BALANCE:				
Beginning of year			1,852,968	
End of year			\$ 2,918,467	

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Downtown Parking Permits Special Revenue Fund For the year ended June 30, 2012

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses and permits	\$ 350,000	\$ 365,000	\$ 408,422	\$ 43,422
Use of money and property	45,000	25,000	18,271	(6,729)
Total revenues	395,000	390,000	426,693	36,693
EXPENDITURES:				
Current:				
Public safety	20,000	21,400	-	21,400
Public works	326,863	407,956	228,484	179,472
Capital outlay	1,195,025	1,404,968	600,856	804,112
Total expenditures	1,541,888	1,834,324	829,340	1,004,984
REVENUES OVER (UNDER) EXPENDITURES	(1,146,888)	(1,444,324)	(402,647)	(968,291)
OTHER FINANCING SOURCES (USES):				
Transfers out	(23,770)	(23,770)	(23,770)	-
Total other financing sources (uses)	(23,770)	(23,770)	(23,770)	-
Net change in fund balance	\$ (1,170,658)	\$ (1,468,094)	(426,417)	\$ 1,041,677
FUND BALANCE:				
Beginning of year			3,077,571	
End of year			\$ 2,651,154	

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Storm Drainage Fees Special Revenue Fund

For the year ended June 30, 2012

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 1,000	\$ 1,000	\$ 970	\$ (30)
Charges for services	5,000	5,000	2,593	(2,407)
Total revenues	6,000	6,000	3,563	(2,437)
EXPENDITURES:				
Capital outlay	100,000	100,000	-	100,000
Total expenditures	100,000	100,000	-	100,000
Net change in fund balance	\$ (94,000)	\$ (94,000)	3,563	\$ 97,563
FUND BALANCE:				
Beginning of year			184,451	
End of year			\$ 188,014	

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Solid Waste Service Special Revenue Fund For the year ended June 30, 2012

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 1,000	\$ 1,000	\$ 7,638	\$ 6,638
Intergovernmental	4,000	4,000	8,973	4,973
Charges for services	676,175	676,175	911,148	234,973
Other	-	-	70,398	70,398
Total revenues	681,175	681,175	998,157	316,982
EXPENDITURES:				
Current:				
General government	415,447	415,447	14,720	400,727
Public works	283,358	283,358	240,288	43,070
Total expenditures	698,805	698,805	255,008	443,797
REVENUES OVER (UNDER) EXPENDITURES	(17,630)	(17,630)	743,149	(126,815)
OTHER FINANCING SOURCES (USES):				
Transfers out	(56,968)	(56,968)	(56,968)	-
Total other financing sources (uses)	(56,968)	(56,968)	(56,968)	-
Net change in fund balance	\$ (74,598)	\$ (74,598)	686,181	\$ 760,779
FUND BALANCE:				
Beginning of year			(77,202)	
End of year			\$ 608,979	

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Bay Area Air Quality Management Special Revenue Fund

For the year ended June 30, 2012

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Use of money and property	\$ -	\$ -	\$ (6)	\$ (6)
Intergovernmental	-	-	-	-
Total revenues	-	-	(6)	(6)
EXPENDITURES:				
Current:				
Public works	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balance	\$ -	\$ -	(6)	\$ (6)
FUND BALANCE:				
Beginning of year			2,619	
End of year			\$ 2,613	

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Storm Water Management (NPDES) Special Revenue Fund For the year ended June 30, 2012

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ 340,250	\$ 340,250	\$ 340,262	\$ 12
Use of money and property	-	-	3,200	3,200
Intergovernmental	55,000	55,000	50,033	(4,967)
Charges for services	-	2,300	-	(2,300)
Total revenues	395,250	397,550	393,495	(4,055)
EXPENDITURES:				
Current:				
Public works	478,038	586,838	501,228	85,610
Capital outlay	130,037	21,237	-	21,237
Total expenditures	608,075	608,075	501,228	106,847
REVENUES OVER (UNDER) EXPENDITURES	(212,825)	(210,525)	(107,733)	102,792
OTHER FINANCING SOURCES (USES):				
Transfers out	(33,917)	(33,917)	(33,917)	-
Total other financing sources (uses)	(33,917)	(33,917)	(33,917)	-
Net change in fund balance	\$ (246,742)	\$ (244,442)	(141,650)	\$ 102,792
FUND BALANCE:				
Beginning of year			312,738	
End of year			\$ 171,088	

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Peninsula Partnership Special Revenue Fund For the year ended June 30, 2012

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 80,203	\$ 80,203	\$ 65,400	\$ (14,803)
Other	12,204	12,204	664	(11,540)
Total revenues	92,407	92,407	66,064	(26,343)
EXPENDITURES:				
Current:				
Culture and recreation	72,406	72,406	71,312	1,094
Capital outlay	-	-	-	-
Total expenditures	72,406	72,406	71,312	1,094
Net change in fund balance	\$ 20,001	\$ 20,001	(5,248)	\$ (25,249)
FUND BALANCE:				
Beginning of year			(20,139)	
End of year			\$ (25,387)	

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Supplemental Law Enforcement Services Special Revenue Fund For the year ended June 30, 2012

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 448	\$ 448
Intergovernmental	-	100,000	100,000	-
Total revenues	-	100,000	100,448	448
EXPENDITURES:				
Current:				
Public safety	-	26,000	23,152	2,848
Capital outlay	-	103,783	51,926	51,857
Total expenditures	-	129,783	75,078	54,705
Net change in fund balance	\$ -	\$ (29,783)	25,370	\$ 55,153
FUND BALANCE:				
Beginning of year			29,871	
End of year			\$ 55,241	

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Construction Impact Fees Special Revenue Fund For the year ended June 30, 2012

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 20,000	\$ 22,000	15,921	\$ (6,079)
Charges for services	480,000	480,000	682,952	202,952
Total revenues	500,000	502,000	698,873	196,873
EXPENDITURES:				
Current:				
Public works	12,195	67,195	13,704	53,491
Capital outlay	1,704,047	1,704,047	203,817	1,500,230
Total expenditures	1,716,242	1,771,242	217,521	1,553,721
Net change in fund balance	\$ 2,216,242	\$ 2,273,242	481,352	\$ (1,791,890)
FUND BALANCE:				
Beginning of year			2,138,215	
End of year			\$ 2,619,567	

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Bedwell Bayfront Park Maintenance Special Revenue Fund For the year ended June 30, 2012

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 10,000	\$ 2,500	\$ 4,802	\$ 2,302
Total revenues	10,000	2,500	4,802	2,302
EXPENDITURES:				
Current:				
Public works	135,047	135,047	79,258	55,789
Capital outlay	5,000	5,000	-	5,000
Total expenditures	140,047	140,047	79,258	60,789
REVENUES OVER (UNDER) EXPENDITURES	(130,047)	(137,547)	(74,456)	(58,487)
OTHER FINANCING SOURCES (USES):				
Transfers out	(11,917)	(11,917)	(11,917)	-
Total other financing sources (uses)	(11,917)	(11,917)	(11,917)	-
Net change in fund balance	\$ (141,964)	\$ (149,464)	(86,373)	\$ 63,091
FUND BALANCE:				
Beginning of year			846,244	
End of year			\$ 759,871	

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Recreation In-Lieu Special Revenue Fund

For the year ended June 30, 2012

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 1,000	\$ -	\$ -	\$ -
Charges for services	-	180,000	205,974	25,974
Total revenues	1,000	180,000	205,974	25,974
EXPENDITURES:				
Current:				
Public works	56,054	56,054	-	56,054
Capital outlay	3,525,212	3,525,212	3,325,127	200,085
Total expenditures	3,581,266	3,581,266	3,325,127	256,139
REVENUES OVER (UNDER) EXPENDITURES	(3,580,266)	(3,401,266)	(3,119,153)	(230,165)
Net change in fund balance	\$ 1,000	\$ 180,000	(3,119,153)	\$ (3,299,153)
FUND BALANCE:				
Beginning of year			3,589,245	
End of year			\$ 470,092	

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Sharon Hills Park Special Revenue Fund

For the year ended June 30, 2012

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 1,000	\$ 1,000	\$ 633	\$ (367)
Total revenues	1,000	1,000	633	(367)
EXPENDITURES:				
Current:				
Public works	13,000	13,000	11,645	1,355
Total expenditures	13,000	13,000	11,645	1,355
Net change in fund balance	\$ (12,000)	\$ (12,000)	(11,012)	\$ 988
FUND BALANCE:				
Beginning of year			102,245	
End of year			\$ 91,233	

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Vintage Oaks Landscape Special Revenue Fund

For the year ended June 30, 2012

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 1,200	\$ 1,200	\$ 653	\$ (547)
Total revenues	1,200	1,200	653	(547)
EXPENDITURES:				
Current:				
Public works	20,561	20,561	14,556	6,005
Total expenditures	20,561	20,561	14,556	6,005
Net change in fund balance	\$ (19,361)	\$ (19,361)	(13,903)	\$ 5,458
FUND BALANCE:				
Beginning of year			116,077	
End of year			\$ 102,174	

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Community Development Block Grant Special Revenue Fund For the year ended June 30, 2012

Budgetary Comparison Schedule, Community Development Block Grant Special Revenue Fund

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES:				
Use of money and property	\$ 15,000	\$ 25,000	\$ -	\$ (25,000)
Intergovernmental	-	-	-	
Charges for services	(15,000)	(15,000)	630	15,630
Total revenues	-	10,000	630	(9,370)
EXPENDITURES:				
Current:				
Urban development and housing	700	700	109	591
Capital outlay	-	-	-	-
Total expenditures	700	700	109	591
REVENUES OVER (UNDER) EXPENDITURES	\$ (700)	\$ 9,300	521	\$ (8,779)
FUND BALANCE:				
Beginning of year			698,970	
End of year			\$ 699,491	

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Miscellaneous Trust Special Revenue Fund

For the year ended June 30, 2012

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 6,200	\$ 4,700	\$ 1,859	\$ (2,841)
Charges for services	-	-	784,650	784,650
Other	-	-	44,907	44,907
Total revenues	6,200	4,700	831,416	826,716
EXPENDITURES:				
Current:				
Culture and recreation	118,114	118,114	61,694	56,420
Community development	123,675	123,675	1,107,665	(983,990)
Capital outlay	4,000	4,000	-	4,000
Total expenditures	245,789	245,789	1,169,359	(923,570)
REVENUES OVER (UNDER) EXPENDITURES	(239,589)	(241,089)	(337,943)	(96,854)
OTHER FINANCING SOURCES (USES):				
Transfers out	(17,700)	(17,700)	(17,700)	-
Total other financing sources (uses)	(17,700)	(17,700)	(17,700)	-
Net change in fund balance	\$ (257,289)	\$ (258,789)	(355,643)	\$ (96,854)
FUND BALANCE:				
Beginning of year			1,033,911	
End of year			\$ 678,268	

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Redevelopment Services Special Revenue Fund For the year ended June 30, 2012

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 150,000	\$ -	\$ -	\$ -
Charges for services	20,000	20,000	17,086	(2,914)
Total revenues	170,000	20,000	17,086	(2,914)
EXPENDITURES:				
Current:				
Community development	1,575,533	952,110	891,238	60,872
Total expenditures	1,575,533	952,110	891,238	60,872
REVENUES OVER (UNDER) EXPENDITURES	(1,405,533)	(932,110)	(874,152)	(57,958)
OTHER FINANCING SOURCES (USES):				
Transfers in	1,415,145	1,415,145	-	1,415,145
Transfers out	-	-	(2,708,835)	(2,708,835)
Total other financing sources (uses)	1,415,145	1,415,145	(2,708,835)	(1,293,690)
Extraordinary gain(loss)	-	-	(6,327,469)	(6,327,469)
Net change in fund balance	\$ 9,612	\$ 483,035	(9,910,456)	\$ (7,679,117)
FUND BALANCE:				
Beginning of year			9,910,456	
End of year			\$ -	

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Community Development Agency Low to Moderate Income Housing Special Revenue Fund For the year ended June 30, 2012

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 2,202,000	\$ 2,202,000	\$ -	\$ (2,202,000)
Use of money and property	-	-	61	61
Total revenues	2,202,000	2,202,000	61	(2,201,939)
EXPENDITURES:				
Current:				
Urban development and housing	-	-	134	(134)
Total expenditures	-	-	134	(134)
REVENUES OVER (UNDER) EXPENDITURES	2,202,000	2,202,000	(73)	2,202,073
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	664,898	(664,898)
Transfers out	(2,202,000)	(2,202,000)	(664,825)	(1,537,175)
Total other financing sources (uses)	(2,202,000)	(2,202,000)	73	(2,202,073)
Net change in fund balance	\$ -	\$ -	-	\$ -
FUND BALANCE:				
Beginning of year			-	
End of year			\$ -	

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Community Development Agency Non-housing Special Revenue Fund For the year ended June 30, 2012

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 8,049,700	\$ 8,049,700	\$ -	\$ (8,049,700)
Use of money and property	-	-	-	-
Total revenues	<u>8,049,700</u>	<u>8,049,700</u>	<u>-</u>	<u>(8,049,700)</u>
EXPENDITURES:				
Current:				
Community development	3,070,000	3,070,000	251	3,069,749
Total expenditures	<u>3,070,000</u>	<u>3,070,000</u>	<u>251</u>	<u>3,069,749</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>4,979,700</u>	<u>4,979,700</u>	<u>(251)</u>	<u>4,979,951</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	2,593,335	(2,593,335)
Transfers out	(5,829,700)	(5,829,700)	(2,593,084)	(3,236,616)
Total other financing sources (uses)	<u>(5,829,700)</u>	<u>(5,829,700)</u>	<u>251</u>	<u>(5,829,951)</u>
Net change in fund balance	<u>\$ (850,000)</u>	<u>\$ (850,000)</u>	<u>-</u>	<u>\$ (850,000)</u>
FUND BALANCE:				
Beginning of year			-	
End of year			<u>\$ -</u>	

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Housing Authority Special Revenue Fund

For the year ended June 30, 2012

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 60,000	\$ -	\$ 70,000	\$ 70,000
Charges for services	142,000	142,000	1,100	(140,900)
Total revenues	202,000	142,000	71,100	(70,900)
EXPENDITURES:				
Current:				
Urban development and housing	1,262,296	497,566	405,625	91,941
Capital outlay	4,500	-	-	-
Total expenditures	1,266,796	497,566	405,625	91,941
REVENUES OVER (UNDER) EXPENDITURES	(1,064,796)	(355,566)	(334,525)	(21,041)
OTHER FINANCING SOURCES (USES):				
Transfers in	1,062,301	1,062,301	-	1,062,301
Transfers out	-	-	(977,206)	(977,206)
Total other financing sources (uses)	1,062,301	1,062,301	(977,206)	85,095
Extraordinary gain(loss)	-	-	(4,743,187)	(4,743,187)
Net change in fund balance	\$ (2,495)	\$ 706,735	(6,054,918)	\$ (4,679,133)
FUND BALANCE:				
Beginning of year			6,054,918	
End of year			\$ -	

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Library Bond Debt Service Fund

For the year ended June 30, 2012

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ 421,250	\$ 421,250	\$ 439,453	\$ 18,203
Use of money and property	6,000	5,000	4,727	(273)
Total revenues	427,250	426,250	444,180	17,930
EXPENDITURES:				
Cultural and recreation	-	450	451	(1)
Debt service:				
Principal	340,000	340,000	340,000	-
Interest	87,250	87,250	87,250	-
Total expenditures	427,250	427,700	427,701	(1)
Net change in fund balance	\$ -	\$ (1,450)	16,479	\$ 17,929
FUND BALANCE:				
Beginning of year			928,390	
End of year			\$ 944,869	

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Recreation GO Bond 2002 Debt Service Fund For the year ended June 30, 2012

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ 1,312,740	\$ 1,312,740	\$ 1,313,853	\$ 1,113
Use of money and property	22,000	10,000	3,072	(6,928)
Total revenues	<u>1,334,740</u>	<u>1,322,740</u>	<u>1,316,925</u>	<u>(5,815)</u>
EXPENDITURES:				
Culture and recreation	5,900	5,900	5,400	500
Debt service:				
Principal	350,000	350,000	350,000	-
Interest	1,062,811	1,062,811	805,180	257,631
Cost of issuance	-	-	49,808	(49,808)
Total expenditures	<u>1,418,711</u>	<u>1,418,711</u>	<u>1,210,388</u>	<u>208,323</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(83,971)</u>	<u>(95,971)</u>	<u>106,537</u>	<u>(214,138)</u>
OTHER FINANCING SOURCES (USES):				
Bond proceeds	-	-	9,830,000	(9,830,000)
Discount on issuance of bonds	-	-	(73,725)	73,725
Payment to bond escrow account	-	(1,460,000)	(11,166,467)	9,706,467
Total other financing sources (uses)	<u>-</u>	<u>(1,460,000)</u>	<u>(1,410,192)</u>	<u>(49,808)</u>
Net change in fund balance	<u>\$ (83,971)</u>	<u>\$ (1,555,971)</u>	<u>(1,303,655)</u>	<u>\$ 252,316</u>
FUND BALANCE:				
Beginning of year			<u>2,584,659</u>	
End of year			<u>\$ 1,281,004</u>	

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Community Development Agency - Debt Service Major Fund For the year ended June 30, 2012

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 50,000	\$ 105,000	\$ 33,843	\$ (71,157)
Total revenues	50,000	105,000	33,843	(71,157)
EXPENDITURES:				
Debt service:				
Principal	1,880,000	1,880,000	1,880,000	-
Interest and fiscal charges	3,414,295	3,414,295	3,312,474	101,821
Total expenditures	5,294,295	5,294,295	5,192,474	101,821
REVENUES OVER (UNDER) EXPENDITURES	(5,244,295)	(5,189,295)	(5,158,631)	30,664
OTHER FINANCING SOURCES (USES):				
Transfers in	5,249,295	5,249,295	3,062,089	(2,187,206)
Total other financing sources (uses)	5,249,295	5,249,295	3,062,089	(2,187,206)
Extraordinary gain (loss)	-	-	(7,053,076)	-
Net change in fund balance	\$ 5,000	\$ 60,000	(9,149,618)	\$ (9,209,618)
FUND BALANCE:				
Beginning of year			9,149,618	
End of year			\$ -	

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Library Addition Capital Projects Fund

For the year ended June 30, 2012

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 1,000	\$ 1,000	\$ 1,190	\$ 190
Total revenues	1,000	1,000	1,190	190
EXPENDITURES:				
Current				
Capital outlay	152,809	152,809	73,185	79,624
Total expenditures	152,809	152,809	73,185	79,624
REVENUES OVER (UNDER) EXPENDITURES	(151,809)	(151,809)	(71,995)	79,814
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	\$ (151,809)	\$ (151,809)	(71,995)	\$ 79,814
FUND BALANCE:				
Beginning of year			212,390	
End of year			\$ 140,395	

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Measure T 2002 GO Bond Capital Projects Fund For the year ended June 30, 2012

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 1,000	\$ 1,000	\$ 7,080	\$ 6,080
Total revenues	1,000	1,000	7,080	6,080
EXPENDITURES:				
Capital outlay	2,973,231	2,973,231	2,835,015	138,216
Total expenditures	2,973,231	2,973,231	2,835,015	138,216
REVENUES OVER (UNDER) EXPENDITURES	(2,972,231)	(2,972,231)	(2,827,935)	(132,136)
OTHER FINANCING SOURCES (USES):				
Bond proceeds	-	-	-	-
Premium on issuance	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	\$ (2,972,231)	\$ (2,972,231)	(2,827,935)	\$ 144,296
FUND BALANCE:				
Beginning of year			3,127,835	
End of year			\$ 299,900	

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Community Development Agency Capital Improvement Capital Projects Fund For the year ended June 30, 2012

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ (1,241)	\$ (1,241)
Total revenues	-	-	(1,241)	(1,241)
EXPENDITURES:				
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	-	-	(1,241)	(1,241)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	1,060	1,060
Total other financing sources (uses)	-	-	1,060	1,060
Extraordinary gain (loss)	-	-	(42,956)	(42,956)
Net change in fund balance	\$ -	\$ -	(43,137)	\$ (43,137)
FUND BALANCE:				
Beginning of year			43,137	
End of year			\$ -	

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Public Improvements Grant Capital Projects Fund For the year ended June 30, 2012

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 115,000	\$ -	\$ 4,248	\$ 4,248
Intergovernmental	240,000	240,000	-	(240,000)
Total revenues	355,000	240,000	4,248	(235,752)
EXPENDITURES:				
Capital outlay	5,342,392	1,745,951	188,727	1,557,224
Total expenditures	5,342,392	1,745,951	188,727	1,557,224
REVENUES OVER (UNDER) EXPENDITURES	(4,987,392)	(1,505,951)	(184,479)	1,321,472
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	(1,060)	(1,060)
Total other financing sources (uses)	-	-	(1,060)	(1,060)
Extraordinary gain (loss)	-	-	(7,647,475)	(7,647,475)
Net change in fund balance	\$ (4,987,392)	\$ (1,505,951)	(7,833,014)	\$ (6,327,063)
FUND BALANCE:				
Beginning of year			7,833,014	
End of year			\$ -	

ENTERPRISE FUNDS

Water Operations Fund - Established to account for the water distributions operations of the Menlo Park Municipal Water District.

