

**City
of
Menlo Park**

Menlo Park, California

Comprehensive Annual Financial Report

For the year ended June 30, 2003

City of Menlo Park
For the year ended June 30, 2003

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INTRODUCTORY SECTION



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

December 10, 2003

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, 2003. 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 in such a way as to present fairly and honestly the financial position and results of operations of the funds and account groups of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, supplementary, and statistical. 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 consisting of government-wide financial statements and fund financial statements, notes to basic financial statements, required supplementary information on budgetary principles and schedule of funding progress-Public Employee Retirement System, supplementary information on non-major funds, and the independent auditor's report. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The notes to the financial statements are provided in the financial section and are considered essential to fair presentation and adequate disclosure for this financial report. 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

Exhibit 1

the City. The notes are treated as an integral part of the financial statements and should be read in conjunction with them.

Major Changes in Reporting

These financial statements represent a substantial change from the prior year's format and accounting methodology. In June of 1999, the Governmental Accounting Standards Board (GASB), which sets the Generally Accepted Accounting Principles (GAAP) for all state and local governments, established a new framework for financial reports.

This is the first year the City prepared the CAFR using the new financial reporting requirements as prescribed by the GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34). This new GASB Statement requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion & Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

The major differences from the prior year's financial statements are listed below:

- The detailed financial analysis previously found in the Transmittal Letter has been moved to the Management's Discussion & Analysis section.
- Management's Discussion & Analysis is a newly required section that provides a detailed analytical overview of the City's Financial Statements.
- The "General Purpose Financial Statements" have been replaced with the "Basic Financial Statements" which include Government-wide Statements and Fund Statements.
- The Government-wide Financial Statements reflect the entire City's financial information on the full accrual basis of accounting in a manner consistent with private sector reporting.
- The Government-wide Statement of Net Assets now includes the recording of land, buildings, equipment and infrastructure as Capital Assets. These assets are now expensed through depreciation on the Government-wide Statement of Activities; unless they are inexhaustible, such as land.
- The General Fixed Assets and General Long-Term Debt Account Groups will no longer be shown; they are now included in the Government-wide Statement of Net Assets as assets and liabilities.
- The Government-wide Statement of Activities and Changes in Net Assets provides information on the net cost of each governmental function.
- Fund Statements are reported in a manner consistent with previous years, using a modified accrual basis of accounting. However, they are divided into Major and Non-major funds based on a detailed analysis of fund assets, liabilities, expenditures, and revenues.

Background

The City of Menlo Park is located in San Mateo County, midway between the cities of San Francisco and San Jose. It is an area that has 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 that is invested through companies located in Menlo Park, it is internationally known as the “Venture Capital of the World”.

The City contains a healthy balance of residential, commercial, and industrial uses. Residential home prices are among the highest in the area reflecting the desirability of living in the community. Major companies that have facilities in Menlo Park include Sun Microsystems, Tyco/ Raychem Corporation, E*Trade, SRI International, Informix and Boise Cascade. 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 and University owned and operated Stanford Linear Accelerator Center.

Reporting Entity

The financial reporting entity (the government) includes all the funds and account groups 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.

Blended component units, although legally separate entities, are, in substance, part of the primary government’s operations and are included as part of the primary government. Accordingly, the Community Development Agency (the Agency) is reported as a blended component unit of the primary government.

Menlo Park consists of a balanced mix of residential, commercial, industrial and educational uses. The City provides a varied range of services, including, police protection, engineering, street, park, building and vehicle maintenance, water distribution and maintenance, transportation services, community services (recreation, child care and senior services), planning, zoning and building inspection, code and parking enforcement, library services, housing and general administration (finance, personnel, management information systems, legal and record keeping).

Community Development Agency

The City Council, acting as the Agency Board, exercises authority over redevelopment activities for which the City also provides administrative and financial services; therefore, its financial activities are included in this report.

The Agency was established in 1981, with the first and only project area in turn established that same year on November 24. During the first ten years, implementation of Agency projects caused most of the original revenue cap of \$30 million to be either expended or committed to bond issues and City loan debt service. As a result, a plan amendment was necessary to pursue any new projects.

In order to realize new projects, a new plan with a new life and revenue cap was necessary. The planning process culminated in the adoption of Agency Ordinance No. 826 on September 10, 1991. The ordinance became effective on October 10, 1991. The new revenue cap is \$430,000,000. The Amended and Restated Las Pulgas Community Development Project Area Plan also established new bonded indebtedness limits and extended the time limit for the power of eminent domain for an additional twelve years. On March 3, 1992 the Agency Board approved a bond issue of up to \$25 million, both to fund projects identified in the Amended Plan and to refund tax allocation bonds issued in 1985. During the 1995-1996 fiscal year the Agency issued \$32,305,000 of tax allocation refunding bonds to refund and defease the tax allocation bonds issued in 1988 and 1992. During the 2000-2001 fiscal year the Agency issued \$44,000,000 of tax allocation bonds to provide funds for various redevelopment projects of the Agency.

On October 11, 1994, in accordance with State of California Health and Safety Code Section 33333.6, the Agency amended its deadline to incur debt to January 1, 2004 and its deadline for Activities and Plan expiration was amended to November 24, 2021. These changes did not affect the Agency's existing debt. They shortened the period for incurring debt and implementing the Redevelopment Plan, as required by the cited State Code. (Note: This CAFR reflects the status of the City and Agency's finances as of June 30, 2003. However, at the time of its actual preparation, the Agency had acted to remove the debt limit incurrence deadline in accordance and compliance with state law.)

Economic Condition and Outlook

As with most California communities, the City's major revenue source is sales tax with property taxes and fees and charges for services also being important resources. Until two years ago, the Silicon Valley was experiencing a strong economy. The City was a recipient of the financial benefits of being a part of a vibrant regional economy and experienced significant increases in sales tax revenue and property values. The national economic downturn in 2001 has resulted in decreases in both realized and forecasted revenues. The City has and will continue to have an overall low rate of population growth, which minimizes the need to expand City services. This, coupled with modest commercial and light industrial development that typically generate more in revenues than they cost the City in services, helps ensure continued stability in the City's finances.

Major Initiatives

FOR THE YEAR: The City Council initiated a number of new projects and emphasized maintaining quality city services with the goal of ensuring that Menlo Park remains a desirable community. The focus in developing the 2002-03 fiscal year budget was to reduce costs to match revenues while striving to sustain service levels. Fortunately, the passage of the \$38 million Measure T general obligation bond combined with the \$44 million redevelopment agency bond issue a year earlier, provided the City with the financial resources to improve community facilities that enhance the quality of life for residents.

The City Manager's Office continued its emphasis on organizational development and improving the Council support function. The conversion to a program-driven organization has evolved to where the Council establishes service levels and tracks performance results. Work continued on bringing the City into compliance with the new GASB 34 reporting requirements.

The Building division experienced reduced levels of construction permitting activity with a corresponding reduction in revenues and construction. Planning has experienced a commensurate decrease in new applications for commercial projects. Planning is also involved in various policy studies, including, but not limited to, M2, Residential Review, Housing Element Update, and Redevelopment project input.

The Transportation division continued its work on neighborhood traffic calming with less reliance on outside consultant assistance.

Community Services accomplishments included completing a number of park renovation projects, approval of plans for Burgess Park and establishing improved coordination and outreach with respect to field use, scheduling and maintenance practices.

Much of the work undertaken in Housing and Redevelopment was continued from last year's goal setting. Considerable progress was made in terms of implementing the high priority redevelopment area projects funded through the 2000 bond issue, with many projects advancing through the design phase and into construction: Included are the renovation of Kelly Park and Ravenswood School District play fields, and neighborhood-wide infrastructure improvements. In Housing, key work elements included the Park and Housing project on Hamilton Avenue, administering the sale of three Below Market Rate units in the Menlo Square development and further progress with Habitat for Humanity.

Our Libraries continued to provide quality services in terms of providing more convenient access to information and databases, enabling many more customers to self-help themselves through the creative use of technology. Attendance figures continue to increase.

The Police Department addressed issues of staffing shortages, training new officers, increased crime as a byproduct of the economic downturn, and efforts to make forward progress in the area of code enforcement. The department's website continues to receive acclaim, while officers maintain their individual commitment to community policing through such diverse initiatives as bike rodeos, child safety seat installations, a model car program, gun lock programs and liaisons with the schools.

The Engineering and Maintenance divisions within Public Works stayed on course in keeping capital projects within budget and on schedule and further progress on maintaining and improving operations.

FOR THE FUTURE: A major focus will be continuing to implement the funded and top-ranked priority capital improvement projects in both the redevelopment area and identified in the Parks and Recreation Master Plan. Many projects that were started will continue well into the fiscal year ahead. Similarly, with land assembly completed and a developer chosen, park and housing development will be proceeding while the reconstruction of Hamilton Avenue progresses. Other projects and studies will be identified and programmed as the City Council establishes its goals and annual priorities.

In terms of internal organizational initiatives, staff will continue the transition to the new program-based budget structure. This requires the ability to accurately track expenditures and benchmark service-level results. And the persistent downturn in the economy will continue to challenge the staff's creativity in terms of maintaining quality city services in the face of diminished revenues.

Accounting System & Control

The City administration is responsible for establishing and maintaining an internal control structure designated to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that, (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits require estimates and judgments by management.

Budgeting Controls

In addition, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City's governing body. Activities of the general fund, special revenue funds and capital projects funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which

expenditures cannot legally exceed the appropriated amount) is established at the fund level. The City also maintains an encumbrance accounting system as a technique of accomplishing budgetary control.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

General Government Functions

Net assets for governmental activities were decreased by \$1,589,488 for the fiscal year to \$366,554,095. This accounts for 95% of the City's total net assets of \$387,148,277. A comparison of the cost of services by function for the City's governmental activities is shown below, along with the revenues used to cover the net expenses of the governmental activities.

Total government activity type expenses were \$46,300,677 in fiscal year 2002-03. The largest expenses were incurred for Public Safety and Public Works. These expenses do not include capital outlays, which are now reflected in the City's capital assets.

Total program revenues from governmental activities were \$15,249,089 for the 2002-03 fiscal year. Per GASB 34, program revenues are derived directly from the program itself or from parties outside the reporting government's taxpayers or citizenry. They reduce the net cost of the function to be financed from the government's general revenues. The largest category of program revenues came from Charges for Services for General Government, at 29%.

General revenues are all other revenues not categorized as program revenues, such as property taxes, sales taxes, and investment earnings. Total general revenues from governmental activities were \$29,462,100 in the 2002-03 fiscal year. The largest percentage of general revenues received during the 2002-03 fiscal year for governmental activities were Taxes, \$27,889,418, which includes property taxes, sales, tax, motor vehicle license, and other taxes.

Business Type Activities

Net assets for business-type activities were \$20,594,182. Total program revenues for business-type activities were \$3,421,677. The largest program revenues were in Water-Charges for Services of \$3,421,677. Total expenses for business-type activities were \$2,831,383 during the 2002-03 fiscal year.

Cash Management

Cash temporarily idle during the year was invested in the Local Agency Investment Fund administered by the Treasurer of the State of California, obligations of the United

States Treasury, Federal Agency Coupons and Discount Notes, Medium Term Notes, and Certificates of Deposit. The average daily balance of the investments for the City and the Agency for the fiscal year was \$87.5 million, which earned approximately \$2.5 million with an effective yield of 2.81percent.

The City's investment policy is to obtain the highest yield obtainable as long as investments meet the criteria established for safety and liquidity. Accordingly, deposits were classified as either risk category 1 or 2.

At June 30, 2003, 51 percent of investments held by the City are classified in the category of lowest credit risk as defined by the Government Accounting Standards Board; 49 percent was invested in California Local Agency Investment Fund; and remaining investments were held in the government's name either by the counter party financial institution's trust department or by a Securities and Exchange Commission brokerage firm.

Risk Management

The General Fund designates \$2.3 million in cash reserves for possible future catastrophic claims. In addition, various risk control techniques, including employee safety training, an employee safety committee to analyze accidents, and a safety and loss control consultant have been utilized to minimize employee accident and liability claim losses.

Other Information

Independent Audit. State statutes require an annual audit by independent certified public accountants. The accounting firm of Caporicci & Larson, Certified Public Accountants, was selected by the City Council for this purpose. The auditor's report on the general purpose financial statements and combining and individual fund statements is included in the financial section of this report.

Awards. The Government Finance Officers Association 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, 2002.

In order to be awarded a Certificate of Achievement for Excellence in Financial Reporting awarded by the Government Finance Officers Association, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we will be submitting it to the GFOA.

The City has also been awarded the Certificate of Award for Outstanding Financial Reporting by the California Society of Municipal Finance Officers for its Comprehensive Annual Report for the year ended June 30, 2002. We will submit our 2003 report to the California Society of Municipal Finance Officers as well.

Acknowledgments. The preparation of this report in a timely manner is the result of the exemplary dedicated service of the members of the Finance Department to whom I express my appreciation, and to whom the organization owes it thanks and success.

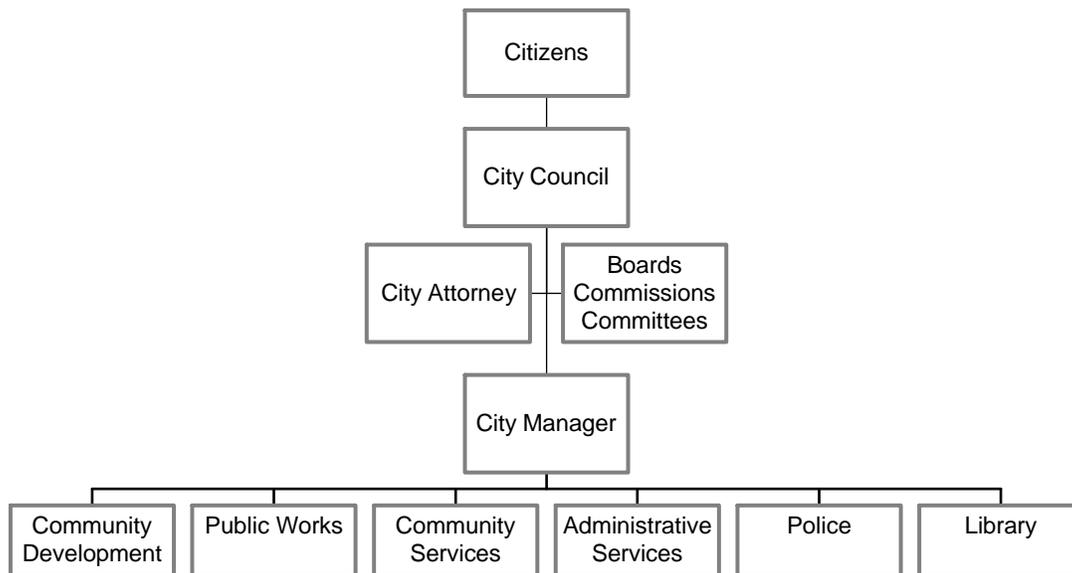
The leadership and fiscal acumen of the City Council is essential and sincerely appreciated. The financial stability of our City is a direct result of their vigilant stewardship, dedication, interest and support.

Respectfully,

David Boesch
City Manager

Uma Chokkalingam
Finance Director

CITY OF MENLO PARK, CALIFORNIA
ORGANIZATIONAL CHART
JUNE 30, 2003



CITY OF MENLO PARK, CALIFORNIA

LIST OF CITY OFFICIALS

JUNE 30, 2003

CITY COUNCIL

Nicholas P. Jellins, Mayor

Lee B. Duboc, Mayor Pro Tem

Paul J. Collacchi, Councilmember

Charles M. Kinney, Councilmember

Micki Winkler, Councilmember

ADMINISTRATION AND DEPARTMENT HEADS

City Attorney..... William McClure

City Manager.....David Boesch

Assistant City Manager Audrey Seymour

Administrative Services:

Personnel and Information Services DirectorGlen Kramer

Finance Director..... Uma Chokkalingam

City Clerk..... Sylvia Ponte

Community Services Director..... Curtis Brown

Police Chief..... Christopher Boyd

Library DirectorSusan Holmer

Developmental Services:

Director of Community Development Arlinda Heineck

Director of Housing and Redevelopment..... Don de la Pena

Director of Public Works.....Kent Steffens

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the 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 discrete component unit, 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, 2003, 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 an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States 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 basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with generally accepted accounting principles in the United States.

As described in Note 1 to the basic financial statements, the City adopted statements of the Governmental Accounting Standards Board No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*; No. 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus*; and No. 38, *Certain Financial Statement Note Disclosures*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2003, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Required Supplementary Information, such as management's discussion and analysis, budgetary comparison information and other information as listed in the table of contents are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

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

We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information is presented for purpose of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Capricci & Carson

Oakland, California
September 18, 2003



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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2003

This discussion and analysis of the City of Menlo Park's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2003. Please read it in conjunction with the accompanying transmittal letter, the basic financial statements and the accompanying notes to those financial statements.

FINANCIAL HIGHLIGHTS

Government-Wide Highlights:

Net Assets - The assets of the City exceeded its liabilities at fiscal year ending June 30, 2003 by \$387,148,277. Of this amount, \$71,577,126 was reported as "unrestricted net assets" and may be used to meet the government's ongoing obligations to citizens and creditors.

Changes in Net Assets - The City's total net assets decreased by \$761,283 in fiscal year 2002-03. Net assets of governmental activities decreased by \$1,589,488, while net assets of the business type activities increased by \$828,205.

Fund Highlights:

Governmental Funds - Fund Balances- As of the close of fiscal year 2002-03, the City's governmental funds reported a combined ending fund balance of \$105,038,664, a decrease of \$7,097,088 from the prior year. Of this amount, \$35,684,286 represents "unreserved, undesignated fund balances" available for appropriation.

General Fund - The undesignated fund balance of the general fund on June 30, 2003 was \$22,102,635. The fund balance increased by \$2,732,228 from the prior year.

Long-Term Debt:

The City's total bonded debt obligations decreased by \$905,000 (1%) during fiscal year 2002-03. It is due to the annual payment of the principal balance.

City Highlights:

The City administered the sale of three Below Market Rate units in the Menlo Square development.

Numerous renovation projects for the City's parks have been completed and the improvement plans for Burgess Park have been approved.

Attendance figures for the City's Library continue to increase due to the quality of services provided. Our Library offers more convenient access to information and databases, enabling more customers to help themselves.

The Police Department maintains its commitment to the community through diverse programs, such as bike rodeos, child safety seat installations, model car program, gun lock programs, and liaisons with the schools. To improve community safety progress is made in the area of drug abatement, code enforcement and the popular Neighborhood Watch Program.

The Community Development Agency continues to deliver high quality projects that have been planned based on neighborhood needs and goals. In addition to the renovation of Kelly Park and the refurbishment of the Belle Haven School fields and playgrounds, construction was completed on a variety of streetscape improvements. The reconstruction and under grounding of utilities along Hamilton Avenue was started, and progress continued on the construction of the Police/ City Service Center and the Ivy Drive Plaza. Program funding for code and drug enforcement and housing improvements continued to have a positive effect on the overall quality of life of the area. The Park and Housing Project on Hamilton Avenue has been approved and is underway.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements 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 report 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 one 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.

City of Menlo Park's Net Assets

	Governmental Activities 2003	Business-Type Activities 2003	Total 2003
	<u>2003</u>	<u>2003</u>	<u>2003</u>
Current Assets	\$ 71,970,436	\$ 15,893,691	\$ 87,864,127
Non-Current Assets	41,021,597		41,021,597
Capital Assets	<u>353,266,246</u>	<u>5,031,535</u>	<u>358,297,781</u>
Total Assets	466,258,279	20,925,226	487,183,505
Current Liabilities	10,266,208	331,044	10,597,252
Long-term Liabilities	<u>89,437,976</u>	-	<u>89,437,976</u>
Total Liabilities	99,704,184	331,044	100,035,228
Investments in Capital			
Net of Related Debt	264,641,246	-	264,641,246
Restricted	50,898,018	31,887	50,929,905
Unrestricted	<u>51,014,831</u>	<u>20,562,295</u>	<u>71,577,126</u>
Total Net Assets	<u>\$ 366,554,095</u>	<u>\$ 20,594,182</u>	<u>\$ 387,148,277</u>

In the Statement of Net Assets and the Statement of Activities and Changes in Net Assets, we separate the City activities 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 that includes the library services, Community Development, and Urban Development and Housing. 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 all or most of the cost of certain services it provides. The City's Water system activities are reported in this category.

