

**CITY OF MENLO PARK
CALIFORNIA**

**Comprehensive
Annual
Financial
Report**

For the Fiscal Year Ending June 30, 2011

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2011



CITY OF MENLO PARK, CALIFORNIA

PREPARED BY
THE FINANCE DEPARTMENT

Carol Augustine
Finance Director

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This report is printed on recycled paper.

City of Menlo Park
For the year ended June 30, 2011

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INTRODUCTORY SECTION



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

December 7, 2011

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, 2011. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the data is accurate in all material respects, and is reported fairly and honestly. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities are included.

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

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

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

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

Background

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

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

Reporting Entity

The financial reporting entity (the government) includes all the funds of the primary government (i.e., the City of Menlo Park, as legally defined), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. 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.

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

Economic Condition and Outlook

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

This budget refinement was beneficial in weathering the 2007-09 national economic recession. For the past three years, the City has employed long-term strategies focusing on preparedness for recovery, blended with short-term cost reductions. Mid-year budget amendments were made each year reflecting significantly decreased revenues which could not be totally offset by operational cost savings. However, each fiscal year ended with relatively small impact on General Fund reserves. During the fiscal year ended June 30, 2011, the City prepared the way for future budgets by paying off a \$7.1 million long-term pension liability for safety employees, thereby decreasing subsequent pension cost by approximately \$780,000 annually. Further reductions may need to be considered to better align revenues with expenditures, but Menlo Park maintains its focus on the long term. During these years of economic downturn, the City has substantially upheld its annual infrastructure investment of approximately \$2.1 million – the amount needed to maintain the City's current infrastructure in its current condition - to prevent a rapid deterioration of these assets and the higher future cost that accompanies deferred maintenance.

For the past two years, the State's budget woes have continued to provide additional uncertainty to municipal funding, with the State successfully imposing a "shift" of local redevelopment revenues (costing the City's Community Development Agency over \$3.4 million in 2009-10 and \$707,000 in 2010-11). The shift was purported to enable the State to pay its obligations to educational agencies. Currently, a move by the State to dissolve redevelopment agencies is being litigated by the California Supreme Court.

Such an action would have a severe impact on the City's ability to provide needed services and improvements in the redevelopment area. These financial statements reflect a number of changes with respect to the City's redevelopment activities, which were prompted by the State's actions.

The City maximized local benefits available through the federal stimulus program of 2009, particularly with the 2009 Resurfacing of Various Federal Aid Routes Project. Capital needs are also being addressed with City-imposed fees such as Traffic Impact, Construction Road Impact and Recreation-in-Lieu Fees. Because the cost of construction actually receded with the economic downturn, these funds provided an excellent return as capital investments. Augmenting these efforts, the City completed construction of a new gymnasium and renovation of a major recreation center, leveraging the generous capital contributions of the Arrillaga family. This increase of capital assets was largely responsible for the overall \$4.7 million increase in the City's total net assets reported in the government-wide financial statements.

As of the issuance of this report there are positive signs that the worst recession since the Great Depression has ended. The financial sector has stabilized, the stock market has rebounded from its lows in early 2009, and home prices appear to have leveled off. However, unemployment remains high, commercial real estate problems persist, there are concerns about the federal and international deficits, and the state is still scrambling to close an ongoing \$20 billion budget gap. For the City, property tax revenues remain fairly secure, though sales tax receipts are still well below historic trends, and will continue to suffer with changes in sales tax generators in the Business-to-Business transactions sector. Significantly lower yields on the City's investment portfolio also continue to drag on revenues. On the expenditure side, rising personnel costs related to pension benefits provided through the California Public Retirement System are of concern, as evidenced by the passage of Measure L in November 2010, limiting pension benefits of future City employees.

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

Community Development Agency

The City Council, acting as the Community Development Agency (CDA) 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. Since formation, plan amendments have expanded the Las Pulgas Community Development Project Area, established new bonded indebtedness limits and revenue caps, and extended the Agency's deadline for Activities and Plan expiration. Bonds issued in 1988, 1992 and again in 2000 provided funds for various redevelopment projects. The debt (totaling \$72.4 million) was consolidated into one refunding issuance in 2006.

Many challenges emerged as the housing market declined with the recent recession. In response, Agency staff prepared three programs to address foreclosures in Menlo Park, including the Agency's project area. The City Council adopted two programs in fiscal year 2008-09 to address at-risk properties, which, along with programs approved in 2009-10, provided a mechanism to help prevent further erosion in home values and maintain the physical character of the neighborhood. The City's Purchase Assistance Loans (PAL), Emergency Repair Loans and Rehab Loans continue to support families in the purchase and/or refurbishing of residential units, while program funding for code and drug enforcement continue positively effecting the quality of life of the project area.

Last year the Redevelopment Implementation Plan for the area, required to be reviewed and updated every 5 years, was prepared based on significant input from the residential and business communities. The plan emphasizes economic development opportunities, and provides for various infrastructure improvements that will boost the image of the area and support the City's goal of maintaining a vibrant local economy.

Since the Agency's primary source of revenue is tax increments, property values and new construction in the redevelopment area are the key economic factors that define the future resources of the agency. The recession heavily impacted the area's taxable assessed value. Tax revenues for the Agency declined 9.7 percent in 2009-10 from the prior year, and are still struggling to stabilize. However, the ingredients for long-term fiscal health are available. With increased focus on economic development in the area of the new Facebook headquarters, life sciences and green technology businesses should bring increased value (and revenues) to the redevelopment area in the future.

Major Initiatives

FOR THE YEAR: Given the aggressive efforts to cut costs for the past three years, City departments continued to implement both short and long-term operational efficiencies to control spending while providing quality municipal services throughout the year. After many years of cost containment and budget cuts, services were focused on addressing the basics: Council's priorities and the services and programs that make Menlo Park unique.

The **Department of Administrative Services** undertook a number of proactive measures to protect the City and Redevelopment Agency's assets and provide timely, accurate reporting of the City's financial status throughout the year including working with the City Manager on the *2010 and Beyond* initiative, the City-wide review designed to align the City's reduced resources with work load/service levels and to identify efficiencies reducing overall costs for a sustainable budget in the long term. One important Council decision to pre-pay an outstanding pension obligation, incurred as a result of a change in the pension formula for sworn personnel, provided an annual savings of approximately \$780,000 (for the next 11 years) essentially through elimination of annual interest payments. The payment of \$7.1 million was prorated between the General Fund and the Community Development Agency.

Staff spent substantial time during the fiscal year responding to Governor Jerry Brown's January 2011 action to eliminate Redevelopment Agencies, developing a responsible and viable alternative which included creating a Menlo Park Housing Authority, setting aside redevelopment resources for Public Improvement (capital) projects and creating a Redevelopment Services Agreement. The destiny of RDA's remains unknown pending a California Supreme Court decision due in mid-January 2012. Further modifications, either in funding or structure, may be needed following the Court's decision.

A major highlight for the 2010-11 fiscal year for the **Business Development Division** was the attraction of Facebook to the former Sun Microsystems (Oracle) campus at Willow Road and Bayfront Expressway. This "coup for Menlo Park" resolved the lingering uncertainty regarding the disposition of the campus following the Sun/Oracle merger. Another significant achievement for the Business Development Division was the Belle Haven/Willow Business Area Design Charrette. The event was extremely successful with over 125 licensed architects participating. The four design teams provided ideas for transforming the bay interface and the natural area adjacent to the Facebook campus, creative housing solutions for the Belle Haven neighborhood, concepts for the 22-acre parcel Facebook also acquired from General Motors, and ideas for transforming the Willow Road corridor and adjacent commercial properties.

Additionally, High Speed Rail issues continue to require substantial staff and consulting time. Prop 1A, the "Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century" was passed in November of 2008. Because of the significant implications of the proposed route through the City, Menlo Park was an early advocate for mitigating the visual and environment impacts of the project.

One of the primary focuses of the **Community Development Department** during the fiscal year continued to be the El Camino Real/Downtown Specific Plan, consistent with the Council's goals. Based on the successful completion of the Vision Plan for the project area and subsequent Draft Specific Plan, publically released in April 2010, work focused on the preparation of the Environment Impact Report (EIR) and Fiscal Impact Analysis. A Draft EIR was released for public review in April 2011. The close of the public review period for the Draft EIR in June, 2011 marked the beginning of Planning

Commission deliberations and recommendations for important improvements to the plan for City Council approval in October. The community-oriented plan will continue Planning Commission and City Council review of the Final Specific Plan and associated EIR in Winter / Spring 2011-12.

During the year, the Council approved an overall approach for the Willow Business Area. Phase 1.1, now in progress, includes updating procedures and forms and investing in technology to improve zoning compliance reviews for business licenses. The expansion of over-the-counter plan check for specified tenant improvements is also assisting in forwarding this new approach.

An additional priority emerged mid-year with the need to process land use entitlements for the Facebook campus. In addition to the focus on Facebook, staff completed land use entitlements for the City's recreation center and new gymnastics center as well as work on multiple tenant improvements within the M-2 district and a residential proposal at 389 El Camino Real. Building Division activity has continued to increase since the fourth quarter of fiscal year 2009-10. The rise in activity represents a 39 percent increase over the 2009-10 average level of residential activity and an approximately 65 percent increase over the 2009-10 average level of commercial activity without additional staff resources.

The **Community Services Department** continued offering a full spectrum of services amid tight budgets as well as the impact of construction and the opening of new facilities. Early in the fiscal year a competitive RFP process and renegotiation of a five year contract for the City's Aquatics Services was completed with Team Sheeper LLC. The new contract, approved in March 2011, provides management of all the City's aquatics facilities and a lease payment representing an annual savings to the General Fund of \$126,000.

The new Arrillaga Family Gymnasium opened in October 2011, doubling the community's gymnasium space. Within six months, the gym was fully programmed weekdays from 5am to 10pm and many weekends for tournaments and other activities. Beginning in November, the Recreation Center at the Burgess Campus underwent a major renovation and in April the gymnastics program moved to a temporary structure on the Burgess Campus to allow for demolition and construction of the new Arrillaga Family Gymnastics Center. Demolition began in late May with an estimated opening in April 2012. The newly renovated Kelly Field opened in April and the artificial turf field is totally booked, months in advance, from 3pm - 10pm. Additional fees for use of the lights on the field should help improve cost recovery for this facility, which greatly expands the City's ability to accommodate demand for fields. Several other fee increases were approved by Council in March 2011 that will allow the department to continue to move toward greater overall cost recovery of services where appropriate.

The department's Social Services programs remain important to the residents of the redevelopment area given the challenging economy. The Senior Center saw an increase

in the number of very frail seniors from across the County being dropped off each day. The number of Seniors in need regularly exceeded the number of meals available from the daily meal service. The Belle Haven Child Development Center continues to receive excellent evaluations from the State of California for the quality of programming provided to three-to-five year olds and their families. State budget cuts, however, eliminated roughly 25% of the program's state grant and the number of subsidized child care slots had to be reduced and one full time position eliminated.

Circulation of materials from the **Library** continued at a steady rate despite being closed for an additional 11 days during the fiscal year. The library remains an important resource for public access to computers and, increasingly, e-audio books.

The **Police Department** received over 36,000 calls for service in 2010 with an additional 21,000 officer initiated contacts. Annual statistics reflected a 42% reduction in violent crime and 4% reduction in property crime from 2009 to 2010. In September 2011, Bryan Roberts was appointed the new police chief establishing priorities of: crime reduction, maintenance of current response times, traffic safety, narcotics/gang enforcement, emergency preparedness, and fiscal responsiveness. The City's Emergency Operations Plan was updated and adopted by the City Manager to comply with State and Federal regulations during the fiscal year.

The **Public Works Department** completed several large capital improvements projects including the Arrillaga Family Gymnasium and Kelly Park Renovation Project during the year. An opportunity also emerged to renovate the Recreation Center. This project, unplanned at the start of the fiscal year, went through planning, design, permitting, and completion thanks to the generous support of the Arrillaga family. Preparations were also completed for the new gymnastics center at Burgess Park with the installation of a temporary gymnastics facility and the start of demolition of the old Burgess Gymnasium. Other significant projects completed this year included a major street resurfacing project and the Safe Routes to Laurel School Project.

The department has continued to look for ways to reduce operating costs and work toward a long-term sustainable budget. The Engineering and Transportation Divisions were consolidated under the leadership of one division manager. Energy retrofits, which have both environmental benefits and cost savings, included the installation of 450 LED street lights and LED lighting in the Council Chambers.

FOR THE FUTURE: **Financial Planning and Fiscal Policies**

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

Rating agencies recognize the City's financial strength and policies when assigning excellent ratings to Menlo Park general obligation bond issuances. The City continues to focus strategically on appropriate funding strategies, for not only current operations and top-ranked priority capital improvement projects, but also to cover long-term on-going expenses. The operating budget includes annual funding for large infrastructure maintenance projects, and on-going retiree medical benefit obligations. In addition, all funds are regularly evaluated in terms of on-going sustainability, to avoid any future burden on the General Fund. The City Council looks to develop fiscal policies that will provide guidance on maintaining sound financial standing in the long term. This year, a General Fund Reserve Policy was finalized, incorporating requirements of Governmental Accounting Standards Board (GASB Statement No. 54. The policy outlines the City Council's formal commitment of amounts of fund balance to be set aside specifically for emergency (\$6 million) and economic (\$8 million) contingencies. The total goal range for the City's unrestricted fund balance is 43 to 55 percent of General Fund expenditures. As of June 30, 2011, the unrestricted fund balance of nearly \$18.2 million represents approximately 48.6 percent of General Fund Expenditures budgeted for the 2011-12 fiscal year.

As the City sets about the task of developing robust fiscal policies and strategies for the future, it must also address current economic realities. Although reserves are available to provide temporary financing for extraordinary events such as an economic recession, the City must be able to distinguish between operating structural deficits and deficits resulting from temporary downturns in the economy. As the current recovery has been relatively weak and portends to be years in duration, making and maintaining this distinction will be a critical challenge to the City's long-term fiscal well-being. Infrastructure maintenance, comprehensive planning activities, and storm water programs lead the list of priorities to be funded in a sustainable fiscal plan for the City.

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

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

The City will continue to follow established cash management, accounting, budgetary and risk management policies and processes essential to the City's long-term fiscal health. In addition, the strategic direction provided in the Business Development Plan, the Redevelopment Implementation Plan, the 5-Year Capital Improvement Plan and the various General Plan updates currently being pursued (such as the Downtown/El Camino Real Specific Plan) will be used in the City's efforts towards a sustainable budget for the future.

Other Information

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

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

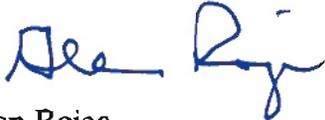
Awards and Acknowledgments. The GFOA of the United States has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended June 30, 2010. In order to be awarded this Certificate, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, and satisfy both generally accepted accounting principles and applicable legal requirements. The award is valid for a period of one year. We believe our current report continues to meet the Certificate of Achievement Program's requirements.

This comprehensive annual financial report (CAFR) represents the culmination of numerous hours of hard work expended by the entire Finance staff. Especially in light of the numerous budget revisions, transfers and adjustments needed to reflect the structural changes in delivery of the City's redevelopment activities, this was a complicated fiscal year.

Timely and efficient accounting practices and coordination with the City's independent auditors were essential in producing this annual document. Geoffrey Buchheim, the City's Financial Services Manager, bears the primary responsibility for overseeing the fiscal year-end close and coordinating the annual audit process.

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

Respectfully submitted,



Glen Rojas
City Manager

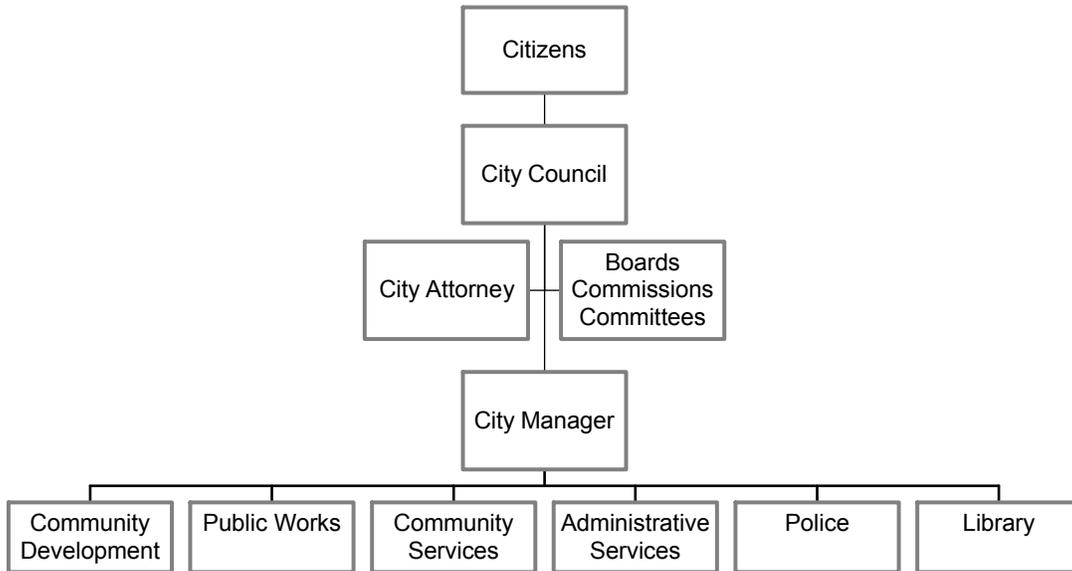


Carol Augustine
Finance Director

CITY OF MENLO PARK, CALIFORNIA

ORGANIZATIONAL CHART

JUNE 30, 2011



CITY OF MENLO PARK, CALIFORNIA

LIST OF CITY OFFICIALS

JUNE 30, 2011

CITY COUNCIL

Richard Cline, Mayor
Kirsten Keith, Vice Mayor
Peter Ohtaki, Councilmember
Andrew Cohen, Councilmember
Kelly Fergusson, Councilmember

ADMINISTRATION AND DEPARTMENT HEADS

City Attorney William McClure
City Manager Glen Rojas
Assistant City Manager Starla Jerome-Robinson
Administrative Services:
 Personnel and Information Services Director Glen Kramer
 Finance Director Carol Augustine
 City Clerk Margaret Roberts
Community Services Director Cherise Brandell
Police Chief Bryan Roberts
Library Director Susan Holmer
Developmental Services:
 Director of Community Development Arlinda Heineck
 Director of Public Works Kent Steffens

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Menlo Park
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

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



Linda C. Danison

President

Jeffrey R. Emer

Executive Director

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Menlo Park, California ("City"), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2011, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with generally accepted accounting principles in the United States.

As described in Note 1.G. to the basic financial statements, the City adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

The accompanying financial statements have been prepared assuming the Community Development Agency of the City of Menlo Park ("Agency") will continue as a going concern. As discussed in Note 16 to the financial statements, as of June 29, 2011 the California State Legislature has enacted legislation that is intended to provide for the dissolution of redevelopment agencies in the State of California unless certain payments can be made to the State of California. Such changes to the California Redevelopment

Law have also terminated the authority of redevelopment agencies to undertake new obligations to redevelop property. The effects of this legislation are uncertain pending the results of certain lawsuits that have been initiated challenging the constitutionality of this legislation. As a result, the accompanying financial statements have been prepared assuming the Agency will continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2011 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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 opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Introductory Section, Supplementary Information, and Statistical Section are presented for purposes of additional analysis and are 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, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Odeberg Ullakko Muravish & Co LLP

San Francisco, California
December 5, 2011



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MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2011

This Management's Discussion and Analysis (MD&A) of the City of Menlo Park's financial performance provides a narrative overview of the City's financial activities for the fiscal year ended June 30, 2011. The MD&A is an objective and easily readable analysis when read in conjunction with the accompanying transmittal letter and the basic financial statements.

FINANCIAL HIGHLIGHTS

Government-Wide Highlights:

Net Assets - The assets of the City exceeded its liabilities at fiscal year ending June 30, 2011 by \$402,583,692. Of this amount, \$60,912,810 was reported as "unrestricted net assets" and may be used to meet ongoing obligations.

Changes in Net Assets - The City's total net assets increased by \$4,811,106 in fiscal year 2010-11. Net assets of governmental activities increased by \$4,780,188 due largely to a donation of capital assets, offset by the lump sum payoff (\$7.1 million) of a pension liability. The payoff was approved in order to reduce future pooled contribution rates to the California Public Employees Retirement System (CalPERS) for the City's public safety employees. Net assets of the business-type activities increased by \$30,918, reflecting the year's net income (less than 1 percent of operating revenues) of the Menlo Park Municipal Water District.

Long-Term Debt:

The City's total bonded debt obligations decreased by \$2,281,020 during fiscal year 2010-11 due to the scheduled annual payment of principal balances of outstanding debt. The largest principal payment (\$1,810,000) was made on the Community Development Agency's 2006 Tax Allocation Refunding Bonds.

Fund Highlights:

Governmental Funds - Fund Balances - As of the close of fiscal year 2010-11, the City's governmental funds reported a combined ending fund balance of \$98,610,270. This is a \$16,303,734 decrease from the prior year and reflects a greatly increased amount of capital spending (over \$16.0 million) by the City and the Community Development Agency. The City's General Fund decreased \$5,821,107 owing to the payoff of the public safety pension liability noted above. The Community Development Agency fund balances decreased \$27,866,666, while Non-Major Governmental Funds increased \$1,418,665. Of the total fund balances, \$3.9 million are categorized as "nonspendable", largely representing amounts associated with loans and notes receivable. The City Council this year set aside \$14 million as "committed" fund balance (within the General Fund); the remaining fund balances are largely "restricted or assigned" for specific purposes. Approximately \$1.5 million of the total governmental fund balances are categorized as "unassigned fund balance".

City Highlights:

Although the significant drop in sales taxes recognized earlier in the decade was exacerbated by the 2007-09 recession, the City continued its work on development of a long-term, sustainable budget for the General Fund. Over recent budget cycles, the City has attempted to keep spending levels in line with revenues. In addition, one-time revenues and expenditures have been eliminated from the General Fund operating budget so as to gain fiscal consistency and comparability from year-to-year. As revenues remained subdued, a variety of net cost reduction strategies from prior years remained in place for the 2010-11 budget in order to avert a heavy reliance on reserves. However, with a focus on sustainability in the long term, the City was still able to make substantial investments in the community. The strength of the City's fiscal processes continues to be centered not on a "balanced" budget in the short-term, but on maintaining the City's infrastructure - including the internal capacity to provide a consistently high level of services - throughout varying economic cycles.

Governmental Fund revenues increased nearly \$2.4 million (4.2 percent) from the previous fiscal year. Although property taxes stayed at fairly subdued levels, other taxes (particularly hotel and sales taxes) experienced a healthy 11.5 percent rate of growth, contributing an increase of \$1.3 million in revenues over the prior year as the economy started to slowly recover. Although not relatively significant in the General Fund, a 20 percent growth (\$1.7 million) in "Charges for Services" was experienced in governmental funds as a whole, largely due to impact fees from an increased number of development applications. Investment earnings took the biggest bite out of 2010-11 City-wide revenues, declining over 32 percent, or \$761,182 over the prior year. Such returns reflect the leveling off of yields on treasuries and federally-secured investments at historically low rates.

Expenditures from governmental activities grew approximately \$6.9 million, or 12.2 percent. Along with the pay-off of the previously unrecorded pension liability (\$7.1 million), this increase includes the mandated contribution of redevelopment funds to the State's Supplemental Educational Revenue Augmentation Fund (ERAF) of approximately \$707,000, and capital outlay (\$16.0 million) was nearly double that of the prior year. The most notable increase in capital assets was the result of the completion of the new Arrillaga Family Gymnasium Construction and the Arrillaga Family Recreation Center Renovation projects. Approximately half the cost of these two building projects was assumed as a donation to the City.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements**The Statement of Net Assets and the Statement of Activities and Changes in Net Assets**

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

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

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

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

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

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

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

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

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

Required Supplementary Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

City of Menlo Park's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
Current Assets	\$ 90,251,988	\$ 93,766,872	\$ 17,071,297	\$ 17,658,710	\$ 107,323,285	\$ 111,425,582
Noncurrent Assets	35,206,088	47,974,241	-	-	35,206,088	47,974,241
Capital Assets	366,572,756	348,186,174	8,536,711	7,790,683	375,109,467	355,976,857
Total Assets	<u>492,030,832</u>	<u>489,927,287</u>	<u>25,608,008</u>	<u>25,449,393</u>	<u>517,638,840</u>	<u>515,376,680</u>
Current Liabilities	11,923,567	10,508,226	654,150	534,636	12,577,717	11,042,862
Noncurrent Liabilities	102,433,478	106,640,915	43,953	35,770	102,477,431	106,676,685
Total Liabilities	<u>114,357,045</u>	<u>117,149,141</u>	<u>698,103</u>	<u>570,406</u>	<u>115,055,148</u>	<u>117,719,547</u>
Investments in Capital						
Net of Related Debt	279,942,360	259,274,758	8,536,711	7,790,683	288,479,071	267,065,441
Restricted	36,420,811	38,205,476	16,771,000	16,944,216	53,191,811	55,149,692
Unrestricted	61,310,616	75,297,912	(397,806)	144,088	60,912,810	75,442,000
Total Net Assets	<u>\$ 377,673,787</u>	<u>\$ 372,778,146</u>	<u>\$ 24,909,905</u>	<u>\$ 24,878,987</u>	<u>\$ 402,583,692</u>	<u>\$ 397,657,133</u>

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

As noted earlier, the City as a whole has net assets of \$402,583,692. The largest portion of the City's net assets (nearly 72.0 percent) reflects its investment in capital assets (e.g., land, buildings, equipment, improvements, construction in progress, and infrastructure); less any related debt used to

acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net assets (13.2 percent) represents resources that are subject to external restrictions on how they may be utilized. The remaining balance of unrestricted net assets (15.1 percent) may be used to meet the government's ongoing obligation to citizens and creditors.

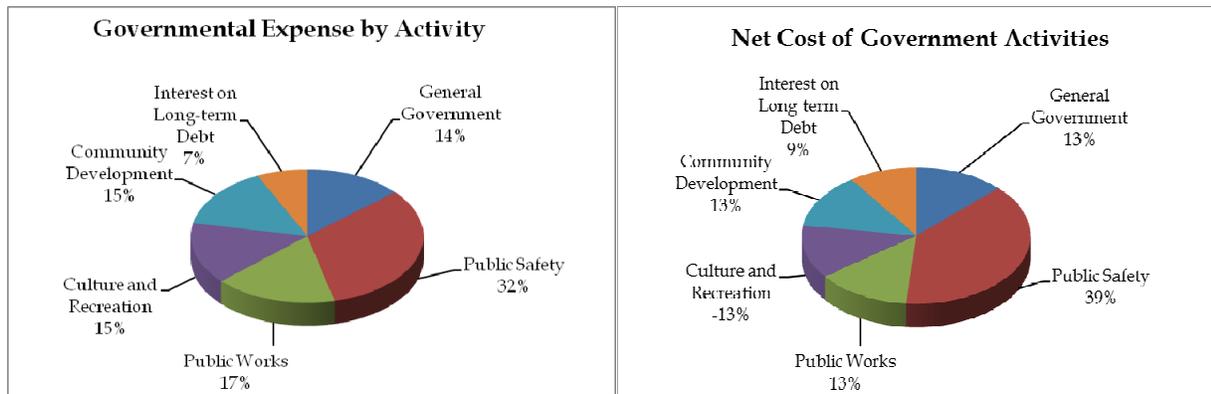
	City of Menlo Park's Changes in Net Assets					
	Governmental Activities		Business-Type Activities		Total	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
Revenues:						
Program Revenues:						
Charges for Services	\$ 15,305,973	\$ 13,130,439	\$ 4,935,649	\$ 4,258,917	\$ 20,241,622	\$ 17,389,356
Operating Grants and Contributions	2,185,417	2,557,313	-	-	2,185,417	2,557,313
Capital Grants and contributions	12,342,612	2,549,779	-	-	12,342,612	2,549,779
General Revenue:						
Property Taxes	23,936,578	23,753,592	-	-	23,936,578	23,753,592
Sales Taxes	5,988,055	5,499,244	-	-	5,988,055	5,499,244
Transient Occupancy Taxes	2,453,981	2,074,486	-	-	2,453,981	2,074,486
Other Taxes	4,490,992	3,960,714	-	-	4,490,992	3,960,714
Investment Earnings	1,431,440	2,085,808	135,619	242,433	1,567,059	2,328,241
Miscellaneous	235,145	30,125	-	935	235,145	31,060
Total Revenues	<u>68,370,193</u>	<u>55,641,500</u>	<u>5,071,268</u>	<u>4,502,285</u>	<u>73,441,461</u>	<u>60,143,785</u>
Expenses:						
General Government	6,812,499	6,353,156	-	-	6,812,499	6,353,156
Public Safety	20,707,475	13,605,071	-	-	20,707,475	13,605,071
Public Works	10,789,784	10,635,694	-	-	10,789,784	10,635,694
Culture and Recreation	9,461,866	9,616,046	-	-	9,461,866	9,616,046
Community Development	11,502,885	12,615,612	-	-	11,502,885	12,615,612
Interest on Long-Term Debt	4,481,135	4,020,241	-	-	4,481,135	4,020,241
Water Operations	-	-	4,874,711	4,378,277	4,874,711	4,378,277
Total Expenses	<u>63,755,644</u>	<u>56,845,820</u>	<u>4,874,711</u>	<u>4,378,277</u>	<u>68,630,355</u>	<u>61,224,097</u>
Inc/Dec in Net Assets before Transfers	4,614,549	(1,204,320)	196,557	124,008	4,811,106	(1,080,312)
Transfers	<u>165,639</u>	<u>160,814</u>	<u>(165,639)</u>	<u>(160,814)</u>	<u>-</u>	<u>-</u>
Changes in Net Assets	4,780,188	(1,043,506)	30,918	(36,806)	4,811,106	(1,080,312)
Net Assets - Beginning of Year, as reported	<u>372,778,146</u>	<u>373,821,652</u>	<u>24,878,987</u>	<u>24,915,793</u>	<u>397,657,133</u>	<u>398,737,445</u>
Prior Period Adjustment	<u>115,453</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>115,453</u>	<u>-</u>
Net Assets - End of Year	<u>\$377,673,787</u>	<u>\$372,778,146</u>	<u>\$ 24,909,905</u>	<u>\$ 24,878,987</u>	<u>\$402,583,692</u>	<u>\$397,657,133</u>

Total net assets of the City increased \$4,811,106 (approximately 1 percent) in the fiscal year ended June 30, 2011. The increase was primarily related to the City's governmental activities. Due to the generosity of a private donor, major recreational facility projects were completed this fiscal year, adding to the City's inventory of capital assets with no offsetting increase in related debt. The increase is included as "capital grants and contributions" in the city-wide Statement of Activities and Changes in Net Assets. In addition, despite increases in nearly every category of revenues, expenses for government activities were also higher in total. Again, the major expense increase in the Public Safety category is the result of the \$7.1 million payoff of the pension obligation. In addition, this fiscal year marked the second phase of California's "Redevelopment Raid" of redevelopment property tax increment revenues to fund its obligations to educational agencies. This mandate cost the City's redevelopment agency over \$3.4 million in the prior year, and \$707,000 in 2010-11. Also a prior period adjustment was recorded to increase beginning net assets by \$115,453 to reflect the OPEB asset balance as of June 30, 2010.