Water Capital Improvement Fund - Accounts for the proceeds of the capital surcharge from water operations and is utilized for construction improvements of the water infrastructure.

City of Menlo Park
Combining Schedule of Net Assets
Enterprise Funds
June 30, 2012

	Water Operating Fund	Water Capital Improvement Fund	Total Water Funds
ASSETS			
Current assets:			
Cash and investments	\$ 3,855	\$ 14,905,720	\$ 14,909,575
Receivables:			
Accounts	689,348	53,702	743,050
Interest	-	29,786	29,786
Deposits and prepaid expenses	-	-	-
Due from other funds	-	434,001	434,001
Total current assets	693,203	15,423,209	16,116,412
Capital assets:			
Non-depreciable	2,621,480	-	2,621,480
Depreciable, net	6,902,736	-	6,902,736
Total capital assets	9,524,216	-	9,524,216
Total assets	10,217,419	15,423,209	25,640,628
LIABILITIES			
Current liabilities:			
Accounts payable	603,797	21,772	625,569
Accrued payroll	29,172	7,315	36,487
Deposits	17,754	-	17,754
Compensated absences	15,743	4,831	20,574
Due to other funds	434,001	-	434,001
Total current liabilities	1,100,467	33,918	1,134,385
Noncurrent liabilities:			
Compensated absences	24,265	7,446	31,711
Total noncurrent liabilities	24,265	7,446	31,711
Total liabilities	1,124,732	41,364	1,166,096
NET ASSETS			
Invested in capital assets, net of related debt	9,524,216	-	9,524,216
Restricted for:			
Capital projects	-	15,381,845	15,381,845
Unrestricted	(431,529)	-	(431,529)
Total net assets	\$ 9,092,687	\$ 15,381,845	\$ 24,474,532

City of Menlo Park
Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets
Enterprise Funds
For the year ended June 30, 2012

	Water Operating Fund	Water Capital Improvement Fund	Total Water Funds
OPERATING REVENUES:			
Water sales	\$ 5,059,416	\$ 660,506	\$ 5,719,922
Connection fees	30,737	-	30,737
Total operating revenues	5,090,153	660,506	5,750,659
OPERATING EXPENSES:			
Cost of sales and services	4,470,961	1,153,171	5,624,132
General and administrative	318,860	-	318,860
Depreciation	169,962	-	169,962
Total operating expenses	4,959,783	1,153,171	6,112,954
OPERATING INCOME (LOSS)	130,370	(492,665)	(362,295)
NONOPERATING REVENUES (EXPENSES):			
Interest income	(30)	103,510	103,480
Gain (Loss) on sale of equipment	(5,953)	-	(5,953)
Total nonoperating revenues	(5,983)	103,510	97,527
INCOME (LOSS) BEFORE TRANSFERS	124,387	(389,155)	(264,768)
TRANSFERS:			
Transfers in	1,000,000	-	1,000,000
Transfers out	(170,605)	(1,000,000)	(1,170,605)
Total transfers	829,395	(1,000,000)	(170,605)
Net income (loss)	953,782	(1,389,155)	(435,373)
NET ASSETS:			
Beginning of year	8,138,905	16,771,000	24,909,905
End of year	<u>\$ 9,092,687</u>	<u>\$ 15,381,845</u>	<u>\$ 24,474,532</u>

City of Menlo Park
Combining Schedule of Cash Flows
Enterprise Funds
For the year ended June 30, 2012

	Water Operating Fund	Water Capital Improvement Fund	Total Water Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers/other funds	\$ 5,090,154	\$ 634,523	5,724,677
Cash payment to suppliers	(3,966,201)	(1,233,883)	(5,200,084)
Cash payments for general and administrative	(786,900)	(19,336)	(806,236)
Net cash provided (used) by operating activities	337,053	(618,696)	(281,643)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	1,000,000	-	1,000,000
Transfers out	(170,606)	(1,000,000)	(1,170,606)
Net cash provided (used) by noncapital financing activities	829,394	(1,000,000)	(170,606)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(1,166,416)	(40,325)	(1,206,741)
Net cash provided (used) by capital and related financing activities	(1,166,416)	(40,325)	(1,206,741)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income	(31)	143,835	143,804
Net cash provided (used) by investing activities	(31)	143,835	143,804
Net increase (decrease) in cash and cash equivalents	-	(1,515,186)	(1,515,186)
CASH AND CASH EQUIVALENTS:			
Beginning of year	3,855	16,420,906	16,424,761
End of year	\$ 3,855	\$ 14,905,720	\$ 14,909,575
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 130,370	\$ (492,665)	\$ (362,295)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	169,962	-	169,962
Changes in current assets and liabilities:			
Accounts receivable	(140,098)	11,956	(128,142)
Accounts payable	239,233	(146,971)	92,262
Accrued payroll	(1,326)	1,289	(37)
Compensated absences	(31,431)	7,695	(23,736)
Deposits	(29,658)	-	(29,658)
Total adjustments	206,682	(126,031)	80,651
Net cash provided (used) by operating activities	\$ 337,052	\$ (618,696)	\$ (281,644)

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Workers' Compensation Insurance Fund - This fund accounts for the administration of the City's self-insured Workers' Compensation Insurance Program.

Liability Fire Insurance Fund - This fund accounts for the administration of the City's General Liability Insurance program.

Other Post Employment Benefits - This fund accounts for the financial administration of funding from all City departments for retiree medical benefits as these benefits are earned.

Vehicle Replacement Fund - This fund accounts for the replacement of vehicles and equipment used by various City departments.

City of Menlo Park
Combining Statement of Net Assets
Internal Service Funds
June 30, 2012

	Workers' Compensation Insurance	General Liability Insurance	Other Post Employment Benefits	Vehicle Replacement	Total
ASSETS					
Current assets:					
Cash, cash equivalents and investments	\$ 2,846,433	\$ 562,167	\$ -	\$ 174,926	\$ 3,583,526
Receivables:					
Accounts	-	-	4,839	-	4,839
Interest	5,707	546	-	351	6,604
Deposits and prepaid items	110,000	35,000	-	-	145,000
Total current assets	2,962,140	597,713	4,839	175,277	3,739,969
Capital assets:					
Depreciable, net	-	-	-	495,854	495,854
Total capital assets	-	-	-	495,854	495,854
Total assets	2,962,140	597,713	4,839	671,131	4,235,823
LIABILITIES AND NET ASSETS					
Liabilities:					
Current Liabilities:					
Accounts payable	52,976	71,111	22,280	-	146,367
Accrued payroll	1,865	1,049	-	-	2,914
Due to other funds	-	-	10,830	-	10,830
Claims payable, due within one year	457,979	201,719	-	-	659,698
Compensated absences payable, due within one year	1,362	1,258	-	-	2,620
Total current liabilities	514,182	275,137	33,110	-	822,429
Claims payable, due in more than one year	1,559,185	319,237	-	-	1,878,422
Compensated absences payable, due in more than one year	2,100	1,939	-	-	4,039
Total liabilities	2,075,467	596,313	33,110	-	2,704,890
Net Assets:					
Invested in capital assets, net of related debt	-	-	-	495,854	495,854
Unrestricted	886,673	1,400	(28,271)	175,277	1,035,079
Total net assets	\$ 886,673	\$ 1,400	\$ (28,271)	\$ 671,131	\$ 1,530,933

City of Menlo Park
Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
For the year ended June 30, 2012

	Workers' Compensation Insurance	General Liability Insurance	Other Post Employment Benefits	Vehicle Replacement	Total
OPERATING REVENUES:					
Charges for services	\$ 505,260	\$ 1,091,970	\$ 554,804	\$ 199,992	\$ 2,352,026
Total operating revenues	505,260	1,091,970	554,804	199,992	2,352,026
OPERATING EXPENSES:					
Personnel services	51,423	28,810	-	-	80,233
General and administrative	42,113	267,970	66,592	-	376,675
Insurance	681,374	904,142	488,617	-	2,074,133
Depreciation	-	-	-	172,635	172,635
Total operating expenses	774,910	1,200,922	555,209	172,635	2,703,676
OPERATING INCOME (LOSS)	(269,650)	(108,952)	(405)	27,357	(351,650)
NONOPERATING REVENUES (EXPENSES):					
Interest and investment earnings	17,578	1,295	34	1,073	19,980
Gain (loss) on sale of equipment	-	-	-	4,490	4,490
Total nonoperating revenues (expenses)	17,578	1,295	34	5,563	24,470
INCOME (LOSS) BEFORE TRANSFERS	(252,072)	(107,657)	(371)	32,920	(327,180)
TRANSFERS:					
Transfers in	-	-	-	-	-
Contributions	-	-	-	-	-
Total transfers	-	-	-	-	-
NET INCOME (LOSS)	(252,072)	(107,657)	(371)	32,920	(327,180)
NET ASSETS:					
Beginning of the year	1,138,745	109,057	(27,900)	638,211	1,858,113
End of the year	\$ 886,673	\$ 1,400	\$ (28,271)	\$ 671,131	\$ 1,530,933

City of Menlo Park
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2012

	Workers' Compensation Insurance	General Liability Insurance	Other Post Employment Benefits	Vehicle Replacement	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers, including cash deposits	\$ 500,000	\$ 1,090,000	\$ 554,804	\$ 199,992	\$ 2,344,796
Cash paid to suppliers	(600,537)	(893,606)	(554,838)	-	(2,048,981)
Cash paid to employees	(52,564)	(29,686)	-	-	(82,250)
Cash receipts other	5,260	1,970	-	-	7,230
Net cash provided (used) by operating activities	(147,841)	168,678	(34)	199,992	220,795
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers from other funds	-	-	-	-	-
Contributions	-	-	-	-	-
Net cash provided (used) by noncapital financing activities	-	-	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from disposal of equipment	-	-	-	5,209	5,209
Acquisition and construction of capital assets	-	-	-	(282,911)	(282,911)
Net cash provided (used) by capital and related financing activities	-	-	-	(277,702)	(277,702)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment earnings received (paid)	24,505	2,413	34	1,062	28,014
Net cash provided (used) by investing activities	24,505	2,413	34	1,062	28,014
Net increase (decrease) in cash cash and cash equivalents	(123,336)	171,091	-	(76,648)	(28,893)
Cash, cash equivalents, and investments at beginning of year	2,969,769	391,076	-	251,574	3,612,419
Cash, cash equivalents, and investments at end of year	\$ 2,846,433	\$ 562,167	\$ -	\$ 174,926	\$ 3,583,526

City of Menlo Park
Combining Statement of Cash Flows, Continued
Internal Service Funds
For the year ended June 30, 2012

	Workers' Compensation Insurance	General Liability Insurance	Other Post Employment Benefits	Vehicle Replacement	Total
RECONCILIATION OF OPERATING					
INCOME (LOSS) TO NET CASH PROVIDED					
(USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ (269,650)	\$ (108,952)	\$ (405)	\$ 27,357	\$ (351,650)
Depreciation	-	-	-	172,635	172,635
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Accounts receivable	6,927	1,118	4,461	-	12,506
Accounts payable	(80,390)	56,905	9,213	-	(14,272)
Payroll liabilities	(1,141)	(295)	(13,303)	-	(14,739)
Insurance claim payable	195,360	219,321	-	-	414,681
Compensated absence payable	1,053	581	-	-	1,634
Total adjustments	121,809	277,630	371	172,635	572,445
Net cash provided (used) by operating activities	\$ (147,841)	\$ 168,678	\$ (34)	\$ 199,992	\$ 220,795

City of Menlo Park
Combining Statement of Net Assets
Agency Funds
June 30, 2012

	Refundable Deposits	Cash Bonds Payable	Payroll Revolving	Total Agency Funds
ASSETS				
Cash and investments	\$ 411,087	\$ 900	\$ (120,517)	\$ 291,470
Prepays	-	-	120,517	120,517
Total assets	\$ 411,087	\$ 900	\$ -	\$ 411,987
LIABILITIES				
Accounts payable	\$ 37,500	\$ -	\$ -	\$ 37,500
Deposits	373,587	900	-	374,487
Total liabilities	\$ 411,087	\$ 900	\$ -	\$ 411,987

City of Menlo Park
Combining Statement of Changes in Net Assets
Agency Funds
For the year ended June 30, 2012

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
<u>Refundable Deposits</u>				
Assets:				
Cash and investments	\$ 218,179	\$ 313,408	\$ (120,500)	\$ 411,087
Liabilities:				
Accounts payable	\$ 1,000	\$ 157,000	\$ (120,500)	\$ 37,500
Deposits	217,179	313,408	(157,000)	373,587
Total liabilities	\$ 218,179	\$ 470,408	\$ (277,500)	\$ 411,087
<u>Cash Bonds Payable</u>				
Assets:				
Cash and investments	\$ -	\$ 900	\$ -	\$ 900
Liabilities:				
Deposits	\$ -	\$ 900	\$ -	\$ 900
<u>Payroll Revolving</u>				
Assets:				
Cash and investments	\$ (261,354)	\$ 3,324,167	\$ (3,183,330)	\$ (120,517)
Prepays	253,443	-	(132,926)	120,517
Total assets	\$ (7,911)	\$ 3,324,167	\$ (3,316,256)	\$ -
Liabilities:				
Accounts payable	\$ (7,911)	\$ 18,721,935	\$ (18,714,024)	\$ -
<u>Total Agency Funds</u>				
Assets:				
Cash and investments	\$ (43,175)	\$ 3,638,475	\$ (3,303,830)	\$ 291,470
Prepays	253,443	-	(132,926)	120,517
	\$ 210,268	\$ 3,638,475	\$ (3,436,756)	\$ 411,987
Liabilities:				
Accounts payable	\$ (6,911)	\$ 18,878,935	\$ (18,834,524)	\$ 37,500
Deposits	217,179	314,308	(157,000)	374,487
Total liabilities	\$ 210,268	\$ 19,193,243	\$ (18,991,524)	\$ 411,987

City of Menlo Park
Combining Schedule of Net Assets (Deficit)
Private-Purpose Trust Fund - Successor Agency
June 30, 2012

	Redevelopment Obligation Retirement Fund	Redevelopment Dissolution Fund	Total Successor Agency Funds
ASSETS			
Current assets:			
Cash and investments:			
Held with City	\$ 3,128,932	\$ 18,181,959	\$ 21,310,891
Held with trustees	9,408,367	479,380	9,887,747
Interest receivable	-	-	-
Deferred outflows of resources	15,337,103	-	15,337,103
Deferred charges	1,278,481	-	1,278,481
Nondepreciable capital assets	-	5,694,977	5,694,977
Total assets	29,152,883	24,356,316	53,509,199
LIABILITIES			
Liabilities:			
Accounts payable	3,115	-	3,115
Interest payable	1,290,402	-	1,290,402
Deposits	108,891	-	108,891
Deferred revenue	2,597,200	-	2,597,200
Deferred inflows of resources	15,337,103	-	15,337,103
Long-term debt:			
Due within one year	1,808,521	-	1,808,521
Due in more than one year	59,208,381	-	59,208,381
Total liabilities	80,353,613	-	80,353,613
NET ASSETS (DEFICIT)			
Held in trust for other governments	(51,200,730)	24,356,316	(26,844,414)
Total net assets (deficit)	\$ (51,200,730)	\$ 24,356,316	\$ (26,844,414)

City of Menlo Park
Combining Statement of Changes in Fiduciary Net Assets (Deficit)
Private-Purpose Trust Fund - Successor Agency
For the Period February 1, 2012 through June 30, 2012

	Redevelopment Obligation Retirement Fund	Redevelopment Dissolution Fund	Total Successor Agency
Additions:			
Property taxes	\$ 2,781,882	\$ -	\$ 2,781,882
Investment earnings	-	-	-
Other	-	-	-
Total additions	2,781,882	-	2,781,882
Deductions:			
Program expenses of former redevelopment agency	103,483	16	103,499
Administrative expenses	-	-	-
Interest and fiscal agency expenses of former redevelopment agency	1,352,465	-	1,352,465
Total deductions	1,455,948	16	1,455,964
Extraordinary gain(loss)	(52,526,664)	24,356,332	(28,170,332)
Change in net assets (deficit)	(51,200,730)	24,356,316	(26,844,414)
Net assets - beginning of the year	-	-	-
Net assets (deficit) - end of the year	\$ (51,200,730)	\$ 24,356,316	\$ (26,844,414)

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Statistical Section

(Un-audited)

This part of the City of Menlo Park's comprehensive annual financial report presents detailed information as a context to aid in understanding of the information in the financial statements, notes disclosures, and required supplementary information regarding the City of Menlo Park's overall financial health.