**City of Menlo Park's Changes in Net Assets
Fiscal Year Ending June 30, 2003**

	Governmental Activities	Business-Type Activities	Total
Revenues:			
Program Revenues:			
Charges for Services	\$ 12,589,155	\$ 3,421,677	\$ 16,010,832
Operating Grants and Contributions	1,318,007	-	1,318,007
Capital Grants and Contributions	1,341,927	-	1,341,927
General Revenues:			-
Property Taxes	15,876,102	-	15,876,102
Sales Taxes	8,005,666	-	8,005,666
Motor Vehicle License	1,850,187	-	1,850,187
Other Taxes	2,157,463	-	2,157,463
Loss on Sale of Asset	(1,698,248)	-	(1,698,248)
Investment Earnings	2,775,669	454,611	3,230,280
Miscellaneous	278,561	-	278,561
Total Revenues	<u>44,494,489</u>	<u>3,876,288</u>	<u>48,370,777</u>
Expenses:			
General Government	6,020,459	-	6,020,459
Public Safety	8,499,959	-	8,499,959
Public Works	8,675,679	-	8,675,679
Culture and Recreation	7,384,073	-	7,384,073
Community Development	7,063,943	-	7,063,943
Depreciation Expense	3,834,636	-	3,834,636
Interest on Long-term Debt	4,821,928	-	4,821,928
Water Operations	-	2,831,383	2,831,383
Total Expenses	<u>46,300,677</u>	<u>2,831,383</u>	<u>49,132,060</u>
Increase (Decrease) in Net Assets before Transfers	(1,806,188)	1,044,905	(761,283)
Transfers	216,700	(216,700)	-
Change in Net Assets	(1,589,488)	828,205	(761,283)
Net Assets - Beginning of the Year (as restated)	<u>368,143,583</u>	<u>19,765,977</u>	<u>387,909,560</u>
Net Assets - End of the Year	<u>\$ 366,554,095</u>	<u>\$ 20,594,182</u>	<u>\$ 387,148,277</u>

FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. 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 or to other units of the City – these services are generally reported in proprietary funds. 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 fact, the City's enterprise funds are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

Fiduciary Funds:

The City is the trustee, or *fiduciary*, for certain funds held 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. We exclude these activities 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 that is essential to a full understanding of the data provided in the Government-Wide and Fund financial statements.

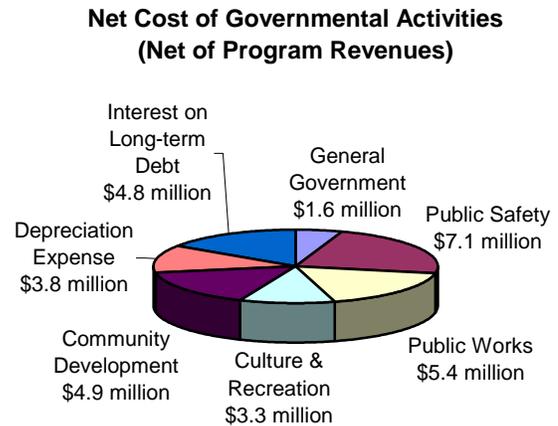
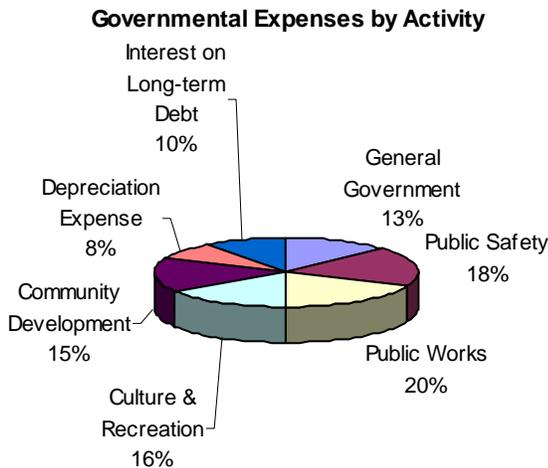
Required Supplementary Information:

In addition to the basic financial statements and accompanying notes, this report also presents certain 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. Required supplementary information can be found on pages 74 through 79 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, the City as a whole has net assets of \$387,148,277 at June 30, 2003. 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.

The City's programs for governmental activities include General Government, Public Safety, Public Works, Culture and Recreation, Community Development, and Urban Development and Housing. The programs for the business type activities include the water services.



BUSINESS TYPE ACTIVITIES

Net assets for business-type activities were \$20,594,182. Total program revenues for business-type activities were \$3,421,677. The main program revenue was Charges for Services of \$3,421,627, related to the water usage fee. Total expenses for the business-type activities were \$2,831,383 during fiscal year 2003, which is related to water operations.

FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS

Major Fund Balances:

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 has been implemented with GASB 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.

The City's major fund balances and aggregate other governmental funds balances are:

Fund Balances for Major Funds	June 30 2003	June 30, 2002	Increase (Decrease) From 2001-02
General Fund	\$ 31,739,735	\$ 29,007,507	\$ 2,732,228
Community Development Block Grant Fund	566	-	566
Community Development Agency Fund	34,721,245	42,763,255	(8,042,010)
Measure T 2002 GO Bond Fund	13,014,389	13,397,527	(383,138)
Other Governmental Funds	25,562,729	26,967,463	(1,404,734)
Water Fund	20,594,182	19,765,977	828,205
TOTAL	\$ 125,632,846	\$ 131,901,729	\$ (6,268,883)

General Fund Balance:

Included as part of the general fund for financial reporting purposes is the General Fund, which is the primary operating fund of the city.

At the end of the current fiscal year, undesignated fund balance of the General Fund was \$22,102,635, while total fund balance reached \$31,739,735. As a measure of the General Fund's liquidity, it may be useful to compare both undesignated fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 86% of total General Fund expenditures including transfers out, while total fund balance represents 123% of that same amount.

During the current year, the fund balance of the General Fund increased by \$2,732,228. This represents 11% of the General Fund operating budget. Of the total fund balance of \$31,739,735 \$2,449,808 is reserved for certain commitments and \$7,187,292 is designated for various items such as insurance claims, equipment and infrastructure replacement and fiscal uncertainties leaving \$22,102,635 as the undesignated fund balance.

The available fund balance of the City's General Fund increased by \$2,732,228 during the current fiscal year. Key factors in the growth are as follows:

- Operating revenues were \$715,791 over operating expenditures.
- Decreased operating transfers to other funds by over \$990,000 from last fiscal year.
- One-time revenue source of \$1,071,091 from the sale of capital assets.

Several departments realized significant savings as a result of a variety of factors. The management direction not to fill in the vacant positions to reduce expenditures to match with the revenue reduction due to weakened economy resulted in cost savings in most departments.

Special Revenue Fund Balance:

At the end of the current fiscal year, the total fund balance of all the Special Revenue Funds is \$50,102,101. During the year, the total fund balance decreased by \$8,714,906. The key factors in the growth are as follows:

- Community Development Agency started construction of redevelopment projects

Capital Projects Fund Balance:

At June 30, 2003, the total fund balance for the Capital Projects Funds is \$22,188,677. This is the result of a \$1,533,278 decrease in fund balance during the fiscal year. The key factors in the change of the total fund balance are as follows:

- Urban development and housing projects were started

Enterprise 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 City Council has determined that the cost of providing these services to the public be recovered primarily through user charges.

The Water Fund accounts for water supplied to approximately 4,000 customers. The retained earnings at June 30, 2003 were \$20,594,182, an increase of \$828,205. The City adopted consumption block rates ranging from \$0.80/ccf to \$1.60/ccf, along with a \$.35/ccf capital surcharge, as recommended in the rate study done by Bartle Wells and Associates. The rates are structured to encourage water conservation; to increase operating fund balance; to support capital improvement projects; and to find new sources of water.

Fiduciary Operations:

The City Council contracts with the State of California Public Employees Retirement System (PERS) for retirement coverage for City employees. As of June 30, 2003, the City had excess assets of \$2,412,051 in the Safety Plan and \$9,714,031 in the Miscellaneous Plan. Deviations from the assumptions made by the Retirement System and enhancements made to the safety employees benefit drive the FY 2004-05 contribution rates as follows:

Miscellaneous employees group	6.243%
Safety employees group	21.595%

DEBT ADMINISTRATION

As of June 30, 2003, the City has various debt obligations outstanding. These debt obligations are comprised of:

<u>Type</u>	<u>Principal Outstanding</u>
General Obligation Bonds	\$ 17,275,000
Tax Allocation Bonds	71,350,000

During fiscal year 1995-1996, the City issued \$4,630,000 of General Obligation Refunding Bonds, Series 1996 to refund and defease \$4,080,000 of the \$4,665,000 aggregate principal amount of the outstanding City of Menlo Park Library Improvement Project General Obligation Bonds, Series 1990. The proceeds of the 1990 Bonds were used to finance certain improvements to the City’s library, including the renovation of existing structures and the construction of additional facilities. The balance of the 1996 General Obligation Refunding Bonds at June 30, 2003 was \$4,030,000. The bonds are to be paid from special assessments to property owners within the City.

During fiscal year 1995-1996, the City issued \$32,305,000 of Community Development Agency of the City of Menlo Park Las Pulgas Community Development Project Tax Allocation Refunding Bonds, Series 1996 to refund and defease the Agency's outstanding Series 1988 Bonds issued in the original principal amount of \$4,720,000, to refund and defease the outstanding Series 1992 Bonds issued in the original principal amount of \$25,000,000, to fund a reserve account, and to pay costs of issuance incurred in connection with the issuance, sale and delivery of the 1996 Bonds. The balance of the 1996 Tax Allocation Bonds at June 30, 2003 was \$27,350,000.

During fiscal year 2000-2001, the City issued \$44,000,000 of Community Development Agency of the City of Menlo Park Las Pulgas Community Development Project Tax Allocation Bonds, Series 2000 to finance certain capital projects of benefit to the Las Pulgas Community Development Project. The balance of the 2000 Tax Allocation Bonds at June 30, 2003 was \$44,000,000.

During fiscal year 2001-2002 the City issued \$13,245,000 of General Obligation Bonds, Series 2002 to finance certain parks and recreation improvements. The balance of the 2002 General Obligation Bonds at June 30, 2003 was \$13,245,000.

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business type activities as of June 30, 2003, amounts to \$358,297,781, net of accumulated depreciation of \$53,669,062. 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 total additions to the City's investment in capital assets for the current fiscal year was \$7,550,631, net of accumulated depreciation.

Major capital asset additions during the current fiscal included the following:

- City-wide street resurfacing - \$1,626,764
- El Camino Real tree planting - \$489,859
- Belle Haven streets improvements - \$2,015,453
- Purchase of land for Belle Haven Community Park - \$5,119,032

Additional information on the City's capital assets can be found in note 4 on pages 60 through 61 of this report.

GENERAL FUND BUDGETARY HIGHLIGHTS

Comparing the FY 2002-03 General Fund original expenditure budget (or adopted) including the transfers out amount of \$28,338,374 to the final budget amount of \$28,580,113 shows a net increase of \$241,739.

Included in this figure is \$244,995 in committed purchase orders from the prior June 30 balance. The resulting beginning budget balance was equal to \$28,583,369.

ECONOMIC CONDITION AND OUTLOOK

During fiscal year 2002-03, the City still experienced the decline of sales tax revenue associated with the national recession. In addition, the lower interest rates have meant a lower earning potential for the City's investments. The economic downturn has severely impacted the State of California and, in turn, any solution will include moderate cuts to local governments.

The City of Menlo Park contains a healthy balance of residential, commercial, and industrial uses. The residential home prices are among the highest in the area and therefore the City will have a healthy property tax base. The City has an overall low rate of population growth, which minimizes the need for increased City services. In addition, the modest commercial and light industrial areas typically generate more revenues than they incur in costs for the City. These two factors will help continue the City's financial stability.

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 Department, 701 Laurel Street, California 94025.

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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, 2003

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Current assets:			
Cash and investments	\$ 63,006,451	\$ 15,435,660	\$ 78,442,111
Receivables:			
Accounts	2,565,073	358,386	2,923,459
Interest	431,802	99,645	531,447
Notes	5,932,297	-	5,932,297
Deposits and prepaid items	34,813	-	34,813
Total current assets	<u>71,970,436</u>	<u>15,893,691</u>	<u>87,864,127</u>
Noncurrent assets:			
Restricted cash and investments	41,021,597	-	41,021,597
Capital assets			
Non-depreciable	255,957,741	1,066,454	257,024,195
Depreciable, net	97,308,505	3,965,081	101,273,586
Total capital asset	<u>353,266,246</u>	<u>5,031,535</u>	<u>358,297,781</u>
Total noncurrent assets	<u>394,287,843</u>	<u>5,031,535</u>	<u>399,319,378</u>
Total assets	<u>466,258,279</u>	<u>20,925,226</u>	<u>487,183,505</u>
LIABILITIES			
Current liabilities:			
Accounts payable	2,290,787	253,639	2,544,426
Accrued payroll	861,113	15,902	877,015
Interest payable	687,839	-	687,839
Deposits	177,382	42,186	219,568
Compensated absences	762,801	19,317	782,118
Deferred revenue	3,861,286	-	3,861,286
Long-term debt due within one year	1,625,000	-	1,625,000
Total current liabilities	<u>10,266,208</u>	<u>331,044</u>	<u>10,597,252</u>
Noncurrent liabilities:			
Claims payable	1,467,798	-	1,467,798
Compensated absences	970,178	-	970,178
1996 General Obligation Refunding Bonds	3,815,000	-	3,815,000
1996 Las Pulgas Project Refunding Bonds	26,450,000	-	26,450,000
2000 Las Pulgas Project Tax Allocation Bonds	43,620,000	-	43,620,000
2002 General Obligation Bonds	13,115,000	-	13,115,000
Total noncurrent liabilities	<u>89,437,976</u>	<u>-</u>	<u>89,437,976</u>
Total liabilities	<u>99,704,184</u>	<u>331,044</u>	<u>100,035,228</u>
NET ASSETS			
Invested in capital assets, net of related debt	264,641,246	-	264,641,246
Restricted for:			
Capital projects	45,576,230	31,887	45,608,117
Debt service	1,008,151	-	1,008,151
Special projects	4,313,637	-	4,313,637
Unrestricted	51,014,831	20,562,295	71,577,126
Total net assets	<u>\$ 366,554,095</u>	<u>\$ 20,594,182</u>	<u>\$ 387,148,277</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, 2003

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General Government	\$ 6,020,459	\$ 4,398,884	\$ -	\$ -	\$ 4,398,884
Public Safety	8,499,959	1,225,796	- 158,262	-	1,384,058
Public Works	8,675,673	1,908,545	-	1,341,927	3,250,472
Culture and recreation	7,384,079	3,041,867	- 1,016,423	-	4,058,290
Community development	7,063,943	2,014,063	- 143,322	-	2,157,385
Depreciation expense	3,834,636	-	-	-	-
Interest on long-term debt	4,821,928	-	-	-	-
Total governmental activities	46,300,677	12,589,155	1,318,007	1,341,927	15,249,089
Business-type activities:					
Water	2,831,383	3,421,677	-	-	3,421,677
Total business-type activities	2,831,383	3,421,677	-	-	3,421,677
Total primary government	\$ 49,132,060	\$ 16,010,832	\$ 1,318,007	\$ 1,341,927	\$ 18,670,766

General Revenues:

Taxes:

Property taxes

Sales taxes

Motor vehicle license

Other taxes

Total taxes

Transfers

Loss on sale of asset

Investment earnings

Miscellaneous

Total general revenues and transfers

Change in net assets

Net assets - beginning of year, as restated (Note 18)

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
\$ (1,621,575)	\$ -	\$ (1,621,575)
(7,115,901)	-	(7,115,901)
(5,425,201)	-	(5,425,201)
(3,325,789)	-	(3,325,789)
(4,906,558)	-	(4,906,558)
(3,834,636)	-	(3,834,636)
(4,821,928)	-	(4,821,928)
<u>(31,051,588)</u>	<u>-</u>	<u>(31,051,588)</u>
-	590,294	590,294
-	590,294	590,294
<u>(31,051,588)</u>	<u>590,294</u>	<u>(30,461,294)</u>
15,876,102	-	15,876,102
8,005,666	-	8,005,666
1,850,187	-	1,850,187
2,157,463	-	2,157,463
<u>27,889,418</u>	<u>-</u>	<u>27,889,418</u>
216,700	(216,700)	-
(1,698,248)	-	(1,698,248)
2,775,669	454,611	3,230,280
278,561	-	278,561
<u>29,462,100</u>	<u>237,911</u>	<u>29,700,011</u>
(1,589,488)	828,205	(761,283)
<u>368,143,583</u>	<u>19,765,977</u>	<u>387,909,560</u>
<u>\$ 366,554,095</u>	<u>\$ 20,594,182</u>	<u>\$ 387,148,277</u>

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

General Fund - Account 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.

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

Community Development Agency Fund - Established to account for tax increment property taxes received under State of California Health and Safety Code Division 24, Part 1. Funds are utilized to reduce and eliminate visual, economic, physical and social blight existing within the Agency's project area(s).

Measure T 2002 General Obligation Bonds - Established to account for general obligation bonds issued in 2002 to finance certain parks and recreation improvements.

City of Menlo Park
Balance Sheet
Governmental Funds
June 30, 2003

	Major Funds			
	General Fund	Community Development Block Grant Special Revenue	Community Development Agency Special Revenue	Measure T 2002 GO Bond Capital Projects
ASSETS				
Cash and investments	\$ 30,999,328	\$ -	\$ 7,608,001	\$ -
Restricted cash and investments	-	-	27,989,481	13,032,052
Receivables:				
Accounts	1,047,833	185,018	-	-
Interest	238,724	-	49,313	-
Notes	2,259,698	2,461,136	4,529,040	-
Deposits and prepaid items	34,813	-	-	-
Due from other funds	-	-	111,792	-
Advances to other funds	-	500,000	-	-
Total assets	\$ 34,580,396	\$ 3,146,154	\$ 40,287,627	\$ 13,032,052
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 735,155	\$ 67,353	\$ 964,971	\$ 12,807
Accrued payroll	766,192	3,420	22,597	4,856
Compensated absences	682,114	1,887	34,842	-
Due to other funds	-	111,792	-	-
Deposits	177,382	-	-	-
Deferred revenue	479,818	2,961,136	4,043,972	-
Advances from other funds	-	-	500,000	-
Total liabilities	2,840,661	3,145,588	5,566,382	17,663
Fund Balances				
Reserved:				
Encumbrances	244,995	-	3,206,899	1,281,063
Deposits and prepaid items	34,813	-	-	-
Advances to other funds	-	500,000	111,792	-
Housing loans	-	-	1,598,696	-
Debt service	-	-	-	-
Notes receivable	2,170,000	-	-	-
Total reserved	2,449,808	500,000	4,917,387	1,281,063
Unreserved:				
Designated:				
Unrealized investment gain	228,569	-	136,547	37,010
Insurance	2,252,933	-	-	-
Equipment replacement	105,790	-	-	-
Operational reserve	500,000	-	-	-
Vacation and sick leave	100,000	-	-	-
Infrastructure replacement	2,000,000	-	-	-
Fiscal uncertainties	1,000,000	-	-	-
PERS safety investment	1,000,000	-	-	-
Special programs and services	-	-	-	-
Capital improvements	-	-	19,128,278	11,696,316
Undesignated	22,102,635	(499,434)	10,539,033	-
Total fund balances	31,739,735	566	34,721,245	13,014,389
Total liabilities and fund balances	\$ 34,580,396	\$ 3,146,154	\$ 40,287,627	\$ 13,032,052

See accompanying Notes to Basic Financial Statements.

Other Governmental Funds	Total Governmental Funds
\$ 24,399,122	\$ 63,006,451
64	41,021,597
1,332,222	2,565,073
143,765	431,802
704,580	9,954,454
-	34,813
-	111,792
-	500,000
<u>\$ 26,579,753</u>	<u>\$ 117,625,982</u>
\$ 510,501	\$ 2,290,787
64,048	861,113
43,958	762,801
-	111,792
-	177,382
398,517	7,883,443
-	500,000
<u>1,017,024</u>	<u>12,587,318</u>
1,837,530	6,570,487
-	34,813
-	611,792
982,000	2,580,696
1,004,965	1,004,965
-	2,170,000
<u>3,824,495</u>	<u>12,972,753</u>
65,826	467,952
-	2,252,933
-	105,790
-	500,000
-	100,000
-	2,000,000
-	1,000,000
-	1,000,000
9,122,910	9,122,910
9,007,446	39,832,040
3,542,052	35,684,286
<u>25,562,729</u>	<u>105,038,664</u>
<u>\$ 26,579,753</u>	<u>\$ 117,625,982</u>

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City of Menlo Park

Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets June 30, 2003

Total Fund Balances - Total Governmental Funds	\$ 105,038,664
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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	255,957,741
Depreciable, net	97,308,505
	<hr/>
Total capital assets	353,266,246

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

	(687,839)
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Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet.