Governmental Activities

Governmental activities increased the City of Menlo Park's net assets by \$4,780,188, due to the sizeable capital contributions made in recreation facilities. These contributions were offset by nearly \$5.4 million in other asset reductions, including the \$7.1 million payoff of the pension liability for safety employees. Operationally, with the prospect of a slow recovery from the economic downturn of the past few years, local revenues appeared to stabilize and increased mildly throughout most of the 2010-11 fiscal year. Revenues hardest hit in recent years were the first to show life: total revenues from charges (fees) for specific services jumped 16.5 percent (from \$13.1 million to \$15.3 million), while tax revenues (sales, hotel occupancy and other) grew 4.5 percent. Total general revenues including transfers were \$38.7 million compared to \$37.6 million in the prior year. A steady decline in investment earnings (over 32.0 percent) served to dampen general governmental revenues in total.

Despite upward pressures on some expenses, there was a very slight (approximately 0.5 percent) decrease in expenses from governmental activities from the prior year, once the \$7.1 million pension liability payoff is excluded. The following charts of expenses and net cost of the City's various governmental activities have been derived from the Statement of Activities and Changes in Net Assets. The first pie chart reflects expenses incurred in each area as a percentage of the total expense of governmental activities (\$63,755,644 in fiscal year 2010-11). This compares with the relative net cost after applying program revenues derived from each area's activity. The total net cost of governmental activities (\$33,921,642 in fiscal year 2010-11) must be funded out of the City's general revenues - primarily taxes and investment earnings. Areas with the highest program revenues (i.e., Culture and Recreation) are able to offset relatively more costs than activities that have fewer opportunities to derive program revenues (such as Public Safety). Again, the capital contributions served to increase program revenues, offsetting all the costs pertaining to Culture and Recreation. Conversely, the significant liability payoff noted above is included in Public Safety expenses for the year, driving up the net cost of government activities in that category.



Business Type Activities

Net assets for business-type activities were \$24,909,905. Total program revenues for business-type activities (operation of the Menlo Park Municipal Water District) were \$4,935,649, which consisted solely of Charges for Services related to the water usage and capital surcharge fees. Total expenses for the business-type activities were \$4,874,711 during fiscal year 2011, nearly all of which were related to water operations. With investment earnings of \$135,619 and transfers out for administrative overhead costs, business-type activities increased the City's net assets by \$30,918.

FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS

Major Fund Balances - Governmental Funds

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

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

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

Governmental Fund Balances	June 30, 2011	June 30, 2010	Increase (Decrease) From 2009-10
General Fund	\$ 19,605,935	\$ 25,427,042	\$ (5,821,107)
CDA Housing Fund	-	2,261,230	(2,261,230)
Housing Authority	6,054,918	-	6,054,918
CDA Non-Housing Fund	-	18,230,086	(18,230,086)
Redevelopment Services	9,910,456	-	9,910,456
CDA Debt Service Fund	9,149,618	9,135,499	14,119
CDA Capital Projects Fund	43,137	7,432,606	(7,389,469)
Other Government Funds	53,846,206	52,427,541	1,418,665
TOTAL	<u>\$ 98,610,270</u>	<u>\$114,914,004</u>	<u>\$ (16,303,734)</u>

Note that these 2010-11 statements reflect the addition of the Housing Authority Special Revenue and Redevelopment Services Agreement Special Revenue funds as major governmental funds that account for agreements between the City and the Community Development Agency (CDA). Due to decreased activity in processing the associated county loans, the Community Development Block Grant Special Revenue Account no longer qualifies as a major fund.

General Fund Balance

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

At the end of the current fiscal year, the fund balance of the City's General Fund was \$19,605,935, a decrease of approximately \$5.8 million from the prior year. The drop in fund balance (22.9 percent) was due to the one-time payoff of the public safety pension obligation an expense of \$6.6 million for the General Fund. (The remaining \$573,000 was an expense of the Community Development Agency.) If not for the payoff of this long-term liability, the General Fund would have experienced a \$766,000 surplus for the year. The decision to pay off the pension liability was made in keeping with the City's efforts to identify and fund any unreported liabilities, so that General Fund budgets reflect only the current costs of operations. Payoff of the pension liability, which carried a 7.75 percent interest rate cost, lowered the estimated average employer pension contribution by approximately \$781,000 annually, for the next 10 years.

Although less than \$3.9 million of the fund balance was categorized as "nonspendable", the City Council this year took action to adopt a General Fund Reserve Policy that set aside ("committed") \$6 million for emergency contingencies and \$8 million to mitigate the effects of major economic uncertainties. The new reserve policy affirmed the Council's desire to limit use of General Fund balances to address unanticipated, one-time needs or opportunities, and established a goal range for the City's unrestricted fund balance (including commitments and assignments of fund balance) of 43-55 percent of General Fund expenditures. As of June 30, 2011, the City's General Fund unrestricted fund balance equaled 45 percent of the fund's total expenditures for the year.

Although the City's total General Fund balance decreased considerably, positive operating results for the fiscal year were largely anticipated in the fund's budget. Key factors in the General Fund's operations are discussed further in General Fund Budgetary Highlights, later in this report.

Community Development Agency (CDA) Fund Balances

The Community Development Agency (CDA) funds experienced a combined decrease of \$27.9 million when compared to the prior fiscal year due primarily to a restructuring of redevelopment activities early in 2011. At that time the Governor proposed to eliminate redevelopment agencies in order to help balance the 2011-12 State Budget. As such a move would have an immediate and severe impact on the City's ability to provide needed services and pursue capital improvements in the Las Pulgas Community Development Project Area, the City Council took action to preserve existing assets of the Agency and direct unencumbered tax increment toward redevelopment program activities which were planned or already in progress. The City and the Agency entered into a Public Improvements Grant and Cooperation Agreement that provided approximately \$9.4 million from the Agency to the City to fund a list of public improvements for the area as outlined in the 5-Year Capital Improvements Plan and/or the Redevelopment Implementation Plan approved in November 2009. In addition, a Redevelopment Services Agreement was approved to preserve the funding necessary to continue to accomplish blight remediation activities in the project area. Finally, a Housing Authority was formed to utilize all resources available to implement approved projects and activities consistent with the Affordable Housing Cooperation Agreement between the City of Menlo Park and the Community Development Agency. As such, most of the Agency's resources not yet expended on redevelopment activities and capital projects at mid-year were transferred to Special Revenue Funds of the City established for the specific purposes of each of these agreements. The collective fund balance of the City's Redevelopment Service and Housing Authority Special Revenue funds at June 30, 2011 was approximately \$16 million; the Public Improvement Grant Fund, a non-major Capital Projects fund, was \$7.8 million.

Following a sharp (9.7 percent) decline in property tax increment revenues to the Agency in the prior fiscal year, these revenues stabilized with only a 0.2 percent further decline in the year ended June 30, 2011. The Agency is required by State law to set aside 20 percent of the tax increment revenue in a separate fund for low and moderate-income housing purposes. In 2010-11, this Redevelopment Housing Set-Aside fund had total revenues of \$2,370,541, and expenditures of \$551,967 prior to funding related debt service (approximately \$951,000), and a transfer to the City's General Fund for administrative overhead (\$87,000). The fund's remaining resources were then transferred to the new Housing Authority Special Revenue Fund in the last half of the fiscal year. Similarly, revenues of the Non-Housing fund totaled \$8,953,586. Expenditures of the fund were \$4,621,182, including nearly \$3 million of tax increment pass-thru payments to other jurisdictions and \$706,965 payment mandated by the State to fund its obligations to schools pursuant to the 2010-11 State budget. After funding related debt service (approximately \$3.8 million) and a transfer to the City's General Fund of \$209,000 for administrative overhead, all the fund's remaining resources were transferred to the Redevelopment Services (Special Revenue) fund and the Public Improvements Grant (Capital Projects) fund in the last half of the fiscal year.

The debt service fund activity reflects interest revenue of \$259,472, with payments of interest and debt administration fees (\$3,112,496) and principal (\$1,810,000) on the 2006 refinancing bonds. Receipt of debt service payments (transfers) from the Special Revenue Housing Set-Aside and Non-Housing funds for debt service expenses amounted to \$4,754,130. These transfers also covered Agency costs for legal and consultant services needed to extend the current letter of credit (LOC) on the Agency's bonds in May. The municipal bond market continues to stabilize from the volatility of 2007-08, and the swap agreement under which the bonds were refinanced in 2006 appears to be performing very well under the direct-pay LOC arranged in 2008. However, due to the scarcity of such credit arrangements and the threat of the Governor's proposal to eliminate redevelopment agencies throughout the State, the extension was issued at an annual cost of nearly \$400,000 more than in the previous year.

The Agency's Capital Projects Fund accounts for all bond proceeds available for capital improvement and the related interest income. Interest income for the year was only \$31,263 - much less than in prior years due to lower restricted cash balances and significantly reduced interest rates. Expenditures on capital outlay totaled \$2,420,732. In combination with the City's Public Improvement Grant Fund, which was funded by the Agency at midyear, nearly \$3.8 million in redevelopment funds were expended toward capital improvement projects - \$3.1 million on the Kelly Park Improvements project alone. The Kelly Park project, which consisted of demolition of a dated field facility and the construction of a new synthetic turf field, resilient rubber track, tennis courts, basketball court, parking lot, a restroom/storage building, planting and irrigation, and new sports and security lighting, provides a significant addition to the City's playing field inventory and offers quality recreation amenities for the Belle Haven community. Other capital expenditures included improvements at the Belle Haven Pool (\$389,000), progress on the LED Streetlight Conversion project (\$154,000), and completion the Atherton Channel Study/Design project (\$73,000).

Redevelopment Services Special Revenue Fund Balance

This fund was established in the second half of the fiscal year to preserve funding necessary for the blight remediation activities in the Menlo Park Community Development Agency's project area in accordance with the Redevelopment Services Agreement between the Agency and the City. The agreement provides for funding of City redevelopment services, such as administrative staffing, augmented policing and code enforcement, and various planning activities related to redevelopment. A transfer of \$11 million from the Agency's Non-Housing Special Revenue Fund and interest earnings (approximately \$74,000) comprised the revenues of this fund during the fiscal year. Over \$1.1 million was expended on redevelopment activities in the project area.

Housing Authority Special Revenue Fund Balance

The Housing Authority was established in February 2011 as the recipient of unencumbered Community Development Agency housing set aside funds, assets and related program income. The Agency then contracted with the Authority to provide funding to increase and improve the supply of affordable housing in the Project Area consistent with the Redevelopment Implementation Plan and the Housing Element (update currently under development) of the General Plan of the City. As such, income to the Housing Authority consisted largely of transfer in from the CDA Housing Special Revenue Fund, which included a \$3.15 million repayment from the Non-Housing Fund for acquisition of a 2.1 acre housing site. The site was then conveyed to the Housing Authority for future development. Other revenues included \$140,677 of loan repayments and \$46,319 of interest income. Expenditures of \$324,166 were incurred in the provision of affordable housing programs in the remaining months of the fiscal year.

Other Governmental Funds Balances

At the end of the 2010-11 year, the total fund balance of the City's twenty-five non-major Special Revenue funds was \$31,324,792. The total \$258,140 net increase in fund balance for these combined funds reflects the reclassification of the Community Development Block Grant Fund from a major governmental fund to a non-major fund, an addition of \$698,970 to the combined fund balances. Nine fund balances decreased over the course of the fiscal year, while sixteen experienced a drop. The largest fund increase (over \$1.2 million) was experienced in the City's Transportation Impact Fees fund, due in large part to the receipt of a traffic impact fee of over \$1.4 million in compliance with a development agreement from 1991. The 2009-10 Street Resurfacing project was just barely underway as of July 1, 2010; many of the City's special revenue funds contributed to this major bi-annual project in the ensuing fiscal year. The largest drop in fund balance (approximately \$700,000) occurred in the Construction Impact Fee Fund, which contributed over \$1.25 million to the 2009-10 resurfacing project completed this year. The Highway Users Tax (Gas Tax) and the County Transportation Tax (Measure A) funds jointly contributed an additional \$1 million toward this \$4.2 million project. The City's Solid Waste Service Fund also decreased as a \$737,000 liability was recorded for collection services provided under a previous franchise agreement ended December 31, 2010. The liability will be paid (and the fund's balance replenished) through future solid waste service rates of both commercial and residential customers.

The City's non-major Capital Projects funds' balances increased over \$1.8 million (10.7 percent) due to two offsetting events. The establishment of the Public Improvements Grant Fund in February 2011 provided for a transfer of \$9.4 million from the Community Development Agency to the new fund to provide for specific capital and other improvement projects within the redevelopment area. Inclusion of the fund, with a fund balance of \$7.8 million at year end, as a non-major capital fund provided for a significant increase in the combined Special Revenue Fund balances. Conversely, the three other non-major capital project fund balances decreased due to considerable progress on capital improvement projects. The largest 2010-11 capital spending was experienced in the Measure T 2002 GO Bond Fund, with the completion of both the Arrillaga Family Gymnasium and renovated Arrillaga Family Recreation Center, which together utilized \$4.3 million from this fund. Measure T funds were also expended (\$350,000) to install a temporary structure to house the City's gymnastics programs and preparation for the construction of a new Gymnastics Center at the site of the old Burgess Gymnasium. After an annual transfer of over \$2 million dollars from the General Fund to sustain the City's infrastructure, the City's General Capital Improvement Fund expended nearly \$3.2 million on various capital projects, including \$1.6 million to complete the 2009-10 Street Resurfacing project, and \$738,000 on the recreation center renovation.

Proprietary Funds

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

The Water Fund accounts for water supplied to the approximately 4,000 customers of the MPMWD. The net assets of the fund at June 30, 2011 were \$24,909,905; an increase of \$30,918 from the prior fiscal year. This increase was the result of net operating income of \$204,134 (approximately 4.7 percent of operating revenues) in the Water Operating Fund, and a \$173,216 net operating loss in the Water Capital Fund. Reserve funding policies established in 2006 were revised in 2010, with the City adopting a 16.5 percent annual increase in water meter and consumption block rates through fiscal year 2013-14, based on projected increases in the cost of water. A capital surcharge was established in 1990 to fund major water capital projects; the surcharge netted the Water Capital Fund \$613,072 in fiscal year 2010-11.

The City uses internal service funds to account for four major administrative activities: Workers' Compensation Insurance, General Liability Insurance, Retiree Medical Benefit, and Vehicle Replacement. Separation of these programs from the General Fund allows for better tracking and allocation of the costs associated with these "overhead" activities, and provides a mechanism for funding those costs in the year incurred. Fiscal year 2010-11 was the second year in which the Vehicle Replacement Fund collected "charges for services" from the departments and programs which utilize the assets being replaced, as opposed to direct transfers from the General Fund and Water Fund to provide for the cost of anticipated vehicle purchases. Charges received in both the General Liability Insurance Fund and Workers' Compensation Insurance Fund were sufficient to meet the (actuarially determined) costs of current and past claims charged to the funds, as evidenced by the positive net assets reported at the end of the fiscal year. The Retiree Medical Benefit Fund was created in 2008-09 for the sole purpose of providing contributions to the California Employers Retiree Benefits Trust (CERBT), the funding vehicle for the City's long-term obligations under its retiree medical benefits program. \$9.2 million was sufficient to fund the accumulated liability of these benefits in fiscal year 2007-08. Going forward, the amount of the contributions are generated as a percentage-of-payroll charge, actuarially calculated to reflect full funding of the normal (annual) cost of these benefits. In fiscal year 2010-11 these normal costs were \$634,580. Charges to the Internal Service Funds are adjusted each year to cover the anticipated cost of the various overhead services provided to the benefiting departments/programs.

Fiduciary Operations

As previously stated, the City holds certain assets on behalf of others in separate Fiduciary, or Agency funds. These funds cannot be used to finance City operations. The amount of fiduciary funds held at year end decreased by \$294,500, due largely to the liquidation of cash bonds held for current development projects, and a decrease in assets held in the payroll revolving account.

DEBT ADMINISTRATION

As of June 30, 2011, the City had various debt obligations outstanding. These debt obligations were comprised of:

<u>Type</u>	<u>Principal Outstanding</u>
General Obligation Bonds	\$ 23,805,000
Tax Allocation Bonds	65,585,000

The General Obligation Bonds include City of Menlo Park General Obligation Refunding Bonds, Series 1996, a bond funding used to finance the 1990 Library Improvement Project. The balance of these bonds at June 30, 2011 was \$1,915,000. The bonds are to be paid from special assessments to property owners within the City.

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, 2011 was \$11,460,000. The second issuance of these "Measure T" bonds was sold on July 1, 2009, adding \$10,440,000 to the amount of bonds outstanding; the outstanding balance was \$10,430,000 as of June 30, 2011.

In May 2006, the City's Community Development Agency issued Tax Allocation Refunding Bonds in a par amount of \$72,430,000 for the purpose of refunding at lower interest rates outstanding Series 1996 and Series 2000 Tax Allocation Bonds. These bonds had been issued to finance capital projects of benefit to the Las Pulgas Community Development Project Area. The 2006 net bond proceeds were used to refund the outstanding principal of prior bond issues (\$25,515,000 and \$43,215,000, respectively). In order to maximize refunding savings, the Agency utilized a "synthetic" fixed-rate bond structure by issuing variable-rate bonds and then entering into a floating-to-fixed interest rate swap. A re-structuring of the Agency's debt was necessary in fiscal year 2007-08, when the downgrade of major bond insurers in February 2008 created turmoil in the municipal bond market and caused a significant increase in the interest payments required to investors of the Agency's bonds. Wrapping the preexisting insurance policy with a direct-pay letter-of-credit (LOC) provided additional credit enhancement on the Agency's bonds, returning the interest rate on the bonds to historical levels. The 3-year LOC was extended in May 2011. The extension agreement offered lower rates should the bonds receive a higher underlying rating. In June, the bonds received a one-step upgrade (to Baa1) from Moody's, allowing a savings of approximately \$80,000 on the LOC fee in 2012.

Additional information on the City's long-term debt can be found in Note 6 of this report.

As disclosed in the Notes to Basic Financial Statements, a liability has been recorded to reflect the City's obligation to provide post-closure care of the landfill at Bayfront Park. Although the City has established a revenue stream to fund landfill post-closure care, governmental accounting standards require the calculation and recording of the liability associated with this activity. The liability is included in the reporting of the City's long-term debt, at an estimated \$6,206,303 at June 30, 2011.

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2011 amounts to \$375,109,467, net of accumulated depreciation of \$82,846,395. This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure and construction in

progress. Infrastructure assets are items that are normally immovable and of value only to the City such as roads, bridges, streets and sidewalks, drainage systems, lighting systems and similar items. The City's investment in capital assets for the current fiscal year increased by \$19,132,609 from the prior year as a result of capital asset additions of \$25,034,584 offset with depreciation charges (\$5,001,298) and retirements of assets (\$900,677). The Arrillaga Family Gymnasium and Recreation Center accounted for approximately \$9.5 million and \$6.1 million, respectively, of the capital asset additions during the current fiscal year; Street Resurfacing projects contributed over \$1.8 million in capital additions; and the Kelly Park Improvements project added \$3.4 million to the City's capital asset totals. Information on the City's capital assets can be found in Note 5 of this report.

GENERAL FUND BUDGETARY HIGHLIGHTS

The 2010-11 fiscal year adopted budget for General Fund expenditures, including transfers out, amounted to \$38,207,591. The adopted budget was increased to include \$432,183 in purchase orders and other commitments from the prior year, for an "original" budget of \$38,639,774. The final (adjusted) budget amount was \$43,922,518, a net increase of \$5,282,744 from the original budget, due in large part to the planned payoff of the pension plan liability for safety employees (a General Fund expense of nearly \$6.6 million). The Council considered this significant use of reserves as an opportunity to invest in the City's future financial health by reducing the employer contribution rate by approximately \$800,000 annually for the next ten years, beginning in fiscal year 2011-12.

Similar to the fiscal progression of the prior fiscal year, the 2010-11 mid-year analysis resulted in several key downward adjustments to City revenues (particularly in investment returns), which necessitated a realignment of General Fund expenditures in order to reduce reliance on reserves in the short-term. The largest savings anticipated were in personnel costs – as in the prior year, vacant positions continued to remain unfilled to allow for an analysis of possible staffing changes that would optimize the use of each position in the long term.

General Fund Revenues

Many local government revenues are sensitive to the general economic climate, and the City of Menlo Park's General Fund saw decreases in most revenue categories in fiscal year 2009-10. Further declines were anticipated for some revenue categories, but for the most part revenues were expected to increase mildly with a slow economic recovery in 2010-11. Many of the General Fund revenues that required a reduced budget at midyear (\$841,000 in total) were based on 2009-10 receipts that fell short of estimates. The largest midyear reduction was in the area of investment income. This revenue source experienced record lows due to rapidly falling yields on the City's portfolio. Because the City has always invested in only the safest of securities, no investment losses were incurred. However, the average yield earned in 2010-11 was 1.36 percent net of fees, compared with the prior year's 1.93 percent – a 29.5 percent decline. Revenues from fines (\$953,000) also declined, approximately 7.3 percent, as the volume of citations in the red light photo enforcement program decreased from prior years. Utility Users Tax (UUT) revenues also continued an unanticipated decline in 2010-11, falling short of the adjusted budget by \$81,000. The UUT was influenced by a combination of mild weather, a muted economy, a continued decline in telephone (landline) services, and a "bundling" of wireless voice services with non-taxable data services.

However, all other major General Fund revenue categories experience increases from the prior year:

- Property tax revenues, which constitute one-third of the City's General Fund revenue, came in on budget with an increase of 1.65 percent over the prior year (to \$12,811,323), primarily due to a continued increase in assessed property values.

- Transient Occupancy Tax (TOT, or Hotel Tax) receipts for 2010-11 (\$2,453,981) were also on target, coming in nearly \$380,000 greater than in the prior fiscal year. The economic recovery created a significant increase in both room prices and occupancy rates for all of the City's hotels and motels when compared to the prior three years. In addition, the new Rosewood Hotel, which opened in April of 2009, continued to grow in occupancy.
- Sales tax revenues, at \$6.0 million, marked a near-9 percent increase (\$489,000) over the prior year, also less than one percent over the adjusted budget. Sales tax receipts had decreased significantly in the preceding years of economic downturn, and remain 22 percent less than reported in fiscal year 2007-08. Much of the three year decline was experienced in the business-to-business sector, with the loss of a major sales tax generator, Sun Microsystems.
- The rise in revenues from Licenses and Permits (over 18 percent from the prior year) was largely anticipated: what appeared to be the beginning of a mild economic recovery prompted a \$330,000 (11.6 percent) increase in the budget for development permits at midyear. The final revenue amount from this source exceeded the adjusted budget by an additional 2.2 percent.

Exclusive of transfers in from other funds, General Fund revenues dropped approximately \$3.3 million from fiscal year 2007-08 when compared to fiscal year 2009-10. During the year ended 2010-11, revenues grew over \$1.5 million over the prior year. During this time, the City continued to implement both short- and long-term budget strategies aimed at reducing the General Fund expenditure budget.

General Fund Expenditures

As in the prior fiscal year, large budget reductions were posted at midyear in an attempt to re-balance General Fund operations with declining revenues. Ultimately, General Fund expenditures (exclusive of transfers and the \$6.6 million payoff of the public safety pension obligation) actually decreased by 1.9 percent in fiscal year 2010-11. Budgetary savings were experienced in all departments, amounting to nearly \$1,357,000 for the year.

The only budgetary category (other than capital outlay) with higher General Fund expenditures than experienced in the prior year was that of Public Safety. Public Safety expenditures rose nearly \$7.3 million over the prior year; \$6.6 million of this increase represents the one-time pension obligation payoff mentioned above. The remaining increase was due largely due to higher personnel costs. Critical staffing concerns in prior years had resulted in an aggressive three-year labor contract with the City's public safety employees, creating higher payroll expenses overall. Fiscal year 2010-11 was the final year of this contract. Still, continued cost reduction efforts allowed the department to remain in budget (with \$257,000 in savings).

Recognizing that infrastructure maintenance is more costly when deferred, a transfer of approximately \$2.1 million from the General Fund to the Capital Improvement Projects (CIP) Fund has been incorporated into the City's annual operating budget for many years. To ease the anticipated draw on General Fund reserves this transfer amount was decreased by less than 5 percent in each of the two preceding fiscal years. The transfer was reduced in fiscal year 2010-11 by \$110,000 when other funding was procured for two of the approved capital projects. In total, transfers to other funds increased by \$135,000 over the prior year.

ECONOMIC CONDITION AND OUTLOOK

While it is clear that the economy has turned the corner at the national, state levels and local levels, economic growth has been extremely weak for the past two fiscal years. Indeed, while economic experts agree that another recession isn't likely over the next 12 months, neither is any meaningful improvement in the economy. After such a strong recession, the current rate of growth reflects continued fiscal uncertainty in the housing, credit and labor markets.

The San Francisco Bay Area has been adding jobs at a faster rate than the state and the nation, with the bulk of the growth in Silicon Valley. For the City of Menlo Park, revenues appear to be rising from the bottom of the recessionary trough. Subdued property values now diminish the probability of the continued property tax growth seen in recent years. The forecast for sales tax - the City's second-largest revenue source - must also be tempered as the City reckons with the new "economic reality" created by the severe recession. The historically low investment yields experienced in the last few of years are expected to continue throughout the next fiscal year. And the State's determination to control its budget with the elimination of redevelopment agencies constitutes an enormous threat to the funding of activities in the City's redevelopment area.

However, business activity appears to be gaining momentum in various sectors. The increase in the number of development project applications and permit activity that began in the final quarters of the fiscal year 2009-10 continues, with a focus on large development projects that could potentially drive the City's economic future: The Menlo Gateway Office and Hotel project development agreement was completed in 2010-11; the Downtown/El Camino Real Specific Plan, nearly four years in the making, is near completion. Still underway are a master plan for TE (formerly Tyco); the repositioning of AMB to the Menlo Science & Technology Park; a development agreement with Facebook (now occupying the former Sun Microsystems/Oracle site); and continued improvements to the Rosewood Hotel and Resort. If redevelopment agencies remain intact, the increased emphasis on economic development opportunities in the 5-year Redevelopment Implementation Plan (updated in 2009) provides for an array of infrastructure and other public improvements that will enhance the desirability of the redevelopment area as a place to do business. Having weathered the financial meltdown of 2008, banks, investment funds, venture capitalists and others are also eager to reestablish their foothold in Menlo Park's economy.

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

Much will also depend on the outcome of the California Supreme Court's decision as to the constitutionality of the budget bills that dissolve (or greatly impair) redevelopment agencies across the State. Since the City currently has a balanced budget, the wholesale elimination of approximately \$1.9 million in annual Agency funding would require sweeping changes in services. Even if the Voluntary Program Act is found to be constitutional, the significant payments required to remain in the program would significantly impact the breadth and scope of infrastructure and facility improvements directed to the project area. Under any scenario, bondholders are protected from loss, as the terms of all bond indentures would remain intact. The current tax increment revenues pledged to the bonds provides nearly 200% coverage for the bonds.