Financial Trends

These schedules contain trend information to help the readers understand how the City of Menlo Park's financial performance and well-being have changed over time.

Net Assets by Component	Schedule 1
Changes in Net Assets	Schedule 2
Fund Balances-Governmental Funds	Schedule 3
Changes in Fund Balances-Governmental Funds	Schedule 4

Revenue Capacity

These schedules contain information to help the readers assess the City of Menlo Park's most significant local revenue resource, property taxes.

Governmental Funds by Source	Schedule 5
Governmental Funds Taxes by Type	Schedule 6
Assessed Valuation, Tax Rates, and Tax Levies	Schedule 7

Debt Capacity

These schedules present information to help the readers assess the affordability of the City of Menlo Park's current levels of outstanding debt, and the City's ability to issue additional debt in the future.

Direct and Overlapping Property Tax Rates	Schedule 8
Principal Property Tax Payers	Schedule 9
Property Tax Levies and Collections	Schedule 10
Ratios of Outstanding Debt by Type	Schedule 11
Direct and Overlapping Debt	Schedule 12
Legal Debt Service Margin Informations	Schedule 13

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the readers understand the environment within which the City of Menlo Park's financial activities take place.

Demographic and Economic Statistics	Schedule 14
Principal Employers	Schedule 15
Full Time Equivalent City Employees by Function	Schedule 16

Operating Information

These schedules contain service and infrastructure data to help the readers understand how the information in the City of Menlo Park's financial report relates to the services the City provides and the activities it performs.

Operating Indicators by Demand and Level of Service by Function/Program	Schedule 17
Capital Asset Statistics by Function	Schedule 18
Capital Asset and Infrastructure Statistics by Activities	Schedule 19
Water Sold by Type of Customer	Schedule 20
Water Service Rates	Schedule 21
Miscellaneous Statistics	Schedule 22



Net Assets by Component
June 30, 2012
Last Ten Years

Financial Trend:
Schedule 1

	Fiscal Year Ending June 30, ____									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>Government Activities</u>										
Investment in Capital Assets, Net of Related Debt	\$ 264,641,246	\$ 271,543,602	\$ 276,025,463	\$ 266,250,790	\$ 260,060,574	\$ 265,272,383	\$ 261,153,596	\$ 259,274,758	\$ 279,942,360	\$ 345,357,433
Restricted for:										
Capital Projects	45,576,230	36,959,941	37,452,612	16,297,615	17,102,064	20,378,994	18,207,379	19,717,874	14,582,060	9,432,413
Debt Service	1,008,151	1,142,055	1,287,410	8,366,348	10,581,505	10,759,071	12,184,002	12,630,096	12,662,667	2,225,873
Community Development				6,187,396	5,866,768	6,160,144	6,140,612	6,265,677	-	-
Special Projects	<u>4,313,637</u>	<u>2,094,806</u>	<u>2,094,806</u>	<u>4,647,861</u>	<u>809,974</u>	<u>1,034,326</u>	<u>1,203,583</u>	<u>5,857,506</u>	<u>9,176,084</u>	<u>2,842,844</u>
Total Restricted - Government Activities	50,898,018	40,196,802	40,834,828	35,499,220	34,360,311	38,332,535	37,735,576	44,471,153	36,420,811	14,501,130
Total Unrestricted - Government Activities	<u>51,014,831</u>	<u>60,788,071</u>	<u>47,350,857</u>	<u>51,292,783</u>	<u>71,773,633</u>	<u>66,120,512</u>	<u>74,932,478</u>	<u>69,032,234</u>	<u>61,310,616</u>	<u>49,224,495</u>
Total Government Activities	366,554,095	372,528,475	364,211,148	353,042,793	366,194,518	369,725,430	373,821,650	372,778,145	377,673,787	409,083,058
<u>Business-Type Activities</u>										
Investment in Capital Assets, Net of Related Debt	5,031,535	5,149,972	7,119,922	7,440,931	7,391,343	7,532,369	7,620,626	7,790,683	8,536,711	9,524,216
Restricted for:										
Capital Projects	31,887	50,413	9,743,217	10,653,717	11,851,559	15,383,875	16,518,953	16,944,216	16,771,000	15,381,845
Special Projects	<u>-</u>	<u>23,647</u>	<u>-</u>							
Total Restricted - Business-Type Activities	31,887	74,060	9,743,217	10,653,717	11,851,559	15,383,875	16,518,953	16,944,216	16,771,000	15,381,845
Total Unrestricted - Business-Type Activities	<u>15,530,760</u>	<u>15,483,043</u>	<u>4,541,177</u>	<u>4,067,282</u>	<u>3,710,223</u>	<u>1,216,854</u>	<u>776,214</u>	<u>144,088</u>	<u>(397,806)</u>	<u>(431,529)</u>
Total Business-Type Activities	20,594,182	20,707,075	21,404,316	22,161,930	22,953,125	24,133,098	24,915,793	24,878,987	24,909,905	24,474,532

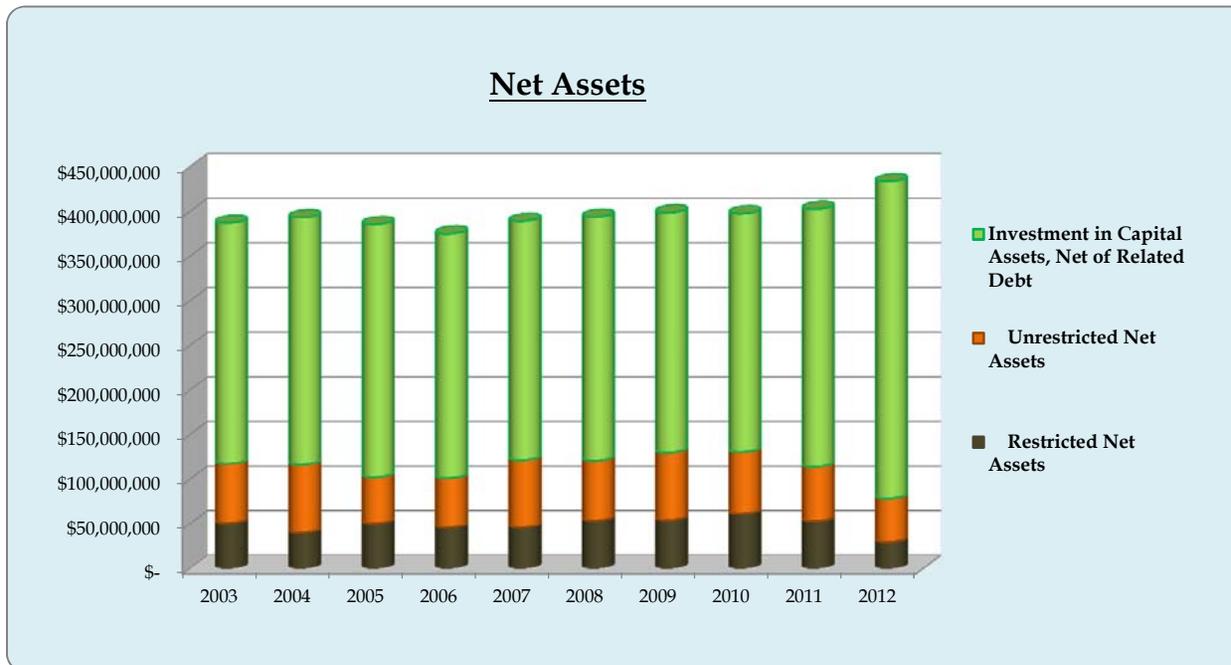
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Net Assets by Component
June 30, 2012
Last Ten Years

Financial Trend:
Schedule 1

	Fiscal Year Ending June 30, ____									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Primary Government										
Investment in Capital Assets, Net of Related Debt	\$ 269,672,781	\$ 276,693,574	\$ 283,145,385	\$ 273,691,721	\$ 267,451,917	\$ 272,804,752	\$ 268,774,222	\$ 267,065,441	\$ 288,479,071	\$ 354,881,649
Unrestricted Net Assets	<u>66,545,591</u>	<u>76,271,114</u>	<u>51,892,034</u>	<u>55,360,065</u>	<u>75,483,856</u>	<u>67,337,366</u>	<u>75,708,692</u>	<u>69,176,322</u>	<u>60,912,810</u>	<u>48,792,966</u>
Investment in Capital Assets & Unrestricted Net Assets	336,218,372	352,964,688	335,037,419	329,051,786	342,935,773	340,142,118	344,482,914	336,241,763	349,391,881	403,674,615
Restricted Net Assets	50,929,905	40,270,862	50,578,045	46,152,937	46,211,870	53,716,410	54,254,529	61,415,369	53,191,811	29,882,975
Total Primary Government Net Assets	<u>\$ 387,148,277</u>	<u>\$ 393,235,550</u>	<u>\$ 385,615,464</u>	<u>\$ 375,204,723</u>	<u>\$ 389,147,643</u>	<u>\$ 393,858,528</u>	<u>\$ 398,737,443</u>	<u>\$ 397,657,132</u>	<u>\$ 402,583,692</u>	<u>\$ 433,557,590</u>



Source: City of Menlo Park



Changes in Net Assets
June 30, 2012
Last Ten Years

Financial Trend:
 Schedule 2

	Fiscal Year Ending June 30, ____									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Primary Government-Program Revenues										
Governmental Activities										
Charges for Services										
General Government	\$ 4,398,884	\$ 5,707,675	\$ 4,486,715	\$ 4,649,505	\$ 3,676,393	\$ 3,539,934	\$ 3,123,825	\$ 3,145,514	\$ 2,878,920	\$ 2,830,591
Public Safety	1,225,796	526,542	1,240,807	1,086,348	1,241,847	5,154,247	1,390,649	1,505,640	1,830,534	1,609,755
Public Works	1,908,545	2,914,762	3,391,517	3,609,732	6,541,634	3,837,839	2,753,607	2,922,929	4,109,836	3,650,442
Culture and Recreation	3,041,867	2,909,707	2,835,631	2,949,807	3,291,723	3,345,055	3,323,877	3,434,135	3,077,788	3,679,129
Community Development	2,014,063	2,868,863	2,377,251	3,897,805	6,170,024	3,952,454	4,145,205	2,122,221	3,408,895	4,994,156
Operating Grants and Contributions	1,318,007	2,418,574	1,712,952	1,681,505	3,251,025	2,369,502	2,428,500	2,557,313	2,185,417	2,729,866
Capital Grants and Contributions (1)	1,341,927	80,579	686,540	268,468	520,156	1,030,839	2,569,003	2,549,779	12,342,612	6,922,360
Total Governmental Activities-Program Revenues	15,249,089	17,426,702	16,731,413	18,143,170	24,692,802	23,229,870	19,734,666	18,237,531	29,834,002	26,416,299
Business-Type Activities										
Charges for Services	3,421,677	3,754,693	3,305,954	3,567,919	3,881,115	4,483,145	4,352,147	4,258,917	4,935,649	5,750,659
Capital Grants and Contributions	-	-	462,525	-	-	-	-	-	-	-
Total Business-Type Activities Program Revenues	3,421,677	3,754,693	3,768,479	3,567,919	3,881,115	4,483,145	4,352,147	4,258,917	4,935,649	5,750,659
Total Primary Government-Program Revenues	\$ 18,670,766	\$ 21,181,395	\$ 20,499,892	\$ 21,711,089	\$ 28,573,917	\$ 27,713,015	\$ 24,086,813	\$ 22,496,448	\$ 34,769,651	\$ 32,166,958
General Revenues & Other Changes in Net Assets										
Governmental Activities										
Taxes										
Property Taxes (2)	\$ 15,876,102	\$ 16,878,085	\$ 17,755,873	\$ 19,621,262	\$ 20,634,276	\$ 23,292,838	\$ 24,213,136	\$ 23,753,592	\$ 23,936,578	\$ 13,239,856
Sales Taxes	8,005,666	6,580,473	6,057,460	6,503,635	6,799,561	7,676,943	6,865,152	5,499,244	5,988,055	5,938,310
Transient Occupancy Tax	973,178	958,795	1,101,929	1,237,697	1,375,914	1,474,119	1,351,578	2,074,486	2,453,981	2,939,475
Other Taxes	<u>3,034,472</u>	<u>2,001,677</u>	<u>3,259,064</u>	<u>2,022,174</u>	<u>2,267,911</u>	<u>3,262,586</u>	<u>3,953,097</u>	<u>3,960,714</u>	<u>4,490,992</u>	<u>4,607,758</u>
Total Taxes	27,889,418	26,419,030	28,174,326	29,384,768	31,077,662	35,706,486	36,382,963	35,288,036	36,869,606	26,725,399
Investment Earnings	2,775,669	1,464,350	2,239,123	3,482,982	5,175,930	6,076,112	4,645,732	2,085,808	1,431,440	1,133,432
Loss on Sale of Asset	(1,698,248)	-	-	-	-	-	-	-	-	-
Miscellaneous	278,561	107,531	77,106	212,819	372,534	706,444	193,370	30,125	235,145	255,185
Transfers	216,700	216,700	216,700	227,700	238,700	184,711	198,814	160,814	165,639	170,605
Extraordinary gain (3)	-	-	-	-	-	-	-	-	-	28,170,332
Total Governmental Activities - General Revenues:	29,462,100	28,207,611	30,707,255	33,308,269	36,864,826	42,673,753	41,420,879	37,564,783	38,701,830	56,454,953
Business-type Activities										
Investment Earnings	454,611	130,482	333,040	498,773	750,700	957,071	667,230	242,433	135,619	103,480
Miscellaneous	-	-	-	-	-	344	10,000	935	-	(5,953)
Transfers	(216,700)	(216,700)	(216,700)	(227,700)	(238,700)	(184,711)	(198,814)	(160,814)	(165,639)	(170,605)
Total Business-Type Activities - General Revenue	237,911	(86,218)	116,340	271,073	512,000	772,704	478,416	82,554	(30,020)	(73,078)
Total Primary Government-Program Revenues, General Revenues & Other Changes in Net Assets	\$ 48,370,777	\$ 49,302,788	\$ 51,323,487	\$ 55,290,431	\$ 65,950,743	\$ 71,159,472	\$ 65,986,108	\$ 60,143,785	\$ 73,441,461	\$ 88,548,833

Source: City of Menlo Park

Notes:

- (1) In fiscal year 2010-11 and 2-11-12, capital contributions include construction of Arrillaga Family Gym, Recreation Center, and Gymnastics Center
- (2) In fiscal year 2005-06, Property tax in lieu of Motor Vehicle License fees was reclassified to Property Taxes.
- (3) In fiscal year 2011-12, extraordinary gain was due to dissolution of the Community Development Agency and transfer of debt to the Successory Agency

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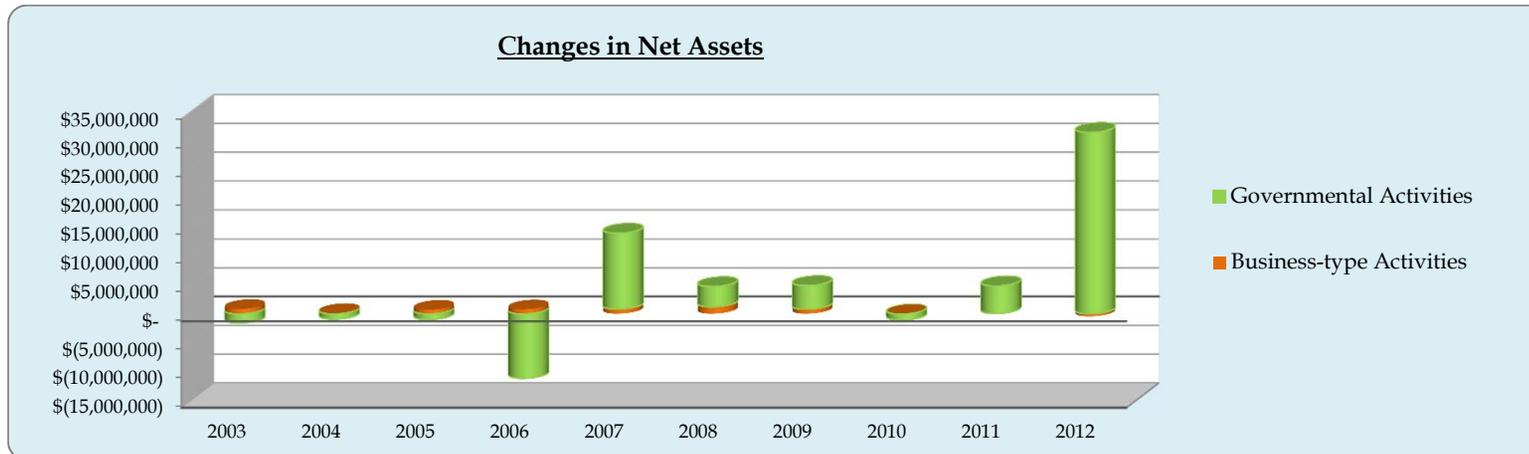
Changes in Net Assets
June 30, 2012
Last Ten Years