Long-term liabilities - due within one year	(1,625,000)
Long-term liabilities - due in more than one year:	
Claims and judgments payable	(1,467,798)
Compensated absences payable	(970,178)
1996 General Obligation Refunding Bonds	(3,815,000)
1996 Las Pulgas Project Refunding Bonds	(26,450,000)
2000 Las Pulgas Project Tax Allocation Bonds	(43,620,000)
2002 General Obligation Bonds	(13,115,000)
	<hr/>
Total long-term liabilities	(91,062,976)

Net Assets of Governmental Activities	\$ 366,554,095
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City of Menlo Park
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2003

	Major Funds			
	General Fund	Community Development Block Grant Special Revenue	Community Development Agency Special Revenue	Measure T 2002 GO Bond Capital Projects
REVENUES:				
Taxes:				
Secured property taxes	\$ 4,700,691	\$ -	\$ 8,994,818	\$ -
Unsecured property taxes	534,593	-	966,988	-
Other property taxes	679,012	-	-	-
Sales taxes	6,857,224	-	-	-
Franchise and occupancy taxes	2,157,462	-	-	-
Special assessments	-	-	-	-
Licenses and permits	2,671,512	-	-	-
Fines and forfeitures	802,636	-	-	-
Use of money and property	1,391,918	-	1,082,875	281,774
Intergovernmental	2,862,975	533	-	-
Charges for services	3,580,793	434,153	50,116	-
Other	19,315	-	-	-
Total revenues	26,258,131	434,686	11,094,797	281,774
EXPENDITURES:				
Current:				
General government	4,681,397	-	-	-
Public safety	7,991,790	-	-	-
Public works	3,668,436	-	-	-
Culture and recreation	6,997,615	-	-	-
Rehabilitation loans	-	434,120	-	-
Community development	2,054,727	-	240,981	-
Urban development and housing	-	-	3,924,306	-
Capital outlay	148,375	-	9,785,804	664,912
Debt service:				
Principal	-	-	695,000	-
Interest	-	-	3,843,476	-
Total expenditures	25,542,340	434,120	18,489,567	664,912
REVENUES OVER (UNDER) EXPENDITURES	715,791	566	(7,394,770)	(383,138)
OTHER FINANCING SOURCES (USES):				
Transfers in	1,143,460	-	-	-
Transfers out	(198,114)	-	(647,240)	-
Sale of fixed assets	1,071,091	-	-	-
Total other financing sources (uses)	2,016,437	-	(647,240)	-
Net change in fund balances	2,732,228	566	(8,042,010)	(383,138)
FUND BALANCES:				
Beginning of year	29,007,507	-	42,763,255	13,397,527
End of year	\$ 31,739,735	\$ 566	\$ 34,721,245	\$ 13,014,389

See accompanying Notes to Basic Financial Statements.

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 13,695,509
-	1,501,581
-	679,012
1,148,442	8,005,666
-	2,157,462
3,240,160	3,240,160
281,250	2,952,762
-	802,636
501,077	3,257,644
2,267,331	5,130,839
531,881	4,596,943
153,208	172,523
<u>8,123,349</u>	<u>46,192,737</u>

1,329,578	6,010,975
470,747	8,462,537
2,467,650	6,136,086
359,723	7,357,338
-	434,120
387,080	2,682,788
20,848	3,945,154
3,506,056	14,105,147
210,000	905,000
694,995	4,538,471
<u>9,446,677</u>	<u>54,577,616</u>
<u>(1,323,328)</u>	<u>(8,384,879)</u>

231,114	1,374,574
(312,520)	(1,157,874)
-	1,071,091
<u>(81,406)</u>	<u>1,287,791</u>
(1,404,734)	(7,097,088)

26,967,463	112,135,752
<u>\$ 25,562,729</u>	<u>\$ 105,038,664</u>

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, 2003

Net Change in Fund Balances - Total Governmental Funds \$ -

Amounts reported for governmental activities in the Statement of Activities were different because:

Governmental Funds reported capital outlay as expenditures. 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. 11,490,032

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 Governmental Funds (3,834,636)

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 Governmental Funds. (2,769,339)

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 reduces long-term liabilities in the Government-Wide Statement of Net Assets.

Long-term debt repayments:

1996 General Obligation Refunding Bonds	210,000
1996 Las Pulgas Project Refunding Bonds	695,000
Total long-term debt repayments	<u>905,000</u>

Interest expense on long-term debt 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, interest expense was not reported as expenditures in Governmental Funds. The following amount represented the change in accrued interest from prior year. (283,457)

Change in Net Assets of Governmental Activities **\$ 5,507,600**

\$ 7,097,088

See accompanying Notes to Basic Financial Statements.

PROPRIETARY FUND FINANCIAL STATEMENTS

Enterprise 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 the public be recovered primarily through user charges.

Water Fund - Established to account for the water distribution operations.

City of Menlo Park
Statement of Net Assets
Proprietary Funds
June 30, 2003

	Major Fund	
	Water	Total
ASSETS		
Current assets:		
Cash and investments	\$ 15,435,660	\$ 15,435,660
Receivables:		
Accounts	358,386	358,386
Interest	99,645	99,645
Total current assets	<u>15,893,691</u>	<u>15,893,691</u>
Noncurrent assets:		
Non-depreciable	1,066,454	1,066,454
Depreciable, net	3,965,081	3,965,081
Total noncurrent assets	<u>5,031,535</u>	<u>5,031,535</u>
Total assets	<u>20,925,226</u>	<u>20,925,226</u>
LIABILITIES		
Current liabilities:		
Accounts payable	253,639	253,639
Accrued payroll	15,902	15,902
Compensated absences	19,317	19,317
Deposits	42,186	42,186
Total liabilities	<u>331,044</u>	<u>331,044</u>
NET ASSETS		
Restricted for capital projects	31,887	31,887
Unrestricted	20,562,295	20,562,295
Total net assets	<u>\$ 20,594,182</u>	<u>\$ 20,594,182</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, 2003

	Major Fund Water	Total
OPERATING REVENUES:		
Water sales	\$ 3,318,496	\$ 3,318,496
Connection fees	23,249	23,249
Other	79,932	79,932
Total operating revenues	3,421,677	3,421,677
OPERATING EXPENSES:		
Cost of sales and services	2,291,067	2,291,067
General and administrative	415,663	415,663
Depreciation	124,653	124,653
Total operating expenses	2,831,383	2,831,383
OPERATING INCOME (LOSS)	590,294	590,294
NONOPERATING REVENUES (EXPENSES):		
Interest income	454,611	454,611
Total nonoperating revenues	454,611	454,611
INCOME (LOSS) BEFORE OPERATING TRANSFERS	1,044,905	1,044,905
OPERATING TRANSFERS:		
Transfers out	(216,700)	(216,700)
Total operating transfers	(216,700)	(216,700)
Net income (loss)	828,205	828,205
NET ASSETS:		
Beginning of year, as restated	19,765,977	19,765,977
End of year	\$ 20,594,182	\$ 20,594,182

See accompanying Notes to Basic Financial Statements.

City of Menlo Park
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2003

	Major Fund	
	Water	Total
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers/other funds	\$ 3,420,016	\$ 3,420,016
Cash payment to suppliers	(2,468,378)	(2,468,378)
Cash payments for general and administrative	(403,625)	(403,625)
Cash received from (payment to) other	(6,161)	(6,161)
Net cash provided (used) by operating activities	541,852	541,852
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers out	(216,700)	(216,700)
Net cash provided (used) by noncapital financing activities	(216,700)	(216,700)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(19,888)	(19,888)
Net cash provided (used) by capital and related financing activities	(19,888)	(19,888)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	454,611	454,611
Net cash provided (used) by investing activities	454,611	454,611
Net increase (decrease) in cash and cash equivalents	759,875	759,875
CASH AND CASH EQUIVALENTS:		
Beginning of year	14,675,785	14,675,785
End of year	\$ 15,435,660	\$ 15,435,660
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 590,294	\$ 590,294
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	124,653	124,653
Changes in current assets and liabilities:		
Accounts receivable	(18,177)	(18,177)
Interest receivable	16,516	16,516
Accounts payable	(177,311)	(177,311)
Accrued payroll	3,280	3,280
Compensated absences	8,758	8,758
Deposits	(6,161)	(6,161)
Total adjustments	(48,442)	(48,442)
Net cash provided (used) by operating activities	\$ 541,852	\$ 541,852

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
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2003

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 125,661
Total assets	\$ 125,661
LIABILITIES	
Accounts payable	\$ 69,890
Deposits	55,771
Total liabilities	\$ 125,661

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS

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City of Menlo Park
Notes to Basic Financial Statements
For the year ended June 30, 2003

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 following is a brief review of the component unit included in the accompanying General Purpose 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 is to prepare and carry out plans for the improvement, rehabilitation, and redevelopment of blighted areas within the territorial limits of the City.

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 Agency has been accounted for as a "blended" component unit of the City. Despite being legally separate, this entity is so intertwined with the City that it is, in substance, part of the City's operations. Accordingly, the balances and transactions of these component units are reported within the funds of the City. Balances for the Agency consisting of special revenue, debt service and capital projects are reported as separate fund.

The following specific criteria were used in determining that the Agency was a blended component unit:

- The members of the City Council also act as the governing bodies of the Agency.
- The Agency is managed by employees of the City. A portion of the City's salary and overhead expenses are billed to the Agency each year.
- The City and the Agency are financially interdependent. The City makes loans to the Agency to use for redevelopment purposes. Property tax revenues of the Agency are used to repay the loans to the City.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

A. Reporting Entity, Continued

Detailed financial statements are available for the above component unit from the City's Finance Department.

B. Basis of Accounting and Measurement Focus

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 basic 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. (In the Statement of Activities, internal service fund transactions have been eliminated.) 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
- Operating transfers in/out

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

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: 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 all major funds that met the applicable criteria.

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.

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.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

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.

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 on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting as are the governmental funds explained above. Fiduciary fund types are accounted for according to the nature of the fund.

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. 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.

E. 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.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Cash and Investments, Continued

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 pool 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 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 General Purpose Financial Statements.

F. Capital Assets

Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated fixed 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 years

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 2002-03 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.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Capital Assets, Continued

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

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."

In the Fund Financial Statements, fund equity are reservations of fund balances of governmental funds and retained earnings of proprietary funds are created to either satisfy legal covenants, including State laws, that require a portion of the fund equity be segregated or identify the portion of the fund equity not available for future expenditures.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 current compensated absences of the governmental fund types are recorded in individual funds and the noncurrent compensated absences appear in the Governmental-Wide financial statements. The liabilities for compensated absences of proprietary funds are recorded as current liabilities in the appropriate proprietary fund.

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

<u>Bargaining Unit</u>	<u>Vacation</u>	<u>Sick Leave</u>
SEIU	336 hours	1,160 hours
AFSCME	336 hours	1,240 hours
POA	424 hours	1,200 hours
PMA	1,348 hours combined	
Administration	900 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 February 1
Collection Date	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.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 expendable 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."

M. Implementation of New GASB Pronouncements

In 2003, the City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.
- Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*
- Statement No. 38, *Certain Financial Statement Note Disclosures*

GASB Statement No. 34 is a new financial reporting requirement for local governments in the United States. The City has implemented this pronouncement and has restructured much of the information that it has presented in the past. The main goal is to make the reports more comprehensive and easier to understand and use.

GASB Statement No. 37 addresses selected issues and amends GASB Statement No. 21, *Accounting for Escheat Property*, and No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. These Statements make selective changes including accounting for Escheat Property, Management's Discussion and Analysis, Capitalization of Construction - Period Interest, Modified Approach for Reporting Infrastructure, Program Revenues and Major Fund Criteria.

GASB Statement No. 38 establishes and modifies disclosure requirements related to Summary of Significant Accounting Policies, actions taken to address violations of significant finance - related legal and contractual provisions, debt and lease obligations, short-term debt, disaggregation of receivable and payable balances, and interfund balances and transfers.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2003

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 include cash with fiscal agents.

The investments made by the City Treasurer are limited to those allowable under State statutes as incorporated into the City's Investment Policy, dated February 1, 2002, and adopted February 6, 2002 which 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	Government Agency Securities
Bankers Acceptances	Treasury Bills and Notes
Commercial Papers	Passbook Savings Accounts
Repurchase Agreements	State of California Local Agency Investment Fund

The City's investments with LAIF at June 30, 2003, included a small portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments may include the following:

Structured Notes - debt securities (other than asset-backed 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, 2003, the City had \$73,803,144 invested in LAIF, which had invested 2.327% of the pool investment funds in Structured Notes and Asset-Backed Securities.

A. Cash Deposits

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 \$100,000 by the Federal Deposit Insurance Corporation (FDIC).

At June 30, 2003, the carrying amount of the City's deposits was \$(138,198) and the bank balances were \$407,671. The total bank balance was covered by federal depository insurance or by collateral held by the City's agent in the City's name.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2003

2. CASH AND INVESTMENTS, Continued

A. Cash Deposits, Continued

The City's cash deposits at year-end are categorized below to give an indication of the level of credit risk assumed by the City.

Category 1 - Deposits which are insured by the FDIC.

Category 2 - Deposits which are collateralized. The California Government Code requires California banks and savings and loan associations to secure a City's deposits by pledging government securities with a value of 110% of a City's deposits, or by pledging first trust deed mortgage notes having a value of 150% of a City's total deposits.

Category 3 - Deposits which are uninsured or uncollateralized.

B. Investments

The City's investments at year-end are categorized below to give an indication of the level of credit risk assumed by the City.

Category 1 - Investments which are insured by the Securities Investors Protection Corporation (SIPC), or investments which are held in definitive form by the City or the City's agent in the City's name, or investments acquired through the federal reserve book-entry system where the financial institution or broker/dealer associated with the purchase is adequately segregated from the custodial safekeeping agent on the same investments, and where the investments are recorded on the books and records of the financial institution or broker/dealer in the name of the City.

Category 2 - Investments which are uninsured, where the investments are acquired through a financial institution's investment or trading department, but are held in the same financial institution's trust department and are recorded in the City's name in the trust department's systems and records.

Category 3 - Investments which are uninsured, 1) where the investments are acquired through a financial institution's investment department but are held for custodial purposes in the same financial institution's safekeeping department, or 2) where the investments are acquired through a financial institution's trust department and held for custodial safekeeping by the same trust department, or 3) where the investments are acquired through, and held for safekeeping by, the same broker/dealer, or 4) where investments are not held in the City's name in the systems and records of the financial institution or broker/dealer.

Uncategorized - Certain cash deposits and investments are not subject to categorization under GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, and are identified as "Not Required to be Categorized."

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2003

2. CASH AND INVESTMENTS, Continued

C. Summary of Cash and Investments

The following is a summary of cash and investments at June 30, 2003:

	Government-Wide Statement of Net Assets			Fund Financials	
	Governmental Activities	Business-Type Activities	Total	Fiduciary Funds	
				Statement of Net Assets	Total
Cash and investments	\$ 63,006,451	\$ 15,435,660	\$ 78,442,111	\$ 125,661	\$ 78,567,772
Restricted cash and investments	\$ 41,021,597	\$ -	\$ 41,021,597	\$ -	\$ 41,021,597

Cash (deposits) and investments were categorized as follows at June 30, 2003:

	Category 1	Not Required to be Categorized	Fair Value
Cash and Investments:			
Cash and Cash Deposits:			
Checking	\$ (138,198)	\$ -	\$ (138,198)
Petty cash	-	3,860	3,860
Total cash and cash deposits	(138,198)	3,860	(134,338)
Investments:			
US Treasury Notes	7,074,700	-	7,074,700
Federal Home Loan Bank	9,160,650	-	9,160,650
Federal National Mortgage Association	11,409,633	-	11,409,633
Federal Home Loan Mortgage Corporation	12,133,770	-	12,133,770
Local Agency Investment Fund	-	38,923,357	38,923,357
Total investments	39,778,753	38,923,357	78,702,110
Total cash and investments	\$ 39,640,555	\$ 38,927,217	\$ 78,567,772

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2003

2. CASH AND INVESTMENTS, Continued

C. Summary of Cash and Investments, Continued

At June 30, 2003, the City's restricted cash and investments classified by risk category consisted of the following:

	<u>Category 2</u>	<u>Fair Value</u>
Restricted Cash and Investments:		
Other cash with fiscal agents:		
Bank of New York:		
Federal Securities	\$ 6,141,746	\$ 6,141,746
Local Agency Investment Fund	34,879,787	34,879,787
Total Bank of New York	<u>41,021,533</u>	<u>41,021,533</u>
US Bank:		
US Treasury Money Market	<u>64</u>	<u>64</u>
Total restricted cash and investments	<u><u>\$ 41,021,597</u></u>	<u><u>\$ 41,021,597</u></u>

At June 30, 2003, the City had no Category 3 type pooled cash or investments.

External Investment Pool

The City invests in LAIF, a State of California external investment pool. 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, 2003, 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, 2003, the City's investments in LAIF at fair value amounted to \$73,803,144 using a LAIF fair value factor of 1.002846280.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2003

3. RECEIVABLES

A. Government-Wide Financial Statements

The following is a summary of receivables net of allowances for uncollectible amounts at June 30, 2003:

	Government-Wide Statement of Net Assets		
	Governmental	Business-Type	Total
	Activities	Activities	
Accounts	\$ 2,565,073	\$ 358,386	\$ 2,923,459
Interest	431,802	99,645	531,447
Notes	5,932,297	-	5,932,297
Total	\$ 8,929,172	\$ 458,031	\$ 9,387,203

B. Fund Financial Statements

At June 30, 2003, the Fund Financial Statements show the following receivables:

Accounts Receivable

Accounts receivable consisted of amounts accrued in separate funds in the ordinary course of operations. The total amount of accounts receivable for each major fund and non-major fund in the aggregate as of June 30, 2003, was as follows:

Governmental Funds:	
General Fund	\$ 1,047,833
Community Development Block Grant Special Revenue Fund	185,018
Non-Major Funds	1,332,222
Total governmental funds	<u>2,565,073</u>
Proprietary Funds:	
Water Fund	<u>358,386</u>
Total proprietary funds	<u>358,386</u>
Total accounts receivable	<u>\$ 2,923,459</u>

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2003

3. RECEIVABLES, Continued

B. Fund Financial Statements, Continued

Interest Receivable

Interest receivable consists of interest from investments pooled by the City and is distributed among the funds according to their ending cash balances. The interest receivable as of June 30, 2003, was as follows:

Governmental Funds:	
General Fund	\$ 238,724
Community Development Agency Special Revenue Fund	49,313
Non-Major Funds	<u>143,765</u>
Total governmental funds	<u>431,802</u>
Proprietary Funds:	
Water Fund	<u>99,645</u>
Total proprietary funds	<u>99,645</u>
Total interest receivable	<u><u>\$ 531,447</u></u>

Notes Receivables

As of June 30, 2003, notes receivable consisted of the following:

	<u>Notes Receivable</u>
Major Funds:	
General Fund:	
City Manager housing	\$ 2,259,698
Community Development Block Grant	2,461,136
Community Development Agency	<u>4,529,040</u>
Total general fund	<u>9,249,874</u>
Other Governmental Funds:	
Below market rate housing	673,283
Emergency repair loan (ERL)	<u>31,297</u>
Total special revenue funds	<u>704,580</u>
Total notes receivable	<u><u>\$ 9,954,454</u></u>

City Manager Housing

A note was entered into on June 13, 2001, between the City Manager and the City to assist in the purchase of residential real estate property. This note is secured by a First Deed of Trust on the property. Another note was entered into on March 18, 2003, between the City Manager and the City to assist in the purchase of another residential real estate property. The note is secured by a Third Deed of Trust. The outstanding balance of the loans at June 30, 2003, was \$2,259,698.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2003

3. RECEIVABLES, Continued

B. Fund Financial Statements, Continued

Community Development Block Grant

The City uses Housing and Community Development Block Grant funds to provide housing rehabilitation loans to eligible applicants. Outstanding loans at June 30, 2003, were \$2,461,136. The rehabilitation loans are reflected in the Community Development Block Grant Fund. Since the funds have not been legally vested with the City as of June 30, 2003, these funds are reported as deferred revenue.

Community Development Agency

The City of Menlo Park Community Development Agency (Agency) assumed a portfolio of loans which had been made by Neighborhood Housing Services (NHS) to low income residents of Menlo Park for housing rehabilitation. The Agency had granted funds to the local NHS for that purpose and assumed the loans when the NHS closed. The outstanding balance at June 30, 2003 was \$44,996 and is reflected in the Community Development Agency Fund.