REQUESTS FOR INFORMATION

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

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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, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 86,552,556	\$ 16,424,761	\$ 102,977,317
Receivables:			
Accounts	1,680,689	575,969	2,256,658
Interest	368,247	70,111	438,358
Due from other governments	1,189,518	-	1,189,518
Deposits and prepaid items	460,978	456	461,434
Total current assets	<u>90,251,988</u>	<u>17,071,297</u>	<u>107,323,285</u>
Noncurrent assets:			
Restricted cash and investments	14,348,685	-	14,348,685
Notes receivable	10,003,610	-	10,003,610
Deferred charges	1,316,888	-	1,316,888
Deferred outflows of resources (Note 6)	9,375,502	-	9,375,502
Net OPEB asset	161,403	-	161,403
Capital assets			
Non-depreciable	245,476,935	3,107,732	248,584,667
Depreciable, net	121,095,821	5,428,979	126,524,800
Total capital asset	<u>366,572,756</u>	<u>8,536,711</u>	<u>375,109,467</u>
Total noncurrent assets	<u>401,778,844</u>	<u>8,536,711</u>	<u>410,315,555</u>
Total assets	<u>492,030,832</u>	<u>25,608,008</u>	<u>517,638,840</u>
LIABILITIES			
Current liabilities:			
Accounts payable	3,965,457	535,147	4,500,604
Accrued payroll	1,073,675	36,524	1,110,199
Interest payable	1,847,388	-	1,847,388
Deposits	590,176	50,411	640,587
Unearned revenue	360,916	-	360,916
Claims payable due within one year	533,235	-	533,235
Compensated absences due within one year	917,676	32,068	949,744
Landfill postclosure care due within one year	204,024	-	204,024
Long-term debt due within one year	2,431,020	-	2,431,020
Total current liabilities	<u>11,923,567</u>	<u>654,150</u>	<u>12,577,717</u>
Noncurrent liabilities:			
Claims payable due in more than one year	1,590,204	-	1,590,204
Compensated absences due in more than one year	1,266,117	43,953	1,310,070
Landfill postclosure care due in more than one year	6,002,279	-	6,002,279
Interest rate swap (Note 6)	9,375,502	-	9,375,502
Long-term debt due in more than one year	84,199,376	-	84,199,376
Total noncurrent liabilities	<u>102,433,478</u>	<u>43,953</u>	<u>102,477,431</u>
Total liabilities	<u>114,357,045</u>	<u>698,103</u>	<u>115,055,148</u>
NET ASSETS			
Invested in capital assets, net of related debt	279,942,360	8,536,711	288,479,071
Restricted for:			
Capital projects	14,582,060	16,771,000	31,353,060
Debt service	12,662,667	-	12,662,667
Special projects	9,176,084	-	9,176,084
Unrestricted	61,310,616	(397,806)	60,912,810
Total net assets	<u>\$ 377,673,787</u>	<u>\$ 24,909,905</u>	<u>\$ 402,583,692</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, 2011

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 6,812,499	\$ 2,878,920	\$ 21,398	\$ -	\$ 2,900,318
Public safety	20,707,475	1,830,534	855,557	-	2,686,091
Public works	10,789,784	4,109,836	235,282	262,888	4,608,006
Culture and recreation	9,461,866	3,077,788	1,073,180	12,079,724	16,230,692
Community development	11,502,885	3,408,895	-	-	3,408,895
Interest on long-term debt	4,481,135	-	-	-	-
Total governmental activities	63,755,644	15,305,973	2,185,417	12,342,612	29,834,002
Business-type activities:					
Water	4,874,711	4,935,649	-	-	4,935,649
Total business-type activities	4,874,711	4,935,649	-	-	4,935,649
Total primary government	\$ 68,630,355	\$ 20,241,622	\$ 2,185,417	\$ 12,342,612	\$ 34,769,651

General Revenues:

Taxes:

- Property taxes
- Sales taxes
- Motor vehicle fee taxes
- Transient occupancy taxes
- Franchise taxes
- Other taxes

Total taxes

Investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning of year, as previously reported

Prior period adjustment (Note 22)

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
\$ (3,912,181)	\$ -	\$ (3,912,181)
(18,021,384)	-	(18,021,384)
(6,181,778)	-	(6,181,778)
6,768,826	-	6,768,826
(8,093,990)	-	(8,093,990)
(4,481,135)	-	(4,481,135)
<u>(33,921,642)</u>	<u>-</u>	<u>(33,921,642)</u>
-	60,938	60,938
-	60,938	60,938
<u>(33,921,642)</u>	<u>60,938</u>	<u>(33,860,704)</u>
23,936,578	-	23,936,578
5,988,055	-	5,988,055
170,194	-	170,194
2,453,981	-	2,453,981
1,747,605	-	1,747,605
2,573,193	-	2,573,193
36,869,606	-	36,869,606
1,431,440	135,619	1,567,059
235,145	-	235,145
165,639	(165,639)	-
<u>38,701,830</u>	<u>(30,020)</u>	<u>38,671,810</u>
4,780,188	30,918	4,811,106
372,778,146	24,878,987	397,657,133
115,453	-	115,453
<u>\$ 377,673,787</u>	<u>\$ 24,909,905</u>	<u>\$ 402,583,692</u>

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

Community Development Agency - 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). The following funds are presented for the Community Development Agency:

Housing Special Revenue Fund - Established to account for 20% of the tax increment property taxes received under State of California Health and Safety Code Division 24, Part 1. Funds are used to promote the expansion of local housing opportunities for low and moderate income residents.

Non-Housing Special Revenue Fund - Accounts for 80% of the tax increment property taxes received under State of California Health and Safety Code Division 24, Part 1 and utilized to reduce and eliminate visual, economic, physical and social blight existing within the Las Pulgas Community Development Project Area.

Debt Service Fund - Established to comply with interest and redemption requirements of the Las Pulgas Tax Allocation Refunding Bonds.

Capital Projects Fund - Established to account for the proceeds of the Las Pulgas Tax Allocation Refunding Bond Issue and used to construct improvements to the project area.

Redevelopment Services Agreement Fund - Established to account for the planning, specialized public safety and blight remediation services outlined in the Redevelopment Services Agreement with the Community Development Agency.

Housing Authority Fund - Established to account for low and moderate income housing projects and services outlined in the Affordable Housing Cooperation Agreement with the Community Development Agency.

City of Menlo Park
Balance Sheet
Governmental Funds
June 30, 2011

	Major Funds				
	General Fund	Community Development Agency		Debt Service	Capital Projects
		Housing	Non-Housing		
ASSETS					
Cash and investments	\$ 17,023,933	\$ 37,983	\$ 570,570	\$ -	\$ 105,312
Restricted cash and investments	-	-	-	9,309,118	479,910
Receivables:					
Accounts	1,164,480	-	-	-	-
Interest	111,791	2,354	-	-	1,236
Notes	1,229,409	-	-	-	-
Due from other governments	795,016	-	69,156	-	-
Deposits and prepaid items	305,617	-	-	-	-
Due from other funds	1,452,237	-	125,096	-	-
Total assets	<u>\$ 22,082,483</u>	<u>\$ 40,337</u>	<u>\$ 764,822</u>	<u>\$ 9,309,118</u>	<u>\$ 586,458</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 644,340	\$ 23,830	\$ 746,576	\$ 34,404	\$ 538,455
Accrued payroll and related liabilities	929,956	16,507	18,246	-	4,866
Due to other funds	-	-	-	125,096	-
Deposits	441,283	-	-	-	-
Deferred revenue	460,969	-	-	-	-
Total liabilities	<u>2,476,548</u>	<u>40,337</u>	<u>764,822</u>	<u>159,500</u>	<u>543,321</u>
Fund Balances:					
Nonspendable	1,435,026	-	-	-	-
Restricted:					
Special revenue funds	-	-	-	-	-
Capital project funds	-	-	-	-	43,137
Debt service funds	-	-	-	9,149,618	-
Committed	14,000,000	-	-	-	-
Assigned, reported in:					
General fund	2,592,173	-	-	-	-
Capital project funds	-	-	-	-	-
Unassigned, reported in:					
General fund	1,578,736	-	-	-	-
Special revenue funds	-	-	-	-	-
Total fund balances	<u>19,605,935</u>	<u>-</u>	<u>-</u>	<u>9,149,618</u>	<u>43,137</u>
Total liabilities and fund balances	<u>\$ 22,082,483</u>	<u>\$ 40,337</u>	<u>\$ 764,822</u>	<u>\$ 9,309,118</u>	<u>\$ 586,458</u>

See accompanying Notes to Basic Financial Statements.

Major Funds			
Redevelopment Services Special Revenue	Housing Authority Special Revenue	Non-Major Governmental Funds	Total Governmental Funds
\$ 9,874,654	\$ 5,771,072	\$ 49,556,625	\$ 82,940,149
-	-	4,559,657	14,348,685
-	-	516,209	1,680,689
45,150	22,162	170,172	352,865
-	5,282,880	3,491,321	10,003,610
2,841	-	322,505	1,189,518
-	-	1,074	306,691
-	-	-	1,577,333
<u>\$ 9,922,645</u>	<u>\$ 11,076,114</u>	<u>\$ 58,617,563</u>	<u>\$ 112,399,540</u>
\$ 12,189	\$ -	\$ 1,826,686	\$ 3,826,480
-	-	87,774	1,057,349
-	-	1,429,734	1,554,830
-	-	148,891	590,174
-	5,021,196	1,278,272	6,760,437
<u>12,189</u>	<u>5,021,196</u>	<u>4,771,357</u>	<u>13,789,270</u>
-	261,684	2,214,123	3,910,833
9,910,456	5,793,234	29,215,751	44,919,441
-	-	4,476,962	4,520,099
-	-	3,513,049	12,662,667
-	-	-	14,000,000
-	-	-	2,592,173
-	-	14,531,404	14,531,404
-	-	-	1,578,736
-	-	(105,083)	(105,083)
<u>9,910,456</u>	<u>6,054,918</u>	<u>53,846,206</u>	<u>98,610,270</u>
<u>\$ 9,922,645</u>	<u>\$ 11,076,114</u>	<u>\$ 58,617,563</u>	<u>\$ 112,399,540</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, 2011

Total Fund Balances - Total Governmental Funds \$ 98,610,270

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	245,476,935
Depreciable (net of internal service fund capital assets of \$2,908,277)	194,987,816
Accumulated depreciation/amortization (net of internal service fund of \$2,522,699)	(74,277,573)

Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in the Governmental Funds Balance Sheet. (1,847,388)

Deferred charges on issuance of debt are recorded as expenditures in the Fund Financial Statements. In the Government-Wide Financial Statements, these costs are capitalized and amortized over the life of the debt. 1,316,888

Net OPEB assets are not financial resources, and therefore are not recorded in the governmental funds 161,403

Deferred revenues recorded in governmental fund financial statements in the amount of \$6,760,437, less actual unearned revenue recorded on the Government-wide financial statements in the amount of \$360,916, resulting from activities in which revenues were earned but funds were not available are reclassified as revenues in the Government-Wide Financial Statements. 6,399,521

Landfill postclosure care costs do not require current financial resources and are not reported as a liability in the governmental fund financials statements. (6,206,303)

Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet. The compensated absences is net of the internal service funds in the amount of \$3,499 short-term, and \$4,795 long-term.

Long-term liabilities - due within one year:	
Compensated absences payable	(914,177)
Long-term debt	(2,431,020)
Long-term liabilities - due in more than one year:	
Compensated absences payable	(1,261,322)
Long-term debt	(84,199,376)

Internal service funds are used to charge the costs of risk management, other post employment benefits and vehicle replacement to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Government-Wide Statement of Net Assets. 1,858,113

Net Assets of Governmental Activities \$ 377,673,787

City of Menlo Park
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2011

	Major Funds				
	General Fund	Community Development Agency			Capital Projects
		Housing Special Revenue	Non-Housing Special Revenue	Debt Service	
REVENUES:					
Taxes:					
Secured property taxes	\$ 11,869,629	\$ 1,988,205	\$ 7,952,821	\$ -	\$ -
Unsecured property taxes	393,250	236,846	947,383	-	-
Other property taxes	548,444	-	-	-	-
Sales taxes	5,988,055	-	-	-	-
Other taxes	5,253,937	-	-	-	-
Special assessments	-	-	-	-	-
Licenses and permits	3,239,559	-	-	-	-
Fines and forfeitures	953,194	-	-	-	-
Use of money and property	575,760	4,599	(39,361)	259,472	31,263
Intergovernmental	1,946,156	-	-	-	-
Charges for services	5,246,250	140,891	92,743	-	-
Other	32,317	-	-	-	-
Total revenues	36,046,551	2,370,541	8,953,586	259,472	31,263
EXPENDITURES:					
Current:					
General government	4,605,144	-	-	76,987	-
Public safety	20,484,330	-	-	-	-
Public works	4,462,744	-	-	-	-
Culture and recreation	7,994,548	-	-	-	-
Community development	2,501,016	-	3,640,863	-	-
Urban development and housing	-	550,871	980,319	-	-
Capital outlay	250,115	1,096	-	-	2,420,732
Debt service:					
Principal	-	-	-	1,810,000	-
Interest and fiscal charges	-	-	-	3,112,496	-
Cost of issuance	-	-	-	-	-
Total expenditures	40,297,897	551,967	4,621,182	4,999,483	2,420,732
REVENUES OVER (UNDER) EXPENDITURES	(4,251,346)	1,818,574	4,332,404	(4,740,011)	(2,389,469)
OTHER FINANCING SOURCES (USES):					
Transfers in	697,594	3,150,333	5,000,000	4,754,130	-
Transfers out	(2,267,949)	(7,230,137)	(27,562,490)	-	(5,000,000)
Proceeds from sale of assets	594	-	-	-	-
Total other financing sources (uses)	(1,569,761)	(4,079,804)	(22,562,490)	4,754,130	(5,000,000)
Net change in fund balances	(5,821,107)	(2,261,230)	(18,230,086)	14,119	(7,389,469)
FUND BALANCES:					
Beginning of year	25,427,042	2,261,230	18,230,086	9,135,499	7,432,606
End of year	<u>\$ 19,605,935</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,149,618</u>	<u>\$ 43,137</u>

See accompanying Notes to Basic Financial Statements.

<u>Major Fund</u>			
<u>Redevelopment Services Special Revenue</u>	<u>Housing Authority Special Revenue</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 21,810,655
-	-	-	1,577,479
-	-	-	548,444
-	-	-	5,988,055
-	-	1,520,843	6,774,780
-	-	2,818,829	2,818,829
-	-	346,815	3,586,374
-	-	-	953,194
73,803	46,319	454,245	1,406,100
-	-	601,008	2,547,164
2,841	140,677	4,863,165	10,486,567
-	-	202,233	234,550
<u>76,644</u>	<u>186,996</u>	<u>10,807,138</u>	<u>58,732,191</u>
-	-	1,527,857	6,209,988
-	-	83,700	20,568,030
-	-	3,466,684	7,929,428
-	-	292,091	8,286,639
674,045	-	245,483	7,061,407
492,143	323,070	53,516	2,399,919
-	1,096	13,357,869	16,030,908
-	-	610,000	2,420,000
-	-	1,183,343	4,295,839
-	-	-	-
<u>1,166,188</u>	<u>324,166</u>	<u>20,820,543</u>	<u>75,202,158</u>
<u>(1,089,544)</u>	<u>(137,170)</u>	<u>(10,013,405)</u>	<u>(16,469,967)</u>
11,000,000	6,192,088	11,740,744	42,534,889
-	-	(308,674)	(42,369,250)
-	-	-	594
<u>11,000,000</u>	<u>6,192,088</u>	<u>11,432,070</u>	<u>166,233</u>
9,910,456	6,054,918	1,418,665	(16,303,734)
-	-	52,427,541	114,914,004
<u>\$ 9,910,456</u>	<u>\$ 6,054,918</u>	<u>\$ 53,846,206</u>	<u>\$ 98,610,270</u>

City of Menlo Park

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets For the year ended June 30, 2011

Net Change in Fund Balances - Total Governmental Funds	\$ (16,303,734)
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Amounts reported for governmental activities in the Statement of Activities were different because:

Governmental Funds reported acquisition of capital assets as expenditures in various functions and in capital outlay. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets was allocated over their estimated useful lives as depreciation expense. This was the amount of capital assets recorded in the current period. This amount is net of changes recorded in the internal service funds of \$155,614	13,842,469
--	------------

Contribution of capital assets that are to be held and used by the City are not current financial resources, and therefore the revenue is not recorded in the governmental funds.	10,281,662
---	------------

Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in the Governmental Funds. This amount is net of depreciation expense of \$265,157 recorded in the internal service funds.	(4,836,872)
--	-------------

Loss on the disposal of capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they did not require the use of current financial resources. Therefore, it was not reported as expenditures in the Governmental Funds.	(745,063)
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Revenues that have not met the revenue recognition criteria in the Fund Financial statements are recognized as revenue in the Government-Wide Financial Statements. This amount represents the change in deferred revenue from the prior year.	80,721
--	--------

Expenses to accrue for long-term compensated absences and OPEB liability (asset) is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, these expenses are not reported in the Governmental Funds.

Change in compensated absences	61,302
Net change in OPEB asset	45,950

Bond proceeds provided current financial resources to Governmental Funds, but issuing debt increased long-term liabilities in the Government-Wide Statement of Net Assets. Repayment of bond principal was an expenditure in Governmental Funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Assets.

Long-term debt repayments	2,420,000
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Deferred charges on issuance of debt are recorded as expenditures in the Fund Financial Statements. In the Government-Wide Financial Statements, these costs are capitalized and amortized over the life of the debt.	(65,845)
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Discounts on issuance of debt are recorded as expenditures in the Fund Financial Statements. In the Government-Wide Financial Statements, these costs are capitalized and reported as part of long-term debt and amortized over the life of the debt.	(138,980)
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Expenses for landfill postclosure costs are expenditures in the Governmental Fund Financial Statements but reduce the liability in the Government-Wide Financial Statements.	182,320
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Interest expense on long-term debt was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it did not require the use of current financial resources. Therefore, interest expense was not reported as expenditures in the Governmental Funds. The following amount represents the change in accrued interest from the prior year.	19,529
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Internal service funds are used to charge the costs of risk management, other post employment benefits and vehicle replacements to individual funds. The net revenue of the internal service funds is reported with governmental activities.	(63,271)
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Change in Net Assets of Governmental Activities	\$ 4,780,188
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See accompanying Notes to Basic Financial Statements.

PROPRIETARY FUND FINANCIAL STATEMENTS

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

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

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

City of Menlo Park
Statement of Net Assets
Proprietary Funds
June 30, 2011

	Major Enterprise Fund Water Fund	Governmental Activities Internal Service Funds
ASSETS		
Current assets:		
Cash and investments	\$ 16,424,761	\$ 3,612,407
Receivables:		
Accounts	575,969	-
Interest	70,111	15,380
Deposits and prepaid expenses	456	154,287
Due from other funds	432,616	
Total current assets	<u>17,503,913</u>	<u>3,782,074</u>
Capital assets:		
Non-depreciable	3,107,732	-
Depreciable, net	5,428,979	385,578
Total capital assets	<u>8,536,711</u>	<u>385,578</u>
Total assets	<u>26,040,624</u>	<u>4,167,652</u>
LIABILITIES		
Current liabilities:		
Accounts payable	535,147	138,977
Accrued payroll	36,524	16,326
Deposits	50,411	-
Due to other funds	432,616	22,503
Claims payable, due within one year	-	533,235
Compensated absences, due within one year	32,068	3,499
Total current liabilities	<u>1,086,766</u>	<u>714,540</u>
Noncurrent liabilities:		
Claims payable, due in more than one year	-	1,590,204
Compensated absences, due in more than one year	43,953	4,795
Total noncurrent liabilities	<u>43,953</u>	<u>1,594,999</u>
Total liabilities	<u>1,130,719</u>	<u>2,309,539</u>
NET ASSETS		
Net assets, invested in capital assets	8,536,711	385,578
Restricted for:		
Capital projects	16,771,000	-
Unrestricted	(397,806)	1,472,535
Total net assets	<u>\$ 24,909,905</u>	<u>\$ 1,858,113</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, 2011

	Major Enterprise Fund Water Fund	Governmental Activities Internal Service Funds
OPERATING REVENUES:		
Charges for services	\$ 4,923,813	\$ 2,228,602
Connection fees	11,836	-
Total operating revenues	4,935,649	2,228,602
OPERATING EXPENSES:		
Cost of sales and services	4,386,248	-
Personnel Services	-	86,326
General and administrative	324,038	304,754
Insurance	-	1,683,990
Depreciation	164,425	265,157
Total operating expenses	4,874,711	2,340,227
OPERATING INCOME (LOSS)	60,938	(111,625)
NONOPERATING REVENUES (EXPENSES):		
Interest income	135,619	25,341
Gain (loss) on sale of equipment	-	23,013
Total nonoperating revenues	135,619	48,354
INCOME (LOSS) BEFORE OPERATING TRANSFERS	196,557	(63,271)
TRANSFERS:		
Transfers in	907,734	-
Transfers out	(1,073,373)	-
Contributions	-	-
Total transfers	(165,639)	-
Net income (loss)	30,918	(63,271)
NET ASSETS:		
Beginning of year	24,878,987	1,921,384
End of year	\$ 24,909,905	\$ 1,858,113

See accompanying Notes to Basic Financial Statements.

City of Menlo Park
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2011

	Major Enterprise Fund Water Fund	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers/other funds	\$ 5,694,515	\$ 2,274,023
Cash payment to suppliers	(4,591,388)	(1,870,790)
Cash payments for general and administrative	(953,694)	-
Cash paid to employees	-	(94,960)
Cash receipts other	-	-
Net cash provided (used) by operating activities	149,433	308,273
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers from other funds	907,734	-
Transfers to other funds	(1,073,373)	-
Contributions	-	-
Net cash provided (used) by noncapital financing activities	(165,639)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(907,734)	(111,217)
Proceeds from disposal of capital assets	-	23,457
Net cash provided (used) by capital and related financing activities	(907,734)	(87,760)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income, net	292,757	54,126
Net cash provided (used) by investing activities	292,757	54,126
Net increase (decrease) in cash and cash equivalents	(631,183)	274,639
CASH AND CASH EQUIVALENTS:		
Beginning of year	17,055,944	3,337,768
End of year	<u>\$ 16,424,761</u>	<u>\$ 3,612,407</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET		
CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 60,938	\$ (111,625)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	164,425	265,157
Changes in current assets and liabilities:		
Accounts receivable	(289,425)	14,226
Accounts payable	190,849	(22,648)
Accrued payroll	13,210	13,783
Insurance claim payable	-	154,419
Compensated absences	7,816	(5,039)
Deposits	1,620	-
Total adjustments	<u>88,495</u>	<u>419,898</u>
Net cash provided (used) by operating activities	\$ 149,433	\$ 308,273

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, 2011

	Agency Funds
	<u> </u>
ASSETS	
Cash and cash equivalents	\$ 218,179
Prepays	-
Total assets	<u><u>\$ 218,179</u></u>
LIABILITIES	
Accrued payroll	\$ 1,000
Deposits	217,179
Total liabilities	<u><u>\$ 218,179</u></u>

See accompanying Notes to Basic Financial Statements.

City of Menlo Park
Notes to Basic Financial Statements
For the year ended June 30, 2011

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 Basic Financial Statements of the City.

Community Development Agency of the City of Menlo Park - The Community Development Agency (Agency) was established in November 1981 pursuant to the State of California Health and Safety Codes, Section 33000, entitled "Community Redevelopment Law." Its purpose 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 funds.

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 may make loans to the Agency to use for redevelopment purposes. The Agency contracts with the City to pursue redevelopment activities. Property tax revenues of the Agency are used to repay the loans and make contract payments to the City.

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 government-wide financial statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the City’s assets and liabilities, including capital assets and related infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

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

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

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

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

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.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements

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

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

Community Development Agency Housing Special Revenue Fund - Established to account for 20% of the tax increment property taxes received under State of California Health and Safety Code Division 24, Part 1. Funds are used to promote the expansion of local housing opportunities for low and moderate income residents.

Community Development Agency Non-Housing Special Revenue Fund - Accounts for 80% of the tax increment property taxes received under State of California Health and Safety Code Division 24, Part 1 and utilized to reduce and eliminate visual, economic, physical and social blight existing within the Las Pulgas Community Development Project Area.

Community Development Agency Debt Service Fund - Established to comply with interest and redemption requirements of the Las Pulgas Tax Allocation Refunding Bonds.

Community Development Agency Capital Projects Fund - Established to account for the proceeds of the Las Pulgas Tax Allocation Refunding Bond Issue and used to construct improvements to the project area.

Redevelopment Services Agreement Fund - Established to account for the planning, specialized public safety and blight remediation services outlined in the Redevelopment Services Agreement with the Community Development Agency.

Housing Authority Fund - Established to account for low and moderate income housing projects and services outlined in the Affordable Housing Cooperation Agreement with the Community Development Agency.

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Governmental Fund Financial Statements, Continued

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

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

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

Proprietary Fund Financial Statements

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

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

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

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Fiduciary Fund Financial Statements

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

C. Use of Restricted and Unrestricted Net Assets

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

D. Cash and Investments

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

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

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

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

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

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

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Capital Assets

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

Buildings	40 years
Other improvements	40 years
Equipment	3-15 years
Infrastructure	15-50 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 current Basic Financial Statements.

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

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

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

F. 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.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. Net Assets and Fund Equity

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

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

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

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

Fund Financial Statements

In February 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. As further discussed in Note 1.L., this statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in the governmental funds. The City adopted and has prioritized its fund balance resources based on the hierarchy provided by the statement effective for the year ended June 30, 2011.

In the Governmental Fund Financial Statements, fund balances are classified in the following categories:

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

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

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

Assigned – Assigned fund balances encompass the portion of net fund resources reflecting the government’s intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose. The City Council has authorized the City Manager for that purpose.

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

H. 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.

I. Compensated Absences

City employees have vested interests in varying levels of vacation, sick leave, and compensatory time. If sick leave and vacation is not used by the employee during the term of employment, compensation is payable to the employee at the time of retirement. Such compensation is calculated at the employees' then prevalent rate at the time of retirement or termination. Whereas vacation is compensated at 100% of accumulated hours, sick leave is accrued and compensated only at retirement at 15% of accumulated hours. On termination, only accrued vacation is compensated and not sick leave. The liabilities for compensated absences of the governmental activities are recorded in the Government-Wide financial statements. The liabilities of compensated absences of proprietary funds are recorded as liabilities in the appropriate proprietary fund and in the business-type activities in the Government-Wide financial statements. The liabilities of compensated absences of governmental funds are reported in those funds only if there is an unused reimbursable leave still outstanding following an employee's resignation or retirement as of June 30, 2011.

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

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

J. 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.

K. Interfund Balances/Internal Balances

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

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

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

L. New Pronouncements

Effective June 30, 2011, the City adopted GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (see Note 1.G.). The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

2. CASH AND INVESTMENTS

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

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

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

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

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

A. Authorized Investments

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

GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires that the City's investments be carried at fair market value instead of cost. Accordingly, the City adjusts the carrying value of its investments to reflect their fair value at each fiscal year-end, and the effects of these adjustments are included in income for that fiscal year. Changes in fair value in the fiscal year ended June 30, 2011 from the fiscal year ended June 30, 2010, amounted to a decrease of \$880,688.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

2. CASH AND INVESTMENTS, Continued

B. Deposits

At June 30, 2011, the carrying amount of the City's deposits was \$5,094,106 and the bank balances were \$5,468,088. The total bank balance was covered by federal depository insurance or by collateral held by the City's agent in the City's name. In addition, the City has \$145,000 deposited with the Bay Cities Joint Powers Insurance Authority.

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

C. Risks Disclosures

The following is a summary of pooled cash and investments, including cash and investments with fiscal agent at June 30, 2011.

	Government-Wide Statement of Net Assets			Fund Financials Fiduciary Funds	
	Governmental Activities	Business-Type Activities	Total	Statement of Net Assets	Total
Cash and investments	\$ 86,552,556	\$ 16,424,761	\$ 102,977,317	\$ -	\$ 102,977,317
Restricted cash and investments	\$ 14,348,685	\$ -	\$ 14,348,685	\$ -	\$ 14,348,685

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

2. CASH AND INVESTMENTS, Continued

C. Risks Disclosures, Continued

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

As of June 30, 2011, the City had the following cash and investments and maturities:

Investment Type	Fair Value	Investment Maturities (in years)				
		1 year or less	1-2 years	2-3 years	3-4 years	4-5 years
Deposits	\$ 4,875,927	\$ 4,875,927	\$ -	\$ -	\$ -	\$ -
Petty cash	6,485	6,485	-	-	-	-
Securities of U.S. Government:						
U.S. agencies	3,029,829	3,029,829	-	-	-	-
U.S. treasury T-notes	6,026,438	3,014,016	1,005,860	2,006,562	-	-
U.S. instrumentality	50,817,982	24,275,156	5,507,524	15,045,030	3,985,222	2,005,050
Local Agency Investments Funds	34,107,935	34,107,935	-	-	-	-
Corporate notes	4,112,721	3,109,732	1,002,989	-	-	-
Total	\$ 102,977,317	\$ 72,419,080	\$ 7,516,373	\$ 17,051,592	\$ 3,985,222	\$ 2,005,050

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

<u>Maturity</u>	<u>Percentage of Investment</u>
Less than one year	70%
One to two years	7%
Two to three years	17%
Three to four years	4%
Four to five years	2%

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

2. CASH AND INVESTMENTS, Continued

C. Risks Disclosures, Continued

Moody's Investors Service. The investments in the bonds of U.S. agencies insured by the FDIC were rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. The City's investments in the state investment pool, Local Agency Investments Funds, was rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. As of June 30, 2011, the City has investments in three corporate notes. The investment in GE Capital is rated AA+ by Standard & Poor's and Aa2 by Moody's Investors Services; the investment in New York Life Global Funding is rated AAA by Standard & Poor's and Aaa by Moody's Investor Services; and the investment in TIAA Global Markets is rated AAA by Standard & Poor's and Aa1 by Moody's Investor Services.

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

D. External Investment Pool

The City's investments with LAIF at June 30, 2011, included a small portion of the pooled funds invested in Structured Notes and Asset-Backed Securities. These investments may include the following:

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

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

As of June 30, 2011, the City had \$38,606,730 invested in LAIF, which had invested 5.01% of the pool investment funds in Structured Notes and Asset-Back Securities. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. The City valued its investments in LAIF as of June 30, 2011, 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, 2011, the City's investment in LAIF at fair value amounted to \$38,667,592 using a LAIF fair value factor of 1.001576470.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

3. RECEIVABLES

A. Accounts Receivable

As of June 30, 2011, accounts receivable consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Taxes:			
Occupancy taxes	\$ 722,929	\$ -	\$ 722,929
Utility taxes	132,737	-	132,737
Total taxes	855,666	-	855,666
Franchise fees	218,876	-	218,876
Rental income	16,668	-	16,668
General government charges	59,438	-	59,438
Public works charges	78,068	-	78,068
Community development fees	199,848	-	199,848
Recreation programs	10,245	-	10,245
Solid waste service fees	238,170	-	238,170
Water service fees	-	575,969	575,969
Public safety charges	3,710	-	3,710
Total accounts receivable	\$ 1,680,689	\$ 575,969	\$ 2,256,658

B. Notes Receivable

As of June 30, 2011, notes receivable consisted of the following:

	Notes Receivable
Major Funds:	
General Fund	\$ 1,229,409
Housing Authority	5,282,880
Total major funds	6,512,289
Other Governmental Funds:	
Below market rate housing	2,213,049
Community Development Block Grant	1,181,114
Emergency repair loan (ERL)	97,158
Total special revenue funds	3,491,321
Total notes receivable	\$ 10,003,610

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

3. RECEIVABLES, Continued

B. Notes Receivable, Continued

City Manager Housing

As part of an employment agreement effective August 2007, the City Council has authorized a loan evidenced by two notes totaling \$1.27 million to the City Manager in order to assist in the purchase of residential real estate property. These notes are secured by deeds of trust on the property. The notes bear an interest rate of 5 percent per annum, however, 3.25 percent per annum is deferred until the ultimate sale of the property or payment of the loan. The notes are due and payable within, at the most, 24 months of termination of employment or sale of the property. The outstanding balance of the notes, including interest, at June 30, 2011 was \$1,229,409.