Financial Trend:
 Schedule 2

	Fiscal Year Ending June 30, ____									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental Activities										
General Government	\$ 6,701,141	\$ 8,375,348	\$ 7,322,997	\$ 7,761,696	\$ 6,857,574	\$ 8,145,031	\$ 6,507,831	\$ 6,353,156	\$ 8,845,324	\$ 7,386,399
Public Safety (4)	8,685,740	8,010,385	9,196,468	9,092,996	11,191,323	15,763,116	13,755,857	13,605,071	20,707,475	14,248,362
Public Works	11,231,842	9,742,184	11,040,198	10,275,029	9,723,201	12,332,849	10,717,616	10,635,694	10,789,784	10,809,670
Culture and Recreation	7,761,262	7,971,110	7,547,337	7,781,549	8,647,013	11,276,226	9,723,210	9,616,046	9,461,866	9,860,317
Community Development (5)	7,098,764	7,780,767	8,721,659	23,179,192	6,916,391	9,817,989	12,644,222	12,615,612	9,470,060	6,186,002
Interest on Long-Term Debt	4,821,928	4,679,811	4,602,336	4,529,332	5,070,401	5,037,500	3,710,590	4,020,241	4,481,135	2,971,231
Total Governmental Activities Expenses	46,300,677	46,559,605	48,430,995	62,619,794	48,405,903	62,372,711	57,059,325	56,845,819	63,755,644	51,461,981
Business-Type Activities										
Water	2,831,383	3,555,582	3,187,578	3,081,378	3,601,919	4,075,876	4,047,868	4,378,277	4,874,711	6,112,954
Total Business-Type Activities Expenses	2,831,383	3,555,582	3,187,578	3,081,378	3,601,919	4,075,876	4,047,868	4,378,277	4,874,711	6,112,954
Total Primary Government Expenses	49,132,060	50,115,187	51,618,573	65,701,172	52,007,822	66,448,587	61,107,193	61,224,096	68,630,355	57,574,935
Net Revenue (Expenses)										
Governmental Activities	(31,051,588)	(29,132,903)	(31,699,582)	(44,476,624)	(23,713,101)	(39,142,841)	(37,324,659)	(38,608,288)	(33,921,642)	(25,045,682)
Business-type Activities	590,294	199,111	580,901	486,541	279,196	407,269	304,279	(119,360)	60,938	(362,295)
Total Net Revenue (Expenses)	(30,461,294)	(28,933,792)	(31,118,681)	(43,990,083)	(23,433,905)	(38,735,572)	(37,020,380)	(38,727,648)	(33,860,704)	(25,407,977)
Changes in Net Assets										
Governmental Activities	(1,589,488)	(925,292)	(992,327)	(11,168,355)	13,151,725	3,530,912	4,096,220	(1,043,505)	4,780,188	31,409,271
Business-type Activities	828,205	112,893	697,241	757,614	791,196	1,179,973	782,695	(36,806)	30,918	(435,373)
Changes in Net Assets	\$ (761,283)	\$ (812,399)	\$ (295,086)	\$ (10,410,741)	\$ 13,942,921	\$ 4,710,885	\$ 4,878,915	\$ (1,080,311)	\$ 4,811,106	\$ 30,973,898

Notes:

- (4) In Fiscal 2010-11, City paid off a \$ 7.1 million pension liability for safety employees
- (5) Includes fiscal year 2005-06 transfer of Hamilton Avenue housing and park site from the former Community Development Agency of the City to developers





Fund Balances - Governmental Funds
 June 30, 2012
 Last Ten Years

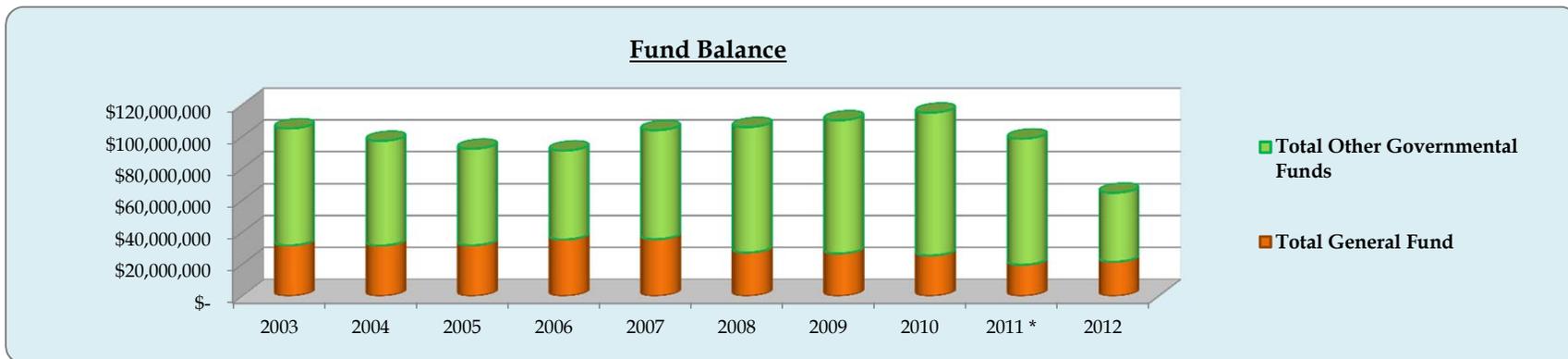
Financial Trends:
 Schedule 3

Fiscal Year Ending June 30, __

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011 *</u>	<u>2012</u>
General Fund										
Nonspendable	\$ 2,204,813	\$ 1,313,432	\$ 1,487,329	\$ 1,503,411	\$ 202,244	\$ -	\$ 1,529,495	\$ 1,196,456	\$ 1,435,026	\$ 2,227,593
Committed	4,252,933	5,351,978	5,106,483	5,865,122	3,000,000	3,000,000	3,000,000	3,000,000	14,000,000	14,000,000
Assigned	3,179,354	2,858,358	3,158,044	3,130,894	2,934,623	3,278,658	3,034,172	2,999,575	2,592,173	3,494,188
Unassigned	<u>22,102,635</u>	<u>22,173,565</u>	<u>22,054,356</u>	<u>25,001,249</u>	<u>29,521,304</u>	<u>21,003,074</u>	<u>19,144,493</u>	<u>18,231,011</u>	<u>1,578,736</u>	<u>1,776,214</u>
Total General Fund	31,739,735	31,697,333	31,806,212	35,500,676	35,658,171	27,281,732	26,708,160	25,427,042	19,605,935	21,497,995
Other Governmental Funds										
Nonspendable	2,580,696	2,682,348	2,686,585	6,187,396	6,186,018	6,160,144	6,140,612	2,554,413	2,475,807	4,233,517
Restricted	1,004,965	1,142,055	1,287,410	8,366,348	10,581,508	10,759,071	12,184,002	12,630,096	76,633,611	38,934,347
Committed	611,792	-	500,000	500,000	-	-	-	-	-	-
Assigned	69,101,476	61,680,490	56,509,986	42,674,483	52,333,571	61,727,238	65,056,016	74,302,453	-	-
Unassigned	<u>-</u>	<u>(2,532)</u>	<u>(500,245)</u>	<u>(2,080,256)</u>	<u>(880,527)</u>	<u>(94,386)</u>	<u>-</u>	<u>-</u>	<u>(105,083)</u>	<u>-</u>
Total Other Governmental Funds	<u>73,298,929</u>	<u>65,502,361</u>	<u>60,483,736</u>	<u>55,647,971</u>	<u>68,220,570</u>	<u>78,552,067</u>	<u>83,380,630</u>	<u>89,486,962</u>	<u>79,004,335</u>	<u>43,167,864</u>
Total Governmental Fund Balance:	\$ 105,038,664	\$ 97,199,694	\$ 92,289,948	\$ 91,148,647	\$ 103,878,741	\$ 105,833,799	\$ 110,088,790	\$ 114,914,004	\$ 98,610,270	\$ 64,665,859

Source: City of Menlo Park

* GASB 54 "Fund Balance Reporting and Governmental Fund Type Definitions" implemented in 2010-11.



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Changes in Fund Balances - Governmental Funds
 June 30, 2012
 Last Ten Years

Financial Trends:
 Schedule 4

	Fiscal Year Ending June 30, _____									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Revenues										
Taxes										
Secured property taxes	\$ 13,695,509	\$ 14,758,475	\$ 15,771,442	\$ 17,573,221	\$ 18,597,314	\$ 21,081,671	\$ 22,050,255	\$ 21,912,423	\$ 21,810,655	\$ 12,258,233
Unsecured property taxes	1,501,581	1,579,850	1,378,158	1,330,885	1,337,681	1,752,345	1,817,213	1,422,317	1,577,479	404,916
Other property taxes(1)	679,012	540,255	606,274	717,157	699,280	458,822	345,670	418,851	548,444	576,707
Sales taxes	6,857,224	6,048,940	6,057,460	6,503,635	6,799,561	7,676,943	6,865,152	5,499,244	5,988,055	5,938,310
Other Taxes(2)	3,305,904	3,340,693	3,521,874	3,761,949	4,664,247	5,878,652	5,214,176	5,940,486	6,774,780	7,530,245
Special assessments	2,247,423	2,549,037	2,362,435	2,433,635	2,537,408	2,661,078	2,894,276	2,824,098	2,818,829	2,862,076
Licenses and permits	2,952,762	2,891,023	2,917,357	3,432,745	3,657,542	4,376,750	3,208,028	3,069,990	3,586,374	4,093,978
Fines and forfeitures	802,636	756,678	832,897	792,005	897,568	951,145	1,105,836	1,028,825	953,194	1,067,328
Use of money and property	3,257,644	1,458,436	2,656,739	3,482,982	5,542,009	6,162,279	4,528,617	1,918,576	1,406,100	1,102,320
Intergovernmental(1)	5,130,839	3,682,937	4,176,319	2,691,439	2,750,760	3,533,679	3,180,550	3,219,749	2,547,164	2,325,236
Charges for services	5,589,680	7,492,661	6,873,012	8,047,145	13,884,432	10,713,906	10,221,426	8,738,183	10,486,567	11,943,461
Other Revenues	172,523	107,530	77,106	212,817	372,534	702,342	186,473	334,959	234,550	270,567
Total Revenues	<u>46,192,737</u>	<u>45,206,515</u>	<u>47,231,073</u>	<u>50,979,615</u>	<u>61,740,336</u>	<u>65,949,612</u>	<u>61,617,672</u>	<u>56,327,701</u>	<u>58,732,191</u>	<u>50,373,377</u>
Expenditures										
Current										
General Government	6,010,975	7,380,500	6,154,281	6,652,130	5,938,008	6,168,001	6,372,271	6,442,817	6,209,988	4,545,864
Public Safety(3)	8,462,537	7,826,595	9,078,447	8,929,677	11,212,320	12,476,614	13,371,606	13,532,394	20,568,030	13,978,279
Public Works	6,136,086	7,213,412	7,218,664	7,750,882	7,387,498	7,774,129	7,991,160	7,768,455	7,929,428	7,886,059
Culture and Recreation	7,357,338	7,597,970	7,195,048	7,303,573	7,813,935	8,359,386	8,669,415	8,570,915	8,286,639	8,287,074
Rehabilitation Loans	434,120	582,200	190,050	400,100	-	-	-	-	-	-
Community Development	2,682,788	2,859,800	3,780,494	4,088,283	3,233,905	4,325,628	4,533,291	4,354,345	4,061,407	5,560,374
Urban Development and Housing	3,945,154	4,304,319	4,722,358	4,544,265	3,439,609	4,101,470	4,236,426	7,312,083	5,399,919	614,951
Capital Outlay	14,105,147	8,928,921	8,346,574	10,260,993	2,989,734	4,545,565	6,405,132	8,314,011	16,030,908	10,215,010
Debt Service										
Principal(4)	905,000	1,625,000	1,770,000	1,855,000	475,000	2,115,000	2,215,000	2,305,000	2,420,000	2,570,000
Interest and Fiscal Charges(5)	4,538,471	4,691,522	4,614,326	6,224,963	3,768,661	4,868,947	3,540,575	3,581,456	4,295,839	4,254,712
Total Expenditures	<u>54,577,616</u>	<u>53,010,239</u>	<u>53,070,242</u>	<u>58,009,866</u>	<u>46,258,670</u>	<u>54,734,740</u>	<u>57,334,876</u>	<u>62,181,476</u>	<u>75,202,158</u>	<u>57,912,323</u>
Revenues over (under) Expenditures	<u>(8,384,879)</u>	<u>(7,803,724)</u>	<u>(5,839,169)</u>	<u>(7,030,251)</u>	<u>15,481,666</u>	<u>11,214,872</u>	<u>4,282,796</u>	<u>(5,853,775)</u>	<u>(16,469,967)</u>	<u>(7,538,946)</u>

Source: City of Menlo Park

Notes:

- (1) Beginning in fiscal year 2005, over 90% of Vehicle License Fee revenue allocated to cities from the State was exchanged for property tax (the "VLF" swap). The reclassification from Inter-governmental to Secured Property Tax revenues was made in fiscal year 2006.
- (2) Other Taxes include Franchise & Occupancy, Utility Users, Highway Users and County Transportation taxes.
- (3) In fiscal year 2010-11, the large increase was due to paying off the PERS safety side fund (pension liability).
- (4) Principal payment due on the 2006 Las Pulgas Tax Allocation Refunding Bonds on January 1, 2008.
- (5) Interest and Fiscal Charges include cost of issuance and bond insurance.

(Continued)



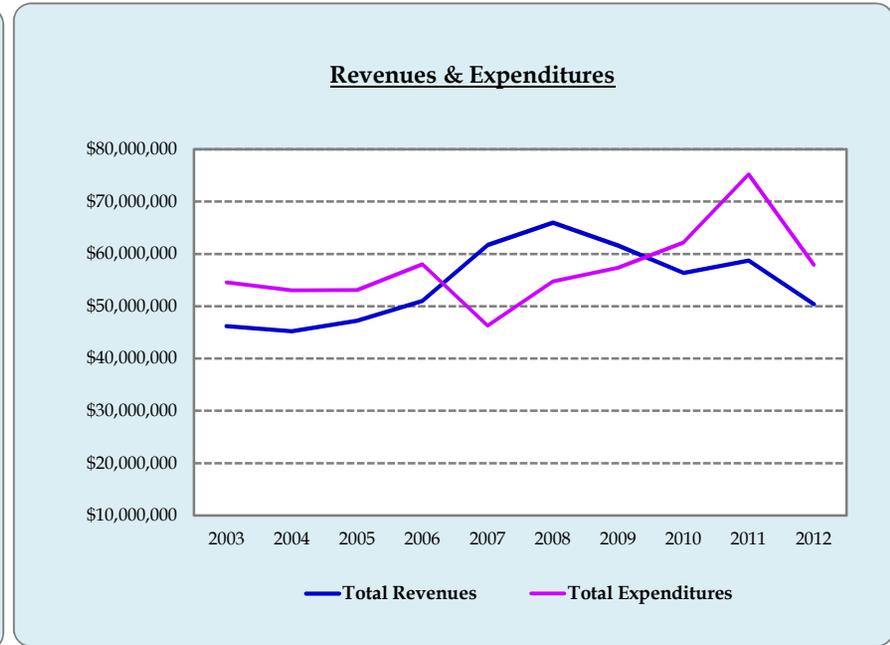
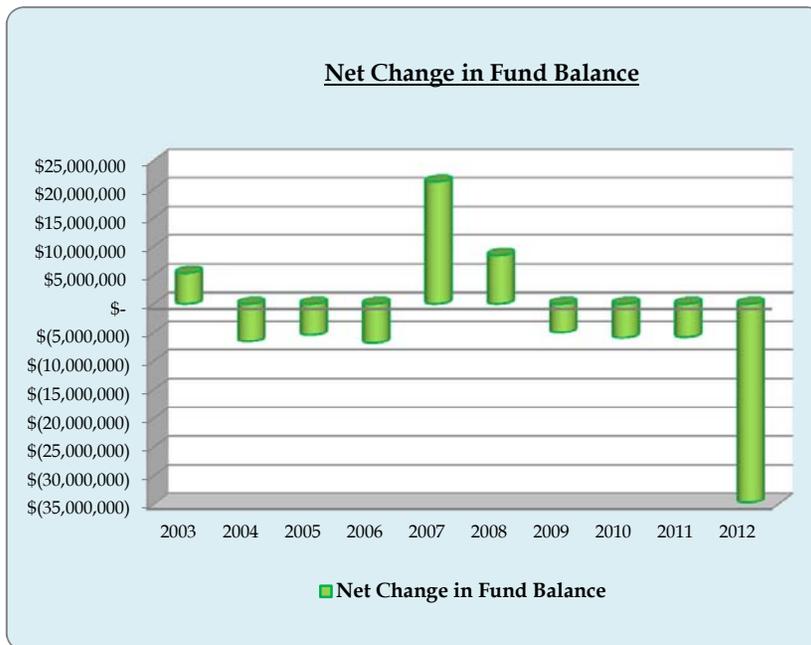
Changes in Fund Balances - Governmental Funds
 June 30, 2012
 Last Ten Years

Financial Trends:
 Schedule 4

	Fiscal Year Ending June 30, _____									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Other Financing Sources (Uses)										
Transfer In	27,641,868	1,374,574	3,443,703	2,831,593	16,376,591	7,551,944	10,799,042	7,159,491	7,297,500	9,722,425
Transfer Out	(27,444,868)	(1,157,874)	(3,227,003)	(2,614,893)	(16,148,891)	(10,586,019)	(20,058,856)	(7,188,677)	(7,136,686)	(9,551,820)
Proceeds from Sale of Fixed/Capital Assets	23,009	1,071,091	196,131	15,633	3,985,446	282,503	-	1,381	3,204	-
Proceeds from Debt Issuance	13,514,033	-	-	-	72,430,000	-	-	-	10,440,000	9,830,000
Payment to Escrow Agent	-	-	-	-	(70,525,172)	-	-	-	-	(11,166,467)
Discount on Issuance of Debt	-	-	-	-	(336,800)	-	-	-	74,971	(73,725)
Total Other Financing Sources (Uses)	13,734,042	1,287,791	412,831	232,333	5,781,174	(2,751,572)	(9,259,814)	(27,805)	10,678,989	(1,239,587)
Extraordinary gain(loss)(6)	-	-	-	-	-	-	-	-	-	(25,814,163)
Net Change in Fund Balance	\$ 5,349,163	\$ (6,515,933)	\$ (5,426,338)	\$ (6,797,918)	\$ 21,262,840	\$ 8,463,300	\$ (4,977,018)	\$ (5,881,580)	\$ (5,790,978)	\$ (34,592,696)

Debt Service as Percentage of Non-Capital Expenditures

	13.4%	14.3%	14.3%	16.9%	9.8%	13.9%	11.3%	10.9%	11.3%	14.1%
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Source: City of Menlo Park