The Agency made a loan 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, 2003, was \$53,625 and is reflected in the Community Development Agency Fund.

The Agency made a loan to Mid-Peninsula Housing Coalition for purchase of a five-unit apartment building for very low-income households. The loan carries a 3% simple interest rate, with payments made from residual receipts of the property. The outstanding balance at June 30, 2003, was \$245,622 and is reflected in the Community Development Agency Fund.

The Agency made housing rehabilitation loans to two eligible participants. The outstanding balance at June 30, 2003, was \$79,756 and is reflected in the Community Development Agency Fund.

On March 21, 2002, the Agency made a loan for Peace Officer Homebuyer Assistance Program (POMA) to one eligible participant in the amount of \$84,000. The loan bears an interest rate of 5.48%. The loan amount (principal and interest) is forgiven at an increasing graduated rate with every bi-weekly pay period until the loan is entirely forgiven at the end of the 10 years. The outstanding balance as of June 30, 2003, was \$82,884, and is reflected in the Community Development Agency Fund.

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 of 3%. The payment is secured by the Deed of Trust. The final payment due on February 15, 2043. The outstanding balance as of June 30, 2003, was \$4,022,157.

Total Agency loans at June 30, 2003, amounted to \$4,529,040.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2003

3. RECEIVABLES, Continued

B. Fund Financial Statements, Continued

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, 2003, were \$673,283, and are reflected in the Below Market Rate Housing Reserve Fund.

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 ten thousand dollars at 3% interest, with a loan term of either 5, 10, or 15 years.

Outstanding loans at June 30, 2003, were \$31,297, and are reflected in the Revenue Sharing Fund.

4. CAPITAL ASSETS

A. Government-Wide Financial Statements

At June 30, 2003, the City's capital assets consisted of the following:

	Government Activities	Business-Type Activities	Total
Non-Depreciable Assets:			
Land	\$ 221,534,267	\$ 1,066,454	\$ 222,600,721
Land improvements	32,705,490	-	32,705,490
Construction in progress	1,717,984	-	1,717,984
Total non-depreciable assets, net	<u>255,957,741</u>	<u>1,066,454</u>	<u>257,024,195</u>
Depreciable Assets:			
Buildings	39,689,374	-	39,689,374
Equipment	5,798,154	585,643	6,383,797
Other improvements	3,328,493	8,423,306	11,751,799
Infrastructure	97,117,678	-	97,117,678
	<u>145,933,699</u>	<u>9,008,949</u>	<u>154,942,648</u>
Less accumulated depreciation	<u>(48,625,194)</u>	<u>(5,043,868)</u>	<u>(53,669,062)</u>
Total depreciable assets, net	<u>97,308,505</u>	<u>3,965,081</u>	<u>101,273,586</u>
Total capital assets	<u>\$ 353,266,246</u>	<u>\$ 5,031,535</u>	<u>\$ 358,297,781</u>

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2003

4. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

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

	Balance July 1, 2002	Reclassification/ Additions	Retirements	Adjustments	Balance June 30, 2003
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 8,490,309	\$ 22,735,914	\$ (662,500)	\$ 190,970,544	\$ 221,534,267
Land improvements	-	658,026	-	32,047,464	32,705,490
Construction in progress	25,626,382	(23,908,398)	-	-	1,717,984
Total capital assets, not being depreciated	<u>34,116,691</u>	<u>(514,458)</u>	<u>(662,500)</u>	<u>223,018,008</u>	<u>255,957,741</u>
Capital assets, being depreciated:					
Buildings	29,185,487	144,064	-	10,359,823	39,689,374
Equipment	7,803,067	156,494	(161,448)	(1,999,959)	5,798,154
Other improvements	13,767,101	8,204,881	-	(18,643,489)	3,328,493
Infrastructure	-	3,499,051	(3,292,836)	96,911,463	97,117,678
Total capital assets, being depreciated	50,755,655	12,004,490	(3,454,284)	86,627,838	145,933,699
Less accumulated depreciation	-	(3,834,636)	1,347,445	(46,138,003)	(48,625,194)
Total capital assets, being depreciated, net	<u>50,755,655</u>	<u>8,169,854</u>	<u>(2,106,839)</u>	<u>40,489,835</u>	<u>97,308,505</u>
Governmental activities capital assets, net	<u><u>\$ 84,872,346</u></u>	<u><u>\$ 7,655,396</u></u>	<u><u>\$ (2,769,339)</u></u>	<u><u>\$ 263,507,843</u></u>	<u><u>\$ 353,266,246</u></u>

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

	Balance July 1, 2002	Additions	Retirements	Adjustments	Balance June 30, 2003
Land	\$ 403,675	\$ -	\$ -	\$ 662,779	\$ 1,066,454
Machinery and equipment	605,104	-	-	(19,461)	585,643
Other improvements	9,459,197	19,888	-	(1,055,779)	8,423,306
	10,467,976	19,888	-	(412,461)	10,075,403
Less accumulated depreciation	(3,047,256)	(124,653)	-	(1,871,959)	(5,043,868)
Total	<u><u>\$ 7,420,720</u></u>	<u><u>\$ (104,765)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (2,284,420)</u></u>	<u><u>\$ 5,031,535</u></u>

Depreciation expense for all proprietary funds was \$124,653 for the year ended June 30, 2003.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2003

5. LONG-TERM DEBT

A. Long-Term Obligations

Summary of changes in long-term debt transactions for the year ended June 30, 2003 was as follows:

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003	Due within one year	Due in more than one year
Governmental Activities:						
Claims payable	\$ 1,618,754	\$ -	\$ (150,956)	\$ 1,467,798	\$ -	\$ 1,467,798
Compensated absences	811,058	921,921	-	1,732,979	762,801	970,178
1996 General Obligation Refunding Bonds	4,240,000	-	(210,000)	4,030,000	215,000	3,815,000
1996 Las Pulgas Project Refunding Bonds	28,045,000	-	(695,000)	27,350,000	900,000	26,450,000
2000 Las Pulgas Project Tax Allocation Bonds	44,000,000	-	-	44,000,000	380,000	43,620,000
2002 General Obligation Bonds	13,245,000	-	-	13,245,000	130,000	13,115,000
Total governmental activities	\$ 91,959,812	\$ 921,921	\$ (1,055,956)	\$ 91,825,777	\$ 2,387,801	\$ 89,437,976
Business-Type Activities:						
Compensated absences - current	\$ 10,559	\$ 8,758	\$ -	\$ 19,317	\$ 19,317	\$ -
Total enterprise	\$ 10,559	\$ 8,758	\$ -	\$ 19,317	\$ 19,317	\$ -

Claims Payable

With the implementation of Governmental Accounting Standards Board Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, in the Governmental-Wide Financial Statements the City has reflected the financial effect of risk financing activities of \$1,467,798 (see Note 7 for further discussion).

Compensated Absences

Compensated absences at June 30, 2003 amounted to \$1,732,979. There is no fixed payment schedule for compensated absences. The current portion of this liability amounted to \$782,118 for all funds, and the Long Term portion of \$970,178 at June 30, 2003.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2003

5. 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. 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 to be paid from special assessments to property owners within the City.

The bonds maturing on or before August 1, 2006 are not subject to optional redemption prior to maturity. The bonds maturing on and after August 1, 2007, are subject to optional redemption prior to maturity at the option of the City, in whole or in part, at any time on or after August 1, 2006, from any available source of funds thereof at the following redemption prices expressed as percentages of the principal amount to be redeemed, plus accrued interest to the date fixed for redemption. Redemption prices expressed as percentages of the principal amount to be redeemed are as follows:

<u>Redemption Period</u>	<u>Redemption Price</u>
August 1, 2006 through July 31, 2007	102%
August 1, 2007 through July 31, 2008	101%
August 1, 2008 and thereafter	100%

The annual debt service requirements to maturity for the 1996 General Obligation Refunding Bonds Outstanding at June 30, 2003, were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 215,000	\$ 188,698	\$ 403,698
2005	230,000	179,238	409,238
2006	240,000	169,013	409,013
2007	255,000	157,995	412,995
2008	270,000	146,048	416,048
2009-2013	1,605,000	512,844	2,117,844
2014-2016	1,215,000	93,625	1,308,625
Total	\$ 4,030,000	\$ 1,447,461	\$ 5,477,461

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2003

5. LONG-TERM DEBT, Continued

A. Long-term Obligations, Continued

1996 Las Pulgas Project Refunding Bonds

Las Pulgas Project Refunding Bonds outstanding at June 30, 2003, amounted to \$27,350,000. The bonds bear interest at rates between 3.75% and 5.375%, with interest payments made semi-annually on June 1 and December 1. The bonds mature annually from 1996 to 2022 on June 1 in amounts ranging from \$60,000 to \$2,235,000.

The bonds maturing on or before June 1, 2006, are not subject to optional redemption prior to maturity. The bonds maturing on and after June 1, 2007, shall be subject to redemption prior to their respective maturities at the option of the City on or after June 1, 2006, as a whole on any date, or in part (in such maturities as are designated to the Trustee by the City no later than 45 days prior to the redemption date or, if the City fails to designate such maturities, on a proportional basis among maturities) on any Interest Payment Date, from funds derived by the City from any source at the following redemption prices expressed as percentages of the principal amount to be redeemed, plus accrued interest to the date fixed for redemption.

<u>Redemption Period</u>	<u>Redemption Price</u>
June 1, 2006 through May 30, 2007	102%
June 1, 2007 through May 30, 2008	101%
June 1, 2008 and thereafter	100%

The annual debt service requirements to maturity for the 1996 Las Pulgas Project Refunding Bonds outstanding at June 30, 2003, were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 900,000	\$ 1,447,696	\$ 2,347,696
2005	935,000	1,404,946	2,339,946
2006	605,000	1,359,599	1,964,599
2007	1,025,000	1,329,651	2,354,651
2008	1,085,000	1,277,889	2,362,889
2009-2013	6,315,000	5,478,055	11,793,055
2014-2018	8,195,000	3,595,069	11,790,069
2019-2022	8,290,000	1,142,725	9,432,725
Total	<u>\$ 27,350,000</u>	<u>\$ 17,035,630</u>	<u>\$ 44,385,630</u>

2000 Las Pulgas Project Tax Allocation Bonds

Las Pulgas Community Development Project Tax Allocation Bonds, Series 2000 outstanding at June 30, 2003, amounted to \$44,000,000. The bonds bear interest at rates between 4.10% and 5.55%, with interest payments made semi-annually on June 1 and December 1. The bonds mature annually from 2004 to 2030 on June 1 in amounts ranging from \$380,000 to \$4,820,000.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2003

5. LONG-TERM DEBT, Continued

A. Long-term Obligations, Continued

The bonds maturing on or before June 1, 2010 are not subject to optional redemption prior to their maturities. The bonds maturing on or after June 1, 2011 are subject to redemption prior to their respective maturities at the option of the City on or after June 1, 2010, as a whole on any date, or in part (in such maturities as are designated to the Trustee by the City no later than 45 days prior to the redemption date or, if the City fails to designate such maturities, on a proportional basis among maturities) on any Interest Payment Date, from funds derived by the City from any source at the following redemption prices (expressed as percentages of the principal amount of Bonds called for redemption), together with interest accrued thereon to the date fixed for redemption:

<u>Redemption Period</u>	<u>Redemption Price</u>
June 1, 2010 through May 31, 2011	102%
June 1, 2011 through May 31, 2012	101%
June 1, 2012 and thereafter	100%

The annual debt service requirements to maturity for the 2000 Las Pulgas Project Tax Allocation Bonds outstanding at June 30, 2003, were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 380,000	\$ 2,363,463	\$ 2,743,463
2005	405,000	2,347,883	2,752,883
2006	800,000	2,331,075	3,131,075
2007	440,000	2,297,075	2,737,075
2008	455,000	2,278,155	2,733,155
2009-2013	2,615,000	11,065,515	13,680,515
2014-2018	3,310,000	10,368,080	13,678,080
2019-2023	6,715,000	9,382,745	16,097,745
2024-2028	19,490,000	5,961,653	25,451,653
2029-2030	9,390,000	788,655	10,178,655
Total	\$ 44,000,000	\$ 49,184,299	\$ 93,184,299

2002 General Obligation Bonds

On April 17, 2002, the City issued \$13,245,000 of the 2002 General Obligation Bonds. The bonds bear interest at rates between 4.50% and 5.75%, with interest payments made semi-annually on February 1 and August 1. The bonds mature annually from 2003 to 2032 on August 1 in amounts ranging from \$130,000 to \$840,000.

The bonds maturing on or before August 1, 2013 are not subject to optional redemption prior to their maturities. The bonds maturing on or after August 1, 2014 are subject to redemption prior to their respective maturities 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, 2012. If less than all of the bonds are called for redemption, bonds

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2003

5. LONG-TERM DEBT, Continued

A. Long-term Obligations, Continued

shall 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 bonds given maturities to be redeemed shall be determined by lot. Bonds shall be redeemed at the following redemption prices (expressed as a percentage of the principal amount of the bonds called for redemption), together with interest accrued thereon to the date of redemption:

<u>Redemption Period</u>	<u>Redemption Price</u>
August 1, 2012 through July 31, 2013	101.0%
August 1, 2013 through July 31, 2014	100.5%
August 1, 2014 and thereafter	100.0%

The annual debt service requirements to maturity for the 2002 General Obligation Bonds outstanding at June 30, 2003, were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 130,000	\$ 844,102	\$ 974,102
2005	200,000	687,960	887,960
2006	210,000	676,560	886,560
2007	220,000	664,485	884,485
2008	235,000	651,835	886,835
2009-2013	1,395,000	3,040,100	4,435,100
2014-2018	1,815,000	2,617,015	4,432,015
2019-2023	2,290,000	2,140,750	4,430,750
2024-2028	2,945,000	1,487,913	4,432,913
2029-2030	3,805,000	625,665	4,430,665
Total	<u>\$ 13,245,000</u>	<u>\$ 13,436,385</u>	<u>\$ 26,681,385</u>

6. PRIOR YEARS' DEFEASED OBLIGATIONS

1988 and 1992 Tax Allocation Bonds

During fiscal year 1995-1996, the City's Community Development Agency issued \$32,305,000 of 1996 Tax Allocation Refunding Bonds to refund and defease the Agency's outstanding principal of \$3,565,000 of the 1988 Tax Allocation Bonds and the outstanding principal of \$25,000,000 of the 1992 Tax Allocation Bonds. Both the 1988 and 1992 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 an economic gain.

The balance of the defeased bonds outstanding as of June 30, 2003, was \$24,175,000.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2003

7. RISK MANAGEMENT

General Liability Insurance

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in pooled insurance programs offered by a Joint Powers Insurance Authority for losses in excess of specific program deductibles. The Liability program has a per claim deductible of \$100,000 and a policy limit of \$15,000,000. The Employment Practices program has a per claim deductible of \$25,000 and policy limit of \$6,000,000. The Property and Fire program has a per claim deductible of \$10,000 and a policy limit of replacement value.

Workers' Compensation

The City participated in a Joint Powers Authority pooled workers' compensation insurance program. This program has a per claim deductible of \$350,000 and a policy limit of \$25,000,000.

Claims for long-term disability are covered by insurance. Estimated reserves for claims are recorded in the General Fund. No claim settlement exceeded either this self-insured amount or the insurance coverage for any of the years shown.

	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claim Payments for Current and Prior Years	End of Year Liability
1994-1995	\$ 387,556	\$ 77,248	\$ (190,498)	\$ 274,306
1995-1996	274,306	620,603	(325,355)	569,554
1996-1997	569,554	588,907	(411,191)	747,270
1997-1998	747,270	755,001	(477,414)	1,024,857
1998-1999	1,024,857	811,041	(577,723)	1,258,175
1999-2000	1,258,175	813,829	(870,628)	1,201,376
2000-2001	1,201,376	1,129,222	(822,279)	1,508,319
2001-2002	1,508,319	1,017,717	(907,282)	1,618,754
2002-2003	1,618,754	461,060	(612,016)	1,467,798

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2003

8. INTERFUND TRANSACTIONS

Interfund receivables and payables at June 30, 2003, were as follows:

Due To / From Other Funds

The composition of due to/from other funds as of June 30, 2003 is as follows:

		Due from other funds
		Governmental Activities
		Community Development Agency Special Revenue
Due to other funds	Governmental Activities:	
	Major Funds:	
	Community Development	
	Block Grant Special Revenue	\$ 111,792
	Total	\$ 111,792

Advances To / From Other Funds

The composition of advances to/from other funds as of June 30, 2003 is as follows:

		Advances due to other funds
		Governmental Activities
		Community Development Agency Special Revenue
Advances due from other funds	Governmental Activities:	
	Major Funds:	
	Community Development	
	Block Grant Special Revenue	\$ 500,000
	Total	\$ 500,000

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2003

8. INTERFUND TRANSACTIONS, Continued

Interfund Transfers

Interfund transfers for the year ended June 30, 2003, were as follows:

		Transfers In		
		Governmental Activities		
		Major Fund	Other	
		General Fund	Governmental Funds	
		Fund	Funds	Total
Transfers Out	Governmental Activities:			
	Major funds:			
	General Fund	\$ -	\$ 198,114	\$ 198,114
	Community Development Agency			
	Special Revenue	647,240	-	647,240
	Other governmental funds	312,520	-	312,520
	Business-Type Activities:			
Water	183,700	33,000	216,700	
Total	\$ 1,143,460	\$ 231,114	\$ 1,374,574	

9. CLASSIFICATION OF NET ASSETS

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

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 reduces 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 the net assets of the City, which are not restricted for any project or other purpose.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2003

9. CLASSIFICATION OF NET ASSETS, Continued

In the Fund Financial Statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the City Council and Management and can be increased, reduced or eliminated by similar actions.

In governmental funds, fund reservations are presented as a component of fund balance as follows:

	General Fund	Community Development Block Grant Special Revenue	Community Development Agency Special Revenue	Measure T 2002 GO Bond Capital Projects	Other Governmental Funds
Encumbrances	\$ 244,995	\$ -	\$ 3,206,899	\$ 1,281,063	\$ 1,837,530
Deposits and prepaid items	34,813	-	-	-	-
Advances to other funds	-	500,000	111,792	-	-
Housing loans	-	-	1,598,696	-	982,000
Debt service	-	-	-	-	1,004,965
Notes receivable	2,170,000	-	-	-	-
Total	\$ 2,449,808	\$ 500,000	\$ 4,917,387	\$ 1,281,063	\$ 3,824,495

In governmental funds, fund designations are presented as a component of fund balance as follows:

	General Fund	Community Development Agency Special Revenue	Measure T 2002 GO Bond Capital Projects	Other Governmental Funds
Unrealized gains	\$ 228,569	\$ 136,547	\$ 37,010	\$ 65,826
Insurance	2,252,933	-	-	-
Equipment replacement	105,790	-	-	-
Operational reserve	500,000	-	-	-
Vacation and sick leave	100,000	-	-	-
Infrastructure replacement	2,000,000	-	-	-
Fiscal uncertainties	1,000,000	-	-	-
PERS safety investment	1,000,000	-	-	-
Special programs and services	-	-	-	9,122,960
Capital improvement	-	19,128,278	11,696,316	9,007,446
Total	\$ 7,187,292	\$ 19,264,825	\$ 11,733,326	\$ 18,196,232

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2003

9. CLASSIFICATION OF NET ASSETS, Continued

Reserved for Encumbrances - represents commitments for materials and services on purchase orders and contracts which are unperformed.

Reserved for Deposits and Prepaid Items - is provided to indicate that deposits and prepaid items are not "available" as a resource to meet expenditures of the current year.

Reserved for Advances to Other Funds - represents funds that are to be received from other funds on a long-term basis.

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

Reserved for Notes Receivable - represents funds reserved for the receipt of the City Manager's residential real estate property note.

Reserved for Housing Loans - represents funds reserved for the receipt of Neighborhood Housing (NHS), Peninsula Habitat for Humanity, Mid-Peninsula Housing Coalition, and Down Payment Assistance (PAL) loans.

Designated for Unrealized Investment Gain - represents funds designated for unrealized gain on changes in fair value adjustments of investments.

Designated for Insurance - represents funds designated to cover insurance claims and settlements.

Designated for Equipment Replacement - represents funds designated for the purchase of new equipment.

Designated for Operational Reserve - represents funds designated to cover operational cash flow shortfalls.

Designated for Vacation and Sick Leave - represents funds designated to provide for the employees' compensated absences and sick leave.

Designated for Infrastructure Replacement - represents funds designated for the long-term cost of replacing City infrastructure.