Community Development Block Grant

The City administers home improvement loans to seniors and very low income residents using Community Development Block Grant (CDBG) funds. The program provides for no or very low interest loans, which are secured by deeds of trust. Although payments for some loans are amortized over an established schedule, some loans allow for deferred payment of accrued interest and principal until the property changes ownership. Repayments received from outstanding loans are used to make additional housing rehabilitation loans. Outstanding loans at June 30, 2011, were \$1,181,114. Since the funds have not been legally vested with the City as of June 30, 2011, these funds are reported as deferred revenue.

Housing Authority

The City of Menlo Park entered into an agreement with the Menlo Park Community Development Agency (Agency) to provide redevelopment services and improvements for the Agency. As a part of this agreement, the City has assumed all the loans from the Agency.

The City of Menlo Park Housing Authority Fund 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 City had granted funds to the local NHS for that purpose and assumed the loans when the NHS closed. The outstanding balance at June 30, 2011 was \$699.

The City assumed a loan the Menlo Park Community Development Agency (Agency) made to Peninsula Habitat for Humanity for purchase of two mini-park lots as sites to develop two single-family houses for very low-income homeowners. Loan repayment is structured as a zero interest note with a twenty-year term. The outstanding balance at June 30, 2011, was \$26,000.

The City also assumed a loan the Agency made 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 per annum, with payments made from residual receipts of the property. The outstanding balance at June 30, 2011, was \$156,418.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

3. RECEIVABLES, Continued

B. Notes Receivable, Continued

The City has housing rehabilitation loans to six eligible participants. Loans bear no or very low interest and are not due until the property changes ownership. The outstanding balance at June 30, 2011, was \$479,051.

On March 21, 2002, the Agency made a loan for the Peace Officer Homebuyer Assistance Program (POMA) to one eligible participant in the amount of \$84,000. The loan bears an annual 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 10 years. The City assumed the loan as a part of the redevelopment services agreement with the Agency. The outstanding balance as of June 30, 2011, was \$11,748.

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

On October 28, 2002, the Agency made a loan to Menlo Gateway, Inc. to refinance Menlo Gateway's debt in the amount of \$4,022,157. The loan bears a compounded interest rate of 3% per annum. The payment is secured by the Deed of Trust. The final payment is due on February 15, 2043. The outstanding balance as of June 30, 2011, was \$4,608,964. Menlo Gateway is to make annual payments on the loan as defined in the promissory note.

Total Housing Authority loans at June 30, 2011, amounted to \$5,282,880.

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, 2011, were \$2,213,049.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

3. RECEIVABLES, Continued

B. Notes Receivable, Continued

Emergency Repair Loan (ERL)

The Emergency Repair Loan (ERL) Program is designed to assist lower income households with minor emergency repairs to their home. The revolving loan program was originally funded by a Federal Revenue Sharing Grant. The maximum loan amount is \$10,000 at 3% interest per annum, with a loan term of either 5, 10, or 15 years. Outstanding loans at June 30, 2011, were \$97,158.

4. UNEARNED/DEFERRED REVENUE

A. Government-Wide Financial Statements

Unearned revenues in Government-Wide Financial Statements represent amounts for which revenues have not been earned. At June 30, 2011, deferred revenues in the Government-Wide Financial Statements were as follows:

	<u>Governmental Activities</u>
Recreation summer programs	\$ 334,345
Events deposits	764
Police donations	388
Library donations	17,103
Planning deferred	662
Percent for art deferred	7,654
Total	<u><u>\$ 360,916</u></u>

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

4. UNEARNED/DEFERRED REVENUE, Continued

B. Fund Financial Statements

At June 30, 2011, the following deferred revenues were recorded in the Fund Financial Statements because either the revenues had not been earned or the funds were not available to finance expenditures of the current period:

Governmental Funds:

	Special Revenue			Total
	General Fund	Fund Housing Authority	Non-Major Funds	
Recreation Summer Programs	\$ 334,345	\$ -	\$ -	\$ 334,345
Events deposits	764	-	-	764
Planning deferred	662	-	-	662
Library donations	17,103	-	-	17,103
City Manager home loan interest	100,053	-	-	100,053
Percent for art deferred	7,654	-	-	7,654
Police donations	388	-	-	388
Menlo Gateway loan	-	4,608,964	-	4,608,964
CDBG loans	-	-	1,181,114	1,181,114
Emergency repair loans	-	-	97,158	97,158
Mid Peninsula loans	-	412,232	-	412,232
Total	\$ 460,969	\$ 5,021,196	\$ 1,278,272	\$ 6,760,437

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

5. CAPITAL ASSETS

A. Government-Wide Financial Statements

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

	Balance June 30, 2010	Additions	Retirements	Reclassifications	Balance June 30, 2011
Governmental Activities:					
Capital assets, not being depreciated/amortized:					
Land	\$ 204,949,233	\$ -	\$ -	\$ -	\$ 204,949,233
Land improvements	32,900,109	-	-	-	32,900,109
Real estate held for sale	446,725	396,633	(195,073)	-	648,285
Construction in progress	5,889,419	5,439,530	(91,702)	(4,257,939)	6,979,308
Total capital assets, not being depreciated/amortized	<u>244,185,486</u>	<u>5,836,163</u>	<u>(286,775)</u>	<u>(4,257,939)</u>	<u>245,476,935</u>
Capital assets, being depreciated/amortized:					
Buildings	47,218,382	15,787,697	(875,112)	3,828,180	65,959,147
Shared use facilities	2,600,000	-	-	-	2,600,000
Equipment	6,384,363	284,986	(205,275)	-	6,464,074
Other improvements	12,792,366	78,635	-	7,067	12,878,068
Infrastructure	108,730,291	2,136,650	(1,294,829)	422,692	109,994,804
Total capital assets, being depreciated/amortized	<u>177,725,402</u>	<u>18,287,968</u>	<u>(2,375,216)</u>	<u>4,257,939</u>	<u>197,896,093</u>
<i>Less accumulated depreciation/amortization for:</i>					
Buildings	(14,674,691)	(944,368)	717,582	-	(14,901,477)
Shared use facilities	(52,000)	(104,000)	-	-	(156,000)
Equipment	(5,212,311)	(432,515)	200,112	-	(5,444,714)
Other improvements	(3,527,632)	(610,936)	-	-	(4,138,568)
Infrastructure	(50,258,080)	(2,745,053)	843,620	-	(52,159,513)
Total accumulated depreciation/amortization	<u>(73,724,714)</u>	<u>(4,836,872)</u>	<u>1,761,314</u>	<u>-</u>	<u>(76,800,272)</u>
Total capital assets, being depreciated/amortized, net	<u>104,000,688</u>	<u>13,451,096</u>	<u>(613,902)</u>	<u>4,257,939</u>	<u>121,095,821</u>
Governmental activities capital assets, net	<u>\$ 348,186,174</u>	<u>\$ 19,287,259</u>	<u>\$ (900,677)</u>	<u>\$ -</u>	<u>\$ 366,572,756</u>

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

General government	\$ 576,449
Public safety	118,124
Public works	3,018,207
Culture and recreation	1,122,179
Community development	1,913
Total depreciation expense - governmental departments	<u>\$ 4,836,872</u>

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

5. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

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

	Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011
Business Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,066,454	\$ -	\$ -	\$ 1,066,454
Construction in progress	1,133,544	907,734	-	2,041,278
Total capital assets, not being depreciated	<u>2,199,998</u>	<u>907,734</u>	<u>-</u>	<u>3,107,732</u>
Capital assets, being depreciated:				
Buildings	4,159,460	-	-	4,159,460
Equipment	569,755	2,719	(69,471)	503,003
Infrastructure	6,812,639	-	-	6,812,639
Total capital assets, being depreciated	<u>11,541,854</u>	<u>2,719</u>	<u>(69,471)</u>	<u>11,475,102</u>
<i>Less accumulated depreciation for:</i>				
Buildings	(1,380,344)	(83,189)	-	(1,463,533)
Equipment	(515,392)	(8,665)	69,471	(454,586)
Infrastructure	(4,055,432)	(72,572)	-	(4,128,004)
Total accumulated depreciation	<u>(5,951,168)</u>	<u>(164,426)</u>	<u>69,471</u>	<u>(6,046,123)</u>
Total capital assets, being depreciated, net	<u>5,590,686</u>	<u>(161,707)</u>	<u>-</u>	<u>5,428,979</u>
Business activities capital assets, net	<u>\$ 7,790,684</u>	<u>\$ 746,027</u>	<u>\$ -</u>	<u>\$ 8,536,711</u>

Depreciation expense for all proprietary funds was \$164,426 for the year ended June 30, 2011, which was recorded in the City's water business-type activity.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

6. LONG-TERM DEBT

A. Long-Term Obligations

Summary of changes in long-term debt transactions for the year ended June 30, 2011 was as follows:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011	Due within one year	Due in more than one year
Governmental Activities						
1996 General Obligation Refunding Bonds	\$ 2,235,000	\$ -	\$ (320,000)	\$ 1,915,000	\$ 340,000	\$ 1,575,000
2002 General Obligation Bonds	11,740,000	-	(280,000)	11,460,000	295,000	11,165,000
2006 Las Pulgas Project Tax Allocation Bonds	67,395,000	-	(1,810,000)	65,585,000	1,880,000	63,705,000
Deferred amount of refunding of the 2006 Las Pulgas Project Tax Allocation Bonds	(2,688,144)	-	128,007	(2,560,137)	(128,007)	(2,432,130)
Discount on 2006 Las Pulgas Project Tax Allocation Bonds	(282,912)	-	13,472	(269,440)	(13,472)	(255,968)
2009A General Obligation Bonds	1,080,000	-	(10,000)	1,070,000	55,000	1,015,000
2009B General Obligation Bonds	9,360,000	-	-	9,360,000	-	9,360,000
Premium on 2009 General Obligation Bonds	72,472	-	(2,499)	69,973	2,499	67,474
Total governmental activities	<u>\$ 88,911,416</u>	<u>\$ -</u>	<u>\$ (2,281,020)</u>	<u>\$ 86,630,396</u>	<u>\$ 2,431,020</u>	<u>\$ 84,199,376</u>

1996 General Obligation Refunding Bonds

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

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

6. LONG-TERM DEBT, Continued

A. Long-Term Obligations, Continued

1996 General Obligation Refunding Bonds, Continued

The annual debt service requirements to maturity for the 1996 General Obligation Refunding Bonds Outstanding at June 30, 2011, were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 340,000	\$ 87,250	\$ 427,250
2013	360,000	69,750	429,750
2014	380,000	51,250	431,250
2015	405,000	31,625	436,625
2016	430,000	10,750	440,750
Total	\$ 1,915,000	\$ 250,625	\$ 2,165,625

2002 General Obligation Bonds

On April 17, 2002, the City issued \$13,245,000 of the 2002 General Obligation Bonds known as "Measure T" bonds. This financing was used to fund various parks and recreation projects in the City. The bonds bear annual interest at rates between 4.50% and 5.75%, with interest payments made semi-annually on February 1 and August 1. The bonds mature annually from 2003 to 2032 on August 1 in amounts ranging from \$130,000 to \$840,000.

The Measure T bonds maturing on or before August 1, 2013 are not subject to optional redemption prior to their maturities. The Measure T 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 Measure T bonds are called for redemption, bonds shall be redeemed in inverse order of maturities, and if less than all of the Measure T bonds of any given maturity are called for redemption, the portions of bonds given maturities to be redeemed shall be determined by lot. Measure T 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%

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

6. LONG-TERM DEBT, Continued

A. Long-term Obligations, Continued

2002 General Obligation Bonds, Continued

The annual debt service requirements to maturity for the 2002 General Obligation Bonds outstanding at June 30, 2011, were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 295,000	\$ 584,407	\$ 879,407
2013	310,000	567,023	877,023
2014	330,000	548,526	878,526
2015	345,000	531,373	876,373
2016	365,000	515,215	880,215
2017-2021	2,080,000	2,297,315	4,377,315
2022-2026	2,660,000	1,704,138	4,364,138
2027-2031	3,435,000	907,645	4,342,645
2032-2033	1,640,000	87,980	1,727,980
Total	\$ 11,460,000	\$ 7,743,622	\$ 19,203,622

2006 Las Pulgas Project Tax Allocation Bonds

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

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

6. LONG-TERM DEBT, Continued

A. Long-term Obligations, Continued

2006 Las Pulgas Project Tax Allocation Bonds, Continued

Terms:

Redevelopment Agency of the City of Menlo Park Swap Portfolio						
Bond Issue	Initial Notional Amount	Counter-party	Fixed Rate Paid	Variable Rate Received	Swap Termination Date	Counterparty Credit Ratings Moody's/S&P/Fitch
Tax Allocation Refunding Series 2006	\$72,430	Piper Jaffray with guarantee from Morgan Stanley Capital Services	5.331 %	63.5% of 1-month LIBOR + 0.15%	01/01/2031	A2/A/A

In connection with the issuance of the refunding bonds, the Agency elected to enter into a floating-to-fixed interest rate swap, creating a synthetic fixed-rate debt for the Agency. The bonds interest rate of 5.331% includes the 3.794% base swap rate plus the 1.45% letter of credit fee plus a 0.0875% remarketing fee.

Fair Value: At June 30, 2011 and 2010, the swap had a negative fair value of (\$9,375,502) and (\$11,178,716), respectively, an increase in fair value of \$1,803,214 occurring during fiscal 2010-11. The fair value was recorded on the Statement of Net Assets as interest rate swap liability and an offsetting deferred outflows of resources in the assets section. Because the coupons on the Agency's variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the LIBOR swap yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swaps. Valuations based on other models or different assumptions may yield different results.

Credit Risk: As of June 30, 2011, the Agency was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the Agency would be exposed to credit risk in the amount of the derivative's fair value.

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

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

6. LONG-TERM DEBT, Continued

A. Long-term Obligations, Continued

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

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

The annual debt service requirements to mature the Series 2006 Community Development Agency Tax Allocation Refunding Bonds outstanding at June 30, 2011 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,880,000	\$ 2,488,295	4,368,295
2013	1,950,000	2,416,968	4,366,968
2014	2,030,000	2,342,985	4,372,985
2015	2,105,000	2,265,966	4,370,966
2016	2,190,000	2,186,103	4,376,103
2017-2021	15,110,000	9,415,001	24,525,001
2022-2026	18,255,000	6,314,923	24,569,923
2027-3031	22,065,000	2,575,557	24,640,557
Total	<u>\$ 65,585,000</u>	<u>\$ 30,005,798</u>	<u>\$ 95,590,798</u>

The issuance of the 2006 Las Pulgas Tax Allocation Bonds included a discount of \$336,800. This amount was recorded as expenditures in the fund financial statements but was capitalized in the government-wide financials statements and recorded as a reduction of long-term debt. The discount will be amortized over the life of the debt of 25 years. The amortization recorded in fiscal year 2011 was \$13,472.

In connection with the issuance of the 2006 Las Pulgas Tax Allocation Bonds, the City recorded a deferral on refunding of debt which is reported as part of long-term debt. This deferral was in connection with interest payments made to the escrow agent for future payments of interest. The total amount deferred was \$3,200,172, which will be amortized over the life of the bond. The amortization recorded in fiscal year 2011 was \$128,007.

Event Disclosure: On April 23, 2008, the Agency remarketed its outstanding Series 2006 Bonds, substituting the preexisting State Street line of credit for a State Street direct-pay letter of credit (LOC). This LOC effectively "wrapped" around the preexisting Ambac Assurance Corporation bond insurance policy, providing additional credit enhancement on the Bonds. The liquidity rate associated with the swap was replaced with an LOC fee of 0.65%. Upon expiration in May 2011, the LOC with State Street Bank was extended for a two year term. Due to the scarcity of credit enhancements in the market, the LOC fee was increased to 1.45%. The fee is contingent on the Agency's credit rating. The Ambac policy remains in effect, but is secondary to the State Street letter of credit. The Bonds remained otherwise unchanged, continuing as before as reset variable rated demand bonds (VRDBs). The swap associated with the Bonds entered into with Piper Jaffray at the original issuance of the Bonds, remains in effect.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

6. LONG-TERM DEBT, Continued

A. Long-term Obligations, Continued

2009 General Obligation Bonds

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

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

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

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

The annual debt service requirements to maturity for the 2009 General Obligation Bonds outstanding at June 30, 2011, were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 55,000	\$ 704,435	\$ 759,435
2013	60,000	701,435	761,435
2014	60,000	698,435	758,435
2015	65,000	695,185	760,185
2016	65,000	691,935	756,935
2017-2021	385,000	3,403,675	3,788,675
2022-2026	490,000	3,290,423	3,780,423
2027-2031	620,000	3,108,087	3,728,087
2032-2036	3,550,000	2,483,490	6,033,490
2037-2039	5,080,000	554,931	5,634,931
Total	\$ 10,430,000	\$ 16,332,031	\$ 26,762,031

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

6. LONG-TERM DEBT, Continued

B. Prior Years' Defeased Obligations

1996 and 2000 Tax Allocation Bonds

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

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

The balance of the defeased bonds outstanding as of June 30, 2011, was \$59,230,000.

7. COMPENSATED ABSENCES

As of fiscal year 2011, compensated absences were not included as a liability in the Fund Financial Statements, as they are not expected to be relieved with current financial resources. Compensated absences at June 30, 2011 were as follows:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011	Estimated Due Within One Year	Estimated Due in More than One Year
Governmental Activities	\$ 2,250,484	\$ 914,818	\$ (981,509)	\$ 2,183,793	\$ 917,676	\$ 1,266,117
Business-Type Activities	68,203	45,001	(37,183)	76,021	32,068	43,953
Total compensated absences	<u>\$ 2,318,687</u>	<u>\$ 959,819</u>	<u>\$ (1,018,692)</u>	<u>\$ 2,259,814</u>	<u>\$ 949,744</u>	<u>\$ 1,310,070</u>

8. RISK MANAGEMENT

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

8. RISK MANAGEMENT, Continued

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

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

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

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

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

Estimated reserves for all claims are recorded in the General Fund. No claim settlement has exceeded the coverage amounts in place for any of the years shown.

Changes in the balances of the City's claims liabilities during the years ended June 30, 2011, 2010 and 2009 were as follows:

	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claim Payments for Current and Prior Years	End of Year Liability
2008-2009	\$ 2,160,331	\$ 734,411	\$ (588,906)	\$ 2,305,836
2009-2010	2,305,836	712,895	(1,078,074)	1,940,657
2010-2011	1,940,657	781,438	(598,656)	2,123,439

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

9. INTERFUND TRANSACTIONS

Interfund receivables and payables at June 30, 2011, were as follows:

Due To / From Other Funds

Interfund due to/ due from represent short term loans owed for purposed of covering short term negative cash positions and will be repaid when fund revenues are received. The composition of due to/from other funds as of June 30, 2011 is as follows:

	Due from other funds			Total
	General Fund	Community Development Agency Non-Housing	Water Capital Improvement Fund	
Due to other funds				
Governmental Activities:				
Measure T Capital Improvement Fund	\$ 1,411,579	\$ -	\$ -	\$ 1,411,579
Community Development Agency Debt Service Fund	-	125,096	-	125,096
OPEB Internal Internal Service Fund	22,501	-	-	22,501
Peninsula Partnership Fund	18,157	-	-	18,157
Business-Type Activities:				
Water Operating Fund	-	-	432,616	432,616
TOTAL	\$ 1,452,237	\$ 125,096	\$ 432,616	\$ 2,009,949

All Due To/From Other Funds were established as of June 30, 2011 to cover short-term negative cash balances.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

9. INTERFUND TRANSACTIONS, Continued

Interfund Transfers

Interfund transfers for the year ended June 30, 2011 were as follows:

		Transfers In												
		Governmental Activities												
		General Fund	Landscaping/Tree Assessment Fund	Literacy Grants Fund	Redevelopment Services Fund	County Transportation Tax Fund	Public Improvements Capital Project Fund	Community Development Agency - Non-Housing Fund	Community Development Agency - Housing Fund	Community Development Agency - Debt Service	Capital Improvement - General Fund	Housing Authority Fund	Business-type Activities - Water Operating Fund	Total
Transfers Out	Governmental Activities:													
	General Fund	\$ -	\$ 159,600	\$ 55,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,053,350	\$ -	\$ -	2,267,950
	Literacy Funds			55,294										55,294
	Public Library Fund													-
	Landscape/Tree Assessment Fund	57,722												57,722
	Sidewalk Assessment Fund	17,340												17,340
	Storm Water Management Fund	32,929												32,929
	Community Development Agency - Housing	87,223								950,826		6,192,088		7,230,137
	Community Development Agency - NonHousing	208,853			11,000,000		9,400,000		3,150,333	3,803,304				27,562,490
	Community Development Agency - Capital Improvement							5,000,000						5,000,000
	Garbage Service Fund	70,582												70,582
	Downtown Parking Permits Fund	23,078												23,078
	Bedwell - Bayfront Park Landfill Fund	7,208												7,208
	Bedwell - Bayfront Park Mt. Operation Fund	11,570												11,570
	Redevelopment Services Fund													-
	Misc Trust Funds	15,451					17,500							32,951
Business-Type Activities:														
Water Fund - Operating	165,637												165,637	
Water Fund - Capital												907,734	907,734	
TOTAL	\$ 697,593	\$ 159,600	\$ 110,294	\$ 11,000,000	\$ 17,500	\$ 9,400,000	\$ 5,000,000	\$ 3,150,333	\$ 4,754,130	\$ 2,053,350	\$ 6,192,088	\$ 907,734	\$ 43,442,622	

The most significant transfers were from the Community Development Agency Housing and Non-Housing funds to the Community Development Agency Debt Service Fund of \$4,754,131 total, which was provided to make debt service payments, a transfer of \$2,053,350 from the General Fund to the General Capital Improvement Project fund for infrastructure improvements, transfers of \$11,000,000 from the Community Development Agency non-Housing to the Redevelopment Services Grant Fund and \$9,400,000 to the Public Improvements Fund per the Redevelopment Services Agreement, and \$6,192,088 from The Community Development Agency Housing Fund to the Housing Authority Fund to provide low to moderate income housing services.

10. FUND BALANCE

In the Fund Financial Statements, governmental funds report restriction of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. The various committed and assigned balances are established by actions of the City Council and Management and can be increased, reduced or eliminated by similar actions. The following are the classifications that were implemented according to GASB 54 at June 30, 2011:

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

10. FUND BALANCE, Continued

	General Fund	Redevelopment	Housing	Community Development Agency			Non-Major	Total
		Services Special Revenue	Authority Special Revenue	Housing Special Revenue	Non-housing Special Revenue	Debt Service	Capital Projects	
Nonspendable:								
Deposits and prepaid items	\$ 205,617	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 206,691
Housing loans	-	-	-	-	-	-	2,213,049	2,213,049
Notes receivable	1,229,409	-	261,684	-	-	-	-	1,491,093
Total nonspendable	1,435,026	-	261,684	-	-	-	2,214,123	3,910,833
Committed to:								
Emergency contingency	6,000,000	-	-	-	-	-	-	6,000,000
Economic stabilization	8,000,000	-	-	-	-	-	-	8,000,000
Total committed	14,000,000	-	-	-	-	-	-	14,000,000
Assigned to:								
Infrastructure maintenance	2,163,200	-	-	-	-	-	-	2,163,200
Capital Projects	-	-	-	-	-	-	14,531,404	14,531,404
Comprehensive planning	102,000	-	-	-	-	-	-	102,000
GASB 31 adjustment	1,193	-	-	-	-	-	-	1,193
Other purposes	325,780	-	-	-	-	-	-	325,780
Total assigned	2,592,173	-	-	-	-	-	14,531,404	17,123,577
Restricted:								
Capital improvements	-	-	-	-	-	-	43,137	4,520,099
Debt service	-	-	-	-	9,149,618	-	-	12,662,667
Specific revenue sources	-	9,910,456	5,793,234	-	-	-	-	44,919,441
Total restricted	-	9,910,456	5,793,234	-	9,149,618	-	43,137	62,102,207
Unassigned:								
General fund	1,578,736	-	-	-	-	-	-	1,578,736
Special revenue funds	-	-	-	-	-	-	(105,083)	(105,083)
Total unassigned	1,578,736	-	-	-	-	-	(105,083)	1,473,653
Total Fund Balance	\$ 19,605,935	\$ 9,910,456	\$ 6,054,918	\$ -	\$ 9,149,618	\$ 43,137	\$ 53,846,206	\$ 98,610,270

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

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

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

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

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

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

10. FUND BALANCE, Continued

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

Capital Improvements - represents funds set aside for capital improvements.

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

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

11. NET ASSETS

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

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

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

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

12. OTHER FUND DISCLOSURES

Expenditures over Appropriations

The following funds had an excess of expenditures over appropriations for the year ended June 30, 2011:

Major:		
Community Development Agency Housing Fund	\$	85,610
Community Development Agency Capital Projects Fund		65,281
Community Development Agency Debt Service Fund		112,352
Non-Major:		
Special Revenue Funds:		
Solid Waste Service		685,262
Peninsula Partnership Fund		3,266
Miscellaneous Trust Fund		116,266
Community Development Block Grant Fund		412

The Community Development Agency Housing Fund experienced additional rehabilitation loan expenses during the fiscal year, exceeding the fund's budget by \$85,610.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

12. OTHER FUND DISCLOSURES, Continued

The Community Development Agency Capital Projects Fund exceeded appropriations by \$65,281 due to additional costs in the Belle Haven Pool Improvements project.

The Community Development Agency Debt Service Fund exceeded appropriations by \$112,352 due to attorneys' fees and additional fiscal charges related to renewing the letter of credit with State Street Bank on the 2006 Refunding Bonds.

The Solid Waste Service Fund recorded a \$737,000 liability for prior year collection services, after changing service providers in the middle of the fiscal year. This liability was not anticipated in the fund's 2010-11 budget.

The Peninsula Partnership Special Revenue Fund experienced additional Community Services personnel charges for extra programs related to grant funding, exceeding the fund's budget by \$3,266.

The Miscellaneous Trust Special Revenue Fund exceeding appropriations by \$116,266 due to additional Environmental Impact Report expenses for community development. These costs are offset by Charges for Services paid by the developers. There were sufficient extra revenues to cover the additional costs.

The Community Development Block Grant Fund exceeded appropriations by \$412 due to unanticipated expenses regarding one of the home improvement loans.

13. PUBLIC EMPLOYEE RETIREMENT SYSTEM

Plan Description

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

Funding Policy

Participants are required to contribute 8% for miscellaneous and 9% for safety employees of their annual covered salary. The City is required to contribute at an actuarially determined rate; the current rate is 13.676% for miscellaneous employees, and 33.125% for safety employees, of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

13. PUBLIC EMPLOYEE RETIREMENT SYSTEM, Continued

Annual Pension Cost

For the fiscal year ended June 30, 2011, the City's annual pension cost of \$3,920,409 for PERS was equal to the City's required and actual contribution. The required contribution was determined as part of the June 30, 2008, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions were as follows:

	Miscellaneous	Safety
Valuation date	June 30, 2008	June 30, 2008
Actuarial cost method	Entry age Normal Cost Method	Entry age Normal Cost Method
Amortization method	Level Percent of Payroll	Level Percent of Payroll
Average remaining period	17 years as of the valuation date	19 years as of the valuation date
Asset valuation method	15 year smoothed market	15 year smoothed market
Actuarial assumptions:		
Investment rate of return	7.75% (net of administrative expenses)	7.75% (net of administrative expenses)
Projected salary increases	3.25% to 14.45% depending on age, service, and type of employment	3.25% to 14.45% depending on age, service, and type of employment
Inflation	3.00%	3.00%
Payroll growth	3.25%	3.25%
Individual salary growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and and annual production growth of 0.25%.	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and and annual production growth of 0.25%.

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

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

13. PUBLIC EMPLOYEE RETIREMENT SYSTEM, Continued

Funded Status of Plan – 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
2008	\$ 61,338,783	\$ 67,682,313	\$ 6,343,530	90.6%	\$ 13,787,507	46.0%

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

Funded Status of Plan – Safety Employees

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

14. OTHER POST-EMPLOYMENT BENEFITS

Plan Description

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

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

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

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

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

14. OTHER POST-EMPLOYMENT BENEFITS, Continued

Funding Policy

The City pre-funds the Plan through CalPERS OPEB Trust (CERBT) by contributing at least 100% of the City's Annual Required Contribution (ARC) every year. For fiscal year 2010-11, the City contributed \$631,950, including \$413,594 in benefit payments and a \$218,356 deposit to CERBT. The City's ARC was \$584,000 for fiscal year 2010-11.