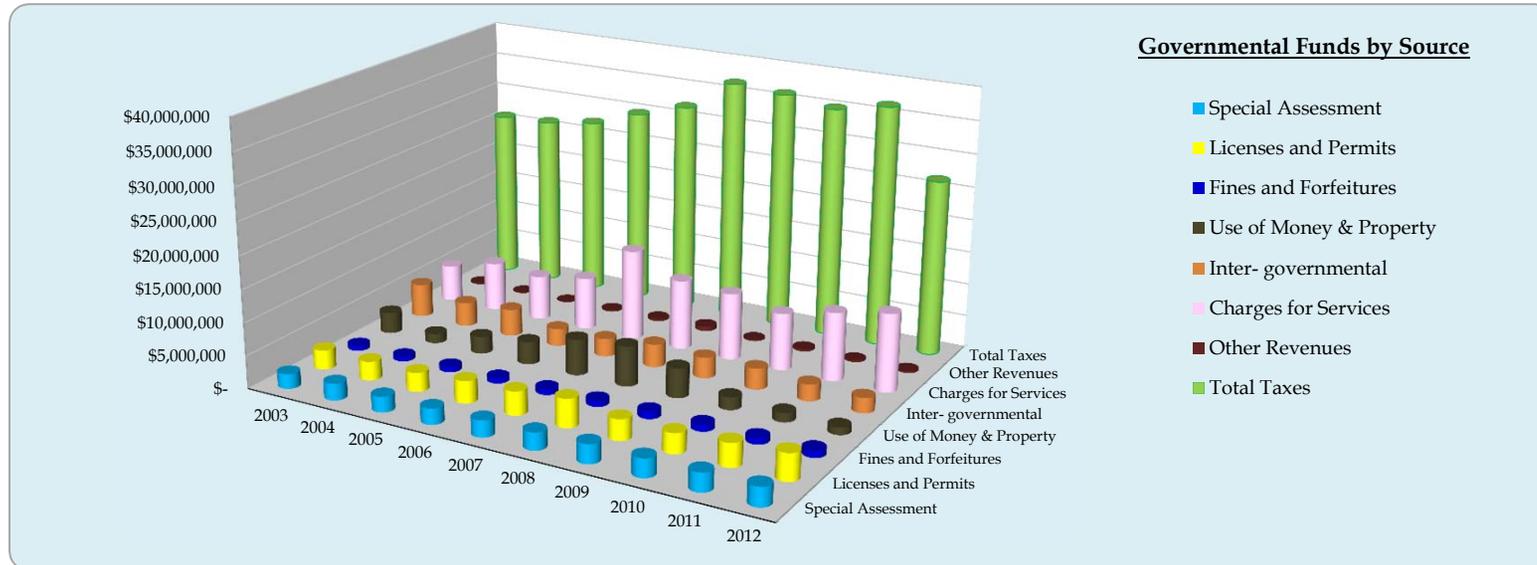
(6) In fiscal year 2011-12, extraordinary gain was due to dissolution of the Community Development Agency



Governmental Funds Revenues by Source ⁽¹⁾
 June 30, 2012
 Last Ten years

Revenue Capacity:
 Schedule 5

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Total</u> <u>Taxes</u>	<u>Special</u> <u>Assessment</u>	<u>Licenses</u> <u>and Permits</u>	<u>Fines and</u> <u>Forfeitures</u>	<u>Use of Money</u> <u>& Property</u>	<u>Inter-</u> <u>governmental</u>	<u>Charges for</u> <u>Services</u>	<u>Other</u> <u>Revenues</u>	<u>Total Governmental</u> <u>Revenues</u>
2003	\$ 26,039,230	\$ 2,247,423	\$ 2,952,762	\$ 802,636	\$ 3,257,644	\$ 5,130,839	\$ 5,589,680	\$ 172,523	\$ 46,192,737
2004	26,268,213	2,549,037	2,891,023	756,678	1,458,436	3,682,937	7,492,661	107,530	45,206,515
2005	27,335,208	2,362,435	2,917,357	832,897	2,656,739	4,176,319	6,873,012	77,106	47,231,073
2006	29,886,847 ⁽²⁾	2,433,635	3,432,745	792,005	3,482,982	2,691,439	8,047,145	212,817	50,979,615
2007	32,098,083	2,537,408	3,657,542	897,568	5,542,009	2,750,760	13,884,432	372,534	61,740,336
2008	36,848,433	2,661,078	4,376,750	951,145	6,162,279	3,533,679	10,713,906	702,342	65,949,612
2009	36,292,466	2,894,276	3,208,028	1,105,836	4,528,617	3,180,550	10,221,426	186,473	61,617,672
2010	35,193,321	2,824,098	3,069,990	1,028,825	1,918,576	3,219,749	8,738,183	334,959	56,327,701
2011	36,699,413	2,818,829	3,586,374	953,194	1,406,100	2,547,164	10,486,567	234,550	58,732,191
2012	26,708,411	2,862,076	4,093,978	1,067,328	1,102,320	2,325,236	11,943,461	270,567	50,373,377



Source: City of Menlo Park

⁽¹⁾ General governmental revenues by source consist of the following City funds: General, Special Revenue, Debt Service, Capital Projects and Expendable Trusts.

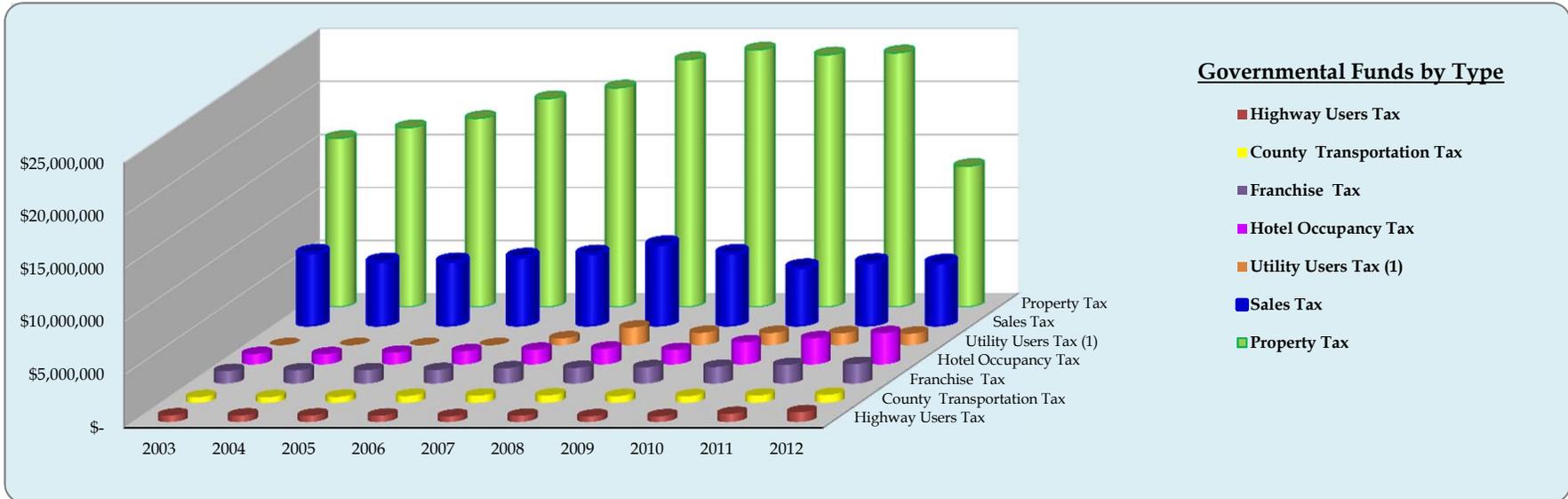
⁽²⁾ In fiscal year 2006, Property Taxes in lieu of Motor Vehicle License Fees were reclassified from Intergovernmental to Property Taxes.



Governmental Taxes Detail
June 30, 2012
Last Ten Years

Revenue Capacity:
Schedule 6

Fiscal Year Ending June 30	Sales Tax	Highway Users Tax	County Transportation Tax	Franchise Tax	Hotel Occupancy Tax	Utility Users Tax (1)	Property Tax				Total Property Tax	Total Governmental Funds
							Secured	Unsecured	Transfer Tax	Other		
2003	\$ 6,857,224	\$ 613,959	\$ 534,483	\$ 1,184,284	\$ 973,178	\$ -	\$ 13,695,509	\$ 1,501,581	\$ 330,542	\$ 348,470	\$ 15,876,102	\$ 26,039,230
2004	6,048,940	606,797	531,532	1,243,569	958,795	-	14,758,475	1,579,850	463,562	80,148	16,882,035	26,271,668
2005	6,057,460	606,867	562,472	1,250,605	1,101,930	-	15,771,442	1,378,158	541,765	64,509	17,755,874	27,335,208
2006	6,503,635	595,607	647,938	1,280,707	1,237,697	-	17,573,221	1,330,885	579,473	137,684	19,621,263	29,886,847
2007	6,799,561	534,699	669,280	1,442,686	1,375,914	641,668	18,597,314	1,337,681	588,158	111,122	20,634,275	32,098,083
2008	7,676,943	580,220	695,066	1,477,768	1,474,119	1,651,479	21,081,671	1,752,345	386,206	72,616	23,292,838	36,848,433
2009	6,865,152	533,784	630,996	1,535,223	1,351,578	1,162,595	22,050,255	1,817,213	278,290	67,380	24,213,138	36,292,466
2010	5,499,244	533,444	618,996	1,565,106	2,074,486	1,148,454	21,912,423	1,422,317	329,368	89,483	23,753,591	35,193,321
2011	5,988,055	770,967	679,286	1,747,605	2,453,981	1,122,940	21,810,655	1,577,479	457,701	90,743	23,936,578	36,699,412
2012	5,938,310	923,796	746,187	1,840,351	2,939,475	1,080,436	12,258,233	404,916	501,161	75,546	13,239,856	26,708,411



Source: City of Menlo Park and County of San Mateo
(1) City implemented Utility Users Tax in April 2007



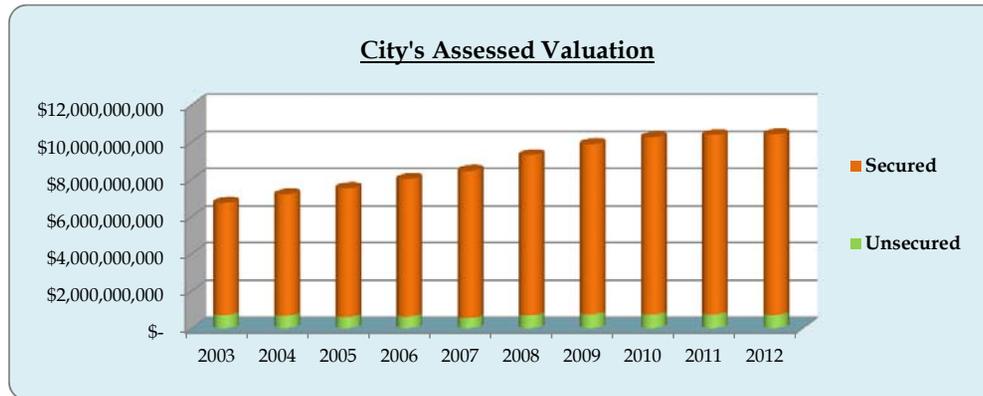
Assessed Valuation, Tax Rates, and Tax Levies

June 30, 2012
Last Ten Years

Revenue Capacity:
Schedule 7

City's Assessed Valuation

<u>Fiscal Year Ending June 30</u>	<u>Secured</u>	<u>Unsecured</u>	<u>Less Exemptions</u>	<u>City's Taxable Assessed Value</u>	<u>City's Direct Tax Rate(1)</u>
2003	\$ 6,020,761,962	\$ 706,399,938	\$ (152,591,386)	\$ 6,574,570,514	0.241%
2004	6,521,857,488	669,542,451	(163,717,503)	7,027,682,436	0.240%
2005	6,920,718,474	605,826,607	(168,363,050)	7,358,182,031	0.241%
2006	7,377,433,642	628,446,311	(185,070,530)	7,820,809,423	0.251%
2007	7,919,201,296	544,875,879	(189,778,409)	8,274,298,766	0.249%
2008	8,613,253,093	684,419,419	(210,102,184)	9,087,570,328	0.256%
2009	9,144,410,123	745,589,266	(220,706,897)	9,669,292,492	0.250%
2010	9,525,325,520	733,413,542	(242,215,879)	10,016,523,183	0.237%
2011	9,632,437,282	741,119,897	(234,843,253)	10,140,348,118	0.234%
2012	9,701,542,385	712,158,100	(244,456,426)	10,169,244,059	0.235%



Source: County of San Mateo

Notes:

In 1978, the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

(1) City's Direct Tax Rate represents total property tax recognized less property transfer tax divided by City taxable assessed value

(2) Redevelopment Agency was transferred to Successor Agency due to dissolution

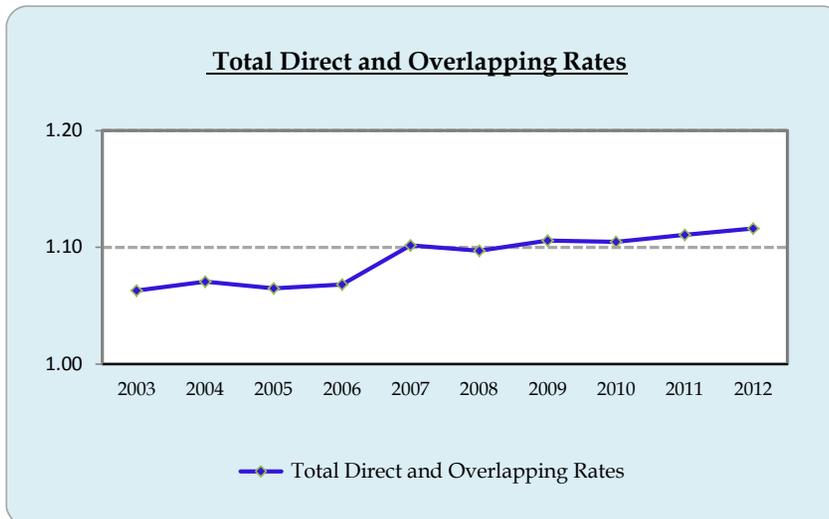


Direct and Overlapping Property Tax Rates
June 30, 2012
Last Ten Years

Debt Capacity:
Schedule 8

(Per \$1,000 Assessed Valuation)

	Fiscal Year Ending June 30, ____									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
City Direct Rates (1)	0.0024	0.0024	0.0024	0.0024	0.0024	0.0024	0.0024	0.0024	0.0024	0.0024
Overlapping Rates (2)										
San Mateo County	0.9976	0.9976	0.9976	0.9976	1.0000	1.000	1.000	1.000	1.000	1.000
Menlo Park Elementary	0.0220	0.0232	0.0233	0.0209	0.0416	0.0384	0.0399	0.0390	0.0410	0.0413
San Mateo Junior College	0.0079	0.0065	0.0065	0.0065	0.0184	0.0171	0.0165	0.0182	0.0193	0.0199
Menlo Park Debt Service	0.0062	0.0060	0.0056	0.0052	0.0052	0.0047	0.0048	0.0046	0.0042	0.0041
Menlo Park Parks & Rec Bond	0.0140	0.0110	0.0131	0.0132	0.0132	0.0140	0.0141	0.0127	0.0127	0.0126
Sequoia High School	<u>0.0130</u>	<u>0.0238</u>	<u>0.0164</u>	<u>0.0223</u>	<u>0.0208</u>	<u>0.0205</u>	<u>0.0282</u>	<u>0.0277</u>	<u>0.0311</u>	<u>0.0358</u>
Total Overlapping Rates	1.0607	1.0681	1.0625	1.0657	1.0992	1.0947	1.1035	1.1022	1.1083	1.1137
Total Direct and Overlapping Rates	1.0631	1.0705	1.0649	1.0681	1.1016	1.0971	1.1059	1.1046	1.1107	1.1161



Source:

(1) County of San Mateo, Property Taxes

(2) County of San Mateo, Tax Rate Book, Code 08-004

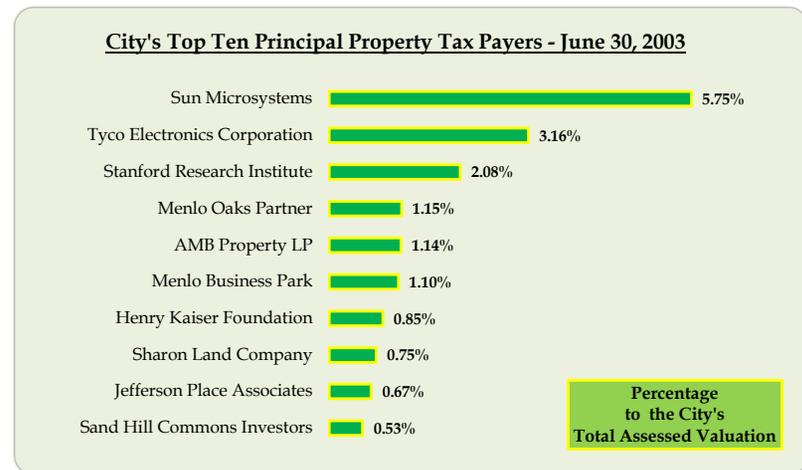
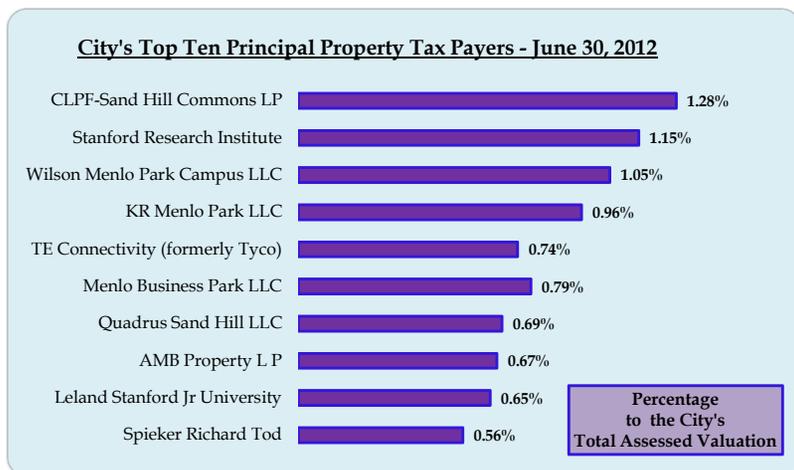


Principal Property Tax Payers
June 30, 2012
Current Fiscal Year and Fiscal Year 2002-2003

Debt Capacity:
Schedule 9

FY 2011-2012				
<u>Property Owner</u>	<u>Rank</u>	<u>Taxable Assessed Value</u>	<u>Ratio to Total City's Assessed Valuation</u>	
CLPF-Sand Hill Commons LP	1	\$ 143,071,756	1.28%	
Stanford Research Institute	2	128,832,925	1.15%	
Wilson Menlo Park Campus LLC	3	117,912,000	1.05%	
KR Menlo Park LLC	4	107,117,114	0.96%	
TE Connectivity (formerly Tyco)	5	87,999,839	0.74%	
Menlo Business Park LLC	6	82,992,939	0.79%	
Quadrus Sand Hill LLC	7	76,994,296	0.69%	
AMB Property L P	8	75,105,956	0.67%	
Leland Stanford Jr University	9	72,613,399	0.65%	
Spieker Richard Tod	10	62,215,385	<u>0.56%</u>	
Total Top 10 Taxpayers' Totals		\$ 954,855,609	8.54%	
City's Total Assessed Valuation		\$ 11,183,426,539	100%	