Designated for Fiscal Uncertainties - represents funds designated for potential revenue shortfall due to economy downturn.

Designated for PERS Safety Investment - represents funds designated to supplement funds on discount in the state retirement system in order to minimize the future impact of the 3% at 55 and 3% at 50 police officers benefits.

Designated for Special Programs and Services - represents funds designated for special programs and services.

Designated for Capital Improvements - represents funds designated for capital improvements.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2003

10. PUBLIC EMPLOYEE RETIREMENT SYSTEM

Plan Description

The City contributes to the California Public Employee Retirement System (PERS); an agent multiple-employer defined benefit pension 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.

Funding Policy

Participants are required to contribute 7% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the current rate is 0% for miscellaneous employees, and 0% for safety employees, of annual covered payroll. No contributions were required of the City for fiscal year 2002-2003 because of the overfunded actuarial accrued liability. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Cost

For 2003, the City's annual pension cost of \$0 for PERS was equal to the City's required and actual contribution. The required contribution was determined as part of the June 30, 2002, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 3.75% to 14.20% for miscellaneous employees and from 4.27% to 11.59% for safety employees depending on age, service, and type of employment, and (c) 3.5% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.5%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. PERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis.

The amortization period at June 30, 2002, was 30 years for miscellaneous employees and 30 years for safety employees for prior and current service unfunded liability.

THREE-YEAR TREND INFORMATION FOR PERS

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2000	\$ -	100%	\$ -
June 30, 2001	-	100%	-
June 30, 2002	-	100%	-

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2003

11. OTHER POST-EMPLOYMENT BENEFITS

In accordance with Resolution No. 4135, "Resolution of the City Council of the City of Menlo Park electing to be subject to the Public Employees' Medical and Hospital Care Act," adopted by the City Council on September 5, 1989, with an effective date of October 1, 1989, the City offers retirees the continuation of group health insurance. The City's contribution for each active employee or retiree is sixteen dollars (\$16) per month. As of September 7, 1989, approximately 83 former employees were eligible for this benefit. For the fiscal year ended June 30, 2003, 56 former employees or annuitants were enrolled in the PERS Health Benefits Program.

The benefits provided by the group health insurance through the Public Employees' Retirement System Health Benefits Program are the same for retirees as those offered to active employees. These benefits include hospital, doctor, and prescription drug charges. Retirees may choose single, employee and one dependent, or family coverage. A City employee is eligible to retire at age 50 or over with a minimum of five years PERS-credited service. A general leave conversion benefit, 8 hours of accrued sick leave or general leave converts to one month of health insurance coverage for worker only, is available to retiring police sergeants. A general leave conversion benefit, 6 hours of accrued general leave converts to one month of health insurance credit for worker only, with the credit not exceeding the highest HMO health plan premium, is available to retiring sergeants with at least 20 years of service with the City.

A sick leave conversion benefit, 6 hours of accrued sick leave converts to one month of health insurance coverage credit for worker only, with the credit not exceeding the highest HMO health plan premium, is available to retiring police officers with at least twenty years of service with the City. A sick leave conversion benefit, 8 hours of accrued sick leave converts to one month of health insurance coverage for worker only, is available to all other retiring police officers.

A sick leave/general leave conversion benefit, 8 hours of accrued sick leave/general leave converts to one retirement health credit or one month of health insurance coverage for worker only, 16 hours of accrued sick leave/general leave converts to two retirement health credits or one month of health insurance for worker and one dependent, or 24 hours of accrued sick leave/general leave converts to three retirement health credits or one month of health insurance for family coverage, is available to retiring Administrative staff, AFSCME middle management and miscellaneous employees.

SEIU miscellaneous employees who have at least 15 years of service, may elect to have their accrued sick leave balance converted to retirement health credits at the rate of 1 unit for every 6 hours of accumulated sick leave, with the credit not exceeding the highest HMO health plan premium. SEIU miscellaneous employees who have at least twenty years of service, may elect to have their accrued sick leave balance converted to retirement health credits at the rate of one unit for every 4 hours of accumulated sick leave, with the credit not exceeding the highest HMO health plan premium.

AFSCME middle management and Administrative staff who have at least fifteen years of service, may elect to have their accrued sick leave/general leave balance converted to retirement health credits at the rate of one unit for every 6 hours of accumulated sick leave/general leave. AFSCME middle management and Administrative staff who have at least twenty years of service, may elect to have their accrued sick leave/general leave balance converted to retirement health credits at the rate of one unit for every 3 hours of accumulated sick leave/general leave.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2003

11. OTHER POST-EMPLOYMENT BENEFITS, Continued

AFSCME middle management who qualify for the retirement health credit conversion may also convert their accrued sick leave for dental coverage at the rate of one-half (.5) unit for every month of paid dental insurance.

SEIU miscellaneous employees who have at least ten continuous years of permanent service with the City and who retire under PERS shall be reimbursed by the City at the rate of one hundred dollars per month toward the retiree's worker only health care premium once the employee has exhausted the sick leave conversion to retiree health credits.

The health insurance premium, less the City contribution of sixteen dollars, is deducted each month from the retiree's PERS pension warrant. If the retiree is eligible for the sick leave/general leave conversion benefit, the City reimburses the retiree for the appropriate level of coverage premium amount, less the sixteen dollar City contribution for each active and retired employee. The cost to the City for the retiree health insurance for the fiscal year ended June 30, 2003, was approximately \$122,334 which includes an administrative cost of 0.20% of premium. Effective January 1, 2003, the PERS Health Benefits Program premiums increased by an average of 21.8%.

The PERS Health Benefits Program offers HMO's, Health Maintenance Organizations, and Indemnity/PPO, Indemnity/Preferred Provider Organization. The groups covered include the retirees, people who actually retire, either service, disability or industrial disability, under the City's retirement system with PERS, and surviving spouses and other dependents. If a retiree with family coverage dies, dependents will be eligible for health benefit coverage with the employer contribution as long as they were enrolled as dependents at the time of the retiree's death, qualify for a monthly survivor allowance from PERS, and continue to qualify as family members. The premium cost, less the City contribution of sixteen dollars, must be borne by the dependents. Surviving family members who do not qualify for health benefit coverage with the employer contribution are eligible for the "COBRA" (the Consolidated Omnibus Budget Reconciliation Act of 1985) group continuation coverage, with the total premium and the administrative costs borne by the dependents.

Currently, the City is financing the City contribution of sixteen dollars per active or retired enrollee in the PERS Health Benefits Program, the administrative cost of 0.20% of premium, and the sick leave/general leave conversion benefit. These expenditures are recorded in the General Fund.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2003

12. SEGMENT INFORMATION FOR ENTERPRISE FUND

The City's Enterprise Fund is its Water operations. Segment information for the year ended June 30, 2003, is as follows:

	Water
Operating revenues	\$ 3,421,677
Depreciation	124,653
Operating income	590,294
Transfers out	(216,700)
Net income	828,205
Capital assets:	
Non-depreciable	1,066,454
Depreciable, net	3,965,081
Net working capital	11,145,562
Total assets	20,925,226
Net assets	\$ 20,594,182

13. COMMUNITY DEVELOPMENT AGENCY OF THE CITY OF MENLO PARK

The 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. Revenue from tax increments in fiscal year 2002-2003 was \$9,961,806.

Because the Agency has received and expended or is committed to expend nearly all of the property tax increment revenues authorized under the 1981 Plan, the City amended the 1981 Plan in October 1991 to increase the amount of tax increment that the Agency may collect from \$30 million to \$430 million and extend the project to the year 2030. The amended Plan includes a comprehensive and coordinated set of additional project activities related to, 1) planning and code enforcement, 2) real estate development and improvements (including significant activities to continue to improve, increase and preserve the community's supply of affordable low and moderate income housing), 3) public infrastructure and facilities improvements, 4) community facilities, and 5) other support projects. These projects are designed to help reduce and eliminate the many aspects of visual, economic, physical, and social blight which still exist within the project area.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2003

14. 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, 2003, 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.

15. 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.

16. NONPROFIT ORGANIZATION DEBT WITH NO CITY COMMITMENT

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 have interest rates ranging from 5.75% to 8.25%, with payments made semi-annually on June 1 and December 1 through 2028. The bonds are payable solely from and are secured by a pledge of payments and other amounts due to the Mortgage Insurance, the Debt Service Reserve Fund, and the Mortgage Reserve Fund. The bonds do not constitute a debt or liability of the Agency of the City and, therefore, are not reflected in the financial statements. The bonds have been refinanced with a Note payable to the Agency of the City. The outstanding balance as of June 30, 2003 was \$4,022,157.

17. COMMITMENTS

The City had various commitments totaling \$4,485,124 as of June 30, 2003. Seven of these commitments were for large construction projects, the street resurfacing project for \$844,573, the Redevelopment Agency Streetscape Overall Improvement for \$841,717, the Burgess Pool and Gymnasium for \$627,077, the Belle Haven Community Park for \$301,705, the El Camino Real Traffic signal for \$226,399, the Oak Knoll School recreational facilities for \$203,346, and the Ivy Drive Streets streetscape for \$207,079. The remaining commitments, totaling \$1,233,228, were for less significant activities. All commitments are evidenced by contractual agreements with contractors.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2003

18. PRIOR-PERIOD ADJUSTMENT

A. Government-Wide Statements

The City recorded the following prior period adjustments to correct prior year transactions, record long-term advances and implement GASB Statement No. 34. Accordingly, the net assets as of July 1, 2002, have been restated as follows:

	Net Assets as Previously Reported	Prior Period Adjustments		Net Assets as Restated
		Capital Assets	Long-term Debt	
Government-Wide Activities:				
Net assets	\$ 112,135,752	\$ 348,380,189	\$ (92,372,358)	\$ 368,143,583
Total government-wide activities	<u>\$ 112,135,752</u>	<u>\$ 348,380,189</u>	<u>\$ (92,372,358)</u>	<u>\$ 368,143,583</u>

B. Fund Financial Statements

	As Previously Stated	Prior Period Adjustments	As Restated
		Capital Assets	
Proprietary Funds:			
Water	\$ 22,050,397	\$ (2,284,420)	\$ 19,765,977
Total proprietary funds	<u>\$ 22,050,397</u>	<u>\$ (2,284,420)</u>	<u>\$ 19,765,977</u>

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REQUIRED SUPPLEMENTARY INFORMATION

City of Menlo Park
Required Supplementary Information
For the year ended June 30, 2003

1. 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 1st.
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, and capital projects funds. Formal budgetary integration is not employed for debt service funds because effective budgetary control is alternatively achieved through bond indenture provisions. In addition, trust 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 fees schedules, or an excess in one year may be offset against a deficit in the following year. For the fiscal year ended June 30, 2003, 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.

City of Menlo Park
Required Supplementary Information, Continued
For the year ended June 30, 2003

1. BUDGETARY PRINCIPLES, Continued

Budgetary Comparison Schedule, General Fund

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Secured property taxes	\$ 4,680,000	\$ 4,680,000	\$ 4,700,691	\$ 20,691
Unsecured property taxes	512,420	512,420	534,593	22,173
Other property taxes	514,440	514,440	679,012	164,572
Sales taxes	8,399,470	8,399,470	6,857,224	(1,542,246)
Franchise and occupancy taxes	2,338,650	2,338,650	2,157,462	(181,188)
Licenses and permits	2,606,140	2,606,140	2,671,512	65,372
Fines and forfeitures	412,000	412,000	802,636	390,636
Use of money and property	1,700,505	1,700,505	1,391,918	(308,587)
Intergovernmental	2,527,270	2,527,270	2,862,975	335,705
Charges for services	3,505,428	3,511,928	3,580,793	68,865
Other	14,000	14,000	19,315	5,315
Total revenues	27,210,323	27,216,823	26,258,131	(958,692)
EXPENDITURES:				
Current:				
General government	5,660,902	5,696,094	4,681,397	1,014,697
Public safety	8,357,199	8,368,456	7,991,790	376,666
Public works	4,237,195	4,321,420	3,668,436	652,984
Culture and recreation	7,515,961	7,490,828	6,997,615	493,213
Community development	2,157,643	2,160,518	2,054,727	105,791
Capital outlay	213,474	346,797	148,375	198,422
Total expenditures	28,142,374	28,384,113	25,542,340	2,841,773
REVENUES OVER (UNDER) EXPENDITURES	(932,051)	(1,167,290)	715,791	1,883,081
OTHER FINANCING SOURCES (USES):				
Transfers in	1,143,460	1,143,460	1,143,460	-
Transfers out	(196,000)	(196,000)	(198,114)	(2,114)
Sale of fixed assets	-	-	1,071,091	1,071,091
Total other financing sources (uses)	947,460	947,460	2,016,437	1,068,977
Net change in fund balances	\$ 15,409	\$ (219,830)	2,732,228	\$ 2,952,058
FUND BALANCES:				
Beginning of year			29,007,507	
End of year			\$ 31,739,735	

City of Menlo Park
Required Supplementary Information, Continued
For the year ended June 30, 2003

1. BUDGETARY PRINCIPLES, Continued

Budgetary Comparison Schedule, Community Development Block Grant Special Revenue Fund

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 533	\$ 533
Charges for services	400,000	400,000	434,153	34,153
Total revenues	400,000	400,000	434,686	34,686
EXPENDITURES:				
Current:				
Rehabilitation loans	399,450	400,000	434,120	(34,120)
Capital outlay	550	550	-	550
Total expenditures	400,000	400,550	434,120	(33,570)
REVENUES OVER (UNDER) EXPENDITURES	\$ -	\$ (550)	566	\$ 1,116
FUND BALANCES:				
Beginning of year			-	
End of year			\$ 566	

City of Menlo Park
Required Supplementary Information, Continued
For the year ended June 30, 2003

1. BUDGETARY PRINCIPLES, Continued

Budgetary Comparison Schedule, Community Development Agency Special Revenue Fund

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES:				
Taxes:				
Secured property taxes	\$ 8,186,000	\$ 8,186,000	\$ 8,994,818	\$ 808,818
Unsecured property taxes	926,000	926,000	966,988	40,988
Use of money and property	1,456,800	1,456,800	1,082,875	(373,925)
Charges for services	-	-	50,116	50,116
Total revenues	10,568,800	10,568,800	11,094,797	525,997
EXPENDITURES:				
Current:				
Community development	158,955	158,955	2,663,378	(2,504,423)
Urban development and housing	4,100,171	4,224,117	4,205,241	18,876
Capital outlay	22,175,212	26,805,234	7,082,472	19,722,762
Debt service:				
Principal	695,000	695,000	695,000	-
Interest	3,843,490	3,843,490	3,843,476	14
Total expenditures	30,972,828	35,726,796	18,489,567	17,237,229
REVENUES OVER (UNDER) EXPENDITURES	(20,404,028)	(25,157,996)	(7,394,770)	17,763,226
OTHER FINANCING SOURCES (USES):				
Transfers out	(647,240)	(647,240)	(647,240)	-
Total other financing sources (uses)	(647,240)	(647,240)	(647,240)	-
Net change in fund balances	\$ (21,051,268)	\$ (25,805,236)	(8,042,010)	\$ 17,763,226
FUND BALANCES:				
Beginning of year, as restated			42,763,255	
End of year			\$ 34,721,245	

City of Menlo Park
Required Supplementary Information, Continued
For the year ended June 30, 2003

1. BUDGETARY PRINCIPLES, Continued

Budgetary Comparison Schedule, Measure T 2002 GO Bond Capital Projects Fund

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 270,000	\$ 270,000	\$ 281,774	\$ 11,774
Charges for services	120,000	120,000	-	(120,000)
Total revenues	390,000	390,000	281,774	(108,226)
EXPENDITURES:				
Capital outlay	11,651,919	11,651,919	664,912	10,987,007
Total expenditures	11,651,919	11,651,919	664,912	10,987,007
REVENUES OVER (UNDER) EXPENDITURES	\$ (11,261,919)	\$ (11,261,919)	(383,138)	\$ 10,878,781
FUND BALANCES:				
Beginning of year			13,397,527	
End of year			\$ 13,014,389	

City of Menlo Park
Required Supplementary Information, Continued
For the year ended June 30, 2003

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

SCHEDULE OF FUNDING PROGRESS

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
June 30, 2000	\$ 42,151,882	\$ 30,361,143	\$ (11,790,739)	138.8%	\$ 9,084,808	(129.8)%
June 30, 2001	33,386,613	43,100,644	(9,714,031)	129.1%	10,122,132	(96.0)%
June 30, 2002	37,073,300	40,927,659	(3,854,359)	110.4%	12,030,408	(32.0)%

Safety 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
June 30, 2000	\$ 30,160,327	\$ 26,063,934	\$ (4,096,393)	115.7%	\$ 3,721,301	(110.1)%
June 30, 2001	28,674,551	31,086,602	(2,412,051)	108.4%	4,474,723	(53.9)%
June 30, 2002	31,101,041	28,753,761	2,347,280	92.5%	4,190,894	56.0%

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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.

Bayfront Park Landfill Fund - Established to receive and expend increased solidwaste fee to cover the post closure costs of the Marsh Road landfill at the Bayfront Park.

Below Market Rate (BMR) 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.

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.

Traffic Impact 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 to try to keep health standards high for the single-family residences.

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds, Continued:

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.

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.

Local Law Enforcement Block Grant Fund - Established to account for funds received from Bureau of Justice Assistance used to reduce crime and improve public safety.

California Law Enforcement Equipment Program Fund - Established to account for state grants used for high technology law enforcement equipment.

Bayfront Park Maintenance Fund - Utilized to account for fees charged to the public for trash hauled to the City Landfill Site, which is used to maintain the Bayfront Park built on the Site.

Recreation In-Lieu Fund - Established to account for developer fees paid in-lieu of new recreation facilities used for maintenance and improvements to existing 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.

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

PERS Dividends Fund - Established to account for AB702 PERS contribution credits.

Debt Service Fund:

Debt service funds are established to account for the accumulation and disbursement of monies to comply with the interest and redemption requirements of certain obligations.

NON-MAJOR GOVERNMENTAL FUNDS

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.

Capital Improvement General Fund - Utilized City General Fund transfers to provide funding for City capital improvements.