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

Annual Other Postemployment Benefit Cost and Net Obligation

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

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

Annual required contribution	\$ 584,000
Interest on net OPEB obligation	(9,000)
Adjustment to annual required contribution	<u>11,000</u>
Annual OPEB cost (expense)	586,000
Contributions made	(218,356)
Benefit Payments	<u>(413,594)</u>
Increase (decrease) in net OPEB obligation	(45,950)
Net OPEB obligation/(asset) – beginning of year	<u>(115,453)</u>
Net OPEB obligation/(asset) – end of year	<u><u>\$ (161,403)</u></u>

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

Fiscal Year Ended June 30,	OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
2009	\$ 841,310	100%	\$ -
2010	680,452	120%	(115,453)
2011	631,950	108%	(161,403)

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

14. OTHER POST-EMPLOYMENT BENEFITS, Continued

Funded Status

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

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

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

Actuarial Methods and Assumptions

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

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

15. LANDFILL POST-CLOSURE CARE

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

State and Federal laws and regulations require that the City perform certain maintenance and monitoring functions at the landfill site at Bayfront Park through the year 2025. These same regulations require the City to make annual contributions and/or provide an alternative funding mechanism to finance closure and post-closure care costs. In January 2003, the City Council approved a plan for a 5.4% surcharge on solid waste collection fees, increasing at a rate of 0.2% per year, in order to cover these costs. The surcharge is currently 7.0 percent.

The City's outstanding future post-closure care costs were estimated at \$6,206,303 at June 30, 2011. This estimate is based upon the present value of future cash flows associated with the landfill site's post-closure costs, discounted using the City's projected return on investment. The amount of fund balance within the Landfill Special Revenue Fund is not sufficient to cover such a liability, though the revenue stream provided by the solid waste collection surcharge and all post-closure costs will be accounted for in this fund. The City has recorded the post-closure cost liability as part of governmental activities in the government-wide financial statements.

The City will fund on-going post-closure costs with a combination of revenues from the surcharge and interest earnings. However, if these revenues are inadequate or additional post-closure care requirements are determined (due to changes in technology, applicable laws or regulations, for example), these costs may need to be covered by additional garbage surcharges or from future tax revenue. The following is the activity for landfill post closure care for fiscal year 2011:

	Balance July 1, 2010	Deletions	Balance June 30, 2011	Due within one year	Due in more than one year
Governmental Activities	\$ 6,388,623	\$ (182,320)	\$ 6,206,303	\$ 204,024	\$ 6,002,279

16. 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 2011 was \$11,125,255.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

16. COMMUNITY DEVELOPMENT AGENCY OF THE CITY OF MENLO PARK, Continued

Because the Agency had received and expended or was 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 the 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. In February 2011, the City contracted with the Agency to provide redevelopment services, public improvement and housing programs with the redevelopment area for the Agency. The City assumed the assets of the Agency and in subsequent years, the Agency will only be responsible to using the tax increment to make pass-through payments and debt service payments.

Transactions with the State of California

On July 28, 2009 the Governor of the State of California signed AB 4X 26 to address the fiscal emergency declared by the Governor on July 1, 2009. This bill amends the Health and Safety Code to require a \$1.7 billion shift in funds from redevelopment agencies to the state-mandated Supplemental Educational Revenue Augmentation Fund (SERAF) for fiscal year 2009-10, and a \$350 million SERAF shift for fiscal year 2010-11. The Agency's proportionate share of the 2009-10 SERAF shift was \$3,433,830 (reflected as an expenditure on the fiscal 2009-10 financial statements), and the 2010-11 proportionate share of the SERAF shift was \$706,965 (reflected as an expenditure on the accompanying financial statements).

Recent Changes in Legislation Affecting California Redevelopment Agencies

On June 29, 2011, the Governor of the State of California signed Assembly Bills X1 26 and 27 as part of the State's budget package. Assembly Bill X1 26 requires each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. Assembly Bill X1 27 provides a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program. Under this program, each city would adopt an ordinance agreeing to make certain payments to the County Auditor Controller in fiscal year 2011-12 and annual payments each fiscal year thereafter. Assembly Bill X1 26 indicates that the city "may use any available funds not otherwise obligated for other uses" to make this payment. The City of Menlo Park intends to use available monies of its redevelopment agency for this purpose and the City and Agency have approved a reimbursement agreement to accomplish that objective. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the state legislature.

Assembly Bill X1 26 directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by Assembly Bill X1 26.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

16. COMMUNITY DEVELOPMENT AGENCY OF THE CITY OF MENLO PARK, Continued

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn Assembly Bills X1 26 and 27 on the grounds that these bills violate the California Constitution. On August 11, 2011, the California Supreme Court issued a stay of all of Assembly Bill X1 27 and most of Assembly Bill X1 26. The California Supreme Court stated in its order that "the briefing schedule is designed to facilitate oral argument as early as possible in 2011, and a decision before January 15, 2012." A second order issued by the California Supreme Court on August 17, 2011 indicated that certain provisions of Assembly Bills X1 26 and 27 were still in effect and not affected by its previous stay, including requirements to file an appeal of the determination of the community remittance payment by August 15, the requirement to adopt an Enforceable Obligations Payment Schedule ("EOPS") by August 29, 2011, and the requirement to prepare a preliminary draft of the initial Recognized Obligation Payment Schedule ("ROPS") by September 30, 2011. In compliance with this ruling Agency adopted their EOPS on August, 23, 2011 by Resolution No. 320, and the Agency prepared their ROPS on September 29, 2011.

Because the stay provided by Assembly Bill X1 26 only affects enforcement, each agency must adopt an Enforceable Obligation Payment Schedule and draft Recognized Obligation Payment Schedule prior to September 30, as required by the statute. Enforceable obligations include bonds, loans and payments required by the federal or State government; legally enforceable payments required in connection with agency employees such as pension payments and unemployment payments, judgments or settlements; legally binding and enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of the agency that are permitted for purposes set forth in AB1X 26.

On September 27, 2011, City Ordinance No. 975 was adopted, indicating that the City will comply with the Voluntary Alternative Redevelopment Program in order to permit the continued existence and operation of the agency, in the event Assembly Bills X1 26 and/or 27 are upheld as constitutional. The initial payment by the City is \$3,155,212 with one half due on January 15, 2012 and the other half due May 15, 2012. Thereafter, an estimated \$757,300 will be due annually. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the State Legislature. The semi-annual payments will be due on January 15 and May 15 of each year and would increase or decrease with changes in tax increment. Additionally, an increased amount would be due to schools if any "new debt" is incurred. Assembly Bill X1 27 allows a one-year reprieve on the agency's obligation to contribute 20% of tax increment to the low-and-moderate-income housing fund so as to permit the Agency to assemble sufficient funds to make its initial payments.

Management believes that the Agency will have sufficient funds to pay its obligations as they become due during the fiscal year ending June 30, 2012. The nature and extent of the operation of redevelopment agencies in the State of California beyond that time frame are dependent upon the outcome of litigation surrounding the actions of the state. In the event that Assembly Bills X1 26 and/or 27 are specifically found by the courts to be unconstitutional, there is a possibility that future legislative acts may create new challenges to the ability of redevelopment agencies in the State of California to continue in view of the California State Legislature's stated intent to eliminate California redevelopment agencies and to reduce their funding.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

17. 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, 2011, 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.

18. 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.

19. COMMITMENTS

The City had various commitments totaling \$9,818,850 as of June 30, 2011. The City committed \$5,473,435 for the construction of the Arrillaga Family Gymnastics Center, which will be completed in April 2012. Other commitments were for large construction projects including: the Police Substation/City Hall Annex for \$1,305,208, the Emergency Water Tank Replacement program for \$112,326, water main replacements in the amount of \$371,468, the Street Resurfacing project for \$724,664, Kelly Park Improvements project for \$253,070, and minor improvements to City buildings for \$145,998. The remaining commitments, totaling \$1,432,681, were for less significant activities. All commitments are evidenced by contractual agreements with contractors.

20. JOINT VENTURES

General

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

San Francisquito Creek

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

20. JOINT VENTURES, Continued

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

In the fiscal year ended June 30, 2011, each member entity contributed \$98,000 to cover Authority administrative costs for the year.

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

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

South Bayside Waste Management Authority

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

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

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

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

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

21. NEGATIVE FUND BALANCE

As of June 30, 2011, the Peninsula Partnership Grant Fund has a negative fund balance of \$20,139. The grant funding for this program was overestimated but expenditures were not reduced. Additional funding in future years will be needed or the General Fund will add additional support. The Solid Waste Services Fund has a negative fund balance of \$77,202. The City changed solid waste service providers in January 2011 leaving a \$736,785 liability to be paid to the previous provider. Solid waste service fees in the future will be used to pay this liability. The Other Post-Employment Benefits internal service fund has a negative fund balance of \$27,900. The negative fund balance will be reduced from future internal service charges.

22. PRIOR PERIOD ADJUSTMENT

The City recorded a prior period adjustment to increase the beginning net assets of the governmental activities by \$115,453. The purpose of the adjustment was to record the beginning of year OPEB asset. The adjustment had no affect on the governmental funds financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

City of Menlo Park
Required Supplementary Information
For the year ended June 30, 2011

BUDGETARY PRINCIPLES

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

1. City Council identifies the priority projects/programs for the budget at a study session with public input. The City Council annually adopts the budget for the ensuing fiscal year generally prior to July 1.
2. The City Manager is authorized to transfer budgetary amounts within a single fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.
3. Legally adopted budgets and formal budgetary integration is employed as a management control device during the year for the general fund, special revenue funds, debt service funds, and capital projects funds. Proprietary funds and Agency funds are not budgeted.
4. Budgets for the general, special revenue and capital projects funds are adopted on a basis consistent with GAAP.
5. Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller, returned to the taxpayers through revised tax rates or revised fee schedules, or an excess in one year may be offset against a deficit in the following year. For the fiscal year ended June 30, 2011, based on the calculations by City Management, proceeds of taxes did not exceed the appropriations limit.
6. Budgeted revenue amounts represent the original budget modified by adjustments authorized during the year. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year which were contingent upon new or additional revenue sources and reappropriated amounts for prior year encumbrances. The City Manager must approve adjustments to departmental budgets; however, management may amend the budgeted amounts within departmental expenditure classifications.
7. Appropriations lapse at the end of the fiscal year and then are rebudgeted for the coming year.
8. Budgeted appropriations for the various governmental funds become effective each July 1. The City Council may amend the budget during the fiscal year. The legal level of budgetary control has been established at the fund level. Appropriations generally lapse at the end of the fiscal year to the extent they have not been expended or encumbered.

Encumbrances

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

City of Menlo Park
Required Supplementary Information, Continued
For the year ended June 30, 2011

Budgetary Comparison Schedule, General Fund

	Budget		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Taxes:				
Secured property taxes	\$ 11,944,270	\$ 11,899,530	\$ 11,869,629	\$ (29,901)
Unsecured property taxes	460,000	370,000	393,250	23,250
Other property taxes	460,000	490,470	548,444	57,974
Sales taxes	6,245,000	5,945,000	5,988,055	43,055
Other taxes	5,552,500	5,340,000	5,253,937	(86,063)
Licenses and permits	2,840,020	3,169,610	3,239,559	69,949
Fines and forfeitures	1,088,000	994,000	953,194	(40,806)
Use of money and property	1,409,000	1,009,000	575,760	(433,240)
Intergovernmental	1,834,947	1,809,977	1,946,156	136,179
Charges for services	5,090,287	5,056,787	5,246,250	189,463
Other	29,050	27,460	32,317	4,857
Total revenues	36,953,074	36,111,834	36,046,551	(65,283)
EXPENDITURES:				
Current:				
General government	5,186,050	4,907,657	4,605,144	302,513
Public safety	14,665,463	20,740,860	20,484,330	256,530
Public works	4,985,125	4,814,177	4,462,744	351,433
Culture and recreation	8,525,259	8,301,799	7,994,548	307,251
Community development	2,633,579	2,631,686	2,501,016	130,670
Capital outlay	266,499	258,389	250,115	8,274
Total expenditures	36,261,975	41,654,568	40,297,897	1,356,671
REVENUES OVER (UNDER) EXPENDITURES	691,099	(5,542,734)	(4,251,346)	1,291,388
OTHER FINANCING SOURCES (USES):				
Transfers in	682,842	682,842	697,594	14,752
Transfers out	(2,377,800)	(2,267,950)	(2,267,949)	1
Proceeds from sale of assets	-	-	594	594
Total other financing sources (uses)	(1,694,958)	(1,585,108)	(1,569,761)	15,347
Net change in fund balance	\$ (1,003,859)	\$ (7,127,842)	(5,821,107)	\$ 1,306,735
FUND BALANCE:				
Beginning of year			25,427,042	
End of year			<u>\$ 19,605,935</u>	

City of Menlo Park
Required Supplementary Information, Continued
For the year ended June 30, 2011

Budgetary Comparison Schedule, Community Development Agency Housing Special Revenue

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES:				
Taxes:				
Secured property taxes	\$ 2,079,000	\$ 2,079,000	\$ 1,988,205	\$ (90,795)
Unsecured property taxes	153,500	153,500	236,846	83,346
Use of money and property	20,000	13,174	4,599	(8,575)
Charges for services	142,000	142,000	140,891	(1,109)
Total revenues	2,394,500	2,387,674	2,370,541	(17,133)
EXPENDITURES:				
Current:				
Urban development and housing	1,160,630	461,857	550,871	(89,014)
Capital outlay	4,500	4,500	1,096	3,404
Total expenditures	1,165,130	466,357	551,967	(85,610)
REVENUES OVER (UNDER) EXPENDITURES	1,229,370	1,921,317	1,818,574	(102,743)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	3,150,000	3,150,333	333
Transfers out	(1,038,049)	(7,019,746)	(7,230,137)	(210,391)
Total other financing sources (uses)	(1,038,049)	(3,869,746)	(4,079,804)	(210,058)
Net change in fund balance	\$ 191,321	\$ (1,948,429)	(2,261,230)	\$ (312,801)
FUND BALANCE:				
Beginning of year			2,261,230	
End of year			\$ -	

City of Menlo Park
Required Supplementary Information, Continued
For the year ended June 30, 2011

Budgetary Comparison Schedule, Community Development Agency Non-Housing Special Revenue Fund

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Secured property taxes	\$ 8,316,000	\$ 8,316,000	\$ 7,952,821	\$ (363,179)
Unsecured property taxes	613,900	613,900	947,383	333,483
Use of money and property	300,000	147,494	(39,361)	(186,855)
Charges for services	24,500	8,441	92,743	84,302
Total revenues	9,254,400	9,085,835	8,953,586	(132,249)
EXPENDITURES:				
Current:				
Community development	1,515,057	982,752	3,640,863	(2,658,111)
Urban development and housing	4,029,622	6,007,513	980,319	5,027,194
Capital outlay	-	-	-	-
Total expenditures	5,544,679	6,990,265	4,621,182	2,369,083
REVENUES OVER (UNDER) EXPENDITURES	3,709,721	2,095,570	4,332,404	2,236,834
OTHER FINANCING SOURCES (USES):				
Transfers in	-	5,000,000	5,000,000	-
Transfers out	(4,012,158)	(28,996,868)	(27,562,490)	1,434,378
Total other financing sources (uses)	(4,012,158)	(23,996,868)	(22,562,490)	1,434,378
Net change in fund balance	\$ (302,437)	\$ (21,901,298)	(18,230,086)	\$ 3,671,212
FUND BALANCE:				
Beginning of year			18,230,086	
End of year			\$ -	

City of Menlo Park
Required Supplementary Information, Continued
For the year ended June 30, 2011

Budgetary Comparison Schedule, Redevelopment Services Special Revenue Fund

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Secured property taxes	\$ -	\$ 3,887,801	\$ -	\$ (3,887,801)
Use of money and property	-	152,506	73,803	(78,703)
Charges for services	-	16,059	2,841	(13,218)
Total revenues	-	4,056,366	76,644	(3,979,722)
EXPENDITURES:				
Current:				
Community development	-	554,889	674,045	(119,156)
Urban development and housing	-	3,695,530	492,143	3,203,387
Capital outlay	-	-	-	-
Total expenditures	-	4,250,419	1,166,188	3,084,231
REVENUES OVER (UNDER) EXPENDITURES	-	(194,053)	(1,089,544)	(895,491)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	14,000,000	11,000,000	(3,000,000)
Transfers out	-	(1,671,732)	-	1,671,732
Total other financing sources (uses)	-	12,328,268	11,000,000	(1,328,268)
Net change in fund balance	\$ -	\$ 12,134,215	9,910,456	\$ (2,223,759)
FUND BALANCE:				
Beginning of year			-	
End of year			\$ 9,910,456	

City of Menlo Park
Required Supplementary Information, Continued
For the year ended June 30, 2011

Budgetary Comparison Schedule, Housing Authority Special Revenue Fund

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Secured property taxes	\$ -	\$ 974,450	\$ -	\$ (974,450)
Use of money and property	-	6,826	46,319	39,493
Charges for services	-	140,677	140,677	-
Total revenues	-	1,121,953	186,996	(934,957)
EXPENDITURES:				
Current:				
Urban development and housing	-	1,158,439	323,070	835,369
Capital outlay	-	-	1,096	(1,096)
Total expenditures	-	1,158,439	324,166	834,273
REVENUES OVER (UNDER) EXPENDITURES	-	(36,486)	(137,170)	(100,684)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	6,411,230	6,192,088	(219,142)
Transfers out	-	-	-	-
Total other financing sources (uses)	-	6,411,230	6,192,088	(219,142)
Net change in fund balance	\$ -	\$ 6,374,744	6,054,918	\$ (319,826)
FUND BALANCE:				
Beginning of year			-	
End of year			<u>\$ 6,054,918</u>	

City of Menlo Park
Required Supplementary Information, Continued
For the year ended June 30, 2011

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

SCHEDULE OF FUNDING PROGRESS

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Miscellaneous Employees

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

Safety Employees

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

B. OTHER POST EMPLOYMENT BENEFITS (OPEB)

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

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

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SUPPLEMENTARY INFORMATION

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MAJOR GOVERNMENTAL FUNDS BUDGETARY SCHEDULES

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Community Development Agency - Debt Service Major Fund For the year ended June 30, 2011

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
REVENUES:				
Use of money and property	\$ 90,000	\$ 70,000	\$ 259,472	\$ 189,472
Total revenues	<u>90,000</u>	<u>70,000</u>	<u>259,472</u>	<u>189,472</u>
EXPENDITURES:				
Debt service:				
General government	-	-	76,987	(76,987)
Principal	1,810,000	1,810,000	1,810,000	-
Interest and fiscal charges	3,044,131	3,077,131	3,112,496	(35,365)
Cost of issuance	-	-	-	-
Total expenditures	<u>4,854,131</u>	<u>4,887,131</u>	<u>4,999,483</u>	<u>(112,352)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(4,764,131)</u>	<u>(4,817,131)</u>	<u>(4,740,011)</u>	<u>77,120</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	4,754,131	4,754,131	4,754,130	(1)
Total other financing sources (uses)	<u>4,754,131</u>	<u>4,754,131</u>	<u>4,754,130</u>	<u>(1)</u>
Net change in fund balance	<u>\$ (10,000)</u>	<u>\$ (63,000)</u>	14,119	<u>\$ 77,119</u>
FUND BALANCE:				
Beginning of year			<u>9,135,499</u>	
End of year			<u>\$ 9,149,618</u>	

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Community Development Agency - Capital Projects Major Fund For the year ended June 30, 2011

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 70,800	\$ 39,988	\$ 31,263	\$ (8,725)
Total revenues	70,800	39,988	31,263	(8,725)
EXPENDITURES:				
Capital outlay	5,927,485	2,355,451	2,420,732	(65,281)
Total expenditures	5,927,485	2,355,451	2,420,732	(65,281)
REVENUES OVER (UNDER) EXPENDITURES	(5,856,685)	(2,315,463)	(2,389,469)	(74,006)
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(5,000,000)	(5,000,000)	-
Total other financing sources (uses)	-	(5,000,000)	(5,000,000)	-
Net change in fund balance	\$ (5,856,685)	\$ (7,315,463)	(7,389,469)	\$ (74,006)
FUND BALANCE:				
Beginning of year			7,432,606	
End of year			\$ 43,137	

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds, Continued:

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.

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

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

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

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

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

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

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

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 the Library Bond and the 2002 Recreation GO Bond Obligations.

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.

NON-MAJOR GOVERNMENTAL FUNDS

Capital Projects Funds, Continued:

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

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

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

City of Menlo Park
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2011

	Special Revenue				
	Highway Users Tax	Federal Revenue Sharing	Landscape/ Tree Assessment	Sidewalk Assessment	Landfill Post-Closure
ASSETS					
Cash and investments	\$ 2,567,951	\$ 35,186	\$ 178,924	\$ 530,442	\$ 2,375,305
Restricted cash and investments	-	-	-	-	-
Receivables:					
Accounts	-	-	-	-	124,978
Interest	10,925	173	-	-	10,105
Notes	-	97,158	-	-	-
Due from other governments	-	-	14,903	5,512	1,705
Deposits and prepaid items	-	-	70	-	70
Due from other funds	-	-	-	-	-
Total assets	\$ 2,578,876	\$ 132,517	\$ 193,897	\$ 535,954	\$ 2,512,163
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 13,846	\$ 10,000	\$ 6,364	\$ -	\$ 19,577
Accrued payroll and related liabilities	2,488	-	19,983	1,844	426
Due to other funds	-	-	-	-	-
Deposits	-	-	-	-	-
Deferred revenue	-	97,158	-	-	-
Total liabilities	16,334	107,158	26,347	1,844	20,003
Fund Balances:					
Deposits and prepaid items	-	-	70	-	70
Housing loans	-	-	-	-	-
Notes receivable	-	-	-	-	-
Total nonspendable	-	-	70	-	70
Restricted:					
GASB 31 adjustment	111	2	-	-	102
Special programs and services	2,560,431	-	81,993	534,110	2,361,556
Capital improvements	-	-	-	-	-
Debt service	-	-	-	-	-
Other purposes	2,000	25,357	85,487	-	130,432
Total restricted	2,562,542	25,359	167,480	534,110	2,492,090
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	2,562,542	25,359	167,550	534,110	2,492,160
Total liabilities and fund balances	\$ 2,578,876	\$ 132,517	\$ 193,897	\$ 535,954	\$ 2,512,163

Special Revenue

Below Market Rate Housing	County Transportation Tax	Public Library	Literacy Grants	Narcotic Seizure	Transportation Impact Fees	Downtown Parking Permits	Storm Drainage Fees
\$ 8,216,172	\$ 984,637	\$ 104,560	\$ 38,899	\$ 39,145	\$ 1,890,696	\$ 3,077,332	\$ 183,246
-	-	-	-	-	-	-	-
-	51,598	-	-	-	-	-	-
34,954	4,207	-	-	-	8,043	13,094	1,205
2,213,049	-	-	-	-	-	-	-
-	89,863	-	-	-	-	-	-
-	35	-	-	-	35	-	-
-	-	-	-	-	-	-	-
<u>\$ 10,464,175</u>	<u>\$ 1,130,340</u>	<u>\$ 104,560</u>	<u>\$ 38,899</u>	<u>\$ 39,145</u>	<u>\$ 1,898,774</u>	<u>\$ 3,090,426</u>	<u>\$ 184,451</u>
\$ 18,025	\$ 78,270	\$ -	\$ 90	\$ 3,284	\$ 1,187	\$ 6,981	\$ -
-	17,084	-	5,080	-	4,619	5,874	-
-	-	-	-	-	-	-	-
-	-	-	-	-	40,000	-	-
-	-	-	-	-	-	-	-
<u>18,025</u>	<u>95,354</u>	<u>-</u>	<u>5,170</u>	<u>3,284</u>	<u>45,806</u>	<u>12,855</u>	<u>-</u>
-	35	-	-	-	35	-	-
-	-	-	-	-	-	-	-
<u>2,213,049</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>2,213,049</u>	<u>35</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35</u>	<u>-</u>	<u>-</u>
354	43	-	-	-	81	133	12
8,190,005	879,341	104,560	33,729	35,861	1,852,852	3,070,938	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
42,742	155,567	-	-	-	-	6,500	184,439
<u>8,233,101</u>	<u>1,034,951</u>	<u>104,560</u>	<u>33,729</u>	<u>35,861</u>	<u>1,852,933</u>	<u>3,077,571</u>	<u>184,451</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>10,446,150</u>	<u>1,034,986</u>	<u>104,560</u>	<u>33,729</u>	<u>35,861</u>	<u>1,852,968</u>	<u>3,077,571</u>	<u>184,451</u>
<u>\$ 10,464,175</u>	<u>\$ 1,130,340</u>	<u>\$ 104,560</u>	<u>\$ 38,899</u>	<u>\$ 39,145</u>	<u>\$ 1,898,774</u>	<u>\$ 3,090,426</u>	<u>\$ 184,451</u>

(Continued)

City of Menlo Park
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2011

	Special Revenue				
	Solid Waste Service	Bay Area Air Quality Management	Storm Water Management	Peninsula Partnership Grant	Supplemental Law Enforcement Service
ASSETS					
Cash and investments	\$ 371,742	\$ 2,608	\$ 307,341	\$ -	\$ 20,256
Restricted cash and investments	-	-	-	-	-
Receivables:					
Accounts	258,216	-	-	-	-
Interest	1,271	11	-	-	87
Notes	-	-	-	-	-
Due from other governments	37,437	-	13,904	-	11,359
Deposits and prepaid items	35	-	776	-	-
Due from other funds	-	-	-	-	-
Total assets	\$ 668,701	\$ 2,619	\$ 322,021	\$ -	\$ 31,702
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 738,410	\$ -	\$ 3,094	\$ 959	\$ 1,831
Accrued payroll and related liabilities	7,493	-	6,189	1,024	-
Due to other funds	-	-	-	18,156	-
Deposits	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	745,903	-	9,283	20,139	1,831
Fund Balances:					
Nonspendable:					
Deposits and prepaid items	35	-	776	-	-
Housing loans	-	-	-	-	-
Notes receivable	-	-	-	-	-
Total nonspendable	35	-	776	-	-
Restricted:					
GASB 31 adjustment	13	-	-	-	-
Special programs and services	-	2,619	298,559	-	29,871
Capital improvements	-	-	-	-	-
Debt service	-	-	-	-	-
Other purposes	7,694	-	13,403	-	-
Total restricted	7,707	2,619	311,962	-	29,871
Assigned	-	-	-	-	-
Unassigned	(84,944)	-	-	(20,139)	-
Total fund balances	(77,202)	2,619	312,738	(20,139)	29,871
Total liabilities and fund balances	\$ 668,701	\$ 2,619	\$ 322,021	\$ -	\$ 31,702

Special Revenue							Debt Service	
Construction Impact Fees	Bedwell Bayfront Park Maintenance	Recreation In-Lieu	Sharon Hills Park	Vintage Oaks Landscape	Community Development Block Grant	Miscellaneous Trust	Library Bond	
\$ 2,405,759	\$ 879,018	\$ 3,788,747	\$ 101,812	\$ 116,882	\$ 706,083	\$ 1,147,827	\$ 916,724	
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
10,211	3,739	16,117	433	497	-	1,600	3,900	
-	-	-	-	-	1,181,114	-	-	-
-	-	-	-	-	-	-	7,766	
-	53	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
<u>\$ 2,415,970</u>	<u>\$ 882,810</u>	<u>\$ 3,804,864</u>	<u>\$ 102,245</u>	<u>\$ 117,379</u>	<u>\$ 1,887,197</u>	<u>\$ 1,149,427</u>	<u>\$ 928,390</u>	
\$ 277,755	\$ 35,688	\$ 215,619	\$ -	\$ 1,302	\$ 7,113	\$ 112,851	\$ -	
-	878	-	-	-	-	2,665	-	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
-	-	-	-	-	1,181,114	-	-	
<u>277,755</u>	<u>36,566</u>	<u>215,619</u>	<u>-</u>	<u>1,302</u>	<u>1,188,227</u>	<u>115,516</u>	<u>-</u>	
-	53	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
-	53	-	-	-	-	-	-	
103	38	163	4	5	-	-	40	
-	840,458	557,731	102,241	116,072	698,970	910,236	-	
1,421,870	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	928,350	
716,242	5,695	3,031,351	-	-	-	123,675	-	
<u>2,138,215</u>	<u>846,191</u>	<u>3,589,245</u>	<u>102,245</u>	<u>116,077</u>	<u>698,970</u>	<u>1,033,911</u>	<u>928,390</u>	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
<u>2,138,215</u>	<u>846,244</u>	<u>3,589,245</u>	<u>102,245</u>	<u>116,077</u>	<u>698,970</u>	<u>1,033,911</u>	<u>928,390</u>	
<u>\$ 2,415,970</u>	<u>\$ 882,810</u>	<u>\$ 3,804,864</u>	<u>\$ 102,245</u>	<u>\$ 117,379</u>	<u>\$ 1,887,197</u>	<u>\$ 1,149,427</u>	<u>\$ 928,390</u>	

(Continued)

City of Menlo Park
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2011

	Debt Service		Capital Projects			Total Non-Major Governmental Funds
	Recreation GO Bond 2002	Library Addition	Measure T 2002 GO Bond	Capital Improvement General	Public Improvement	
	ASSETS					
Cash and investments	\$ 2,436,239	\$ 214,787	\$ -	\$ 7,994,650	\$ 7,923,655	\$ 49,556,625
Restricted cash and investments	-	-	4,559,657	-	-	4,559,657
Receivables:						
Accounts	-	-	-	81,417	-	516,209
Interest	10,364	914	5,403	-	32,919	170,172
Notes	-	-	-	-	-	3,491,321
Due from other governments	140,056	-	-	-	-	322,505
Deposits and prepaid items	-	-	-	-	-	1,074
Due from other funds	-	-	-	-	-	-
Total assets	\$ 2,586,659	\$ 215,701	\$ 4,565,060	\$ 8,076,067	\$ 7,956,574	\$ 58,617,563
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 2,000	\$ 3,311	\$ 21,727	\$ 232,733	\$ 14,669	\$ 1,826,686
Accrued payroll and related liabilities	-	-	3,920	8,207	-	87,774
Due to other funds	-	-	1,411,578	-	-	1,429,734
Deposits	-	-	-	-	108,891	148,891
Deferred revenue	-	-	-	-	-	1,278,272
Total liabilities	2,000	3,311	1,437,225	240,940	123,560	4,771,357
Fund Balances:						
Nonspendable:						
Deposits and prepaid items	-	-	-	-	-	1,074
Housing loans	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	2,213,049
Total nonspendable	-	-	-	-	-	2,214,123
Restricted:						
GASB 31 adjustment	105	9	7,177	-	333	8,828
Special programs and services	-	-	-	-	-	23,262,133
Capital improvements	-	-	-	-	-	1,421,870
Debt service	2,584,554	-	-	-	-	3,512,904
Other purposes	-	9,208	2,538,148	238,039	1,684,048	9,000,027
Total restricted	2,584,659	9,217	2,545,325	238,039	1,684,381	37,205,762
Assigned	-	203,173	582,510	7,597,088	6,148,633	14,531,404
Unassigned	-	-	-	-	-	(105,083)
Total fund balances	2,584,659	212,390	3,127,835	7,835,127	7,833,014	53,846,206
Total liabilities and fund balances	\$ 2,586,659	\$ 215,701	\$ 4,565,060	\$ 8,076,067	\$ 7,956,574	\$ 58,617,563