FY 2002-2003				
<u>Property Owner</u>	<u>Rank</u>	<u>Taxable Assessed Value</u>	<u>Ratio to Total City's Assessed Valuation</u>	
Sun Microsystems	1	\$ 378,414,130	5.75%	
Tyco Electronics Corporation	2	207,890,644	3.16%	
Stanford Research Institute	3	136,994,691	2.08%	
Menlo Oaks Partner	4	75,716,181	1.15%	
AMB Property LP	5	75,051,207	1.14%	
Menlo Business Park	6	72,541,833	1.10%	
Henry Kaiser Foundation	7	56,052,240	0.85%	
Sharon Land Company	8	49,245,709	0.75%	
Jefferson Place Associates	9	44,044,239	0.67%	
Sand Hill Commons Investors	10	35,072,296	<u>0.53%</u>	
Total Top 10 Taxpayers' Totals		\$ 1,131,023,170	17.19%	
City's Total Assessed Valuation		\$ 6,579,753,820	100%	



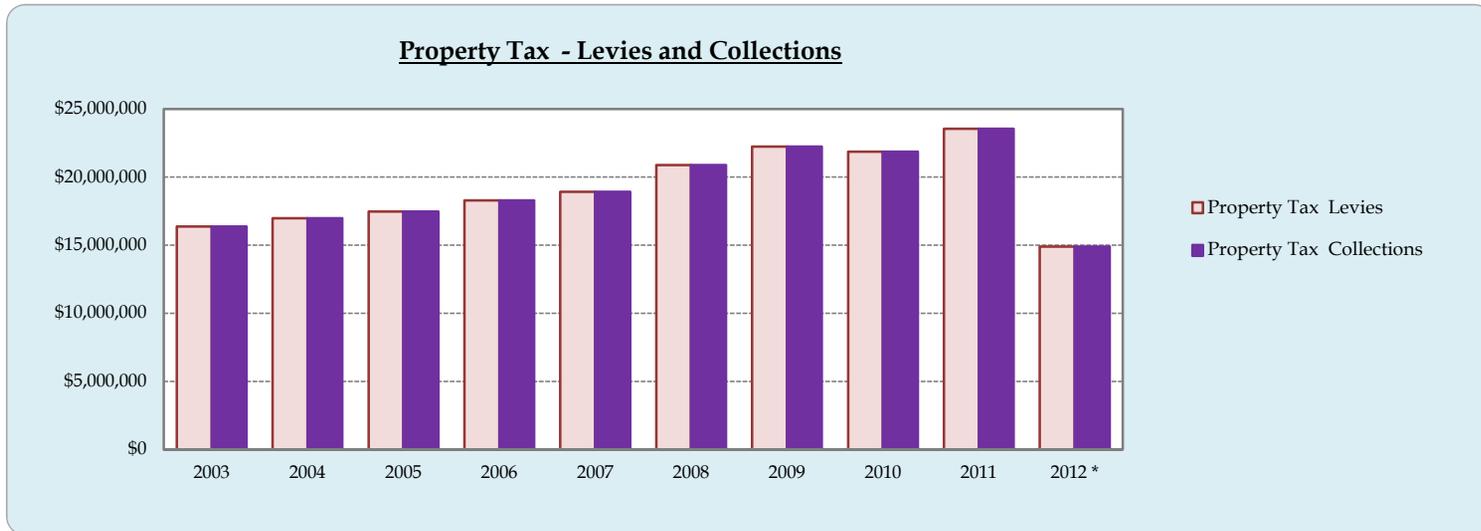
Source:
San Mateo County Tax Roll
California Municipal Statistics Inc



Property Tax Levies and Collections
 June 30, 2012
 Last Ten Years

Debt Capacity:
 Schedule 10

<u>Fiscal Year Ending June 30</u>	<u>Property Tax Levies</u>	<u>Property Tax Collections</u>	<u>Percentage of Collections</u>	<u>Subsequent Year Collections</u>	<u>Total Collections</u>	<u>Percentage of Total Collections</u>
2003	\$ 16,363,962	\$ 16,363,962	100.00%	\$ -	\$16,363,962	100.00%
2004	16,969,603	16,969,603	100.00%	-	\$16,969,603	100.00%
2005	17,467,955	17,467,955	100.00%	-	\$17,467,955	100.00%
2006	18,281,120	18,281,120	100.00%	-	\$18,281,120	100.00%
2007	18,913,707	18,913,707	100.00%	-	\$18,913,707	100.00%
2008	20,873,781	20,873,781	100.00%	-	\$20,873,781	100.00%
2009	22,237,748	22,237,748	100.00%	-	\$22,237,748	100.00%
2010	21,859,410	21,859,410	100.00%	-	\$21,859,410	100.00%
2011	23,541,681	23,541,681	100.00%	-	\$23,541,681	100.00%
2012 *	14,886,204	14,886,204	100.00%	-	\$14,886,204	100.00%



Source:

County of San Mateo, Estimated Property Tax Revenue and Estimated Tax Increment Revenue

City of Menlo Park

* In prior years, property tax levies included property tax increment from their former Community Development Agencies. The last year of such tax increment received in 2010-11.

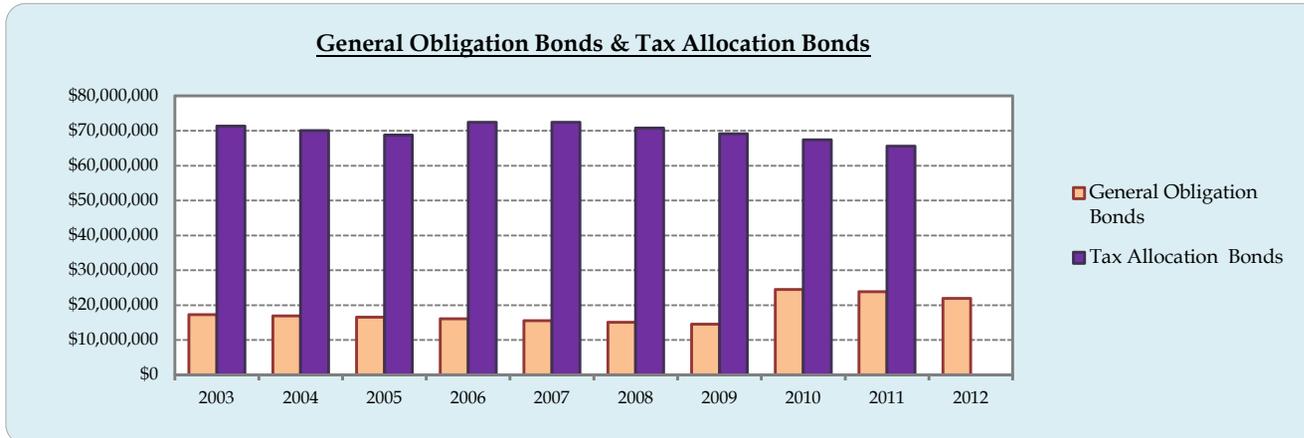
Note:



Ratios of Outstanding Debt by Type
June 30, 2012
Last Ten Years

Debt Capacity:
Schedule 11

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>General Obligation</u> <u>Bonds</u>	⁽¹⁾	<u>Tax Allocation</u> <u>Bonds</u>	⁽⁴⁾	<u>Total Primary</u> <u>Government</u>	<u>Percentage of</u> <u>Personal Income</u>	⁽⁶⁾	<u>Outstanding Debt</u> <u>Per Capita</u>	⁽⁷⁾
2003	\$ 17,275,000		\$ 71,350,000		\$ 88,625,000	5.50%		2,878	
2004	16,930,000		70,070,000		87,000,000	5.00%		2,837	
2005	16,500,000		68,730,000		85,230,000	4.70%		2,781	
2006	16,050,000		72,430,000 ⁽⁵⁾		88,480,000	4.30%		2,877	
2007	15,575,000		72,430,000		88,005,000	3.94%		2,826	
2008	15,070,000		70,820,000		85,890,000	3.69%		2,728	
2009	14,535,000		69,140,000		83,675,000	3.77%		2,626	
2010	24,487,472 ⁽³⁾		67,395,000		91,882,472	4.20%		2,853	
2011	23,874,973		65,585,000		89,459,973	not available		2,760	
2012	21,964,830 ⁽⁸⁾		- ⁽⁹⁾		21,964,830	not available		678	



Source: City of Menlo Park

Notes:

- (1) General Obligation Bonds consists of 1996, 2002, 2009 General Obligation Bonds
- (2) The City issued \$13,245,000 in 2002 General Obligation bonds
- (3) The City issued \$10,440,000 in 2009 General Obligation Bonds
- (4) Tax Allocation Bonds consists of 2006 Las Pulgas Project Tax Allocation Bonds
- (5) The 1996 & 2000 Tax Allocation Bonds were refinanced with 2006 Refunding Bonds
- (6) County of San Mateo's personal income per capita
- (7) U.S. Census Bureau, Quickfacts.Census.gov, Population
- (8) General Obligation Bonds consists of 1996, 2009, & 2012 General Obligation Bonds
- (9) In fiscal year 2011-12 former Community Redevelopment Agency was dissolved and all debts transferred



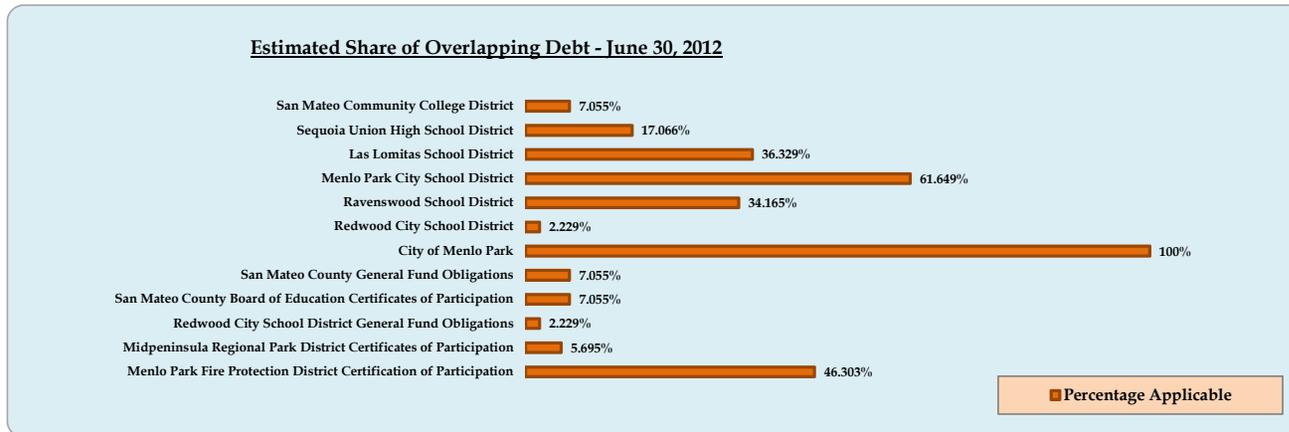
Direct and Overlapping Debt
June 30, 2012

Debt Capacity:
Schedule 12

Fiscal year 2011-12

City Assessed Valuation	\$ 10,211,522,144
Redevelopment Incremental Valuation	971,904,395
Total Assessed Valuation	\$ 11,183,426,539

	<u>Outstanding Debt</u> <u>6/30/2012</u>	<u>Percentage</u> <u>Applicable</u> ⁽¹⁾	<u>Estimated Share of</u> <u>Overlapping Debt</u>	<u>Ratio to Total</u> <u>Assessed Valuation</u>
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:				
San Mateo Community College District	\$ 595,569,994	7.055%	\$ 42,017,463	0.376%
Sequoia Union High School District	343,070,000	17.066%	58,548,326	0.524%
Las Lomas School District	16,124,944	36.329%	5,858,031	0.052%
Menlo Park City School District	100,728,760	61.649%	62,098,273	0.555%
Ravenswood School District	10,927,550	34.165%	3,733,397	0.033%
Redwood City School District	47,149,407	2.229%	1,050,960	0.009%
City of Menlo Park	22,420,000	100%	22,420,000	0.200%
Total Direct and Overlapping Tax and Assessment Debt			\$ 195,726,451	1.750%
OVERLAPPING GENERAL FUND DEBT:				
San Mateo County General Fund Obligations	\$ 324,979,816	7.055%	22,927,326	0.205%
San Mateo County Board of Education Certificates of Participat	11,945,000	7.055%	842,720	0.008%
Redwood City School District General Fund Obligations	2,355,964	2.229%	52,514	0.000%
Midpeninsula Regional Park District Certificates of Participatio	138,474,717	5.695%	7,886,135	0.071%
Menlo Park Fire Protection District Certification of Participator	11,990,000	46.303%	5,551,730	0.050%
Total Overlapping General Fund Debt			\$ 37,260,425	0.333%
COMBINED TOTAL DEBT (2)			\$ 232,986,876	2.083%



Source: California Municipal Statistics, Inc.

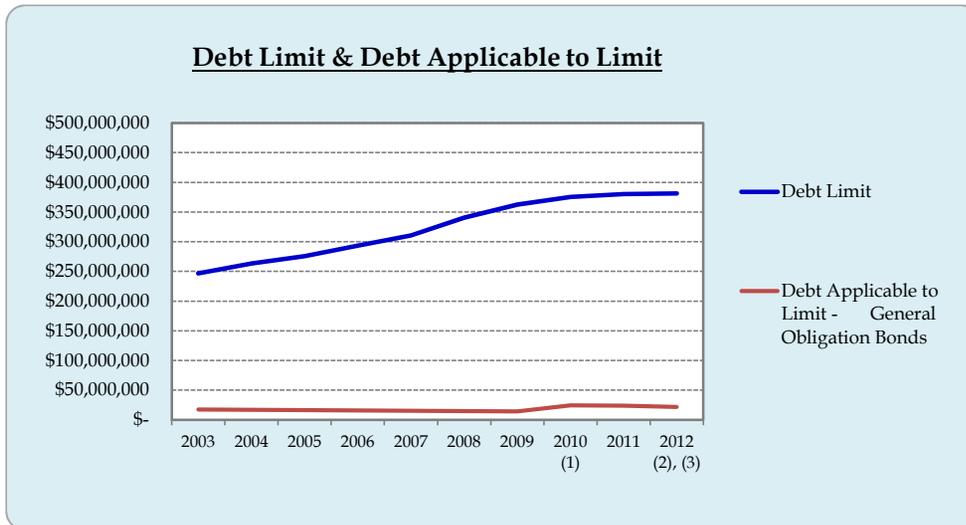
Note: (1) Percentage of overlapping agency's assessed valuation located within boundaries of the City.



Legal Debt Service Margin Information
 June 30, 2012
 Last Ten Years

Debt Capacity
 Schedule 13

	Fiscal year ending June 30, ____									
	2003	2004	2005	2006	2007	2008	2009	2010 (1)	2011	2012 (2), (3)
Total Assessed Valuation	\$ 6,574,570,514	7,027,682,436	7,358,182,031	7,820,809,423	8,274,298,766	9,087,570,328	9,669,292,492	10,016,523,183	10,140,348,118	10,169,244,059
Conversion Percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted Assessed Valuation	\$ 1,643,642,629	1,756,920,609	1,839,545,508	1,955,202,356	2,068,574,692	2,271,892,582	2,417,323,123	2,504,130,796	2,535,087,030	2,542,311,015
Debt Limit Percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt Limit	\$ 246,546,394	263,538,091	275,931,826	293,280,353	310,286,204	340,783,887	362,598,468	375,619,619	380,263,054	381,346,652
Debt Applicable to Limit - General Obligation Bonds	17,275,000	16,930,000	16,500,000	16,050,000	15,575,000	15,070,000	14,535,000	24,487,472	23,874,973	21,964,830
Legal Debt Margin	\$ 229,271,394	246,608,091	259,431,826	277,230,353	294,711,204	325,713,887	348,063,468	351,132,147	356,388,081	359,381,822
Debt Applicable to Limit as a Percentage of Debt Limit	93.0%	93.6%	94.0%	94.5%	95.0%	95.6%	96.0%	93.5%	93.7%	94.2%
General Bonded Debt as a Percentage of Assessed Value	0.26%	0.24%	0.22%	0.21%	0.19%	0.17%	0.15%	0.24%	0.24%	0.22%



Source: County of San Mateo, Assessed Valuation Reports

Notes:

- (1) The City issued 2009 General Obligation Bonds
- (2) The City refinanced 2002 Bonds with issuance of 2012 General Obligation Bonds
- (3) Community Development Agency was transferred to Successor Agency

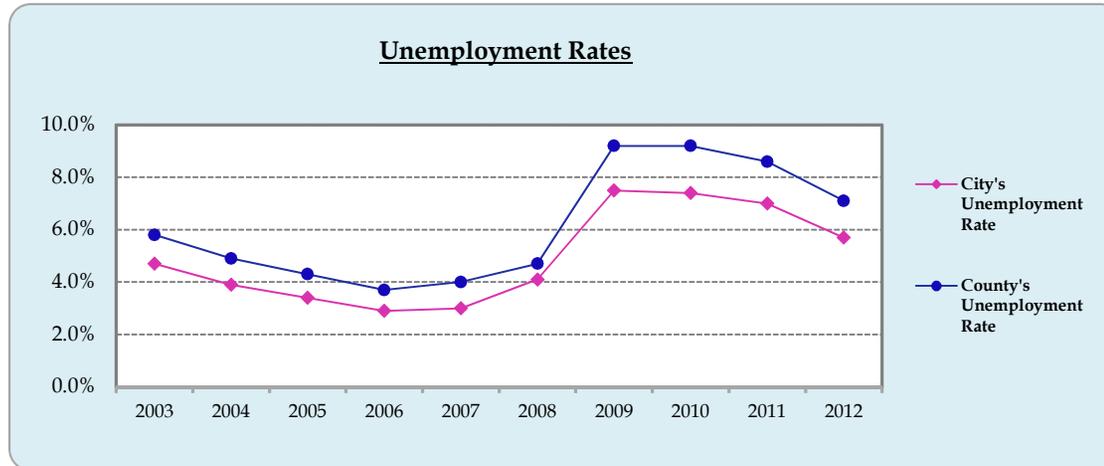


Demographic and Economic Statistics

June 30, 2012
Last Ten Years

Demographic and
Economic
Information:
Schedule 14

Calendar Year	City's Population	City's Unemployment Rate	County's Unemployment Rate	Personal Income Per Capita	K-12 Public School Enrollments
2003	30,798	4.7%	5.8%	\$ 52,289	4,033
2004	30,671	3.9%	4.9%	56,697	4,109
2005	30,648	3.4%	4.3%	59,213	4,120
2006	30,750	2.9%	3.7%	66,839	4,124
2007	31,146	3.0%	4.0%	71,753	4,177
2008	31,490	4.1%	4.7%	73,839	4,297
2009	31,865	7.5%	9.2%	69,562	4,498
2010	32,206	7.4%	9.2%	67,964	4,477
2011	32,412	7.0%	8.6%	not available	4,678
2012	32,412	5.7%	7.1%	not available	4,719