City of Menlo Park
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2003

	Special Revenue				
	Highway Users Tax	Federal Revenue Sharing	Landscape/ Tree Assessment	Sidewalk Assessments	Bayfront Park Landfill
ASSETS					
Cash and investments	\$ 780,638	\$ 70,792	\$ 503,830	\$ 142,702	\$ 19,830
Restricted cash and investments	-	-	-	-	-
Receivables:					
Accounts	124,742	-	-	-	-
Interest	5,039	457	-	-	-
Notes	-	31,297	-	-	-
Total assets	\$ 910,419	\$ 102,546	\$ 503,830	\$ 142,702	\$ 19,830
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 99,837	\$ -	\$ 7,654	\$ 4,644	\$ -
Accrued payroll	8,014	-	9,887	2,431	-
Compensated absences	3,492	-	6,906	760	-
Deferred revenue	-	31,297	-	-	19,830
Total liabilities	111,343	31,297	24,447	7,835	19,830
Fund Balances:					
Reserved:					
Encumbrances	794,945	-	131,391	75,356	-
Housing loans	-	-	-	-	-
Debt service	-	-	-	-	-
Unreserved:					
Designated:					
Unrealized investment gain	4,131	375	-	-	-
Special programs and services	-	-	347,992	59,511	-
Capital improvements	-	-	-	-	-
Undesignated	-	70,874	-	-	-
Total fund balances	799,076	71,249	479,383	134,867	-
Total liabilities and fund balances	\$ 910,419	\$ 102,546	\$ 503,830	\$ 142,702	\$ 19,830

Special Revenue

Below Market Rate Housing	County Transportation Tax	Public Library	Literacy Grants	Narcotic Seizure	Traffic Impact Fees	Downtown Parking Permits	Storm Drainage Fees
\$ 3,656,344	\$ 1,438,162	\$ 83,430	\$ 4,955	\$ 4,128	\$ 638,471	\$ 1,085,471	\$ 68
-	-	-	-	-	-	-	-
-	282,970	-	-	-	916,055	-	-
23,604	9,284	-	54,000	-	4,122	7,016	-
673,283	-	-	-	-	-	-	-
<u>\$ 4,353,231</u>	<u>\$ 1,730,416</u>	<u>\$ 83,430</u>	<u>\$ 58,955</u>	<u>\$ 4,128</u>	<u>\$ 1,558,648</u>	<u>\$ 1,092,487</u>	<u>\$ 68</u>
\$ -	\$ 113,791	\$ -	\$ 8,719	\$ -	\$ 22,201	\$ -	\$ -
-	12,559	43	6,772	-	7,507	-	10
-	6,897	1,436	1,716	-	3,199	-	58
-	-	-	-	-	-	-	-
-	133,247	1,479	17,207	-	32,907	-	68
3,061	368,626	-	5,000	-	216,207	-	-
982,000	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
19,349	7,611	-	-	-	3,379	5,751	-
3,348,821	1,220,932	-	36,748	4,128	1,306,155	1,086,736	-
-	-	-	-	-	-	-	-
-	-	81,951	-	-	-	-	-
<u>4,353,231</u>	<u>1,597,169</u>	<u>81,951</u>	<u>41,748</u>	<u>4,128</u>	<u>1,525,741</u>	<u>1,092,487</u>	<u>-</u>
<u>\$ 4,353,231</u>	<u>\$ 1,730,416</u>	<u>\$ 83,430</u>	<u>\$ 58,955</u>	<u>\$ 4,128</u>	<u>\$ 1,558,648</u>	<u>\$ 1,092,487</u>	<u>\$ 68</u>

(Continued)

City of Menlo Park
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2003

	Special Revenue				
	Solid Waste Service	Bay Area Air Quality Management	Storm Water Management (NPDES)	Peninsula Partnership Grant	Supplemental Law Enforcement Service
ASSETS					
Cash and investments	\$ 1,284,351	\$ 15,494	\$ 763,868	\$ 84,085	\$ 124,864
Restricted cash and investments	-	-	-	-	-
Receivables:					
Accounts	1,155	-	-	-	-
Interest	8,291	100	-	-	806
Notes	-	-	-	-	-
Total assets	\$ 1,293,797	\$ 15,594	\$ 763,868	\$ 84,085	\$ 125,670
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 122,805	\$ 11,017	\$ 12,222	\$ 6,564	\$ 33,854
Accrued payroll	4,601	-	5,737	3,500	-
Compensated absences	4,215	-	7,058	-	-
Deferred revenue	347,390	-	-	-	-
Total liabilities	479,011	11,017	25,017	10,064	33,854
Fund Balances:					
Reserved:					
Encumbrances	-	-	10,700	-	4,170
Housing loans	-	-	-	-	-
Debt service	-	-	-	-	-
Unreserved:					
Designated:					
Unrealized investment gain	6,797	82	-	-	661
Special programs and services	807,989	4,495	728,151	74,021	86,985
Capital improvements	-	-	-	-	-
Undesignated	-	-	-	-	-
Total fund balances	814,786	4,577	738,851	74,021	91,816
Total liabilities and fund balances	\$ 1,293,797	\$ 15,594	\$ 763,868	\$ 84,085	\$ 125,670

Special Revenue

Local Law Enforcement Block Grant	California Law Enforcement Equipment Program	Bayfront Park Maintenance	Recreation In-Lieu	Sharon Hills Park	Vintage Oaks Landscape	Miscellaneous Trust	PERS Dividend
\$ 10,234	\$ -	\$ 1,767,375	\$ 17,320	\$ 166,287	\$ 187,367	\$ 1,362,548	\$ -
-	-	-	-	-	-	-	-
-	-	4,414	-	-	-	-	-
66	-	11,409	112	1,073	1,210	6,893	-
-	-	-	-	-	-	-	-
<u>\$ 10,300</u>	<u>\$ -</u>	<u>\$ 1,783,198</u>	<u>\$ 17,432</u>	<u>\$ 167,360</u>	<u>\$ 188,577</u>	<u>\$ 1,369,441</u>	<u>\$ -</u>
-	-	26,060	-	-	31	34,063	-
-	-	83	-	-	-	427	-
-	-	90	-	-	-	345	-
-	-	-	-	-	-	-	-
-	-	26,233	-	-	31	34,835	-
-	-	-	-	-	4,912	59,453	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
54	-	9,353	92	880	992	-	-
10,246	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	1,747,612	17,340	166,480	182,642	1,275,153	-
10,300	-	1,756,965	17,432	167,360	188,546	1,334,606	-
<u>\$ 10,300</u>	<u>\$ -</u>	<u>\$ 1,783,198</u>	<u>\$ 17,432</u>	<u>\$ 167,360</u>	<u>\$ 188,577</u>	<u>\$ 1,369,441</u>	<u>\$ -</u>

(Continued)

City of Menlo Park
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2003

	Debt Service		Capital Projects		Total Other Governmental Funds
	Library Bond	Recreation GO Bond 2002	Library Addition	Capital Improvement General	
ASSETS					
Cash and investments	\$ 601,968	\$ 396,772	\$ 592,037	\$ 8,595,731	\$ 24,399,122
Restricted cash and investments	64	-	-	-	64
Receivables:					
Accounts	895	1,991	-	-	1,332,222
Interest	3,886	2,575	3,822	-	143,765
Notes	-	-	-	-	704,580
Total assets	\$ 606,813	\$ 401,338	\$ 595,859	\$ 8,595,731	\$ 26,579,753
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 759	\$ 6,280	\$ 510,501
Accrued payroll	-	-	119	2,358	64,048
Compensated absences	-	-	487	7,299	43,958
Deferred revenue	-	-	-	-	398,517
Total liabilities	-	-	1,365	15,937	1,017,024
Fund Balances:					
Reserved:					
Encumbrances	-	-	-	163,709	1,837,530
Housing loans	-	-	-	-	982,000
Debt service	603,627	401,338	-	-	1,004,965
Unreserved:					
Designated:					
Unrealized investment gain	3,186	-	3,133	-	65,826
Special programs and services	-	-	-	-	9,122,910
Capital improvements	-	-	591,361	8,416,085	9,007,446
Undesignated	-	-	-	-	3,542,052
Total fund balances	606,813	401,338	594,494	8,579,794	25,562,729
Total liabilities and fund balances	\$ 606,813	\$ 401,338	\$ 595,859	\$ 8,595,731	\$ 26,579,753

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City of Menlo Park
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2003

	Special Revenue				
	Highway Users Tax	Federal Revenue Sharing	Landscape/ Tree Assessment	Sidewalk Assessments	Bayfront Park Landfill
REVENUES:					
Taxes:					
Sales taxes	\$ 613,959	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	443,393	167,341	-
Licenses and permits	-	-	-	-	-
Use of money and property	19,347	2,658	-	-	-
Intergovernmental	80,658	-	-	-	-
Charges for services	50,071	19,156	-	-	-
Other	-	-	-	-	-
Total revenues	764,035	21,814	443,393	167,341	-
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	221,517	-	421,426	14,267	-
Culture and recreation	-	-	-	-	-
Community development	-	-	-	-	-
Urban development and housing	-	15,909	-	-	-
Capital outlay	624,289	-	2,884	114,068	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	845,806	15,909	424,310	128,335	-
REVENUES OVER (UNDER) EXPENDITURES	(81,771)	5,905	19,083	39,006	-
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	141,000	-	-
Transfers out	-	-	(93,500)	-	-
Total other financing sources (uses)	-	-	47,500	-	-
Net change in fund balances	(81,771)	5,905	66,583	39,006	-
FUND BALANCES:					
Beginning of year	880,847	65,344	412,800	95,861	-
End of year	\$ 799,076	\$ 71,249	\$ 479,383	\$ 134,867	\$ -

Special Revenue

Below Market Rate Housing	County Transportation Tax	Public Library	Literacy Grants	Narcotic Seizure	Traffic Impact Fees	Downtown Parking Permits	Storm Drainage Fees
\$ -	\$ 534,483	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	281,250	-
129,485	41,272	-	-	-	19,351	30,484	580
-	237,289	28,007	71,598	-	1,327,056	-	-
287	447	-	-	-	5,273	-	1,050
-	-	-	55,833	-	-	-	-
<u>129,772</u>	<u>813,491</u>	<u>28,007</u>	<u>127,431</u>	<u>-</u>	<u>1,351,680</u>	<u>311,734</u>	<u>1,630</u>
-	2,253	-	-	-	-	-	-
-	121,550	-	-	3,448	104,097	-	-
-	541,499	-	-	-	104,967	-	14,508
-	-	13,682	174,838	-	-	-	-
-	22,284	-	-	-	2,769	-	-
4,939	-	-	-	-	-	-	-
193,120	319,590	-	2,400	-	852,805	-	78,353
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>198,059</u>	<u>1,007,176</u>	<u>13,682</u>	<u>177,238</u>	<u>3,448</u>	<u>1,064,638</u>	<u>-</u>	<u>92,861</u>
<u>(68,287)</u>	<u>(193,685)</u>	<u>14,325</u>	<u>(49,807)</u>	<u>(3,448)</u>	<u>287,042</u>	<u>311,734</u>	<u>(91,231)</u>
-	-	-	55,000	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	55,000	-	-	-	-
<u>(68,287)</u>	<u>(193,685)</u>	<u>14,325</u>	<u>5,193</u>	<u>(3,448)</u>	<u>287,042</u>	<u>311,734</u>	<u>(91,231)</u>
<u>4,421,518</u>	<u>1,790,854</u>	<u>67,626</u>	<u>36,555</u>	<u>7,576</u>	<u>1,238,699</u>	<u>780,753</u>	<u>91,231</u>
<u>\$ 4,353,231</u>	<u>\$ 1,597,169</u>	<u>\$ 81,951</u>	<u>\$ 41,748</u>	<u>\$ 4,128</u>	<u>\$ 1,525,741</u>	<u>\$ 1,092,487</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, 2003

	Special Revenue				Supplemental Law Enforcement Services
	Solid Waste Service	Bay Area Air Quality Management	Storm Water Management (NPDES)	Peninsula Partnership	
REVENUES:					
Taxes:					
Sales taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	992,737	-	318,856	-	-
Licenses and permits	-	-	-	-	-
Use of money and property	29,981	294	-	-	3,706
Intergovernmental	14,871	151,444	-	217,233	100,527
Charges for services	373,604	-	-	-	-
Other	-	-	-	-	-
Total revenues	1,411,193	151,738	318,856	217,233	104,233
EXPENDITURES:					
Current:					
General government	1,311,548	-	-	-	-
Public safety	-	-	-	-	103,549
Public works	117,693	150,351	522,010	-	-
Culture and recreation	-	-	-	160,604	-
Community development	-	-	-	-	-
Urban development and housing	-	-	-	-	-
Capital outlay	235	-	-	3,453	46,529
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	1,429,476	150,351	522,010	164,057	150,078
REVENUES OVER (UNDER) EXPENDITURES	(18,283)	1,387	(203,154)	53,176	(45,845)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	(58,300)	-	(23,020)	-	-
Total other financing sources (uses)	(58,300)	-	(23,020)	-	-
Net change in fund balances	(76,583)	1,387	(226,174)	53,176	(45,845)
FUND BALANCES:					
Beginning of year	891,369	3,190	965,025	20,845	137,661
End of year	\$ 814,786	\$ 4,577	\$ 738,851	\$ 74,021	\$ 91,816

Special Revenue

Local Law Enforcement Block Grant	California Law Enforcement Equipment Program	Bayfront Park Maintenance	Recreation In-Lieu	Sharon Hills Park	Vintage Oaks Landscape	Miscellaneous Trust	PERS Dividend
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
398	-	141,115	607	4,869	5,470	33,333	-
18,505	20,143	-	-	-	-	-	-
-	-	-	16,825	-	-	40,168	-
-	-	-	-	-	-	97,375	-
<u>18,903</u>	<u>20,143</u>	<u>141,115</u>	<u>17,432</u>	<u>4,869</u>	<u>5,470</u>	<u>170,876</u>	<u>-</u>
-	-	-	-	-	-	15,777	-
17,793	120,310	-	-	-	-	-	-
-	-	323,424	-	11,001	13,987	11,000	-
-	-	-	-	-	-	9,004	-
-	-	-	-	-	-	362,027	-
-	-	-	-	-	-	-	-
-	24,652	-	-	-	-	5,036	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>17,793</u>	<u>144,962</u>	<u>323,424</u>	<u>-</u>	<u>11,001</u>	<u>13,987</u>	<u>402,844</u>	<u>-</u>
<u>1,110</u>	<u>(124,819)</u>	<u>(182,309)</u>	<u>17,432</u>	<u>(6,132)</u>	<u>(8,517)</u>	<u>(231,968)</u>	<u>-</u>
2,056	-	-	-	-	-	-	58
-	-	-	-	-	-	(700)	(137,000)
<u>2,056</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(700)</u>	<u>(136,942)</u>
3,166	(124,819)	(182,309)	17,432	(6,132)	(8,517)	(232,668)	(136,942)
<u>7,134</u>	<u>124,819</u>	<u>1,939,274</u>	<u>-</u>	<u>173,492</u>	<u>197,063</u>	<u>1,567,274</u>	<u>136,942</u>
<u>\$ 10,300</u>	<u>\$ -</u>	<u>\$ 1,756,965</u>	<u>\$ 17,432</u>	<u>\$ 167,360</u>	<u>\$ 188,546</u>	<u>\$ 1,334,606</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, 2003

	Debt Service		Capital Projects		Total Other Governmental Funds
	Library Bond	Recreation GO Bond 2002	Library Addition	Capital Improvement General	
REVENUES:					
Taxes:					
Sales taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,148,442
Special assessments	411,137	893,433	-	13,263	3,240,160
Licenses and permits	-	-	-	-	281,250
Use of money and property	15,506	5,382	17,239	-	501,077
Intergovernmental	-	-	-	-	2,267,331
Charges for services	-	-	-	25,000	531,881
Other	-	-	-	-	153,208
Total revenues	426,643	898,815	17,239	38,263	8,123,349
EXPENDITURES:					
Current:					
General government	-	-	-	-	1,329,578
Public safety	-	-	-	-	470,747
Public works	-	-	-	-	2,467,650
Culture and recreation	1,595	-	-	-	359,723
Community development	-	-	-	-	387,080
Urban development and housing	-	-	-	-	20,848
Capital outlay	-	-	3,259	1,235,383	3,506,056
Debt service:					
Principal	210,000	-	-	-	210,000
Interest	197,518	497,477	-	-	694,995
Total expenditures	409,113	497,477	3,259	1,235,383	9,446,677
REVENUES OVER (UNDER) EXPENDITURES	17,530	401,338	13,980	(1,197,120)	(1,323,328)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	33,000	231,114
Transfers out	-	-	-	-	(312,520)
Total other financing sources (uses)	-	-	-	33,000	(81,406)
Net change in fund balances	17,530	401,338	13,980	(1,164,120)	(1,404,734)
FUND BALANCES:					
Beginning of year	589,283	-	580,514	9,743,914	26,967,463
End of year	\$ 606,813	\$ 401,338	\$ 594,494	\$ 8,579,794	\$ 25,562,729

(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, 2003

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Taxes:				
Sales taxes	\$ 622,000	\$ 622,000	\$ 613,959	\$ (8,041)
Use of money and property	17,000	17,000	19,347	2,347
Intergovernmental	350,000	350,000	80,658	(269,342)
Charges for services	575,000	575,000	50,071	(524,929)
Total revenues	<u>1,564,000</u>	<u>1,564,000</u>	<u>764,035</u>	<u>(799,965)</u>
EXPENDITURES:				
Current:				
Public works	241,722	241,722	221,517	20,205
Capital outlay	1,625,000	2,208,534	624,289	1,584,245
Total expenditures	<u>1,866,722</u>	<u>2,450,256</u>	<u>845,806</u>	<u>1,604,450</u>
Net change in fund balances	<u>\$ (302,722)</u>	<u>\$ (886,256)</u>	(81,771)	<u>\$ 804,485</u>
FUND BALANCES:				
Beginning of year			<u>880,847</u>	
End of year			<u>\$ 799,076</u>	

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, 2003

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 2,000	\$ 2,000	\$ 2,658	\$ 658
Charges for services	26,000	26,000	19,156	(6,844)
Total revenues	28,000	28,000	21,814	(6,186)
EXPENDITURES:				
Current:				
Urban development and housing	28,000	28,000	15,909	12,091
Total expenditures	28,000	28,000	15,909	12,091
Net change in fund balances	\$ -	\$ -	5,905	\$ 5,905
FUND BALANCES:				
Beginning of year			65,344	
End of year			\$ 71,249	

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, 2003

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ 439,000	\$ 439,000	\$ 443,393	\$ 4,393
Total revenues	439,000	439,000	443,393	4,393
EXPENDITURES:				
Current:				
Public works	494,894	742,794	421,426	321,368
Capital outlay	5,800	5,800	2,884	2,916
Total expenditures	500,694	748,594	424,310	324,284
REVENUES OVER (UNDER) EXPENDITURES	(61,694)	(309,594)	19,083	(319,891)
OTHER FINANCING SOURCES (USES):				
Transfers in	141,000	141,000	141,000	-
Transfers out	(93,500)	(93,500)	(93,500)	-
Total other financing sources (uses)	47,500	47,500	47,500	-
Net change in fund balances	\$ (14,194)	\$ (262,094)	66,583	\$ 328,677
FUND BALANCES:				
Beginning of year			412,800	
End of year			\$ 479,383	

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, 2003

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ 166,000	\$ 166,000	\$ 167,341	\$ 1,341
Total revenues	166,000	166,000	167,341	1,341
EXPENDITURES:				
Current:				
Public works	931	931	14,267	(13,336)
Capital outlay	159,000	216,434	114,068	102,366
Total expenditures	159,931	217,365	128,335	89,030
Net change in fund balances	\$ 6,069	\$ (51,365)	39,006	\$ 90,371
FUND BALANCES:				
Beginning of year			95,861	
End of year			\$ 134,867	

City of Menlo Park

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

Bayfront Park Landfill Special Revenue Fund

For the year ended June 30, 2003

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Secured property taxes	\$ -	\$ -	\$ -	\$ -
Unsecured property taxes	-	-	-	-
Other property taxes	-	-	-	-
Sales taxes	-	-	-	-
Special assessments	-	-	-	-
Licenses and permits	-	-	-	-
Use of money and property	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Other	-	-	-	-
Total revenues	-	-	-	-
EXPENDITURES:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Community development	-	-	-	-
Urban development and housing	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	\$ -	\$ -	-	\$ -
FUND BALANCES:				
Beginning of year			-	
End of year			\$ -	

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Below Market Rate Housing Special Revenue Fund For the year ended June 30, 2003

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 44,000	\$ 44,000	\$ 129,485	\$ 85,485
Charges for services	400	400	287	(113)
Total revenues	44,400	44,400	129,772	85,372
EXPENDITURES:				
Current:				
Urban development and housing	2,814,430	2,814,430	4,939	2,809,491
Capital outlay	-	-	193,120	(193,120)
Total expenditures	2,814,430	2,814,430	198,059	2,616,371
Net change in fund balances	\$ (2,770,030)	\$ (2,770,030)	(68,287)	\$ 2,701,743
FUND BALANCES:				
Beginning of year			4,421,518	
End of year			\$ 4,353,231	

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, 2003

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Sales taxes	\$ 500,000	\$ 500,000	\$ 534,483	\$ 34,483
Use of money and property	25,000	25,000	41,272	16,272
Intergovernmental	-	105,600	237,289	131,689
Charges for services	315,600	315,600	447	(315,153)
Total revenues	840,600	946,200	813,491	(132,709)
EXPENDITURES:				
Current:				
General government	8,494	8,494	2,253	6,241
Public safety	188,006	188,006	121,550	66,456
Public works	474,369	771,226	541,499	229,727
Community development	-	-	22,284	(22,284)
Capital outlay	800,100	1,297,860	319,590	978,270
Total expenditures	1,470,969	2,265,586	1,007,176	1,258,410
REVENUES OVER (UNDER) EXPENDITURES	(630,369)	(1,319,386)	(193,685)	1,125,701
OTHER FINANCING SOURCES (USES):				
Transfers out	(52,000)	(52,000)	-	52,000
Total other financing sources (uses)	(52,000)	(52,000)	-	52,000
Net change in fund balances	\$ (682,369)	\$ (1,371,386)	(193,685)	\$ 1,177,701
FUND BALANCES:				
Beginning of year			1,790,854	
End of year			\$ 1,597,169	

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, 2003

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 46,000	\$ 46,000	\$ 28,007	\$ (17,993)
Total revenues	46,000	46,000	28,007	(17,993)
EXPENDITURES:				
Current:				
Culture and recreation	55,182	55,182	13,682	41,500
Total expenditures	55,182	55,182	13,682	41,500
Net change in fund balances	\$ (9,182)	\$ (9,182)	14,325	\$ 23,507
FUND BALANCES:				
Beginning of year			67,626	
End of year			\$ 81,951	