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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, 2011

	Special Revenue					
	Highway Users Tax	Federal Revenue Sharing	Landscape/ Tree Assessment	Sidewalk Assessment	Landfill Post-Closure	Below Market Rate Housing
REVENUES:						
Other taxes	\$ 770,967	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	518,930	173,860	-	-
Licenses and permits	-	-	-	-	-	-
Use of money and property	21,055	687	-	-	118,571	79,221
Intergovernmental	-	-	26,519	-	-	-
Charges for services	-	1,594	100	-	629,479	165,168
Other	-	-	-	-	-	-
Total revenues	792,022	2,281	545,549	173,860	748,050	244,389
EXPENDITURES:						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	137,652	-	737,271	124,058	190,535	-
Culture and recreation	-	-	-	-	-	-
Community development	-	-	-	-	-	-
Urban development and housing	-	35,450	-	-	-	17,654
Capital outlay	847,246	-	1,443	-	-	369,475
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	984,898	35,450	738,714	124,058	190,535	387,129
REVENUES OVER (UNDER) EXPENDITURES	(192,876)	(33,169)	(193,165)	49,802	557,515	(142,740)
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	159,600	-	-	-
Transfers out	-	-	(57,722)	(17,340)	(7,208)	-
Total other financing sources (uses)	-	-	101,878	(17,340)	(7,208)	-
Net change in fund balances	(192,876)	(33,169)	(91,287)	32,462	550,307	(142,740)
FUND BALANCES:						
Beginning of year	2,755,418	58,528	258,837	501,648	1,941,853	10,588,890
End of year	\$ 2,562,542	\$ 25,359	\$ 167,550	\$ 534,110	\$ 2,492,160	\$ 10,446,150

Special Revenue

County Transportation Tax	Public Library	Literacy Grants	Narcotic Seizure	Transportation Impact Fees	Downtown Parking Permits	Storm Drainage Fees
\$ 679,286	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	346,815	-
4,922	-	-	-	21,858	25,968	2,546
423,640	11,009	42,422	-	-	-	-
41,088	-	-	6,122	1,419,010	-	23,235
-	-	80,812	-	-	-	-
<u>1,148,936</u>	<u>11,009</u>	<u>123,234</u>	<u>6,122</u>	<u>1,440,868</u>	<u>372,783</u>	<u>25,781</u>
-	-	-	-	-	-	-
-	-	-	4,671	-	11,184	-
1,094,253	-	-	-	198,226	92,864	-
-	-	179,692	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
643,262	-	-	2,786	1,000	-	100,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>1,737,515</u>	<u>-</u>	<u>179,692</u>	<u>7,457</u>	<u>199,226</u>	<u>104,048</u>	<u>100,000</u>
<u>(588,579)</u>	<u>11,009</u>	<u>(56,458)</u>	<u>(1,335)</u>	<u>1,241,642</u>	<u>268,735</u>	<u>(74,219)</u>
17,500	-	110,294	-	-	-	-
-	-	(55,294)	-	-	(23,078)	-
17,500	-	55,000	-	-	(23,078)	-
<u>(571,079)</u>	<u>11,009</u>	<u>(1,458)</u>	<u>(1,335)</u>	<u>1,241,642</u>	<u>245,657</u>	<u>(74,219)</u>
1,606,065	93,551	35,187	37,196	611,326	2,831,914	258,670
<u>\$ 1,034,986</u>	<u>\$ 104,560</u>	<u>\$ 33,729</u>	<u>\$ 35,861</u>	<u>\$ 1,852,968</u>	<u>\$ 3,077,571</u>	<u>\$ 184,451</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, 2011

	Special Revenue				Supplemental Law Enforcement Services
	Solid Waste Service	Bay Area Air Quality Management	Storm Water Management (NPDES)	Peninsula Partnership	
REVENUES:					
Other taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	327,977	-	-
Licenses and permits	-	-	-	-	-
Use of money and property	(2,551)	45	-	-	-
Intergovernmental	8,704	-	-	48,990	98,271
Charges for services	1,377,775	-	2,300	-	174
Other	73,069	-	-	33,266	-
Total revenues	1,456,997	45	330,277	82,256	98,445
EXPENDITURES:					
Current:					
General government	1,527,857	-	-	-	-
Public safety	-	-	-	-	67,845
Public works	286,870	-	306,296	-	-
Culture and recreation	-	-	-	44,653	-
Community development	-	-	-	-	-
Urban development and housing	-	-	-	-	-
Capital outlay	-	-	-	87	4,831
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	1,814,727	-	306,296	44,740	72,676
REVENUES OVER (UNDER) EXPENDITURES	(357,730)	45	23,981	37,516	25,769
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	(70,582)	-	(32,929)	-	-
Total other financing sources (uses)	(70,582)	-	(32,929)	-	-
Net change in fund balances	(428,312)	45	(8,948)	37,516	25,769
FUND BALANCES:					
Beginning of year	351,110	2,574	321,686	(57,655)	4,102
End of year	\$ (77,202)	\$ 2,619	\$ 312,738	\$ (20,139)	\$ 29,871

Special Revenue							Debt Service
Construction Impact Fee	Bedwell Bayfront Park Maintenance	Recreation In-Lieu	Sharon Hills Park	Vintage Oaks Landscape	Community Development Block Grant	Miscellaneous Trust	Library Bond
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	455,067
-	-	-	-	-	-	-	-
21,275	6,166	28,151	730	883	13,791	2,717	3,576
-	-	-	-	-	(58,547)	-	-
534,041	-	89,847	-	-	44,397	528,400	-
-	-	-	-	-	-	15,086	-
<u>555,316</u>	<u>6,166</u>	<u>117,998</u>	<u>730</u>	<u>883</u>	<u>(359)</u>	<u>546,203</u>	<u>458,643</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
87,892	183,507	163	11,445	15,652	-	-	-
-	-	-	-	-	-	68,939	-
-	-	-	-	-	-	245,483	-
-	-	-	-	-	412	-	-
1,167,751	1,970	439,788	-	-	-	-	-
-	-	-	-	-	-	-	320,000
-	-	-	-	-	-	-	103,750
<u>1,255,643</u>	<u>185,477</u>	<u>439,951</u>	<u>11,445</u>	<u>15,652</u>	<u>412</u>	<u>314,422</u>	<u>423,750</u>
<u>(700,327)</u>	<u>(179,311)</u>	<u>(321,953)</u>	<u>(10,715)</u>	<u>(14,769)</u>	<u>(771)</u>	<u>231,781</u>	<u>34,893</u>
-	-	-	-	-	-	-	-
-	(11,570)	-	-	-	-	(32,951)	-
-	(11,570)	-	-	-	-	(32,951)	-
<u>(700,327)</u>	<u>(190,881)</u>	<u>(321,953)</u>	<u>(10,715)</u>	<u>(14,769)</u>	<u>(771)</u>	<u>198,830</u>	<u>34,893</u>
2,838,542	1,037,125	3,911,198	112,960	130,846	699,741	835,081	893,497
<u>\$ 2,138,215</u>	<u>\$ 846,244</u>	<u>\$ 3,589,245</u>	<u>\$ 102,245</u>	<u>\$ 116,077</u>	<u>\$ 698,970</u>	<u>\$ 1,033,911</u>	<u>\$ 928,390</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, 2011

	Debt Service		Capital Projects			Total Non-Major Governmental Funds
	Recreation GO Bond 2002	Library Addition	Measure T 2002 GO Bond	Capital Improvement General	Public Improvement	
REVENUES:						
Other taxes	\$ -	\$ -	\$ -	\$ 70,590	\$ -	\$ 1,520,843
Special assessments	1,342,995	-	-	-	-	2,818,829
Licenses and permits	-	-	-	-	-	346,815
Use of money and property	8,964	1,396	24,749	-	69,525	454,245
Intergovernmental	-	-	-	-	-	601,008
Charges for services	-	-	-	435	-	4,863,165
Other	-	-	-	-	-	202,233
Total revenues	1,351,959	1,396	24,749	71,025	69,525	10,807,138
EXPENDITURES:						
Current:						
General government	-	-	-	-	-	1,527,857
Public safety	-	-	-	-	-	83,700
Public works	-	-	-	-	-	3,466,684
Culture and recreation	(1,193)	-	-	-	-	292,091
Community development	-	-	-	-	-	245,483
Urban development and housing	-	-	-	-	-	53,516
Capital outlay	-	30,481	4,911,820	3,199,418	1,636,511	13,357,869
Debt service:						
Principal	290,000	-	-	-	-	610,000
Interest	1,079,593	-	-	-	-	1,183,343
Total expenditures	1,368,400	30,481	4,911,820	3,199,418	1,636,511	20,820,543
REVENUES OVER (UNDER) EXPENDITURES	(16,441)	(29,085)	(4,887,071)	(3,128,393)	(1,566,986)	(10,013,405)
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	2,053,350	9,400,000	11,740,744
Transfers out	-	-	-	-	-	(308,674)
Total other financing sources (uses)	-	-	-	2,053,350	9,400,000	11,432,070
Net change in fund balances	(16,441)	(29,085)	(4,887,071)	(1,075,043)	7,833,014	1,418,665
FUND BALANCES:						
Beginning of year	2,601,100	241,475	8,014,906	8,910,170	-	52,427,541
End of year	\$ 2,584,659	\$ 212,390	\$ 3,127,835	\$ 7,835,127	\$ 7,833,014	\$ 53,846,206

(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, 2011

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other Taxes	\$ 835,488	\$ 835,488	\$ 770,967	\$ (64,521)
Use of money and property	40,000	30,000	21,055	(8,945)
Intergovernmental			-	-
Total revenues	875,488	865,488	792,022	(73,466)
EXPENDITURES:				
Current:				
Public works	110,097	110,097	137,652	(27,555)
Capital outlay	937,976	937,976	847,246	90,730
Total expenditures	1,048,073	1,048,073	984,898	63,175
REVENUES OVER (UNDER) EXPENDITURES	(172,585)	(182,585)	(192,876)	10,291
Net change in fund balance	\$ (172,585)	\$ (182,585)	(192,876)	\$ (10,291)
FUND BALANCE:				
Beginning of year			2,755,418	
End of year			\$ 2,562,542	

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, 2011

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 4,000	\$ 3,000	\$ 687	\$ (2,313)
Charges for services	1,000	1,000	1,594	594
Total revenues	5,000	4,000	2,281	(1,719)
EXPENDITURES:				
Current:				
Urban development and housing	50,000	50,000	35,450	14,550
Total expenditures	50,000	50,000	35,450	14,550
Net change in fund balance	\$ (45,000)	\$ (46,000)	(33,169)	\$ 12,831
FUND BALANCE:				
Beginning of year			58,528	
End of year			\$ 25,359	

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, 2011

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ 533,323	\$ 533,323	\$ 518,930	\$ (14,393)
Intergovernmental	13,000	13,000	26,519	13,519
Charges for services	2,500	2,500	100	(2,400)
Total revenues	548,823	548,823	545,549	(3,274)
EXPENDITURES:				
Current:				
Public works	747,031	755,031	737,271	17,760
Capital outlay	14,000	14,000	1,443	12,557
Total expenditures	761,031	769,031	738,714	30,317
REVENUES OVER (UNDER) EXPENDITURES	(212,208)	(220,208)	(193,165)	(27,043)
OTHER FINANCING SOURCES (USES):				
Transfers in	159,600	159,600	159,600	-
Transfers out	(57,722)	(57,722)	(57,722)	-
Total other financing sources (uses)	101,878	101,878	101,878	-
Net change in fund balance	\$ (110,330)	\$ (118,330)	(91,287)	\$ 27,043
FUND BALANCE:				
Beginning of year			258,837	
End of year			\$ 167,550	

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, 2011

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ 173,795	\$ 173,795	\$ 173,860	\$ 65
Total revenues	173,795	173,795	173,860	65
EXPENDITURES:				
Current:				
Public works	44,353	44,353	124,058	(79,705)
Capital outlay	367,166	367,166	-	367,166
Total expenditures	411,519	411,519	124,058	287,461
REVENUES OVER (UNDER) EXPENDITURES	(237,724)	(237,724)	49,802	(287,396)
OTHER FINANCING SOURCES (USES):				
Transfers out	(17,340)	(17,340)	(17,340)	-
Total other financing sources (uses)	(17,340)	(17,340)	(17,340)	-
Net change in fund balance	\$ (255,064)	\$ (255,064)	32,462	\$ 287,526
FUND BALANCE:				
Beginning of year			501,648	
End of year			<u>\$ 534,110</u>	

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Landfill Post-Closure Special Revenue Fund For the year ended June 30, 2011

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 115,000	\$ 105,000	\$ 118,571	\$ 13,571
Charges for services	390,000	635,000	629,479	(5,521)
Total revenues	505,000	740,000	748,050	8,050
EXPENDITURES:				
Current:				
Public Works	368,361	368,361	190,535	177,826
Capital outlay	25,000	25,000	-	25,000
Total expenditures	393,361	393,361	190,535	202,826
REVENUES OVER (UNDER) EXPENDITURES	111,639	346,639	557,515	(194,776)
OTHER FINANCING SOURCES (USES):				
Transfers out	(7,208)	(7,208)	(7,208)	-
Total other financing sources (uses)	(7,208)	(7,208)	(7,208)	-
Net change in fund balance	\$ 118,847	\$ 353,847	550,307	\$ 196,460
FUND BALANCE:				
Beginning of year			1,941,853	
End of year			\$ 2,492,160	

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, 2011

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 170,000	\$ 100,000	\$ 79,221	\$ (20,779)
Charges for services	-	165,000	165,168	168
Total revenues	170,000	265,000	244,389	(20,611)
EXPENDITURES:				
Current:				
Urban development and housing	3,576	23,576	17,654	5,922
Capital outlay	7,875	1,741,875	369,475	1,372,400
Total expenditures	11,451	1,765,451	387,129	1,378,322
REVENUES OVER (UNDER) EXPENDITURES	158,549	(1,500,451)	(142,740)	(1,357,711)
Net change in fund balance	\$ 158,549	\$ (1,500,451)	(142,740)	\$ (1,357,711)
FUND BALANCE:				
Beginning of year			10,588,890	
End of year			\$ 10,446,150	

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, 2011

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other Taxes	\$ 690,000	\$ 690,000	\$ 679,286	\$ (10,714)
Use of money and property	10,000	10,000	4,922	(5,078)
Intergovernmental	730,496	741,993	423,640	(318,353)
Charges for services	40,828	40,828	41,088	260
Total revenues	<u>1,471,324</u>	<u>1,482,821</u>	<u>1,148,936</u>	<u>(333,885)</u>
EXPENDITURES:				
Current:				
Public works	1,437,139	1,496,908	1,094,253	402,655
Capital outlay	1,170,871	1,030,871	643,262	387,609
Total expenditures	<u>2,608,010</u>	<u>2,527,779</u>	<u>1,737,515</u>	<u>790,264</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,136,686)</u>	<u>(1,044,958)</u>	<u>(588,579)</u>	<u>(456,379)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	39,000	39,000	17,500	(21,500)
Total other financing sources (uses)	<u>39,000</u>	<u>39,000</u>	<u>17,500</u>	<u>(21,500)</u>
Net change in fund balance	<u>\$ (1,097,686)</u>	<u>\$ (1,005,958)</u>	<u>(571,079)</u>	<u>\$ 434,879</u>
FUND BALANCE:				
Beginning of year			<u>1,606,065</u>	
End of year			<u>\$ 1,034,986</u>	

City of Menlo Park

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

Public Library Special Revenue Fund

For the year ended June 30, 2011

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 10,000	\$ 10,000	\$ 11,009	\$ 1,009
Total revenues	<u>10,000</u>	<u>10,000</u>	<u>11,009</u>	<u>1,009</u>
EXPENDITURES:				
Current:				
Culture and recreation	29,200	29,200	-	29,200
Total expenditures	<u>29,200</u>	<u>29,200</u>	<u>-</u>	<u>29,200</u>
REVENUES OVER (UNDER) EXPENDITURES	(19,200)	(19,200)	11,009	(28,191)
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ (19,200)</u>	<u>\$ (19,200)</u>	11,009	<u>\$ 30,209</u>
FUND BALANCE:				
Beginning of year			<u>93,551</u>	
End of year			<u>\$ 104,560</u>	

City of Menlo Park

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

Literacy Grant Special Revenue Fund

For the year ended June 30, 2011

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 44,622	\$ 44,622	\$ 42,422	\$ (2,200)
Other	88,000	88,000	80,812	(7,188)
Total revenues	132,622	132,622	123,234	(9,388)
EXPENDITURES:				
Current:				
Culture and recreation	202,839	202,839	179,692	23,147
Total expenditures	202,839	202,839	179,692	23,147
REVENUES OVER (UNDER) EXPENDITURES	(70,217)	(70,217)	(56,458)	13,759
OTHER FINANCING SOURCES (USES):				
Transfers in	115,000	115,000	110,294	(4,706)
Transfers out	(60,000)	(60,000)	(55,294)	4,706
Total other financing sources (uses)	55,000	55,000	55,000	-
Net change in fund balance	\$ (15,217)	\$ (15,217)	(1,458)	\$ 13,759
FUND BALANCE:				
Beginning of year			35,187	
End of year			\$ 33,729	

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, 2011

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Charges for current services	\$ -	\$ 4,405	\$ 6,122	\$ 1,717
Total revenues	-	4,405	6,122	1,717
EXPENDITURES:				
Current:				
Public safety	-	7,200	4,671	2,529
Capital Outlay	-	2,800	2,786	14
Total expenditures	-	10,000	7,457	2,543
REVENUES OVER (UNDER) EXPENDITURES	-	(5,595)	(1,335)	(826)
Net change in fund balance	\$ -	\$ (5,595)	(1,335)	\$ (1,335)
FUND BALANCE:				
Beginning of year			37,196	
End of year			\$ 35,861	

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Transportation Impact Fees Special Revenue Fund For the year ended June 30, 2011

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 8,000	\$ 15,000	\$ 21,858	\$ 6,858
Charges for services	18,000	1,428,913	1,419,010	(9,903)
Total revenues	26,000	1,443,913	1,440,868	(3,045)
EXPENDITURES:				
Current:				
Public works	205,683	205,683	198,226	7,457
Capital outlay	102,224	102,224	1,000	101,224
Total expenditures	307,907	307,907	199,226	108,681
Net change in fund balance	\$ (281,907)	\$ 1,136,006	1,241,642	\$ 105,636
FUND BALANCE:				
Beginning of year			611,326	
End of year			\$ 1,852,968	

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, 2011

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses and permits	\$ 440,000	\$ 440,000	\$ 346,815	\$ (93,185)
Use of money and property	55,000	50,000	25,968	(24,032)
Total revenues	495,000	490,000	372,783	(117,217)
EXPENDITURES:				
Current:				
Public safety	18,635	18,635	11,184	7,451
Public works	243,818	230,740	92,864	137,876
Capital outlay	545,926	590,926	-	590,926
Total expenditures	808,379	840,301	104,048	736,253
REVENUES OVER (UNDER) EXPENDITURES	(313,379)	(350,301)	268,735	(853,470)
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(23,078)	(23,078)	-
Total other financing sources (uses)	-	(23,078)	(23,078)	-
Net change in fund balance	\$ (313,379)	\$ (373,379)	245,657	\$ 619,036
FUND BALANCE:				
Beginning of year			2,831,914	
End of year			<u>\$ 3,077,571</u>	

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, 2011

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 5,000	\$ 3,000	\$ 2,546	\$ (454)
Charges for services	5,000	25,000	23,235	(1,765)
Total revenues	10,000	28,000	25,781	(2,219)
EXPENDITURES:				
Capital outlay	100,000	243,290	100,000	143,290
Total expenditures	100,000	243,290	100,000	143,290
Net change in fund balance	\$ (90,000)	\$ (215,290)	(74,219)	\$ 141,071
FUND BALANCE:				
Beginning of year			258,670	
End of year			\$ 184,451	

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, 2011

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 7,000	\$ 4,000	\$ (2,551)	\$ (6,551)
Intergovernmental	4,000	4,000	8,704	4,704
Charges for services	1,000,000	1,000,000	1,377,775	377,775
Total revenues	1,011,000	1,008,000	1,456,997	448,997
EXPENDITURES:				
Current:				
General government	808,555	808,555	1,527,857	(719,302)
Public works	295,910	320,910	286,870	34,040
Capital outlay	25,000	-	-	-
Total expenditures	1,129,465	1,129,465	1,814,727	(685,262)
REVENUES OVER (UNDER) EXPENDITURES	(118,465)	(121,465)	(357,730)	1,134,259
OTHER FINANCING SOURCES (USES):				
Transfers out	(70,582)	(70,582)	(70,582)	-
Total other financing sources (uses)	(70,582)	(70,582)	(70,582)	-
Net change in fund balance	\$ (189,047)	\$ (192,047)	(428,312)	\$ (236,265)
FUND BALANCE:				
Beginning of year			351,110	
End of year			<u>\$ (77,202)</u>	

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, 2011

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 1,100	\$ -	\$ 45	\$ 45
Intergovernmental	-	-	-	-
Total revenues	1,100	-	45	45
EXPENDITURES:				
Current:				
Public works	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balance	\$ 1,100	\$ -	45	\$ 45
FUND BALANCE:				
Beginning of year			2,574	
End of year			<u>\$ 2,619</u>	

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, 2011

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ 329,622	\$ 329,622	\$ 327,977	\$ (1,645)
Charges for services	-	-	2,300	2,300
Total revenues	329,622	329,622	330,277	655
EXPENDITURES:				
Current:				
Public works	430,477	430,477	306,296	124,181
Capital outlay	130,037	130,007	-	130,007
Total expenditures	560,514	560,484	306,296	254,188
REVENUES OVER (UNDER) EXPENDITURES	(230,892)	(230,862)	23,981	254,843
OTHER FINANCING SOURCES (USES):				
Transfers out	(32,929)	(32,929)	(32,929)	-
Total other financing sources (uses)	(32,929)	(32,929)	(32,929)	-
Net change in fund balance	\$ (263,821)	\$ (263,791)	(8,948)	\$ 254,843
FUND BALANCE:				
Beginning of year			321,686	
End of year			<u>\$ 312,738</u>	

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, 2011

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 30,000	\$ 30,000	\$ 48,990	\$ 18,990
Other	8,500	11,500	33,266	21,766
Total revenues	38,500	41,500	82,256	40,756
EXPENDITURES:				
Current:				
Culture and recreation	38,474	41,474	44,653	(3,179)
Capital outlay	-	-	87	(87)
Total expenditures	38,474	41,474	44,740	(3,266)
Net change in fund balance	\$ 26	\$ 26	37,516	\$ 37,490
FUND BALANCE:				
Beginning of year			(57,655)	
End of year			\$ (20,139)	

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, 2011

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ -	\$ -
Intergovernmental	100,000	100,000	98,271	(1,729)
Total revenues	100,000	100,000	98,271	(1,729)
EXPENDITURES:				
Current:				
Public safety	100,000	85,000	67,845	17,155
Capital outlay	-	15,000	4,831	10,169
Total expenditures	100,000	100,000	72,676	27,324
Net change in fund balance	\$ -	\$ -	25,769	\$ 25,769
FUND BALANCE:				
Beginning of year			4,102	
End of year			\$ 29,871	

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Construction Impact Fees Special Revenue Fund For the year ended June 30, 2011

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 50,000	\$ 35,000	21,275	\$ (13,725)
Charges for services	400,000	500,000	534,041	34,041
Total revenues	450,000	535,000	555,316	20,316
EXPENDITURES:				
Current:				
Public works	2,422	2,422	87,892	(85,470)
Capital outlay	1,862,620	1,862,620	1,167,751	694,869
Total expenditures	1,865,042	1,865,042	1,255,643	609,399
Net change in fund balance	\$ 2,315,042	\$ 2,400,042	(700,327)	\$ (3,100,369)
FUND BALANCE:				
Beginning of year			2,838,542	
End of year			\$ 2,138,215	

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Bedwell Bayfront Park Maintenance Special Revenue Fund For the year ended June 30, 2011

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 15,000	\$ 8,000	\$ 6,166	\$ (1,834)
Total revenues	15,000	8,000	6,166	(1,834)
EXPENDITURES:				
Current:				
Public works	243,847	243,847	183,507	60,340
Capital outlay	5,000	5,000	1,970	3,030
Total expenditures	248,847	248,847	185,477	63,370
REVENUES OVER (UNDER) EXPENDITURES	(233,847)	(240,847)	(179,311)	(65,204)
OTHER FINANCING SOURCES (USES):				
Transfers out	(11,570)	(11,570)	(11,570)	-
Total other financing sources (uses)	(11,570)	(11,570)	(11,570)	-
Net change in fund balance	\$ (245,417)	\$ (252,417)	(190,881)	\$ 61,536
FUND BALANCE:				
Beginning of year			1,037,125	
End of year			<u>\$ 846,244</u>	

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, 2011

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 60,000	\$ 45,000	\$ 28,151	\$ (16,849)
Charges for services	140,000	90,000	89,847	(153)
Total revenues	200,000	135,000	117,998	(17,002)
EXPENDITURES:				
Current:				
Public works	59,012	59,012	163	58,849
Capital outlay	3,964,690	3,964,690	439,788	3,524,902
Total expenditures	4,023,702	4,023,702	439,951	3,583,751
REVENUES OVER (UNDER) EXPENDITURES	(3,823,702)	(3,888,702)	(321,953)	(3,600,753)
Net change in fund balance	\$ 200,000	\$ 135,000	(321,953)	\$ (456,953)
FUND BALANCE:				
Beginning of year			3,911,198	
End of year			\$ 3,589,245	

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, 2011

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 1,900	\$ 1,900	\$ 730	\$ (1,170)
Total revenues	<u>1,900</u>	<u>1,900</u>	<u>730</u>	<u>(1,170)</u>
EXPENDITURES:				
Current:				
Public works	13,000	13,000	11,445	1,555
Total expenditures	<u>13,000</u>	<u>13,000</u>	<u>11,445</u>	<u>1,555</u>
Net change in fund balance	<u>\$ (11,100)</u>	<u>\$ (11,100)</u>	(10,715)	<u>\$ 385</u>
FUND BALANCE:				
Beginning of year			<u>112,960</u>	
End of year			<u>\$ 102,245</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, 2011

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 2,000	\$ 2,000	\$ 883	\$ (1,117)
Total revenues	<u>2,000</u>	<u>2,000</u>	<u>883</u>	<u>(1,117)</u>
EXPENDITURES:				
Current:				
Public works	21,094	21,094	15,652	5,442
Total expenditures	<u>21,094</u>	<u>21,094</u>	<u>15,652</u>	<u>5,442</u>
Net change in fund balance	<u>\$ (19,094)</u>	<u>\$ (19,094)</u>	(14,769)	<u>\$ 4,325</u>
FUND BALANCE:				
Beginning of year			<u>130,846</u>	
End of year			<u>\$ 116,077</u>	

City of Menlo Park

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

Community Development Block Grant Special Revenue Fund

For the year ended June 30, 2011

Budgetary Comparison Schedule, Community Development Block Grant Special Revenue Fund

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES:				
Use of money and property	\$ 25,000	\$ 25,000	\$ 13,791	\$ (11,209)
Intergovernmental	-	-	(58,547)	(58,547)
Charges for services	-	-	44,397	44,397
Total revenues	25,000	25,000	(359)	(25,359)
EXPENDITURES:				
Current:				
Urban development and housing			412	(412)
Capital outlay			-	-
Total expenditures	-	-	412	(412)
REVENUES OVER (UNDER) EXPENDITURES	\$ 25,000	\$ 25,000	(771)	\$ (25,771)
FUND BALANCE:				
Beginning of year			699,741	
End of year			\$ 698,970	

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, 2011

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 5,800	\$ 4,800	\$ 2,717	\$ (2,083)
Charges for services	-	-	528,400	528,400
Other	2,000	2,000	15,086	13,086
Total revenues	7,800	6,800	546,203	539,403
EXPENDITURES:				
Current:				
Culture and recreation	90,659	112,659	68,939	43,720
Community development	79,497	79,497	245,483	(165,986)
Capital outlay	3,000	6,000	-	6,000
Total expenditures	173,156	198,156	314,422	(116,266)
REVENUES OVER (UNDER) EXPENDITURES	(165,356)	(191,356)	231,781	423,137
OTHER FINANCING SOURCES (USES):				
Transfers out	(39,700)	(39,700)	(32,951)	6,749
Total other financing sources (uses)	(39,700)	(39,700)	(32,951)	6,749
Net change in fund balance	\$ (205,056)	\$ (231,056)	198,830	\$ 429,886
FUND BALANCE:				
Beginning of year			835,081	
End of year			<u>\$ 1,033,911</u>	