Source:

U.S. Census Bureau, Quickfacts.Census.gov, Population 2011 Estimate

California Labor Market Information, EDD, labormarketinfo.edd.ca.gov, June 2012

US Department of Commerce, Bureau of Economic Analysis, bea.gov, Bearfacts

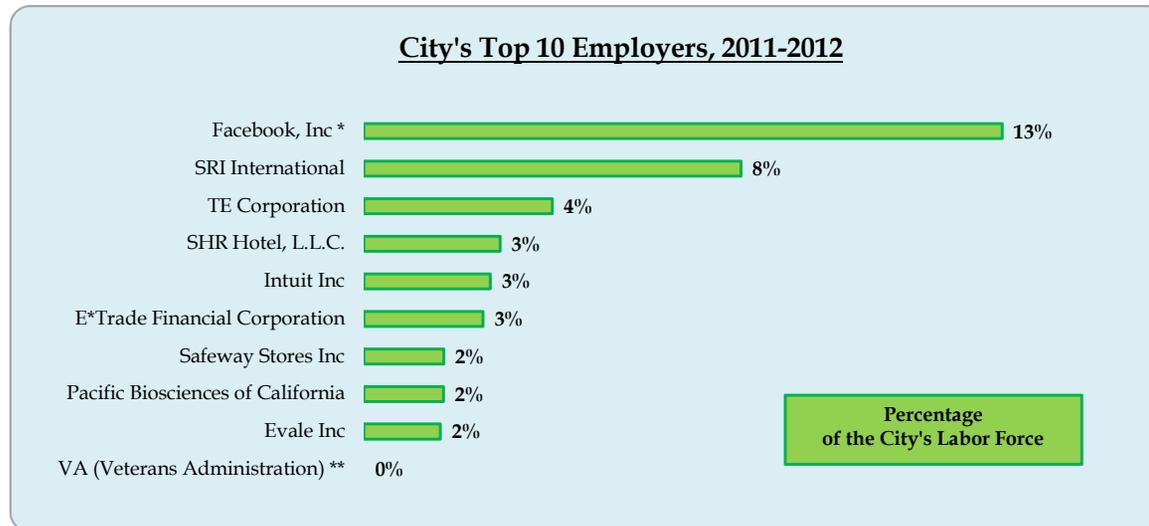
California Department of Education, Data Quest/Enrollment over time, school year 2011-12 Menlo Park Elementary Schools K-12 and Menlo Atherton High School



Principal Employers
June 30, 2012
Current Fiscal Year and Nine Years Prior

Demographic
Economic
Information:
Schedule 15

<u>City's Principal Employers</u>	2011-12			2002-2003	
	<u>Rank</u>	<u>Total Employees</u>	<u>Percentage of Total City's Labor Force</u>	<u>Total Employees</u>	<u>Percentage of Total City's Labor Force</u>
Facebook, Inc *	1	2200	13%	-	0%
SRI International	2	1300	8%	1,185	7%
TE Corporation	3	650	4%	1,040	6%
SHR Hotel, L.L.C.	4	470	3%	-	0%
Intuit Inc	5	436	3%	-	0%
E*Trade Financial Corporation	6	411	3%	201	1%
Safeway Stores Inc	7	276	2%	232	1%
Pacific Biosciences of California	8	275	2%	-	0%
Evale Inc	9	264	2%	-	0%
VA (Veterans Administration) **	10	Unknown	<u>0%</u>	-	0%
Top 10 Employers		6,282	39%	2,658	16%
Total Employment of the City's Labor Force ***		16,300	100%	16,700	100%



Source:

City of Menlo Park, Finance, Business License, calendar year, non-profit organizations' data is not available

* Moved to Menlo Park in 2012

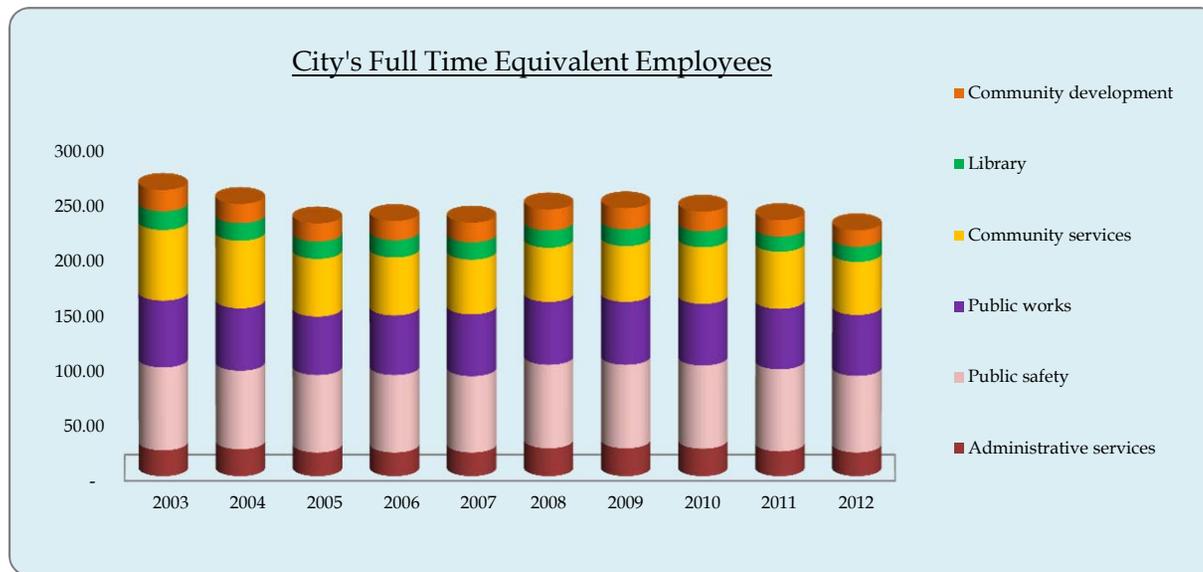
** Non-government only

*** State of California, Employment Development Department, Labor Force, June 2002 and 2012



Full Time Equivalent City Employees by Function
 June 30, 2012
 Last Ten Years

	Full-Time Equivalent Employees									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General government										
Administrative services	23.50	24.50	21.50	21.50	21.50	25.35	25.35	25.00	22.50	21.50
Public safety	75.50	71.50	70.50	70.50	69.50	76.00	76.00	75.75	74.75	69.75 ⁽¹⁾
Public works	60.75	56.75	53.25	54.25	56.25	57.25	57.25	56.00	55.00	55.50
Culture and recreation										
Community services	64.25	61.50	52.50	52.75	49.75	49.25	50.75	51.50	52.00	48.25 ⁽²⁾
Library	17.00	16.00	15.75	15.75	15.75	15.75	15.25	14.50	13.75	13.75
Community development	19.50	17.50	16.50	17.50	18.00	19.15	19.15	18.00	15.00	15.00
Total FTEs	260.50	247.75	230.00	232.25	230.75	242.75	243.75	240.75	233.00	223.75



Source: City of Menlo Park, Human Resources

Remarks:

⁽¹⁾ Reduction of 4.0 FTE San Carlos dispatch during fiscal year 2011-12

⁽²⁾ Reduction of 3.0 FTE Housing Division during fiscal year 2011-12



Operating Indicators by Demand Level of Service, by Function/Program

June 30, 2012
Last Ten Years

Operating Information:
Schedule 17

		Fiscal Year Ending June 30, _____									
<u>FUNCTION/PROGRAM</u>		<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Public Safety	Incidents	38,856	34,676	31,977	30,597	36,206	37,997	41,200	39,217	40,675	44,405
	Calls for Service	18,299	18,516	18,467	19,806	18,721	19,736	20,015	19,840	19,752	20,469
	Officer Initiated Incidents	20,557	16,160	13,510	10,791	17,485	18,261	21,185	19,377	20,923	23,936
Public Works	<u>Transportation:</u>										
	Shuttle Passengers (1)	n/a	63,387	71,963	53,978	70,712	68,201	81,837	86,503	83,246	86,004
	<u>Engineering:</u>										
	Encroachment Permits Issued	294	257	266	275	274	319	310	289	290	272
Culture and Recreation	<u>Parks and recreation:</u>										
	Number of Activity Hours Provided (2)	9,863	9,762	9,649	9,571	21,902	119,674	37,869	48,270	37,964	1,662,457 (5)
	Number of recreational activities participants (3)	23,417	20,259	20,033	39,987	42,424	237,968	61,514	64,762	88,032	706,830 (6)
	<u>Library:</u>										
	Books Volumes held	134,047	134,294	136,590	143,351	142,735	149,927	151,650	146,429	146,356	150,017
	Video/DVD held	8,749	10,048	11,650	12,569	11,092	15,148	14,989	13,688	14,262	14,728
	Books Volumes added	13,850	9,394	9,153	4,992	9,587	7,613	15,162	9,826	9,587	9,239
	Total Circulations	577,170	575,023	602,548	545,764	590,261	707,073	756,808	742,555	726,189	624,699
Community Development	<u>Building Permits Issued:</u>										
	Residential Buildings - Count	707	970	761	824	745	787	652	667	733	655
	Residential -Value (\$1000s)	34,163	56,527	44,819	55,404	70,643	84,006	51,761	42,033	49,618	44,545
	Commercial Buildings - Count	153	210	161	155	185	170	187	160	202	231
	Commercial -Value (\$1000s)	73,280	25,199	24,425	44,428	112,118	73,820	42,435	32,419	46,756	78,055
	Accessory Buildings - Count	136	94	84	107	99	99	74	87	85	73
	Accessory -Value (\$1000s)	2,866	1,820	4,552	1,062	1,290	2,337	1,039	1,188	1,812	1,925
	Building Inspection Conducted	10,713	10,215	10,159	10,522	10,036	11,197	10,532	8,797	9,928	991
	<u>Housing and Redevelopment:</u>										
	Below Market Rate - Units sold	2	1	0	0	8	16	5	2	2	2
	Below Market Rate - Units resold	0	1	0	1	2	0	0	1	3	3
	Housing Rehabilitation - New loans	7	9	3	5	0	0	5	0	0	0
	Housing Rehab Loans - Cumulative \$	2,337,511	2,276,512	2,129,896	2,205,021	1,744,741	1,459,047	1,440,877	1,340,433	1,312,380	1,210,372
	Housing Rehab Homes - Cumulative Count	91	73	64	58	47	41	41	36	33	32
RDA - Housing Rehabilitation - New loans (4)	-	-	-	-	-	-	-	4	3	0	
RDA - Housing Rehab Loans - Cumulative \$	-	-	-	-	-	-	-	193,000	347,785	337,285	
RDA - Housing Rehab Homes - Cumulative Count	-	-	-	-	-	-	-	4	7	7	
Administrative Services	<u>Finance:</u>										
	New Business License Applications	510	527	481	469	649	708	564	308	458	829

Source: City of Menlo Park

Note:

- (1) Public demand of the free shuttles was increased in 2006-07 as a result of frequent promotions of the free service by the City of Menlo Park Transportation Department and the participating companies who promote commute alternatives in peak hours.
- (2) Increased programming in rooms previously used for child care at Burgess and new programs at the Onetta Harris Community Center. The method of calculation may vary from previously submitted information.
- (3) Park and Recreation: Differences in department programming from year to year result in substantial variances in some totals.
- (4) Redevelopment Agency-Housing Rehabilitation Program started in fiscal year 2009-2010, ended in January 2012
- (5) During fiscal year 2011-12, Activity Hour was changed to count every hour each participant in a program or using City service
- (6) During fiscal year 2011-12, Activity Participant was changed to count each visit

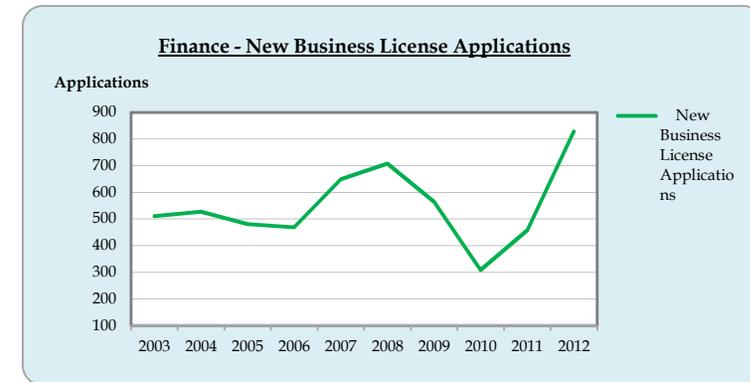
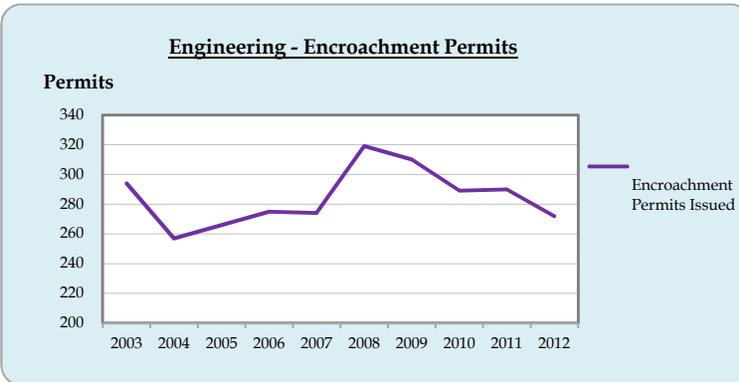
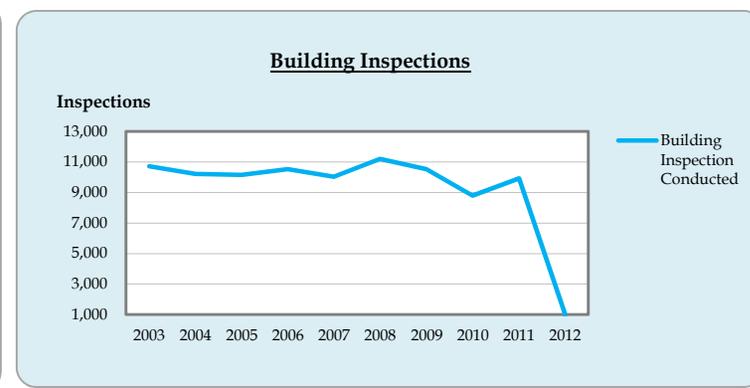
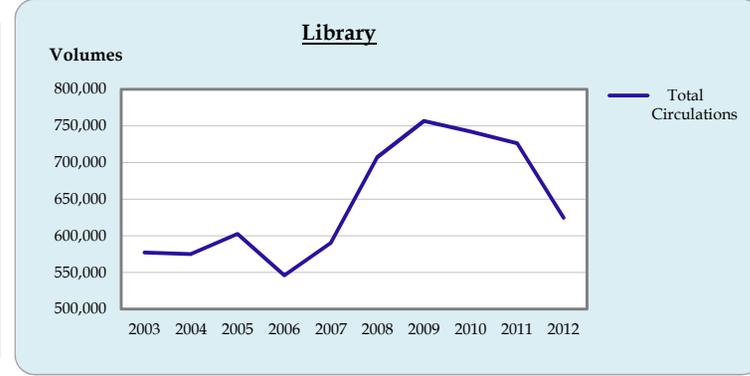
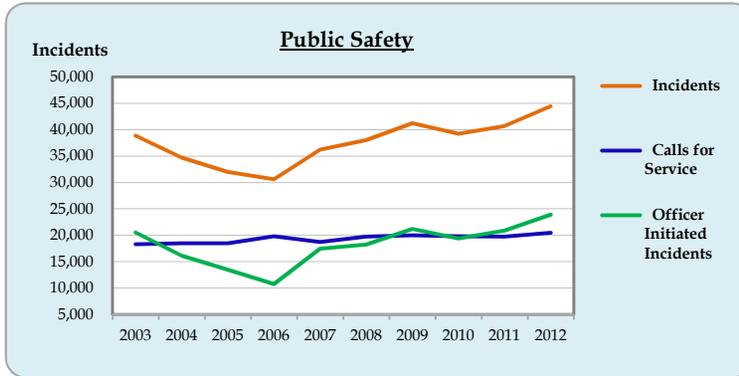
(Continued)



Operating Indicators by Demand Level of Service, by Function/Program

June 30, 2012
Last Ten Years

Operating Information:
Schedule 17



Source: City of Menlo Park



Capital Asset Statistics by Function
June 30, 2012
Last Ten Years

Operating Information:
Schedule 18

<u>Function</u>	<u>Facility</u>	Fiscal Year Ending June 30, _____									
		<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Government	Civic Center-Administration	1	1	1	1	1	1	1	1	1	1
Public Safety	Police Stations	1	1	2	2	2	2	2	2	2	2
Public Works	Streets (miles)	101	101	101	101	101	101	101	101	101	100
	Streetlights	1659	1659	1718	1718	1718	1718	1718	1719	2233	2233
	Traffic Signals	22	22	22	22	22	22	22	22	22	22
	Water:										
	- Daily average introduced into system (1,000 gallons)	3557	3557	3363	3363	3556	3805	3337	2582	2868	2947
	- Capacity per day (millions of gallons)	3	4	4	3	4	4	3	3	3	3
	- Water storage (millions of gallons)	6	6	6	6	6	6	6	6	6	6
- Water lines (miles)	55	55	55	55	55	55	59	59	59	59	
Parks and Recreation	Child Care Centers	5	5	5	5	5	5	6	6	6	3
	Recreation Center	1	1	1	1	1	1	1	1	1	1
	Library	2	2	2	2	2	2	2	2	2	2
	Parks	13	13	13	13	13	13	14	14	14	14
	Community Centers	2	2	2	2	2	2	2	2	2	2
	Senior Center	2	2	2	2	2	2	2	2	2	1
	Gymnasium	2	2	2	2	2	2	2	2	2	2
	Gymnastics Center	1	1	1	1	1	1	1	1	1	1
	Pools (locations)	2	2	2	2	2	2	2	2	2	2
	Medical Clinic	1	1	1	1	1	1	1	1	1	1
	Gate House	1	1	1	1	1	1	1	1	1	1
	Dog Park Areas	n/a	n/a	n/a	n/a	n/a	2	2	2	2	2