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, 2003

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 67,780	\$ 67,780	\$ 71,598	\$ 3,818
Other	54,000	54,000	55,833	1,833
Total revenues	121,780	121,780	127,431	5,651
EXPENDITURES:				
Current:				
Culture and recreation	171,780	209,413	174,838	34,575
Capital outlay	-	2,500	2,400	100
Total expenditures	171,780	211,913	177,238	34,675
REVENUES OVER (UNDER) EXPENDITURES	(50,000)	(90,133)	(49,807)	(29,024)
OTHER FINANCING SOURCES (USES):				
Transfers in	50,000	50,000	55,000	5,000
Total other financing sources (uses)	50,000	50,000	55,000	5,000
Net change in fund balances	\$ -	\$ (40,133)	5,193	\$ 45,326
FUND BALANCES:				
Beginning of year			36,555	
End of year			\$ 41,748	

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, 2003

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES:				
Current:				
Public safety	\$ -	\$ -	\$ 3,448	\$ 3,448
Total expenditures	-	-	3,448	3,448
Net change in fund balances	\$ -	\$ -	(3,448)	\$ (3,448)
FUND BALANCES:				
Beginning of year			7,576	
End of year			\$ 4,128	

City of Menlo Park

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

Traffic Impact Fees Special Revenue Fund

For the year ended June 30, 2003

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 35,000	\$ 35,000	\$ 19,351	\$ (15,649)
Intergovernmental	-	-	1,327,056	1,327,056
Charges for services	-	-	5,273	5,273
Total revenues	35,000	35,000	1,351,680	1,316,680
EXPENDITURES:				
Current:				
Public safety	74,145	94,559	104,097	(9,538)
Public works	134,444	191,224	104,967	86,257
Community development	-	-	2,769	(2,769)
Capital outlay	556,474	1,164,355	852,805	311,550
Total expenditures	765,063	1,450,138	1,064,638	385,500
Net change in fund balances	\$ (730,063)	\$ (1,415,138)	287,042	\$ 1,702,180
FUND BALANCES:				
Beginning of year			1,238,699	
End of year			\$ 1,525,741	

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, 2003

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses and permits	\$ 287,700	\$ 287,700	\$ 281,250	\$ (6,450)
Use of money and property	35,000	35,000	30,484	(4,516)
Total revenues	322,700	322,700	311,734	(10,966)
Net change in fund balances	\$ 322,700	\$ 322,700	311,734	\$ (10,966)
FUND BALANCES:				
Beginning of year			780,753	
End of year			\$ 1,092,487	

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, 2003

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 580	\$ 580
Charges for services	7,000	7,000	1,050	(5,950)
Total revenues	7,000	7,000	1,630	(5,370)
EXPENDITURES:				
Current:				
Public works	19,286	26,646	14,508	12,138
Capital outlay	-	84,949	-	84,949
Total expenditures	19,286	111,595	14,508	97,087
Net change in fund balances	\$ (12,286)	\$ (104,595)	(91,231)	\$ 13,364
FUND BALANCES:				
Beginning of year			91,231	
End of year			\$ -	

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, 2003

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ 1,054,560	\$ 1,054,560	\$ 992,737	\$ (61,823)
Use of money and property	35,000	35,000	29,981	(5,019)
Intergovernmental	8,900	8,900	14,871	5,971
Charges for services	326,560	326,560	373,604	47,044
Total revenues	1,425,020	1,425,020	1,411,193	(13,827)
EXPENDITURES:				
Current:				
General government	1,373,961	1,373,961	1,311,548	62,413
Public works	113,387	113,387	117,693	(4,306)
Capital outlay	3,000	3,000	235	2,765
Total expenditures	1,490,348	1,490,348	1,429,476	60,872
REVENUES OVER (UNDER) EXPENDITURES	(65,328)	(65,328)	(18,283)	(74,699)
OTHER FINANCING SOURCES (USES):				
Transfers out	(58,300)	(58,300)	(58,300)	-
Total other financing sources (uses)	(58,300)	(58,300)	(58,300)	-
Net change in fund balances	\$ (123,628)	\$ (123,628)	(76,583)	\$ 47,045
FUND BALANCES:				
Beginning of year			891,369	
End of year			\$ 814,786	

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, 2003

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 294	\$ 294
Intergovernmental	108,600	108,600	151,444	42,844
Total revenues	108,600	108,600	151,738	43,138
EXPENDITURES:				
Current:				
Public works	154,000	154,000	150,351	3,649
Total expenditures	154,000	154,000	150,351	3,649
REVENUES OVER (UNDER) EXPENDITURES	(45,400)	(45,400)	1,387	39,489
OTHER FINANCING SOURCES (USES):				
Transfers in	61,900	61,900	-	(61,900)
Total other financing sources (uses)	61,900	61,900	-	(61,900)
Net change in fund balances	\$ 16,500	\$ 16,500	1,387	\$ (22,411)
FUND BALANCES:				
Beginning of year			3,190	
End of year			\$ 4,577	

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, 2003

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ 324,000	\$ 324,000	\$ 318,856	\$ (5,144)
Total revenues	324,000	324,000	318,856	(5,144)
EXPENDITURES:				
Current:				
Public works	622,354	731,404	522,010	209,394
Capital projects	-	47,322	-	47,322
Total expenditures	622,354	778,726	522,010	256,716
REVENUES OVER (UNDER) EXPENDITURES	(298,354)	(454,726)	(203,154)	(261,860)
OTHER FINANCING SOURCES (USES):				
Transfers out	(23,020)	(23,020)	(23,020)	-
Total other financing sources (uses)	(23,020)	(23,020)	(23,020)	-
Net change in fund balances	\$ (321,374)	\$ (477,746)	(226,174)	\$ 251,572
FUND BALANCES:				
Beginning of year			965,025	
End of year			\$ 738,851	

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, 2003

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 220,373	\$ 220,373	\$ 217,233	\$ (3,140)
Charges for services	4,000	4,000	-	(4,000)
Total revenues	224,373	224,373	217,233	(7,140)
EXPENDITURES:				
Current:				
Culture and recreation	222,836	221,156	160,604	60,552
Capital outlay	2,000	3,680	3,453	227
Total expenditures	224,836	224,836	164,057	60,779
Net change in fund balances	\$ (463)	\$ (463)	53,176	\$ 53,639
FUND BALANCES:				
Beginning of year			20,845	
End of year			\$ 74,021	

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, 2003

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 3,706	\$ 3,706
Intergovernmental	-	100,000	100,527	527
Total revenues	-	100,000	104,233	4,233
EXPENDITURES:				
Current:				
Public safety	-	103,471	103,549	(78)
Capital outlay	-	46,529	46,529	-
Total expenditures	-	150,000	150,078	(78)
Net change in fund balances	\$ -	\$ (50,000)	(45,845)	\$ 4,155
FUND BALANCES:				
Beginning of year			137,661	
End of year			\$ 91,816	

City of Menlo Park

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

Local Law Enforcement Block Grant Special Revenue Fund

For the year ended June 30, 2003

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 398	\$ 398
Intergovernmental	-	18,505	18,505	-
Total revenues	-	18,505	18,903	398
EXPENDITURES:				
Current:				
Public safety	-	18,744	17,793	951
Total expenditures	-	18,744	17,793	951
REVENUES OVER (UNDER) EXPENDITURES	-	(239)	1,110	(553)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	2,056	2,056	-
Total other financing sources (uses)	-	2,056	2,056	-
Net change in fund balances	\$ -	\$ 1,817	3,166	\$ 1,349
FUND BALANCES:				
Beginning of year			7,134	
End of year			\$ 10,300	

City of Menlo Park

**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
California Law Enforcement Equipment Program Special Revenue Fund
For the year ended June 30, 2003**

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ 20,143	\$ 20,143	\$ -
Total revenues	-	20,143	20,143	-
EXPENDITURES:				
Current:				
Public safety	-	120,310	120,310	-
Capital outlay	-	24,652	24,652	-
Total expenditures	-	144,962	144,962	-
Net change in fund balances	\$ -	\$ (124,819)	(124,819)	\$ -
FUND BALANCES:				
Beginning of year			124,819	
End of year			\$ -	

City of Menlo Park

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

Bayfront Park Maintenance Special Revenue Fund

For the year ended June 30, 2003

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 86,000	\$ 86,000	\$ 141,115	\$ 55,115
Total revenues	86,000	86,000	141,115	55,115
EXPENDITURES:				
Current:				
Public works	538,428	577,508	323,424	254,084
Capital outlay	33,500	33,500	-	33,500
Total expenditures	571,928	611,008	323,424	287,584
Net change in fund balances	\$ (485,928)	\$ (525,008)	(182,309)	\$ 342,699
FUND BALANCES:				
Beginning of year, as restated			1,939,274	
End of year			\$ 1,756,965	

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, 2003

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 607	\$ 607
Charges for services	35,000	35,000	16,825	(18,175)
Total revenues	35,000	35,000	17,432	(17,568)
Net change in fund balances	\$ 35,000	\$ 35,000	17,432	\$ (17,568)
FUND BALANCES:				
Beginning of year			-	
End of year			\$ 17,432	

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, 2003

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 6,000	\$ 6,000	\$ 4,869	\$ (1,131)
Total revenues	<u>6,000</u>	<u>6,000</u>	<u>4,869</u>	<u>(1,131)</u>
EXPENDITURES:				
Current:				
Public works	11,000	11,000	11,001	(1)
Total expenditures	<u>11,000</u>	<u>11,000</u>	<u>11,001</u>	<u>(1)</u>
Net change in fund balances	<u>\$ (5,000)</u>	<u>\$ (5,000)</u>	(6,132)	<u>\$ (1,132)</u>
FUND BALANCES:				
Beginning of year			<u>173,492</u>	
End of year			<u>\$ 167,360</u>	

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, 2003

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 9,000	\$ 9,000	\$ 5,470	\$ (3,530)
Total revenues	<u>9,000</u>	<u>9,000</u>	<u>5,470</u>	<u>(3,530)</u>
EXPENDITURES:				
Current:				
Public works	21,600	21,600	13,987	7,613
Total expenditures	<u>21,600</u>	<u>21,600</u>	<u>13,987</u>	<u>7,613</u>
Net change in fund balances	<u>\$ (12,600)</u>	<u>\$ (12,600)</u>	(8,517)	<u>\$ 4,083</u>
FUND BALANCES:				
Beginning of year			<u>197,063</u>	
End of year			<u>\$ 188,546</u>	

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, 2003

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 33,333	\$ 33,333
Charges for services	-	-	40,168	40,168
Other	-	-	97,375	97,375
Total revenues	-	-	170,876	170,876
EXPENDITURES:				
Current:				
General government	-	-	15,777	(15,777)
Public works	-	-	11,000	(11,000)
Culture and recreation	16,474	16,474	9,004	7,470
Community development	-	358,795	362,027	(3,232)
Capital outlay	-	-	5,036	(5,036)
Total expenditures	16,474	375,269	402,844	(27,575)
REVENUES OVER (UNDER) EXPENDITURES	(16,474)	(375,269)	(231,968)	198,451
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	(700)	(700)
Total other financing sources (uses)	-	-	(700)	(700)
Net change in fund balances	\$ (16,474)	\$ (375,269)	(232,668)	\$ 142,601
FUND BALANCES:				
Beginning of year			1,567,274	
End of year			\$ 1,334,606	

City of Menlo Park

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

PERS Dividend Special Revenue Fund

For the year ended June 30, 2003

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES):				
Transfers in	\$ -	\$ -	\$ 58	\$ 58
Transfers out	(137,000)	(137,000)	(137,000)	-
Total other financing sources (uses)	(137,000)	(137,000)	(136,942)	58
Net change in fund balances	\$ (137,000)	\$ (137,000)	(136,942)	\$ 58
FUND BALANCES:				
Beginning of year			136,942	
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, 2003

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ 400,000	\$ 400,000	\$ 411,137	\$ 11,137
Use of money and property	10,000	10,000	15,506	5,506
Total revenues	410,000	410,000	426,643	16,643
EXPENDITURES:				
Current:				
Culture and recreation	1,500	1,500	1,595	(95)
Debt service:				
Principal	210,000	210,000	210,000	-
Interest	197,520	197,520	197,518	2
Total expenditures	409,020	409,020	409,113	(93)
Net change in fund balances	\$ 980	\$ 980	17,530	\$ 16,550
FUND BALANCES:				
Beginning of year			589,283	
End of year			\$ 606,813	

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, 2003

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ -	\$ 890,000	\$ 893,433	\$ 3,433
Use of money and property	-	-	5,382	5,382
Total revenues	-	890,000	898,815	8,815
EXPENDITURES:				
Debt service:				
Interest	-	497,477	497,477	-
Total expenditures	-	497,477	497,477	-
Net change in fund balances	\$ -	\$ 392,523	401,338	\$ 8,815
FUND BALANCES:				
Beginning of year			-	
End of year			\$ 401,338	

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, 2003

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 15,000	\$ 15,000	\$ 17,239	\$ 2,239
Total revenues	15,000	15,000	17,239	2,239
EXPENDITURES:				
Capital outlay	226,128	226,128	3,259	222,869
Total expenditures	226,128	226,128	3,259	222,869
Net change in fund balances	\$ (211,128)	\$ (211,128)	13,980	\$ 225,108
FUND BALANCES:				
Beginning of year			580,514	
End of year			\$ 594,494	

City of Menlo Park

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

Capital Improvement General Capital Projects Fund

For the year ended June 30, 2003

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ -	\$ -	\$ 13,263	\$ 13,263
Charges for services	50,000	50,000	25,000	(25,000)
Total revenues	50,000	50,000	38,263	(11,737)
EXPENDITURES:				
Capital outlay	5,555,504	6,215,129	1,235,383	4,979,746
Total expenditures	5,555,504	6,215,129	1,235,383	4,979,746
REVENUES OVER (UNDER) EXPENDITURES	(5,505,504)	(6,165,129)	(1,197,120)	(4,991,483)
OTHER FINANCING SOURCES (USES):				
Transfers in	30,000	30,000	33,000	3,000
Total other financing sources (uses)	30,000	30,000	33,000	3,000
Net change in fund balances	\$ (5,475,504)	\$ (6,135,129)	(1,164,120)	\$ 4,971,009
FUND BALANCES:				
Beginning of year			9,743,914	
End of year			\$ 8,579,794	

City of Menlo Park
Statement of Changes in Net Assets
Agency Fund
For the year ended June 30, 2003

	Balance July 1, 2002	Net Changes in Assets and Liabilities	Balance June 30, 2003
<u>Agency Fund</u>			
Assets:			
Cash and investments	\$ 167,014	\$ (41,353)	\$ 125,661
Total assets	\$ 167,014	\$ (41,353)	\$ 125,661
Liabilities:			
Accounts payable	\$ 99,113	\$ (29,223)	\$ 69,890
Deposits	67,901	(12,130)	55,771
Total liabilities	\$ 167,014	\$ (41,353)	\$ 125,661

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CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

To account for capital assets not used in proprietary fund operations or accounted for in Agency Funds.

City of Menlo Park
Capital Assets Used in the Operation of Governmental Funds
Schedule By Source
June 30, 2003

GOVERNMENTAL FUNDS CAPITAL ASSETS:

Land	\$ 221,534,267
Land Improvements	32,705,490
Buildings	39,689,374
Equipment	5,798,154
Other improvements	3,328,493
Construction in progress	1,717,984
Infrastructure	<u>97,117,678</u>
Total governmental funds capital assets	<u>401,891,440</u>
Accumulated depreciation	<u>(48,625,194)</u>
Total governmental funds capital assets, net	<u>\$ 353,266,246</u>

INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE:

General fixed assets, unallocated	\$ 1,772,048
General fund	337,928,394
Special revenue funds	21,226,705
Capital projects funds	38,492,597
Trust funds	<u>2,471,696</u>
Total governmental funds capital assets	<u>\$ 401,891,440</u>

City of Menlo Park
Capital Assets Used in the Operation of Governmental Funds
Schedule By Function and Activity
For the year ended June 30, 2003

	Land	Land Improvements	Buildings	Equipment	Other Improvements	Construction in Progress	Infrastructure	Total
GOVERNMENTAL FUNDS								
CAPITAL ASSETS:								
General government	\$ 90,253,652	\$ -	\$ 27,288,916	\$ 874,573	\$ -	\$ -	\$ -	\$ 118,417,141
Public safety	-	-	-	1,663,506	-	9,514	-	1,673,020
Public works	1,651,200	32,705,490	1,003,292	1,923,905	-	718,172	97,117,678	135,119,737
Culture and recreation	107,349,402	-	11,397,166	986,510	3,328,493	990,298	-	124,051,869
Community development	22,280,013	-	-	349,660	-	-	-	22,629,673
Total governmental funds capital assets	\$ 221,534,267	\$ 32,705,490	\$ 39,689,374	\$ 5,798,154	\$ 3,328,493	\$ 1,717,984	\$ 97,117,678	\$ 401,891,440

City of Menlo Park

Capital Assets Used in the Operation of Governmental Funds

Schedule of Changes in Capital Assets - By Function and Activity

For the year ended June 30, 2003

	Balance July 1, 2002	Additions	Deletions	Inventory Adjustments	Balance June 30, 2003
GOVERNMENTAL FUNDS					
CAPITAL ASSETS:					
General government	\$ 53,584,694	\$ 57,429	\$ 662,500	\$ 65,437,518	\$ 118,417,141
Public safety	1,973,412	54,918	110,787	(244,523)	1,673,020
Public works	27,666,300	4,907,785	3,343,497	105,889,149	135,119,737
Culture and recreation	1,292,375	1,347,706	-	121,411,788	124,051,869
Community development	355,565	5,122,194	-	17,151,914	22,629,673
Total governmental funds capital assets	\$ 84,872,346	\$ 11,490,032	\$ 4,116,784	\$ 309,645,846	\$ 401,891,440

STATISTICAL SECTION

(Unaudited)

Note: The City of Menlo Park has no special revenue bonds for the last ten fiscal years, therefore, the corresponding statistical table is not presented.

City of Menlo Park
General Government Expenditures by Function *
June 30, 2003
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Culture and Recreation</u>	<u>Rehabilitation Loans</u>
1993-1994	\$ 3,608,741	\$ 5,535,982	\$ 4,031,207	\$ 4,071,963	\$ 406,254
1994-1995	3,704,841	5,671,910	3,087,167	4,379,150	522,242
1995-1996	3,891,180	5,828,805	3,293,360	4,711,696	444,315
1996-1997	4,080,633	6,308,729	4,003,864	4,951,301	295,223
1997-1998	4,534,705	6,751,403	4,710,301	5,728,235	338,788
1998-1999	4,838,242	6,829,378	4,631,434	6,562,009	448,045
1999-2000**	5,101,699	7,264,817	3,862,141	6,740,339	248,660
2000-2001	5,652,521	7,980,832	4,099,263	6,975,161	350,030
2001-2002	6,083,761	8,044,869	3,993,619	7,995,043	595,290
2002-2003	6,010,975	8,462,537	6,136,086	7,357,338	434,120

* General governmental expenditures by source are for the following funds of the City: General, Special Revenue, Debt Service, Capital Projects and Expendable Trusts

** Beginning 1999-2000, the transportation department was reclassified from Public Works to Community Development.

Source: City of Menlo Park

Community Development	Urban Development and Housing	Capital Outlay	Debt Service		Total
			Principal Retirement	Interest and Fiscal Charges	
\$ 1,051,471	\$ 1,044,298	\$ 4,525,344	\$ 561,000	\$ 2,319,248	\$ 9,501,361
1,144,745	1,388,653	5,849,438	586,000	2,282,516	11,251,352
1,124,552	2,557,865	3,842,408	440,000	2,112,090	10,076,915
1,164,716	2,129,104	7,577,982	765,000	1,904,118	13,540,920
1,579,955	2,084,780	8,364,376	805,000	1,890,116	14,724,227
1,636,385	2,424,377	6,411,406	835,000	1,850,873	13,158,041
2,416,633	2,815,875	5,850,623	875,000	1,809,243	13,767,374
2,854,841	4,687,426	10,021,368	925,000	3,149,759	21,638,394
3,140,511	3,757,889	21,510,780	970,000	4,086,960	33,466,140
2,682,788	3,945,154	14,105,147	905,000	4,538,471	26,176,560

City of Menlo Park
General Government Revenues by Source *
June 30, 2003
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Special Assessment</u>	<u>Licenses and Permits</u>	<u>Fines and Forfeitures</u>	<u>Use of Money and Property</u>
1993-1994	\$ 14,503,301	\$ 936,407	\$ 1,638,695	\$ 50,392	\$ 2,412,090
1994-1995	14,931,830	1,099,059	1,932,360	64,399	2,695,767
1995-1996	17,085,902	1,107,907	1,786,935	70,792	2,954,925
1996-1997	19,197,080	1,072,744	2,585,437	48,178	2,998,668
1997-1998	20,814,340	1,092,449	2,783,860	67,326	3,148,117
1998-1999	22,726,432	1,466,474	2,800,754	195,182	2,965,786
1999-2000	25,577,479	1,493,406	2,824,434	213,482	3,470,883
2000-2001	29,286,576	1,379,277	3,227,919	279,172	6,374,995
2001-2002	27,434,250	1,399,697	2,585,384	207,906	4,857,451
2002-2003	26,039,230	3,240,160	2,952,762	802,636	3,257,644

* General governmental revenues by source are for the following funds of the City:
General, Special Revenue, Debt Service, Capital Projects and Expendable Trusts.