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, 2011

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ 425,000	\$ 425,000	\$ 455,067	\$ 30,067
Use of money and property	6,000	5,000	3,576	(1,424)
Total revenues	431,000	430,000	458,643	28,643
EXPENDITURES:				
Debt service:				
Principal	320,000	320,000	320,000	-
Interest	103,750	103,750	103,750	-
Total expenditures	423,750	423,750	423,750	-
Net change in fund balance	\$ 7,250	\$ 6,250	34,893	\$ 28,643
FUND BALANCE:				
Beginning of year			893,497	
End of year			\$ 928,390	

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, 2011

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ 1,383,200	\$ 1,383,200	\$ 1,342,995	\$ (40,205)
Use of money and property	30,000	15,000	8,964	(6,036)
Total revenues	1,413,200	1,398,200	1,351,959	(46,241)
EXPENDITURES:				
Culture and recreation	3,000	3,000	(1,193)	4,193
Debt service:				
Principal	290,000	290,000	290,000	-
Interest	1,120,000	1,120,000	1,079,593	40,407
Total expenditures	1,413,000	1,413,000	1,368,400	44,600
Net change in fund balance	\$ 200	\$ (14,800)	(16,441)	\$ (1,641)
FUND BALANCE:				
Beginning of year			2,601,100	
End of year			\$ 2,584,659	

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, 2011

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 8,000	\$ 4,000	\$ 1,396	\$ (2,604)
Other	-	-	-	-
Total revenues	8,000	4,000	1,396	(2,604)
EXPENDITURES:				
Current				
Capital outlay	184,379	184,379	30,481	153,898
Total expenditures	184,379	184,379	30,481	153,898
REVENUES OVER (UNDER) EXPENDITURES	(176,379)	(180,379)	(29,085)	151,294
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	\$ (176,379)	\$ (180,379)	(29,085)	\$ 151,294
FUND BALANCE:				
Beginning of year			241,475	
End of year			\$ 212,390	

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Measure T 2002 GO Bond Capital Projects Fund For the year ended June 30, 2011

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 80,000	\$ 50,000	\$ 24,749	\$ (25,251)
Total revenues	80,000	50,000	24,749	(25,251)
EXPENDITURES:				
Capital outlay	7,890,277	7,890,277	4,911,820	2,978,457
Total expenditures	7,890,277	7,890,277	4,911,820	2,978,457
REVENUES OVER (UNDER) EXPENDITURES	(7,810,277)	(7,840,277)	(4,887,071)	(3,003,708)
OTHER FINANCING SOURCES (USES):				
Bond proceeds	-	-	-	-
Premium on issuance	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	\$ (7,810,277)	\$ (7,840,277)	(4,887,071)	\$ 2,953,206
FUND BALANCE:				
Beginning of year			8,014,906	
End of year			\$ 3,127,835	

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, 2011

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other taxes	\$ -	\$ 67,700	\$ 70,590	\$ 2,890
Charges for services	-	-	435	435
Intergovernmental	-	-	-	-
Total revenues	-	67,700	71,025	3,325
EXPENDITURES:				
Capital outlay	5,057,337	5,585,196	3,199,418	2,385,778
Total expenditures	5,057,337	5,585,196	3,199,418	2,385,778
REVENUES OVER (UNDER) EXPENDITURES	(5,057,337)	(5,517,496)	(3,128,393)	2,389,103
OTHER FINANCING SOURCES (USES):				
Transfers in	2,163,200	2,053,350	2,053,350	-
Total other financing sources (uses)	2,163,200	2,053,350	2,053,350	-
Net change in fund balance	\$ (2,894,137)	\$ (3,464,146)	(1,075,043)	\$ 2,389,103
FUND BALANCE:				
Beginning of year			8,910,170	
End of year			<u>\$ 7,835,127</u>	

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Public Improvements Grant Capital Projects Fund For the year ended June 30, 2011

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ 30,012	\$ 69,525	\$ 39,513
Total revenues	-	30,012	69,525	39,513
EXPENDITURES:				
Capital outlay	-	5,449,520	1,636,511	3,813,009
Total expenditures	-	5,449,520	1,636,511	3,813,009
REVENUES OVER (UNDER) EXPENDITURES	-	(5,419,508)	(1,566,986)	3,852,522
OTHER FINANCING SOURCES (USES):				
Transfers in	-	9,400,000	9,400,000	-
Total other financing sources (uses)	-	9,400,000	9,400,000	-
Net change in fund balance	\$ -	\$ 3,980,492	7,833,014	\$ 3,852,522
FUND BALANCE:				
Beginning of year			-	
End of year			<u>\$ 7,833,014</u>	

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ENTERPRISE FUNDS

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

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

City of Menlo Park
Combining Schedule of Net Assets
Enterprise Funds
June 30, 2011

	Water Operating Fund	Water Capital Improvement Fund	Total Water Funds
ASSETS			
Current assets:			
Cash and investments	\$ 3,855	\$ 16,420,906	\$ 16,424,761
Receivables:			
Accounts	549,250	26,719	575,969
Interest	-	70,111	70,111
Deposits and prepaid expenses	351	105	456
Due from other funds	-	432,616	432,616
Total current assets	553,456	16,950,457	17,503,913
Capital assets:			
Non-depreciable	3,107,732	-	3,107,732
Depreciable, net	5,428,979	-	5,428,979
Total capital assets	8,536,711	-	8,536,711
Total assets	9,090,167	16,950,457	26,040,624
LIABILITIES			
Current liabilities:			
Accounts payable	366,298	168,849	535,147
Accrued payroll	30,498	6,026	36,524
Deposits	50,411	-	50,411
Compensated absences	30,135	1,933	32,068
Due to other funds	432,616	-	432,616
Total current liabilities	909,958	176,808	1,086,766
Noncurrent liabilities:			
Compensated absences	41,304	2,649	43,953
Total noncurrent liabilities	41,304	2,649	43,953
Total liabilities	951,262	179,457	1,130,719
NET ASSETS			
Invested in capital assets, net of related debt	8,536,711	-	8,536,711
Restricted for:			
Capital projects	-	16,771,000	16,771,000
Unrestricted	(397,806)	-	(397,806)
Total net assets	\$ 8,138,905	\$ 16,771,000	\$ 24,909,905

City of Menlo Park
Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets
Enterprise Funds
For the year ended June 30, 2011

	Water Operating Fund	Water Capital Improvement Fund	Total Water Funds
OPERATING REVENUES:			
Water sales	\$ 4,310,741	\$ 613,072	\$ 4,923,813
Connection fees	11,836	-	11,836
Total operating revenues	4,322,577	613,072	4,935,649
OPERATING EXPENSES:			
Cost of sales and services	4,371,390	14,858	4,386,248
General and administrative	324,038	-	324,038
Depreciation	164,425	-	164,425
Total operating expenses	4,859,853	14,858	4,874,711
OPERATING INCOME (LOSS)	(537,276)	598,214	60,938
NONOPERATING REVENUES (EXPENSES):			
Net investment income	(685)	136,304	135,619
Gain (loss) on sale of equipment	-	-	-
Total nonoperating revenues	(685)	136,304	135,619
INCOME (LOSS) BEFORE TRANSFERS	(537,961)	734,518	196,557
TRANSFERS:			
Transfers in	907,734	-	907,734
Transfers out	(165,639)	(907,734)	(1,073,373)
Total transfers	742,095	(907,734)	(165,639)
Net income (loss)	204,134	(173,216)	30,918
NET ASSETS:			
Beginning of year	7,934,771	16,944,216	24,878,987
End of year	\$ 8,138,905	\$ 16,771,000	\$ 24,909,905

City of Menlo Park
Combining Schedule of Cash Flows
Enterprise Funds
For the year ended June 30, 2011

	Water Operating Fund	Water Capital Improvement Fund	Total Water Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers/other funds	\$ 5,029,076	\$ 665,439	5,694,515
Cash payment to suppliers	(4,209,022)	(382,366)	(4,591,388)
Cash payments for general and administrative	(796,465)	(157,229)	(953,694)
Net cash provided (used) by operating activities	23,589	125,844	149,433
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	907,734	-	907,734
Transfers out	(165,639)	(907,734)	(1,073,373)
Net cash provided (used) by noncapital financing activities	742,095	(907,734)	(165,639)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(907,734)	-	(907,734)
Net cash provided (used) by capital and related financing activities	(907,734)	-	(907,734)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income	3,053	289,704	292,757
Net cash provided (used) by investing activities	3,053	289,704	292,757
Net increase (decrease) in cash and cash equivalents	(138,997)	(492,186)	(631,183)
CASH AND CASH EQUIVALENTS:			
Beginning of year	142,852	16,913,092	17,055,944
End of year	\$ 3,855	\$ 16,420,906	\$ 16,424,761
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (537,276)	\$ 598,214	\$ 60,938
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	164,425	-	164,425
Changes in current assets and liabilities:			
Accounts receivable	(60,561)	(228,864)	(289,425)
Accounts payable	439,572	(248,723)	190,849
Accrued payroll	8,544	4,666	13,210
Compensated absences	7,265	551	7,816
Deposits	1,620	-	1,620
Total adjustments	560,865	(472,370)	88,495
Net cash provided (used) by operating activities	\$ 23,589	\$ 125,844	\$ 149,433

INTERNAL SERVICE FUNDS

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

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

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

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

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

City of Menlo Park
Combining Statement of Net Assets
Internal Service Funds
June 30, 2011

	Workers' Compensation Insurance	General Liability Insurance	Other Post Employment Benefits	Vehicle Replacement	Total
ASSETS					
Current assets:					
Cash, cash equivalents and investments	\$ 2,969,768	\$ 391,076	\$ -	\$ 251,563	\$ 3,612,407
Receivables:					
Accounts	-	-	-	-	-
Interest	12,634	1,664	12	1,070	15,380
Deposits and prepaid items	110,000	35,000	9,287	-	154,287
Total current assets	3,092,402	427,740	9,299	252,633	3,782,074
Capital assets:					
Depreciable, net	-	-	-	385,578	385,578
Total capital assets	-	-	-	385,578	385,578
Total assets	3,092,402	427,740	9,299	638,211	4,167,652
LIABILITIES AND NET ASSETS					
Liabilities:					
Current Liabilities:					
Accounts payable	125,386	11,926	1,665	-	138,977
Accrued payroll	1,952	1,343	13,031	-	16,326
Due to other funds	-	-	22,503	-	22,503
Claims payable, due within one year	414,207	119,028	-	-	533,235
Compensated absences payable, due within one year	1,905	1,594	-	-	3,499
Total current liabilities	543,450	133,891	37,199	-	714,540
Claims payable, due in more than one year	1,407,597	182,607	-	-	1,590,204
Compensated absences payable, due in more than one year	2,610	2,185	-	-	4,795
Total liabilities	1,953,657	318,683	37,199	-	2,309,539
Net Assets:					
Invested in capital assets, net of related debt	-	-	-	385,578	385,578
Unrestricted	1,138,745	109,057	(27,900)	252,633	1,472,535
Total net assets	\$ 1,138,745	\$ 109,057	\$ (27,900)	\$ 638,211	\$ 1,858,113

City of Menlo Park
Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
For the year ended June 30, 2011

	Workers' Compensation Insurance	General Liability Insurance	Other Post Employment Benefits	Vehicle Replacement	Total
OPERATING REVENUES:					
Charges for services	\$ 550,000	\$ 800,885	\$ 607,310	\$ 270,407	\$ 2,228,602
Total operating revenues	550,000	800,885	607,310	270,407	2,228,602
OPERATING EXPENSES:					
Personnel services	58,785	27,541	-	-	86,326
General and administrative	39,685	42,639	220,986	1,444	304,754
Insurance	749,061	521,335	413,594	-	1,683,990
Depreciation	-	-	-	265,157	265,157
Total operating expenses	847,531	591,515	634,580	266,601	2,340,227
OPERATING INCOME (LOSS)	(297,531)	209,370	(27,270)	3,806	(111,625)
NONOPERATING REVENUES (EXPENSES):					
Interest and investment earnings	20,565	1,365	914	2,497	25,341
Gain (loss) on sale of equipment	-	-	-	23,013	23,013
Total nonoperating revenues (expenses)	20,565	1,365	914	25,510	48,354
INCOME (LOSS) BEFORE TRANSFERS	(276,966)	210,735	(26,356)	29,316	(63,271)
TRANSFERS:					
Transfers in	-	-	-	-	-
Contributions	-	-	-	-	-
Total transfers	-	-	-	-	-
NET INCOME (LOSS)	(276,966)	210,735	(26,356)	29,316	(63,271)
NET ASSETS:					
Beginning of the year	1,415,711	(101,678)	(1,544)	608,895	1,921,384
End of the year	\$ 1,138,745	\$ 109,057	\$ (27,900)	\$ 638,211	\$ 1,858,113

City of Menlo Park
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2011

	Workers' Compensation Insurance	General Liability Insurance	Other Post Employment Benefits	Vehicle Replacement	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers, including cash deposits	\$ 550,000	\$ 800,885	\$ 652,731	\$ 270,407	\$ 2,274,023
Cash paid to suppliers	(650,297)	(541,146)	(678,550)	(797)	(1,870,790)
Cash paid to employees	(66,480)	(28,480)	-	-	(94,960)
Cash receipts other	-	-	-	-	-
Net cash provided (used) by operating activities	(166,777)	231,259	(25,819)	269,610	308,273
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers from other funds	-	-	-	-	-
Contributions	-	-	-	-	-
Net cash provided (used) by noncapital financing activities	-	-	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from disposal of equipment	-	-	-	23,457	23,457
Acquisition and construction of capital assets	-	-	-	(111,217)	(111,217)
Net cash provided (used) by capital and related financing activities	-	-	-	(87,760)	(87,760)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment earnings received (paid)	48,927	1,819	1,035	2,345	54,126
Net cash provided (used) by investing activities	48,927	1,819	1,035	2,345	54,126
Net increase (decrease) in cash cash and cash equivalents	(117,850)	233,078	(24,784)	184,195	274,639
Cash, cash equivalents, and investments at beginning of year	3,087,618	157,998	24,784	67,368	3,337,768
Cash, cash equivalents, and investments at end of year	\$ 2,969,768	\$ 391,076	\$ -	\$ 251,563	\$ 3,612,407

City of Menlo Park
Combining Statement of Cash Flows, Continued
Internal Service Funds
For the year ended June 30, 2011

	Workers' Compensation Insurance	General Liability Insurance	Other Post Employment Benefits	Vehicle Replacement	Total
RECONCILIATION OF OPERATING					
INCOME (LOSS) TO NET CASH PROVIDED					
(USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ (297,531)	\$ 209,370	\$ (27,270)	\$ 3,806	\$ (111,625)
Depreciation	-	-	-	265,157	265,157
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Accounts receivable	2,456	(888)	12,011	647	14,226
Accounts payable	(1,366)	2,281	(23,563)		(22,648)
Payroll liabilities	71	709	13,003		13,783
Insurance claim payable	134,675	19,744	-		154,419
Compensated absence payable	(5,082)	43	-		(5,039)
Total adjustments	130,754	21,889	1,451	265,804	419,898
Net cash provided (used) by operating activities	\$ (166,777)	\$ 231,259	\$ (25,819)	\$ 269,610	\$ 308,273

City of Menlo Park
Combining Statement of Net Assets
Agency Funds
June 30, 2011

	Refundable Deposits	Cash Bonds Payable	Payroll Revolving	Total Agency Funds
ASSETS				
Cash and investments	\$ 218,179	\$ -	\$ -	\$ 218,179
Prepays	-	-	-	-
Total assets	\$ 218,179	\$ -	\$ -	\$ 218,179
LIABILITIES				
Accounts payable	\$ 1,000	\$ -	\$ -	\$ 1,000
Deposits	217,179	-	-	217,179
Total liabilities	\$ 218,179	\$ -	\$ -	\$ 218,179

City of Menlo Park
Combining Statement of Changes in Net Assets
Agency Funds
For the year ended June 30, 2011

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<u>Refundable Deposits</u>				
Assets:				
Cash and investments	\$ 169,179	\$ 137,000	\$ (88,000)	\$ 218,179
Liabilities:				
Accounts payable	\$ 24,500	\$ 64,500	\$ (88,000)	\$ 1,000
Deposits	144,679	136,000	(63,500)	217,179
Total liabilities	\$ 169,179	\$ 200,500	\$ (151,500)	\$ 218,179
<u>Cash Bonds Payable</u>				
Assets:				
Cash and investments	\$ 266,281	\$ -	\$ (266,281)	\$ -
Liabilities:				
Deposits	\$ 266,281	\$ -	\$ (266,281)	\$ -
<u>Payroll Revolving</u>				
Assets:				
Cash and investments	\$ (153,352)	\$ 3,204,169	\$ (3,050,817)	\$ -
Prepays	230,571	-	(230,571)	-
Total assets	\$ 77,219	\$ 3,204,169	\$ (3,281,388)	\$ -
Liabilities:				
Accounts payable	\$ 77,219	\$ 19,012,589	\$ (19,089,808)	\$ -
<u>Total Agency Funds</u>				
Assets:				
Cash and investments	\$ 282,108	\$ 3,341,169	\$ (3,405,098)	\$ 218,179
Prepays	230,571	-	(230,571)	-
	\$ 512,679	\$ 3,341,169	\$ (3,635,669)	\$ 218,179
Liabilities:				
Accounts payable	\$ 101,719	\$ 19,077,089	\$ (19,177,808)	\$ 1,000
Deposits	410,960	136,000	(329,781)	217,179
Total liabilities	\$ 512,679	\$ 19,213,089	\$ (19,507,589)	\$ 218,179

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Statistical Section

(Unaudited)

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

Financial Trends

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

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

Revenue Capacity

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

General Government Revenues by Source	Schedule 5
General Government Taxes Details	Schedule 6
Assessed Valuation, Tax Rates, and Tax Levies	Schedule 7

Debt Capacity

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

Direct and Overlapping Property Tax Rates	Schedule 8
Principal Property Tax Payers	Schedule 9
Property Tax Levies and Collections	Schedule 10
Ratios of Outstanding Debt by Type	Schedule 11
Direct and Overlapping Debt	Schedule 12
Legal Debt Service Margin Information	Schedule 13
Pledged Revenue Coverage---Community Development Agency	Schedule 14

Demographic and Economic Information

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

Demographic and Economic Statistics	Schedule 15
Principal Employers	Schedule 16
Full Time Equivalent City Employees by Function	Schedule 17

Operating Information

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

Operating Indicators by Demand and Level of Service by Function/Program	Schedule 18
Capital Asset Statistics by Function	Schedule 19
Capital Asset and Infrastructure Statistics by Activities	Schedule 20
Water Sold by Type of Customer	Schedule 21
Water Service Rates	Schedule 22
Miscellaneous Statistics	Schedule 23



Net Assets by Component
June 30, 2011
Last Nine Years

Financial Trends:
Schedule 1

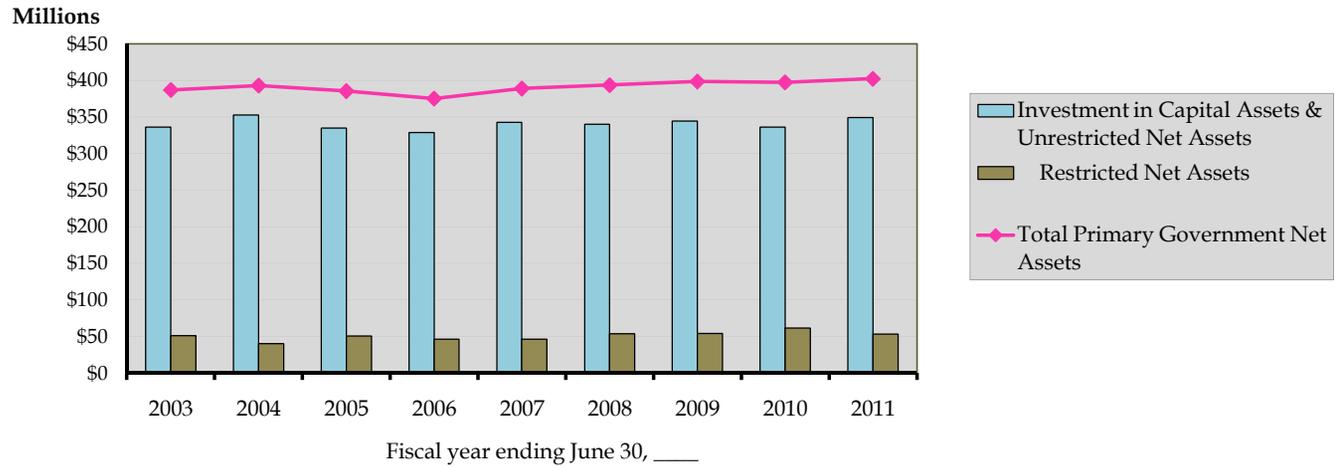
Fiscal year June 30, ____	2003	2004	2005	2006	2007	2008	2009	2010	2011
Government Activities									
Investment in Capital Assets, Net of Related Debt	\$ 264,641,246	\$ 271,543,602	\$ 276,025,463	\$ 266,250,790	\$ 260,060,574	\$ 265,272,383	\$ 261,153,596	\$ 259,274,758	\$ 279,942,360
Restricted for:									
Capital Projects	45,576,230	36,959,941	37,452,612	16,297,615	17,102,064	20,378,994	18,207,379	19,717,874	14,582,060
Debt Service	1,008,151	1,142,055	1,287,410	8,366,348	10,581,505	10,759,071	12,184,002	12,630,096	12,662,667
Community Development				6,187,396	5,866,768	6,160,144	6,140,612	6,265,677	-
Special Projects	4,313,637	2,094,806	2,094,806	4,647,861	809,974	1,034,326	1,203,583	5,857,506	9,176,084
Total Restricted - Government Activities	50,898,018	40,196,802	40,834,828	35,499,220	34,360,311	38,332,535	37,735,576	44,471,153	36,420,811
Total Unrestricted - Government Activities	51,014,831	60,788,071	47,350,857	51,292,783	71,773,633	66,120,512	74,932,478	69,032,234	61,310,616
Total Government Activities	366,554,095	372,528,475	364,211,148	353,042,793	366,194,518	369,725,430	373,821,650	372,778,145	377,673,787
Business-Type Activities									
Investment in Capital Assets, Net of Related Debt	5,031,535	5,149,972	7,119,922	7,440,931	7,391,343	7,532,369	7,620,626	7,790,683	8,536,711
Restricted for:									
Capital Projects	31,887	50,413	9,743,217	10,653,717	11,851,559	15,383,875	16,518,953	16,944,216	16,771,000
Special Projects	-	23,647	-	-	-	-	-	-	-
Total Restricted - Business-Type Activities	31,887	74,060	9,743,217	10,653,717	11,851,559	15,383,875	16,518,953	16,944,216	16,771,000
Total Unrestricted - Business-Type Activities	15,530,760	15,483,043	4,541,177	4,067,282	3,710,223	1,216,854	776,214	144,088	(397,806)
Total Business-Type Activities	20,594,182	20,707,075	21,404,316	22,161,930	22,953,125	24,133,098	24,915,793	24,878,987	24,909,905
Primary Government									
Investment in Capital Assets, Net of Related Debt	269,672,781	276,693,574	283,145,385	273,691,721	267,451,917	272,804,752	268,774,222	267,065,441	288,479,071
Unrestricted Net Assets	66,545,591	76,271,114	51,892,034	55,360,065	75,483,856	67,337,366	75,708,692	69,176,322	60,912,810
Investment in Capital Assets & Unrestricted Net Assets	336,218,372	352,964,688	335,037,419	329,051,786	342,935,773	340,142,118	344,482,914	336,241,763	349,391,881
Restricted Net Assets	50,929,905	40,270,862	50,578,045	46,152,937	46,211,870	53,716,410	54,254,529	61,415,369	53,191,811
Total Primary Government Net Assets	\$ 387,148,277	\$ 393,235,550	\$ 385,615,464	\$ 375,204,723	\$ 389,147,643	\$ 393,858,528	\$ 398,737,443	\$ 397,657,132	\$ 402,583,692

(Continued)



Net Assets by Component
 June 30, 2011
 Last Nine Years

Net Assets by Components, 9 years



Source: City of Menlo Park

Notes: The City of Menlo Park implemented GASB 34 for the fiscal year ended June 30, 2003.
 Information prior to the implementation of GASB 34 is not available.



Changes in Net Assets
June 30, 2011
Last Nine Years

Financial Trends:
Schedule 2

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

Source: City of Menlo Park

Notes: The City implemented GASB 34 for the fiscal year ended 2003. Information prior to the implementation of GASB 34 is not available.

(1) In fiscal year 2005-06, Property tax in lieu of Motor Vehicle License fees was reclassified to Property Taxes.

(2) In fiscal year 2010-11, the large increase was due to contributions to Burgess Gym and Recreation Center.

(Continued)

Expenses



Changes in Net Assets
June 30, 2011
Last Nine Years

Financial Trends:
Schedule 2

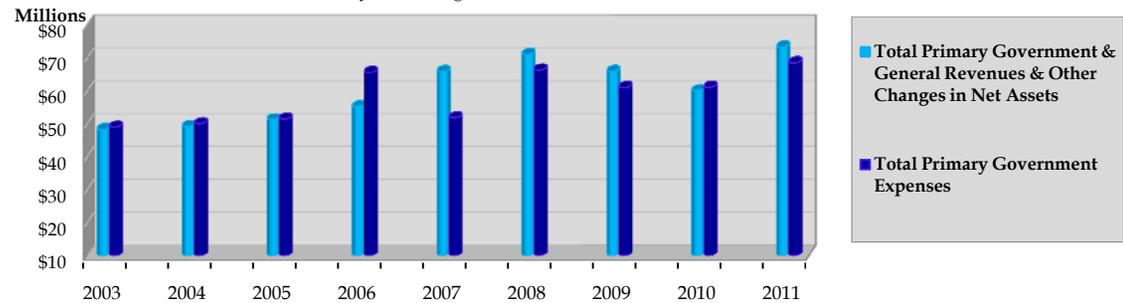
Fiscal Year Ending June 30, ____	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental Activities									
General Government	\$ 6,701,141	\$ 8,375,348	\$ 7,322,997	\$ 7,761,696	\$ 6,857,574	\$ 8,145,031	\$ 6,507,831	\$ 6,353,156	\$ 6,812,499
Public Safety(3)	8,685,740	8,010,385	9,196,468	9,092,996	11,191,323	15,763,116	13,755,857	13,605,071	20,707,475
Public Works	11,231,842	9,742,184	11,040,198	10,275,029	9,723,201	12,332,849	10,717,616	10,635,694	10,789,784
Culture and Recreation	7,761,262	7,971,110	7,547,337	7,781,549	8,647,013	11,276,226	9,723,210	9,616,046	9,461,866
Community Development (4)	7,098,764	7,780,767	8,721,659	23,179,192	6,916,391	9,817,989	12,644,222	12,615,612	11,502,885
Interest on Long-Term Debt	4,821,928	4,679,811	4,602,336	4,529,332	5,070,401	5,037,500	3,710,590	4,020,241	4,481,135
Total Governmental Activities Expenses	46,300,677	46,559,605	48,430,995	62,619,794	48,405,903	62,372,711	57,059,325	56,845,819	63,755,644
Business-Type Activities									
Water	2,831,383	3,555,582	3,187,578	3,081,378	3,601,919	4,075,876	4,047,868	4,378,277	4,874,711
Total Business-Type Activities Expenses	2,831,383	3,555,582	3,187,578	3,081,378	3,601,919	4,075,876	4,047,868	4,378,277	4,874,711
Total Primary Government Expenses	49,132,060	50,115,187	51,618,573	65,701,172	52,007,822	66,448,587	61,107,193	61,224,096	68,630,355
Net Revenue (Expenses)									
Governmental Activities	(31,051,588)	(29,132,903)	(31,699,582)	(44,476,624)	(23,713,101)	(39,142,841)	(37,324,659)	(38,608,288)	(33,921,642)
Business-type Activities	590,294	199,111	580,901	486,541	279,196	407,269	304,279	(119,360)	60,938
Total Net Revenue (Expenses)	(30,461,294)	(28,933,792)	(31,118,681)	(43,990,083)	(23,433,905)	(38,735,572)	(37,020,380)	(38,727,648)	(33,860,704)
Changes in Net Assets									
Governmental Activities	(1,589,488)	(925,292)	(992,327)	(11,168,355)	13,151,725	3,530,912	4,096,220	(1,043,505)	4,780,188
Business-type Activities	828,205	112,893	697,241	757,614	791,196	1,179,973	782,695	(36,806)	30,918
Changes in Net Assets	\$ (761,283)	\$ (812,399)	\$ (295,086)	\$ (10,410,741)	\$ 13,942,921	\$ 4,710,885	\$ 4,878,915	\$ (1,080,311)	\$ 4,811,106

Notes: (3) In Fiscal 2010-11, the large increase was due to paying off the PERS safety side fund

(4) Includes fiscal year 2005-06 transfer of Hamilton Avenue housing and park site from the Community Development Agency of the City to the developer