Source: City of Menlo Park

Notes:

⁽¹⁾ Burgess pools were closed for construction in December 2004 and re-opened in May 2005

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Capital Asset and Infrastructure Statistics by Activities
 June 30, 2012
 Last Ten Years

Operating Information:
 Schedule 19

Fiscal Year	Non-Depreciable					Depreciable							Combined Total	
	Land	Real Estate	Construction	Total	Share Use	Other	Less: Accumulated	Total	Combined Total					
	Ending	Improvement	Held for Sale	in Progress	Non-Depreciable	Buildings	Facilities	Equipment		Improvements	Infrastructure	Depreciation		Depreciable
Governmental Activities	2003	\$ 221,534,267	32,705,490	-	1,717,984	255,957,741	39,689,374	-	5,798,154	3,328,493	97,117,678	(48,625,194)	97,308,505	\$ 353,266,246
	2004	221,534,267	32,705,490	-	9,060,550	263,300,307	39,706,068	-	5,919,103	3,797,004	97,849,119	(52,039,710)	95,231,584	358,531,891
	2005	221,534,267	32,900,109	-	8,501,684	262,936,060	39,974,278	-	6,035,756	5,509,784	102,932,198	(55,468,475)	98,983,541	361,919,601
	2006	205,232,510	32,900,109	-	968,145	239,100,764	46,658,887	-	6,201,377	12,081,605	103,885,147	(57,765,455)	111,061,561	350,162,325
	2007	204,949,233	32,900,109	-	600,561	238,449,903	46,933,785	-	5,912,705	12,717,853	105,533,229	(61,481,901)	109,615,671	348,065,574
	2008	204,949,233	32,900,109	-	2,971,197	240,820,539	46,933,785	-	6,162,913	12,782,089	106,952,666	(65,743,622)	107,087,831	347,908,370
	2009	204,949,233	32,900,109	-	3,318,133	241,167,475	46,933,785	-	6,383,215	12,792,366	107,911,764	(69,349,289)	104,671,841	345,839,316
	2010	204,949,233	32,900,109	446,725	5,889,419	244,185,486	47,218,382	2,600,000	6,384,363	12,792,366	108,730,291	(73,724,714)	104,000,688	348,186,174
	2011	204,949,233	32,900,109	648,285	6,979,308	245,476,935	65,959,147	2,600,000	6,464,074	12,878,068	109,994,804	(76,800,272)	121,095,821	366,572,756
	2012	199,254,256	32,900,109	1,643,404	2,112,344	235,910,113	76,591,580	2,600,000	6,929,594	16,259,990	110,974,228	(80,489,073)	132,866,319	368,776,432
Business-type Activities	2003	\$ 1,066,454	-	-	-	1,066,454	-	-	585,643	-	8,423,306	(5,043,868)	3,965,081	\$ 5,031,535
	2004	1,066,454	-	-	262,293	1,328,747	3,945,489	-	585,643	-	4,457,930	(5,167,837)	3,821,225	5,149,972
	2005	1,066,454	-	-	1,936,034	3,002,488	3,945,489	-	585,643	-	4,874,739	(5,288,437)	4,117,434	7,119,922
	2006	1,066,454	-	-	183,225	1,249,679	4,141,695	-	589,093	-	6,812,639	(5,352,175)	6,191,252	7,440,931
	2007	1,066,454	-	-	277,361	1,343,815	4,165,957	-	589,093	-	6,812,639	(5,520,161)	6,047,528	7,391,343
	2008	1,066,454	-	-	561,544	1,627,998	4,159,460	-	621,809	-	6,812,639	(5,689,537)	5,904,371	7,532,369
	2009	1,066,454	-	-	793,183	1,859,637	4,159,460	-	566,303	-	6,812,639	(5,777,412)	5,760,990	7,620,627
	2010	1,066,454	-	-	1,133,544	2,199,998	4,159,460	-	569,755	-	6,812,639	(5,951,168)	5,590,686	7,790,684
	2011	1,066,454	-	-	2,041,278	3,107,732	4,159,460	-	503,003	-	6,812,639	(6,046,123)	5,428,979	8,536,711
	2012	1,066,454	-	-	1,555,026	2,621,480	4,159,460	-	542,565	-	8,371,534	(6,170,823)	6,902,736	9,524,216

Source:
 City of Menlo Park

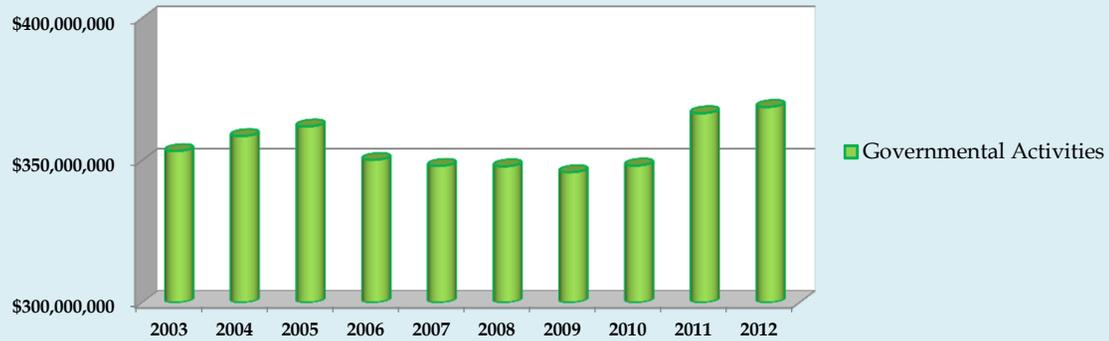
(Continued)



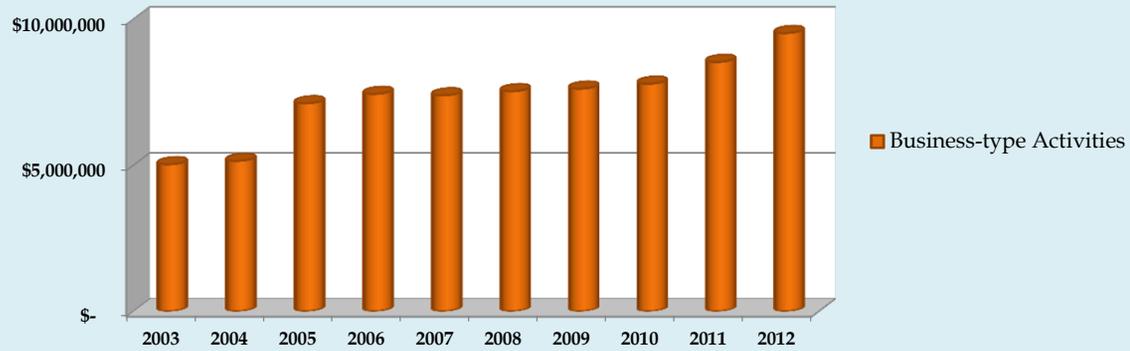
Capital Asset and Infrastructure Statistics by Activities
June 30, 2012
Last Ten Years

Operating Information:
Schedule 19

Capital Assets & Infrastructure - Governmental Activities



Capital Assets & Infrastructure - Business-type Activities





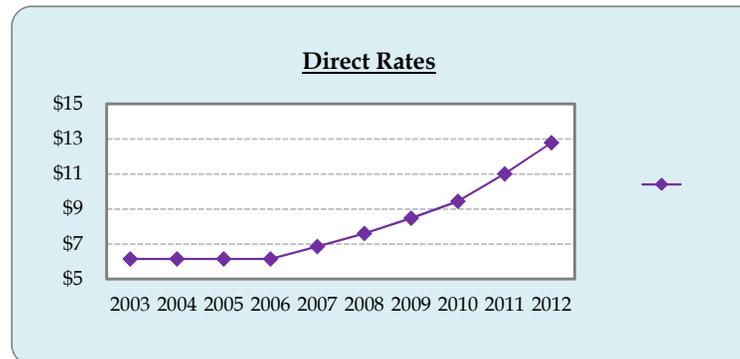
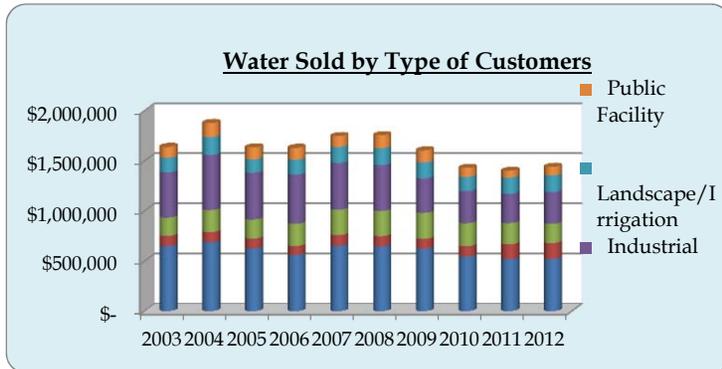
Water Sold by Type of Customer
June 30, 2012
Last Ten Years

Operating Information:
Schedule 20

(in CCF)

Type of Customer	Fiscal year ending June 30, ____										10-year Trend
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
Single Family	649,272	687,498	626,255	560,166	652,204	644,785	623,012	543,758	516,958	521,341	
Multi-family	100,851	101,149	97,178	89,682	106,339	103,263	98,672	104,032	149,228	158,342	
Commercial	182,992	219,354	190,834	221,551	253,596	251,400	258,675	229,159	211,796	190,988	
Industrial	452,007	549,563	466,153	491,050	467,379	456,315	343,516	319,117	291,137	316,857	
Landscape/Irrigation	144,931	177,958	134,150	148,601	159,097	170,846	160,021	142,781	163,080	166,262	
Public Facility	107,918	141,001	118,424	117,785	107,003	127,811	119,814	89,655	67,389	85,474	
Total Water Sold - CCF	1,637,971	1,876,523	1,632,994	1,628,835	1,745,618	1,754,420	1,603,710	1,428,502	1,399,588	1,439,264	

Total Direct Rate(*) \$ 6.15 \$ 6.15 \$ 6.15 \$ 6.15 \$ 6.85 \$ 7.61 \$ 8.48 \$ 9.44 \$ 11.01 \$ 12.78



Source: California Water Service Company, City of Menlo Park

Notes: 1 unit is 748 gallons

*Rate based on a minimum monthly service charge based on size of meter plus a charge for water consumed plus a surcharge per unit

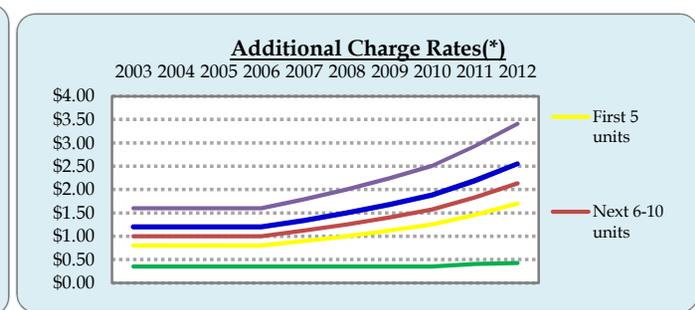
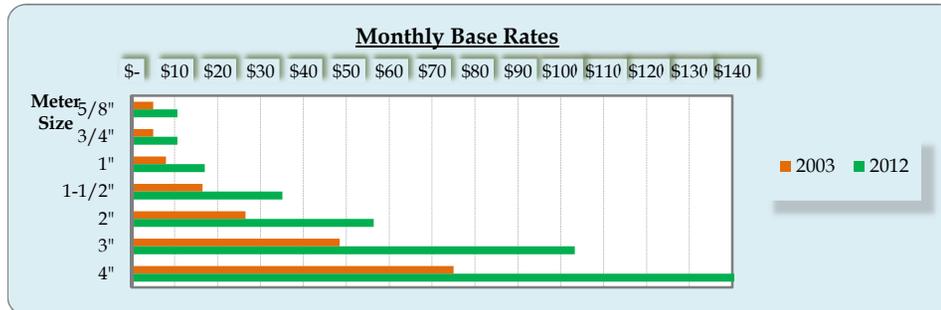
(continued)



Water Service Rates
June 30, 2012
Last Ten Years

Operating Information:
Schedule 21

Monthly Base Rate by Meter Size	Fiscal Year Ending June 30, ____									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
5/8"	\$ 5.00	5.00	5.00	5.00	5.60	6.26	7.01	7.84	9.14	10.65
3/4"	5.00	5.00	5.00	5.00	5.60	6.26	7.01	7.84	9.14	10.65
1"	8.00	8.00	8.00	8.00	8.95	10.02	11.21	12.54	14.61	17.03
1-1/2"	16.50	16.50	16.50	16.50	18.46	20.66	23.12	25.87	30.15	35.14
2"	26.50	26.50	26.50	26.50	29.65	33.18	37.13	41.55	48.42	56.43
3"	48.50	48.50	48.50	48.50	54.27	60.73	67.96	76.04	88.62	103.27
4"	75.00	75.00	75.00	75.00	83.93	93.91	105.09	117.59	137.04	159.71
6"	166.50	166.50	166.50	166.50	186.31	208.48	233.29	261.06	304.24	354.56
8"	369.50	369.50	369.50	369.50	413.47	462.67	517.73	579.34	675.16	786.83
10"	820.00	820.00	820.00	820.00	917.58	1,026.77	1,148.96	1,285.68	1,498.33	1,746.16
Additional charges (*)										
First 5 units	\$ 0.80	0.80	0.80	0.80	0.90	1.00	1.12	1.25	1.46	1.70
Next 6-10 units	1.00	1.00	1.00	1.00	1.12	1.25	1.40	1.57	1.83	2.13
Next 11-25 units	1.20	1.20	1.20	1.20	1.34	1.50	1.68	1.88	2.19	2.55
All units over 25	1.60	1.60	1.60	1.60	1.79	2.00	2.24	2.51	2.93	3.41
Capital Facility Surcharge (per unit)	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.41	0.43



Source: City of Menlo Park, Master Fee Schedules

Notes: (*) Additional charge is based on monthly meter readings, one unit is 748 gallons.

The Menlo Park Municipal Water District charges an excess-use rate above normal demand.

(continued)



Miscellaneous Statistics

June 30, 2012

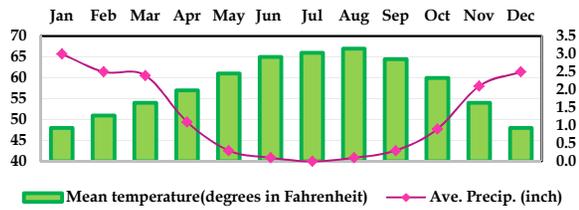
Operating Information:
Schedule 22

Date of Incorporation	November 23, 1927
Form of Government	Council / Manager
City Council Members	5
City Commissions	10

Arts, Bicycle, Environmental Quality, Finance & Audit, Housing,
Las Pulgas, Library, Parks & Recreation, Planning, & Transportation

Latitude, Longitude	37.45 N, 122.18 W
Elevation	60 feet
Land Area in square miles, 2010	18
Sunny Days a year	265
Average Annual Rainfall	15.71"

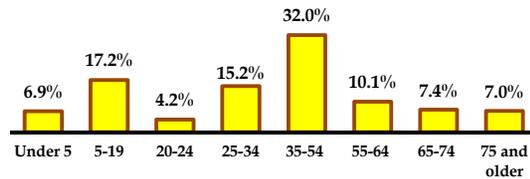
Average Monthly Temperatures & Precipitations



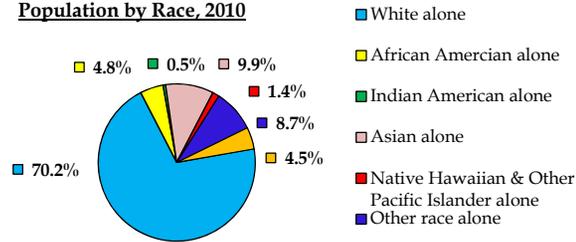
Demographic Profile

Population, 2011 Estimate	32,412
People per square miles, 2010	3,271
Male Persons, 2010	48.1%
Female Persons, 2010	51.9%
Median age (years), 2010	39.0

Population by Age Group, 2010



Population by Race, 2010



Social Characteristics

Percentage Speak English only

Age 5 - 17	17.2%
Age 18-64	65.9%
Age 65+	17.0%

Percentage Speak a language other than English:

Age 5 - 17	15.2%
Age 18-64	76.7%
Age 65+	8.1%

Education Attainment -Population 25 years and over

Less than high school graduate	7.2%
High school graduate or equivalent	8.6%
Some college or associate's degree	16.1%
Bachelor's degree	31.0%
Graduate or professional degree	37.0%

Marital Status

Never married	68.1%
Now married - except separated	52.2%
Divorced or separated	11.8%
Widowed	5.7%

Citizenship Status

Native, 5 years and over	76.6%
Foreign-born, 5 years and over	23.4%
Naturalized U.S. citizen	9.8%
Not a U.S. citizen	13.7%

Poverty Status in the past 12 months, 2008

Below poverty level	7.6%
At or above poverty level	92.4%

Housing Characteristics

Total housing units	13,313
Occupied housing units	12,601
Homeownership rate	58.4%
Housing units in multi-unit structures	36.7%
Median value of owner-occupied homes	\$ 1,000,001
Foreign born persons	23.9%

Schools

Preschools	16
Public schools, K-12	6
Private schools, K-12	9
Charter schools	2
Adult education institutions	2
Colleges, public & private	3

Utilities and other services:

Water Services	4
Sewer Service	1
Refuse Removal & Recycling Service	1
Gas & Electricity Service	1
Police protection, stations	2
Menlo Park Fire District, stations	7
Hospitals/Medical Clinics	2
Health Support	4
U. S. Post Offices, branches	2

Local attractions, culture & recreation

Allied Arts Guild	
Menlo Atherton Performance Arts Center	
Stanford Linear Accelerator Center (SLAC)	
Sunset Publishing Corporation	
United States Geological Survey (USGS)	
Movie theater, the Guild	1
Clubs/Organizations	13
Places of worship	22

Source: Menlo Park Chamber of Commerce, City of Menlo Park

Countrystudies.us/united-states/weather/california/menlo-park.htm

U.S. Census Bureau, 2010 Demographic Profile Data, ACS Demographic & Housing Estimates 2006-2010