Source: City of Menlo Park

Inter- governmental	Charges for Services	Other Revenues	Reimbursed Construction Costs	Total
\$ 3,914,996	\$ 4,039,765	\$ 257,601	\$ -	\$ 8,212,362
3,614,290	4,970,190	245,304	-	8,829,784
3,855,437	4,807,465	264,655	-	8,927,557
3,969,695	5,527,602	198,044	-	9,695,341
3,989,621	4,944,680	91,022	-	9,025,323
4,712,777	4,909,370	150,143	-	9,772,290
4,626,773	4,528,800	174,215	-	9,329,788
5,368,949	5,465,783	84,882	-	10,919,614
6,084,897	5,015,592	97,678	-	11,198,167
5,130,839	4,596,943	172,523	-	9,900,305

City of Menlo Park
General Government Taxes Detail
June 30, 2003
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>Secured</u>	<u>Unsecured</u>	<u>Redemptions</u>	<u>Transfer Tax</u>	<u>Other</u>	<u>Sales Tax</u>	<u>Franchise and Occupancy Taxes</u>	<u>Total</u>
1993-1994	\$ 5,204,228	\$ 1,236,284	\$ 200,255	\$ 145,110	\$ 204,062	\$ 6,105,476	\$ 1,407,886	\$ 14,503,301
1994-1995	5,688,960	1,220,385	693	167,318	119,272	6,257,781	1,477,421	14,931,830
1995-1996	6,191,279	1,145,784	1,375	171,049	275,697	7,467,757	1,832,961	17,085,902
1996-1997	7,620,518	1,105,701	-	279,281	364,370	7,808,769	2,018,441	19,197,080
1997-1998	8,256,758	1,095,960	488	293,461	391,745	8,524,786	2,251,142	20,814,340
1998-1999	8,831,772	1,680,720	7,241	382,570	249,692	9,254,468	2,319,969	22,726,432
1999-2000	10,691,113	1,273,399	2,737	393,167	733,040	9,952,992	2,531,031	25,577,479
2000-2001	11,573,842	1,355,236	653	347,243	312,260	13,031,014	2,666,328	29,286,576
2001-2002	12,626,049	1,568,876	14,282	358,241	1,239,784	9,214,713	2,412,305	27,434,250
2002-2003	13,695,509	1,501,581	468	330,542	348,002	8,005,666	2,157,462	26,039,230

Source: City of Menlo Park and San Mateo County

City of Menlo Park
Property Tax Levies and Collections
June 30, 2003
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>Estimated Taxes Levied</u>	<u>Total Tax Collections</u>	<u>Delinquent Collections</u>	<u>Current Tax Collections</u>
1993-1994	\$ 7,060,980	\$ 6,581,214	\$ 196,665 *	\$ 6,384,549
1994-1995	7,664,858	7,041,879	-	7,041,879
1995-1996	8,124,610	7,612,759	-	7,612,759
1996-1997	8,887,672	9,090,589	-	9,090,589
1997-1998	10,276,766	9,744,463	-	9,744,463
1998-1999	11,632,610	10,762,184	-	10,762,184
1999-2000	13,003,352	12,697,552	-	12,697,552
2000-2001	13,804,204	13,241,338	-	13,241,338
2001-2002	15,587,032	15,434,709	-	15,434,709
2002-2003	16,363,962	15,545,092	-	15,545,092

Under Constitutional Amendment (Proposition XIII) passed by voters in the State of California in June 1978, the tax rate (excluding bonded debt) is frozen at 1% of full market value of property. This tax is collected by the County Tax Collector based on a formula determined by the State Legislature. The local agencies only levy the tax rates for general obligations bonds. All tax levies, therefore, are for general operating purposes. All tax levies include Homeowner's Property Tax Relief and Business Inventory Relief.

* Represents the buy-out of prior years' delinquent redemption accounts as required by the adoption of the TEETER Plan method of apportionment.

Source: San Mateo County

City of Menlo Park
Assessed Valuation, Tax Rate and Tax Levies
June 30, 2003
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Land Development	State Assessed		Secured		
		Improvements	Personal Property	Land Value	Improvements	Personal Property
1993-1994	\$ 3,419,782	\$ 108,056	\$ 79,225	\$ 1,195,904,283	\$ 1,949,198,782	\$ 102,654,836
1994-1995	4,298,573	125,471	91,996	1,248,429,049	2,047,475,658	104,529,389
1995-1996	3,912,916	144,813	106,175	1,299,000,693	2,139,191,268	107,584,423
1996-1997	3,639,791	124,508	91,287	1,348,713,869	2,228,762,710	119,042,090
1997-1998	3,623,151	316,438	181,152	1,480,057,209	2,369,822,699	190,821,197
1998-1999	4,956,018	387,849	222,030	1,613,667,336	2,550,942,830	205,623,607
1999-2000	2,078,149	264,986	151,696	1,815,087,154	2,820,381,931	257,399,381
2000-2001	770,807	244,959	140,232	1,990,570,199	2,973,214,646	198,721,523
2001-2002	4,836,844	268,184	153,528	2,261,244,888	3,249,584,012	209,856,123
2002-2003	4,777,290	258,202	147,814	2,393,968,299	3,389,779,535	237,014,128

Note:

General governmental revenue by source are for the following funds of the City:
General, Special Revenue, Debt Service, Capital Projects and Expendable Trusts.

Source: City of Menlo Park

Unsecured			Total Before Exemptions		
Land		Personal	Land		Personal
Value	Improvements	Property	Value	Improvements	Property
\$ 2,594,793	\$ 119,059,964	\$ 268,184,694	#REF!	#REF!	#REF!
2,517,005	112,002,910	303,387,909	#REF!	#REF!	#REF!
1,896,930	101,855,292	269,504,036	#REF!	#REF!	#REF!
1,897,415	116,432,846	253,134,789	#REF!	#REF!	#REF!
2,312,520	107,675,869	264,453,335	#REF!	#REF!	#REF!
1,245,228	142,194,309	329,946,966	1,619,868,582	2,693,524,988	#REF!
1,892,868	188,747,068	289,717,576	1,819,058,171	3,009,393,985	#REF!
2,013,214	252,623,758	371,757,297	#REF!	#REF!	#REF!
4,169,073	289,398,376	462,631,749	#REF!	#REF!	#REF!
8,056,133	314,752,983	383,590,822	#REF!	#REF!	#REF!

(continued)

City of Menlo Park
Assessed Valuation, Tax Rate and Tax Levies, Continued
June 30, 2003
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Grand Total	HOPTR *	BIPTR **	Other	Net Subject To Tax
1993-1994	\$ 3,641,204,415	\$43,582,000	\$ -	\$ 70,419,184	\$3,527,203,231
1994-1995	3,822,857,960	43,906,800	-	82,775,430	3,696,175,730
1995-1996	3,923,196,546	44,042,600	-	75,267,754	3,803,886,192
1996-1997	4,071,839,305	44,087,400	-	76,460,157	3,951,291,748
1997-1998	4,419,263,570	44,576,865	-	80,344,612	4,294,342,093
1998-1999	4,849,186,176	44,970,800	-	73,415,885	4,730,799,491
1999-2000	5,375,720,809	44,724,400	-	79,175,848	5,251,820,561
2000-2001	5,790,056,635	43,953,000	-	112,569,221	5,633,534,414
2001-2002	6,482,142,777	45,138,800	-	85,158,247	6,351,845,730
2002-2003	6,732,345,206	42,530,600	-	110,060,786	6,579,753,820

* Homeowner Property Tax Relief

** Business Inventory Property Tax Relief

Source: San Mateo County

City of Menlo Park

Ratio of Net General Bonded Debt to

Total Assessed Value and Net Bonded Debt Per Capita

June 30, 2003 - Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Population	Total Assessed Value	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1993-1994	29,917	\$ 3,241,970,715	\$ 4,845,000	0.1494%	\$ 161.95
1994-1995	30,465	3,365,181,630	4,760,000	0.1414%	156.24
1995-1996	30,465	3,435,297,283	5,215,000	0.1518%	171.18
1996-1997	30,554	3,516,445,929	5,085,000	0.1446%	166.43
1997-1998	30,554	3,754,294,880	4,935,000	0.1314%	161.52
1998-1999	31,246	4,104,093,393	4,780,000	0.1165%	152.98
1999-2000	31,529	4,537,308,861	4,615,000	0.1017%	146.37
2000-2001	30,785	4,878,145,495	4,435,000	0.0909%	144.06
2001-2002	31,262	5,491,688,060	17,485,000	0.3184%	559.31
2002-2003	31,262	5,658,095,304	17,275,000	0.3053%	552.59

Source: San Mateo County and State Controller's Office

City of Menlo Park
Computation of Legal Debt Margin
June 30, 2003
(Unaudited)

Total assessed value of all real and personal property	\$ 5,658,095,304
Legal debt limit - 3.75% of total assessed valuation	212,178,574
Amount of bonded debt outstanding	<u>17,275,000</u>
Margin between legal and outstanding bonded debt	<u>\$ 194,903,574</u>

Source: San Mateo County

City of Menlo Park

Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Expenditures

June 30, 2003 - Last Ten Fiscal Years

(Unaudited)

<u>Fiscal Year</u>	<u>Total Bonded Debt Service Expenditures *</u>	<u>Total General Expenditures</u>	<u>Ratio Percentage</u>
1993-1994	\$ 425,202	\$ 27,155,508	1.566%
1994-1995	422,681	28,616,662	1.477%
1995-1996	421,946	28,246,271	1.494%
1996-1997	372,208	33,180,670	1.122%
1997-1998	405,048	36,787,659	1.101%
1998-1999	397,659	36,467,149	1.090%
1999-2000	394,929	36,985,030	1.068%
2000-2001	396,079	46,696,201	0.848%
2001-2002	400,771	-	#DIV/0!
2002-2003	407,518	54,577,616	0.747%

* Tax Allocation Bonds and Special Assessment debt have been excluded.

Source: City of Menlo Park

City of Menlo Park
Special Assessment Collections *
June 30, 2003
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	64-1	66-1	67-1	67-2	67-3	68-1	69-1	73-1	Total
1993-1994	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,132	\$ -	\$ -	\$ 14,132
1994-1995	-	-	-	-	-	-	-	-	-
1995-1996	-	-	-	-	-	-	-	-	-
1996-1997	-	-	-	-	-	-	-	-	-
1997-1998	-	-	-	-	-	-	-	-	-
1998-1999	-	-	-	-	-	-	-	-	-
1999-2000	-	-	-	-	-	-	-	-	-
2000-2001	-	-	-	-	-	-	-	-	-
2001-2002	-	-	-	-	-	-	-	-	-
2002-2003	-	-	-	-	-	-	-	-	-

* Collections are equal to the amount of bond retirement plus the corresponding assessment revenues. Billings are equal to collections for all assessments.

Source: City of Menlo Park

City of Menlo Park

Property Tax Rates * - All Direct and Overlapping Governments

June 30, 2003

Last Ten Fiscal Years

(Unaudited)

<u>Fiscal Year</u>	<u>San Mateo County</u>	<u>Menlo Park Elementary</u>	<u>San Mateo Junior College</u>	<u>Sequoia High School</u>	<u>Menlo Park Debt Service</u>	<u>Total</u>
1993-1994	1.0000	-	-	-	0.0122	1.0122
1994-1995	1.0000	-	-	-	0.0104	1.0104
1995-1996	1.0000	-	-	-	0.0107	1.0107
1996-1997	1.0000	0.0157	-	-	0.0092	1.0249
1997-1998	1.0000	0.0124	-	0.0064	0.0090	1.0278
1998-1999	1.0000	0.0445	-	0.0091	0.0082	1.0618
1999-2000	1.0000	0.0346	-	0.0107	0.0076	1.0529
2000-2001	1.0000	0.0303	-	0.0092	0.0071	1.0466
2001-2002	1.0000	0.0245	-	0.0079	0.0063	1.0387
2002-2003	1.0000	0.0220	0.0079	0.0130	0.0202	1.0631

* Per \$1,000 Assessed Valuation.

Source: Tax Rolls Code 08-004, County of San Mateo

City of Menlo Park
Direct and Overlapping Bonded Debt
June 30, 2003

(Unaudited)

2002-2003 Assessed Valuation:	\$ 6,622,284,420
Redevelopment Incremental Valuation:	<u>(964,189,116)</u>
Adjusted Assessed Valuation	<u>\$ 5,658,095,304</u>

<u>DIRECT AND OVERLAPPING TAX ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 6/30/03</u>
Direct:		
City of Menlo Park	100.000%	<u>\$ 17,275,000</u>
Total Direct		<u>17,275,000</u>
Overlapping:		
San Mateo Community College District	6.517%	6,313,384
Sequoia Union High School District	16.431%	21,425,202
Las Lomas School District	37.244%	8,564,258
Menlo Park City School District	65.166%	12,788,828
Ravenswood School District	43.800%	4,535,490
Redwood City School District	2.667%	<u>1,697,683</u>
Total Overlapping		<u>55,324,845</u>
 TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		 <u>72,599,845</u>
 <u>DIRECT AND OVERLAPPING LEASE OBLIGATION DEBT:</u>		
San Mateo County General Fund Obligations	6.517%	17,849,641
San Mateo County Board of Education Certificates of Participation	6.517%	323,243
Redwood City School District Certificates of Participation	2.667%	10,935
Midpeninsula Regional Park District Certificates of Participation	5.451%	5,893,359
San Mateo County Mosquito Abatement District Certificates of Participation	8.929%	<u>170,097</u>
 TOTAL DIRECT AND OVERLAPPING LEASE OBLIGATIONS DEBT		 <u>24,247,275</u>
 COMBINED TOTAL DEBT		 <u>\$ 96,847,120 (1)</u>

(1) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2002-03 Assessed Valuation:

Direct Debt (\$17,275,000)	0.26%
Total Direct and Overlapping Tax Assessment Debt	1.10%

Ratios to Adjusted Assessed Valuation:

Combined Total Debt	1.71%
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STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/03: \$0

Source: California Municipal Statistics, Inc.

City of Menlo Park
Demographic Statistics
June 30, 2003
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>Population</u>	<u>Population Percent Change</u>
1993-1994	29,917	1.73%
1994-1995	30,465	1.83%
1995-1996	30,465	0.00%
1996-1997	30,554	0.29%
1997-1998	30,554	0.00%
1998-1999	31,246	2.26%
1999-2000	31,529	0.91%
2000-2001	30,785	-2.36%
2001-2002	31,262	1.55%
2002-2003	31,262	0.00%

Source: State Controller's Office

City of Menlo Park

Property Value, Construction, Bank and Savings and Loan Deposits

June 30, 2003

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Commercial					
	New Construction*		Improvements*		Total	
	Number of Permits	Value	Number of Permits	Value	Number of Permits	Value
1993-1994	51	\$ 1,122,500	200	\$ 37,936,895	251	\$ 39,059,395
1994-1995	67	7,481,100	228	58,266,940	295	65,748,040
1995-1996	50	4,871,700	272	26,040,338	322	30,912,038
1996-1997	74	15,151,250	234	22,616,335	308	37,767,585
1997-1998	84	4,689,870	210	51,137,810	294	55,827,680
1998-1999	91	6,120,500	219	45,413,250	310	51,533,750
1999-2000	123	18,624,904	219	32,161,750	342	50,786,654
2000-2001	137	10,276,353	218	60,248,913	355	70,525,266
2001-2002	88	23,809,281	154	42,301,367	242	66,110,648
2002-2003	83	2,454,729	171	72,396,531	254	74,851,260

Residential Construction

New Construction*		Improvements*		Total	
Number of Permits	Value	Number of Permits	Value	Number of Permits	Value
10	\$ 1,679,900	702	\$ 11,189,631	712	\$ 12,869,531
11	3,980,000	667	11,424,254	678	15,404,254
25	6,737,000	701	11,234,828	726	17,971,828
125	31,454,500	739	13,258,304	864	44,712,804
81	25,452,000	696	14,720,621	777	40,172,621
62	16,423,000	795	19,375,620	857	35,798,620
32	11,347,927	676	18,523,870	708	29,871,797
46	16,954,306	641	24,341,262	687	41,295,568
27	14,150,331	622	19,953,766	649	34,104,097
21	11,547,619	662	22,365,995	683	33,913,614

(continued)

City of Menlo Park

Property Value, Construction, Bank and Savings and Loan Deposits, Continued

June 30, 2003

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Improvements		Total	
	Bank Deposit **	Savings and Loan Deposit **	Property Value Taxable	Property Value Non-Taxable
1993-1994	\$ 731,267,000	\$ 305,808,000	\$ 3,527,203,231	\$ 114,001,184
1994-1995	643,189,000	308,674,000	3,696,175,730	126,682,230
1995-1996	650,685,000	409,265,000	3,803,886,192	119,310,354
1996-1997	677,080,000	384,805,000	3,951,291,748	120,547,557
1997-1998	873,888,000	246,262,000	4,294,342,093	124,921,477
1998-1999	1,065,280,000	237,482,000	4,730,799,488	118,386,685
1999-2000	2,018,559,000	285,908,000	5,251,820,561	123,900,248
2000-2001	1,812,084,000	247,814,000	5,633,534,414	156,522,221
2001-2002	1,405,559,000	416,137,000	6,351,845,730	130,297,047
2002-2003	N/A	N/A	6,579,753,820	152,591,386

Sources:

* City of Menlo Park

** The Findley Reports

(concluded)

City of Menlo Park

Principal Taxpayers

June 30, 2003

(Unaudited)

<u>Company</u>	<u>Type of Business</u>	<u>2002-03 Full Market Valuation</u>	<u>Ratio to Total City's Assessed Valuation</u>
Sun Microsystems	Research and Development	\$ 378,414,130	5.75%
Tyco Electronics Corporation	Warehouses / Light Industry	207,890,644	3.16%
Stanford Research Institute	Professional Buildings (Medical)	136,994,691	2.08%
Menlo Oaks Partner	Vacant Land	75,716,181	1.15%
AMB Property LP	Warehouse	75,051,207	1.14%
Menlo Business Park	Office	72,541,833	1.10%
Henry Kaiser Foundation	Office	56,052,240	0.85%
Sharon Land Company	Office	49,245,709	0.75%
Jefferson Place Associates	Office	44,044,239	0.67%
Sand Hill Commons Investors	Office	35,072,296	0.53%
Total		<u>1,131,023,170</u>	<u>17.19%</u>
Total Assessed Value		<u><u>\$ 6,579,753,820</u></u>	

Source: San Mateo County Tax Roll

City of Menlo Park
Miscellaneous Statistics
June 30, 2003

(Unaudited)

Date of Incorporation	November 23, 1927
Form of Government	Council / Manager
Area	Approximately 19 square miles
Population	31,262
Number of street lights *	Approximately 1,932
Number of housing units***	12,714
Police Protection:	
Number of Stations	1
Number of police officers (including supervisory personnel)	53
Water Service:	
Name of Supplier	San Francisco Water
Daily Average Introduced into System (gallons)	3,556,700
Capacity per day (millions of gallons)	2.85
Water storage (millions of gallons)	5.50
Water lines (miles)	45

Classification	July / Aug 2002	Sept / Oct 2002	Nov / Dec 2002	Jan / Feb 2003	Mar / Apr 2003	May / June 2003	Total
Single Family	158,749	139,538	84,531	67,609	79,012	119,833	649,272
Multi Family	23,143	20,086	13,409	13,528	14,515	16,170	100,851
Commercial	43,643	38,963	26,154	16,671	25,138	32,423	182,992
Industrial	109,487	90,007	72,447	60,287	49,945	69,834	452,007
Landscape / Irrigation	53,079	44,413	12,595	2,087	8,926	23,831	144,931
Public Facility	37,955	28,422	10,717	8,440	9,925	12,459	107,918
Total **	426,056	361,429	219,853	168,622	187,461	274,550	1,637,971

* Not including the lights attached to traffic signals.

** In cubic cubic feet (CCF)

*** Source: Department of Commerce, Bureau of the Census