Total Revenues and Expenses, 9 years

Fiscal year ending June 30, ____





Fund Balances - Governmental Funds
 June 30, 2011
 Last Ten Years

Financial Trends:
 Schedule 3

Fiscal Year Ending June 30, __	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	
General Fund	General Fund-Nonspendable	\$ 870,000	\$ 2,204,813	\$ 1,313,432	\$ 1,487,329	\$ 1,503,411	\$ 202,244	\$ -	\$ 1,529,495	\$ 1,196,456	\$ 1,435,026
	General Fund-Committed	4,251,360	4,252,933	5,351,978	5,106,483	5,865,122	3,000,000	3,000,000	3,000,000	3,000,000	14,000,000
	General Fund-Assigned	3,233,149	3,179,354	2,858,358	3,158,044	3,130,894	2,934,623	3,278,658	3,034,172	2,999,575	2,592,173
	General Fund-Unassigned	<u>20,652,998</u>	<u>22,102,635</u>	<u>22,173,565</u>	<u>21,357,266</u>	<u>25,001,249</u>	<u>29,521,304</u>	<u>21,003,074</u>	<u>19,144,493</u>	<u>18,231,011</u>	<u>1,578,736</u>
	Total General Fund	29,007,507	31,739,735	31,697,333	31,109,122	35,500,676	35,658,171	27,281,732	26,708,160	25,427,042	19,605,935
Other General Funds	Other Governmental Funds-Nonspendable	3,061,563	2,580,696	2,682,348	2,686,585	6,187,396	6,186,018	6,160,144	6,140,612	2,554,413	2,475,807
	Other Governmental Funds-Restricted	586,042	1,004,965	1,142,055	1,287,410	8,366,348	10,581,508	10,759,071	12,184,002	12,630,096	62,102,207
	Other Governmental Funds-Committed	673,674	611,792	-	500,000	500,000	-	-	-	-	-
	Other Governmental Funds-Assigned	78,806,967	69,101,476	61,680,490	56,509,986	42,674,483	52,333,571	61,727,238	65,056,016	74,302,453	14,531,404
	Other Governmental Funds-Unassigned	<u>-</u>	<u>-</u>	<u>(2,532)</u>	<u>(500,245)</u>	<u>(2,080,256)</u>	<u>(880,527)</u>	<u>(94,386)</u>	<u>-</u>	<u>-</u>	<u>(105,083)</u>
	Total Other Governmental Funds	<u>83,128,246</u>	<u>73,298,929</u>	<u>65,502,361</u>	<u>60,483,736</u>	<u>55,647,971</u>	<u>68,220,570</u>	<u>78,552,067</u>	<u>83,380,630</u>	<u>89,486,962</u>	<u>79,004,335</u>
	Total Fund Balances	<u>\$ 112,135,752</u>	<u>\$ 105,038,664</u>	<u>\$ 97,199,694</u>	<u>\$ 91,592,858</u>	<u>\$ 91,148,647</u>	<u>\$ 103,878,741</u>	<u>\$ 105,833,799</u>	<u>\$ 110,088,790</u>	<u>\$ 114,914,004</u>	<u>\$ 98,610,270</u>

Source: City of Menlo Park

(Continued)

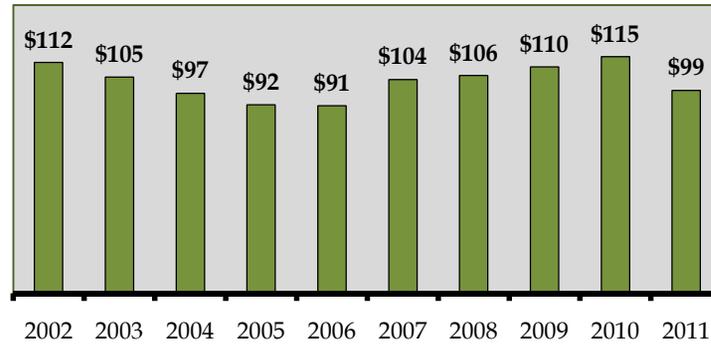


Fund Balances - Governmental Funds
June 30, 2011
Last Ten Years

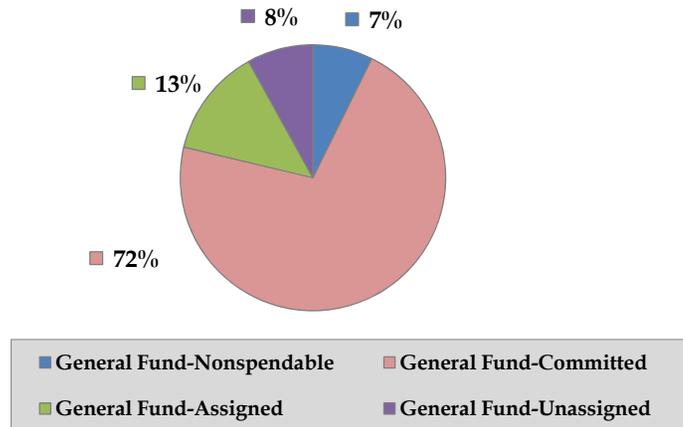
Total Fund Balances, 10 years

Fiscal year ending June 30, ____

Millions



Fund Balance - June 30, 2011





Changes in Fund Balances - Governmental Funds
June 30, 2011
Last Ten Years

Financial Trends:
Schedule 4

Fiscal Year Ending June 30, ____	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
Taxes										
Secured property taxes	\$ 12,626,049	\$ 13,695,509	\$ 14,758,475	\$ 15,771,442	\$ 17,573,221	\$ 18,597,314	\$ 21,081,671	\$ 22,050,255	\$ 21,912,423	\$ 21,810,655
Unsecured property taxes	1,568,876	1,501,581	1,579,850	1,378,158	1,330,885	1,337,681	1,752,345	1,817,213	1,422,317	1,577,479
Other property taxes(1)	1,612,307	679,012	540,255	606,274	717,157	699,280	458,822	345,670	418,851	548,444
Sales taxes	8,648,641	6,857,224	6,048,940	6,057,460	6,503,635	6,799,561	7,676,943	6,865,152	5,499,244	5,988,055
Other Taxes(2)	2,978,377	3,305,904	3,340,693	3,521,874	3,761,949	4,664,247	5,878,652	5,214,176	5,940,486	6,774,780
Special assessments	1,399,697	2,247,423	2,549,037	2,362,435	2,433,635	2,537,408	2,661,078	2,894,276	2,824,098	2,818,829
Licenses and permits	2,585,384	2,952,762	2,891,023	2,917,357	3,432,745	3,657,542	4,376,750	3,208,028	3,069,990	3,586,374
Fines and forfeitures	207,906	802,636	756,678	832,897	792,005	897,568	951,145	1,105,836	1,028,825	953,194
Use of money and property	4,857,451	3,257,644	1,458,436	2,656,739	3,482,982	5,542,009	6,162,279	4,528,617	1,918,576	1,406,100
Intergovernmental(1)	6,084,897	5,130,839	3,682,937	4,176,319	2,691,439	2,750,760	3,533,679	3,180,550	3,219,749	2,547,164
Charges for services	5,015,592	5,589,680	7,492,661	6,873,012	8,047,145	13,884,432	10,713,906	10,221,426	8,738,183	10,486,567
Other Revenues	97,678	172,523	107,530	77,106	212,817	372,534	702,342	186,473	334,959	234,550
Total Revenues	47,682,855	46,192,737	45,206,515	47,231,073	50,979,615	61,740,336	65,949,612	61,617,672	56,327,701	58,732,191
Expenditures										
Current										
General Government	6,083,761	6,010,975	7,380,500	6,154,281	6,652,130	5,938,008	6,168,001	6,372,271	6,442,817	6,209,988
Public Safety(3)	8,044,869	8,462,537	7,826,595	9,078,447	8,929,677	11,212,320	12,476,614	13,371,606	13,532,394	20,568,030
Public Works	3,993,619	6,136,086	7,213,412	7,218,664	7,750,882	7,387,498	7,774,129	7,991,160	7,768,455	7,929,428
Culture and Recreation	7,995,043	7,357,338	7,597,970	7,195,048	7,303,573	7,813,935	8,359,386	8,669,415	8,570,915	8,286,639
Rehabilitation Loans	595,290	434,120	582,200	190,050	400,100	-	-	-	-	-
Community Development	3,140,511	2,682,788	2,859,800	3,780,494	4,088,283	3,233,905	4,325,628	4,533,291	4,354,345	7,061,407
Urban Development and Housing	3,757,889	3,945,154	4,304,319	4,722,358	4,544,265	3,439,609	4,101,470	4,236,426	7,312,083	2,399,919
Capital Outlay	21,510,780	14,105,147	8,928,921	8,346,574	10,260,993	2,989,734	4,545,565	6,405,132	8,314,011	16,030,908
Debt Service										
Principal(4)	970,000	905,000	1,625,000	1,770,000	1,855,000	475,000	2,115,000	2,215,000	2,305,000	2,420,000
Interest and Fiscal Charges(5)	4,086,960	4,538,471	4,691,522	4,614,326	6,224,963	3,768,661	4,868,947	3,540,575	3,581,456	4,295,839
Total Expenditures	60,178,722	54,577,616	53,010,239	53,070,242	58,009,866	46,258,670	54,734,740	57,334,876	62,181,476	75,202,158
Revenues over (under) Expenditures	\$ (12,495,867)	\$ (8,384,879)	\$ (7,803,724)	\$ (5,839,169)	\$ (7,030,251)	\$ 15,481,666	\$ 11,214,872	\$ 4,282,796	\$ (5,853,775)	\$ (16,469,967)

Source: City of Menlo Park

Notes:

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

(Continued)



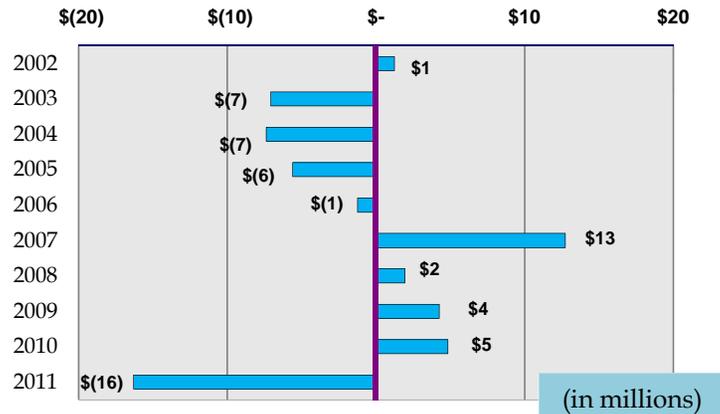
Changes in Fund Balances - Governmental Funds
June 30, 2011
Last Ten Years

Financial Trends:
Schedule 4

Fiscal Year Ending June 30, ____	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Other Financing Sources (Uses)										
Transfer In	27,641,868	1,374,574	3,443,703	2,831,593	16,376,591	7,551,944	10,799,042	7,159,491	7,297,500	42,534,889
Transfer Out	(27,444,868)	(1,157,874)	(3,227,003)	(2,614,893)	(16,148,891)	(10,586,019)	(20,058,856)	(7,188,677)	(7,136,686)	(42,369,250)
Proceeds from Sale of Fixed/Capital As	23,009	1,071,091	196,131	15,633	3,985,446	282,503	-	1,381	3,204	594
Proceeds from Debt Issuance(5)	13,514,033	-	-	-	72,430,000	-	-	-	10,440,000	-
Payment to Escrow Agent	-	-	-	-	(70,525,172)	-	-	-	-	-
Discount on Issuance of Debt	-	-	-	-	(336,800)	-	-	-	74,971	-
Total Other Financing Sources (Uses)	13,734,042	1,287,791	412,831	232,333	5,781,174	(2,751,572)	(9,259,814)	(27,805)	10,678,989	166,233
Net Change in Fund Balances	\$ 1,238,175	\$ (7,097,088)	\$ (7,390,893)	\$ (5,606,836)	\$ (1,249,077)	\$ 12,730,094	\$ 1,955,058	\$ 4,254,991	\$ 4,825,214	\$ (16,303,734)
Debt Service as Percentage of Non-Capital Expenditures										
	13.1%	13.4%	14.3%	14.3%	16.9%	9.8%	13.9%	11.3%	10.9%	11.3%

Net Change in Fund Balances, 10 years

Fiscal year ending June 30, ____



Revenues & Expenditures, 10 years

Fiscal year ending June 30, ____



Notes:

(5) Fund balances as of June 30, 2001 and June 30, 2002 include unexpended bond proceeds from Series 2000 Las Pulgas Tax Allocation Bonds and Series 2002 Measure T General Obligation Bonds, respectively.



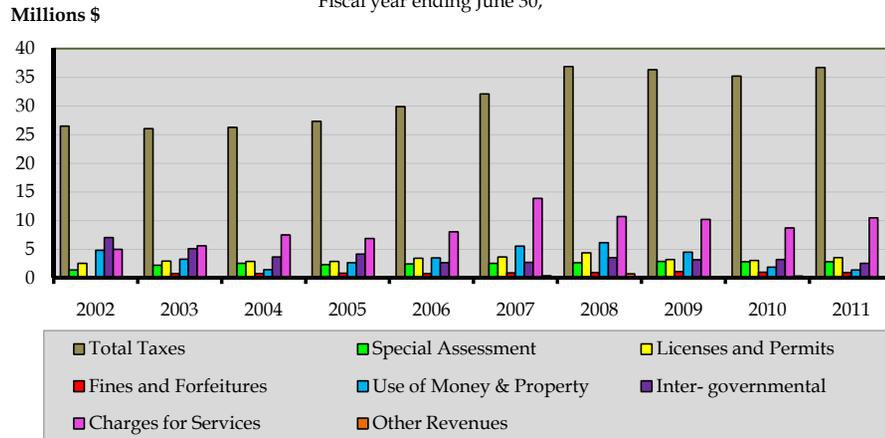
General Government Revenues by Source ⁽¹⁾
 June 30, 2011
 Last Ten years

Revenue Capacity:
 Schedule 5

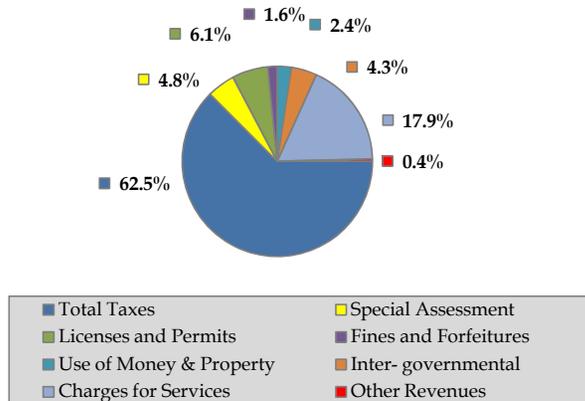
Fiscal Year Ending June 30	Total Taxes	Special Assessment	Licenses and Permits	Fines and Forfeitures	Use of Money & Property	Inter- governmental	Charges for Services	Other Revenues	Total General Government Revenues
2002	\$ 26,484,663	\$ 1,399,697	\$ 2,585,384	\$ 207,906	\$ 4,857,451	\$ 7,034,484	\$ 5,015,592	\$ 97,678	\$ 47,682,855
2003	26,039,230	2,247,423	2,952,762	802,636	3,257,644	5,130,839	5,589,680	172,523	46,192,737
2004	26,268,213	2,549,037	2,891,023	756,678	1,458,436	3,682,937	7,492,661	107,530	45,206,515
2005	27,335,208	2,362,435	2,917,357	832,897	2,656,739	4,176,319	6,873,012	77,106	47,231,073
2006	29,886,847 ⁽²⁾	2,433,635	3,432,745	792,005	3,482,982	2,691,439	8,047,145	212,817	50,979,615
2007	32,098,083	2,537,408	3,657,542	897,568	5,542,009	2,750,760	13,884,432	372,534	61,740,336
2008	36,848,433	2,661,078	4,376,750	951,145	6,162,279	3,533,679	10,713,906	702,342	65,949,612
2009	36,292,466	2,894,276	3,208,028	1,105,836	4,528,617	3,180,550	10,221,426	186,473	61,617,672
2010	35,193,321	2,824,098	3,069,990	1,028,825	1,918,576	3,219,749	8,738,183	334,959	56,327,701
2011	36,699,413	2,818,829	3,586,374	953,194	1,406,100	2,547,164	10,486,567	234,550	58,732,191

Government Revenues by Source, 10 years

Fiscal year ending June 30,



Government Revenues by Source, June 30, 2011



Source: City of Menlo Park

Notes:

(1) General governmental revenues by source consist of the following City funds:

General, Special Revenue, Debt Service, Capital Projects and Expendable Trusts.

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

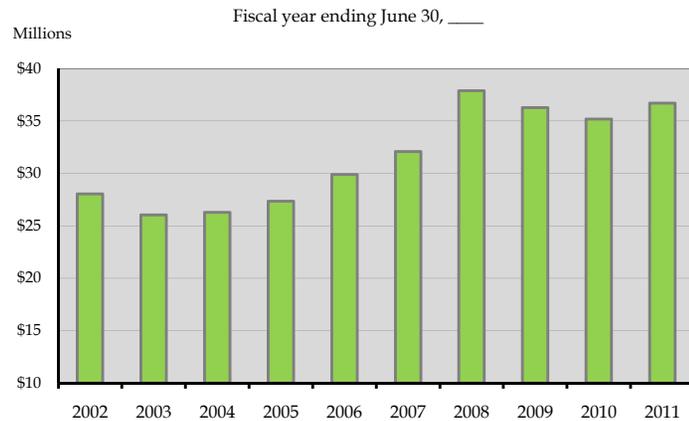


General Government Taxes Details
 June 30, 2011
 Last Ten Years

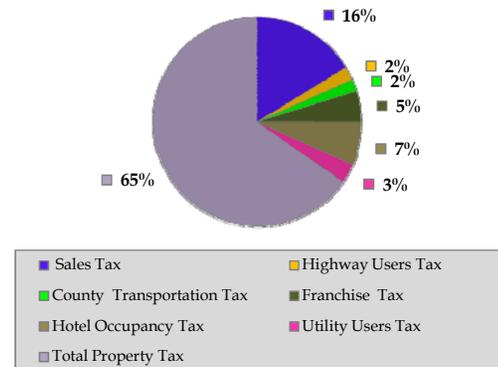
Revenue Capacity:
 Schedule 6

Fiscal Year Ending June 30	Sales Tax	Highway	County	Franchise	Hotel Occupancy	Utility	Property Tax				Total	Total General
		Users Tax	Transportation Tax	Tax	Tax	Users Tax	Secured	Unsecured	Transfer Tax	Other	Property Tax	Government Taxes
2002	\$ 8,648,641	\$ 611,535	\$ 566,072	\$ 1,246,837	\$ 1,165,467	\$ -	\$ 12,626,049	\$ 1,568,876	\$ 358,241	\$ 1,254,066 ⁽²⁾	\$ 15,807,232 ⁽²⁾	\$ 28,045,785
2003	6,857,224	613,959	534,483	1,184,284	973,178	-	13,695,509	1,501,581	330,542	348,470	15,876,102	26,039,230
2004	6,048,940	606,797	531,532	1,243,569	958,795	-	14,758,475	1,579,850	463,562	80,148	16,882,035	26,271,668
2005	6,057,460	606,867	562,472	1,250,605	1,101,930	-	15,771,442	1,378,158	541,765	64,509	17,755,874	27,335,208
2006	6,503,635	595,607	647,938	1,280,707	1,237,697	-	17,573,221	1,330,885	579,473	137,684	19,621,263	29,886,847
2007	6,799,561	534,699	669,280	1,442,686	1,375,914	641,668 ⁽¹⁾	18,597,314	1,337,681	588,158	111,122	20,634,275	32,098,083
2008	7,676,943	580,220	695,066	1,477,768	1,474,119	1,651,479	22,050,255	1,817,213	386,206	72,616	24,326,290	37,881,885
2009	6,865,152	533,784	630,996	1,535,223	1,351,578	1,162,595	22,050,255	1,817,213	278,290	67,380	24,213,138	36,292,466
2010	5,499,244	533,444	618,996	1,565,106	2,074,486	1,148,454	21,912,423	1,422,317	329,368	89,483	23,753,591	35,193,321
2011	5,988,055	770,967	679,286	1,747,605	2,453,981	1,122,940	21,810,655	1,577,479	457,701	90,743	23,936,578	36,699,413

Total General Government Taxes, 10 years



Total General Government Taxes, June 30, 2011



Source: City of Menlo Park and County of San Mateo

Notes:

⁽¹⁾ City implemented Utility Users Tax in April 2007

⁽²⁾ VLF "Swap" by State required reclassification of previous intergovernmental revenue to other property taxes in fiscal year 2006.

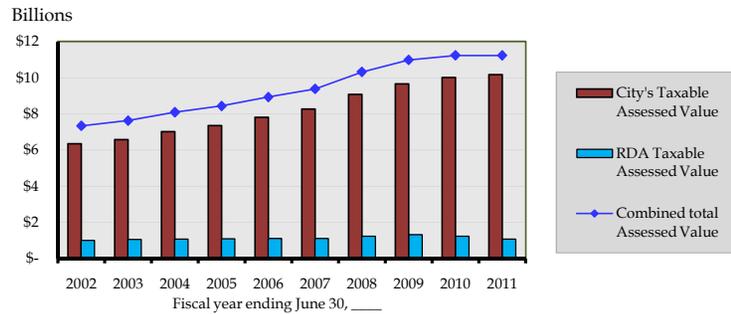


Assessed Valuation, Tax Rates, and Tax Levies
 June 30, 2011
 Last Ten Years

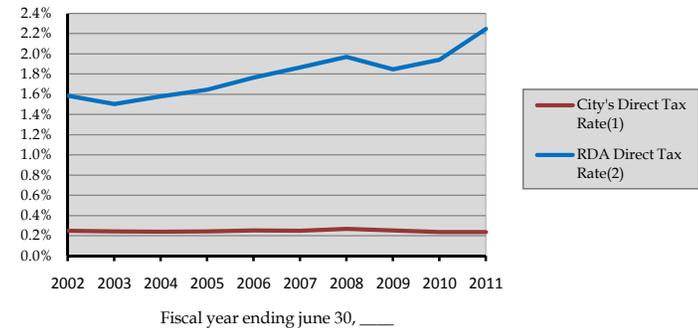
Revenue Capacity:
 Schedule 7

Fiscal Year Ending June 30	City's Assessed Valuation				Redevelopment Agency-Assessed Valuation					Combined total Assessed Value	
	Secured	Unsecured	Less Exemptions	City's Taxable Assessed Value	City's Direct Tax Rate(1)	Secured	Unsecured	Less Exemptions	RDA Taxable Assessed Value		RDA Direct Tax Rate(2)
2002	\$ 5,720,685,023	\$ 756,199,198	\$ (130,297,047)	\$ 6,346,587,174	0.249%	\$ 906,620,804	\$ 114,689,237	\$ (23,664,340)	\$ 997,645,701	1.584%	\$ 7,344,232,875
2003	6,020,761,962	706,399,938	(152,591,386)	6,574,570,514	0.241%	983,421,696	108,187,998	(34,601,756)	1,057,007,938	1.502%	7,631,578,452
2004	6,521,857,488	669,542,451	(163,717,503)	7,027,682,436	0.240%	990,597,114	115,986,467	(36,858,240)	1,069,725,341	1.578%	8,097,407,777
2005	6,920,718,474	605,826,607	(168,363,050)	7,358,182,031	0.241%	1,033,304,174	84,847,220	(37,739,518)	1,080,411,876	1.643%	8,438,593,907
2006	7,377,433,642	628,446,311	(185,070,530)	7,820,809,423	0.251%	1,046,349,313	108,767,684	(42,711,030)	1,112,405,967	1.764%	8,933,215,390
2007	7,919,201,296	544,875,879	(189,778,409)	8,274,298,766	0.249%	1,035,909,580	114,289,881	(43,498,754)	1,106,700,707	1.864%	9,380,999,473
2008	8,613,253,093	684,419,419	(210,102,184)	9,087,570,328	0.268%	1,138,152,561	156,629,922	(59,676,800)	1,235,105,683	1.970%	10,322,676,011
2009	9,144,410,123	745,589,266	(220,706,897)	9,669,292,492	0.250%	1,208,257,199	159,215,126	(56,858,297)	1,310,614,028	1.847%	10,979,906,520
2010	9,525,325,520	733,413,542	(242,215,879)	10,016,523,183	0.237%	1,164,534,769	115,685,185	(56,716,879)	1,223,503,075	1.941%	11,240,026,258
2011	9,701,542,385	712,158,100	(244,456,426)	10,169,244,059	0.235%	1,010,171,675	118,317,580	(63,458,554)	1,065,030,701	2.248%	11,234,274,760

City's and RDA Assessed Value, 10 years



City's and RDA Direct Tax Rates, 10 years



Source: County of San Mateo

Notes:

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

- (1) represents total property tax recognized divided by City taxable assessed value
- (2) represent total property tax recognized divided by RDA taxable assessed value



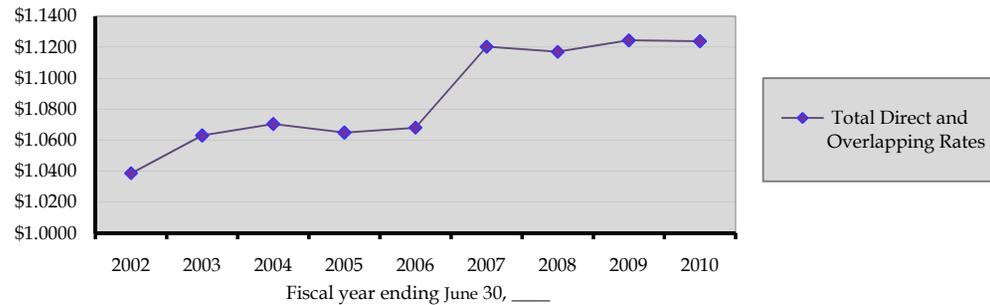
Direct and Overlapping Property Tax Rates
June 30, 2011
Last Ten Years

Debt Capacity:
Schedule 8

(Per \$1,000 Assessed Valuation)

FISCAL YEAR ENDING JUNE 30, __	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
City Direct Rates(1)										
City Basic Rate	\$0.0025	\$0.0024	\$0.0024	\$0.0024	\$0.0025	\$0.0025	\$0.0027	\$0.0025	\$0.0024	\$0.0024
Total City Direct Rates	0.0025	0.0024	0.0024	0.0024	0.0025	0.0025	0.0027	0.0025	0.0024	0.0024
Overlapping Rates(2)										
San Mateo County	0.9975	0.9976	0.9976	0.9976	0.9975	1.0000	1.000	1.000	1.000	1.000
Menlo Park Elementary	0.0245	0.0220	0.0232	0.0233	0.0209	0.0416	0.0384	0.0399	0.0390	0.0410
San Mateo Junior College	0.0000	0.0079	0.0065	0.0065	0.0065	0.0184	0.0171	0.0165	0.0182	0.0193
Menlo Park Debt Service	0.0063	0.0062	0.0060	0.0056	0.0052	0.0052	0.0047	0.0048	0.0046	0.0042
Menlo Park Parks & Rec Bond	0.0000	0.0140	0.0110	0.0131	0.0132	0.0132	0.0140	0.0141	0.0127	0.0127
Sequoia High School	0.0079	0.0130	0.0238	0.0164	0.0223	0.0208	0.0205	0.0282	0.0277	0.0311
Total Overlapping Rates:	1.0362	1.0607	1.0681	1.0625	1.0656	1.0992	1.0947	1.1035	1.1022	1.1083
Total Direct and Overlapping Rates	\$1.0387	\$1.0631	\$1.0705	\$1.0649	\$1.0681	\$1.1017	\$1.0974	\$1.1060	\$1.1046	\$1.1107

Total Direct and Overlapping Rates, 10 years



Sources:

(1) County of San Mateo, Property Taxes

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

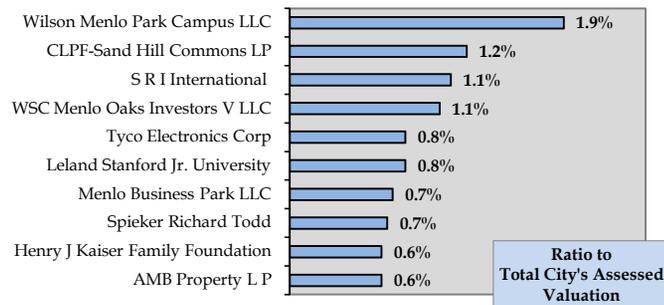


Principal Property Tax Payers
June 30, 2011
Current Fiscal Year and Fiscal Year 2001-2002

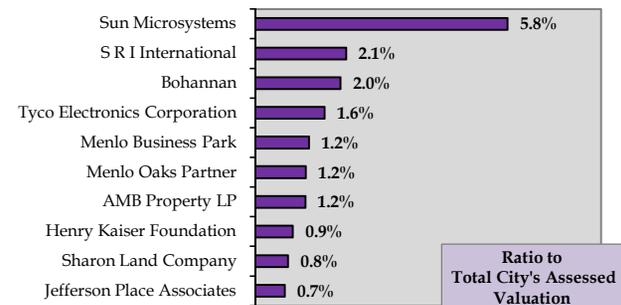
Debt Capacity:
Schedule 9

FY 2010-2011				FY 2001-2002			
Property Owner	Rank	Taxable Assessed Value	Ratio to Total City's Assessed Valuation	Property Owner	Rank	Taxable Assessed Value	Ratio to Total City's Assessed Valuation
Wilson Menlo Park Campus LLC	1	\$ 217,123,627	1.9%	Sun Microsystems	1	\$ 370,572,795	5.8%
CLPF-Sand Hill Commons LP	2	140,266,429	1.2%	S R I International	2	133,456,225	2.1%
S R I International	3	127,732,517	1.1%	Bohannon	3	125,274,292	2.0%
WSC Menlo Oaks Investors V LLC	4	118,712,262	1.1%	Tyco Electronics Corporation	4	101,794,271	1.6%
Tyco Electronics Corp	6	91,578,000	0.8%	Menlo Business Park	5	79,019,132	1.2%
Leland Stanford Jr. University	5	90,574,570	0.8%	Menlo Oaks Partner	6	74,231,554	1.2%
Menlo Business Park LLC	7	81,526,430	0.7%	AMB Property LP	7	73,579,628	1.2%
Spieker Richard Todd	8	81,515,151	0.7%	Henry Kaiser Foundation	8	55,064,935	0.9%
Henry J Kaiser Family Foundation	9	77,119,986	0.6%	Sharon Land Company	9	48,280,107	0.8%
AMB Property L P	10	72,563,307	0.6%	Jefferson Place Associates	10	43,180,627	0.7%
Top Ten Taxpayers' Total		\$ 1,098,712,279	9.7%	Top Ten Taxpayers' Total		\$ 1,104,453,566	17.4%
City's Total Assessed Valuation		\$ 11,284,210,008	100%	City's Total Assessed Valuation		\$ 6,351,845,730	100%

City's Top 10 Principal Tax Payers
June 30, 2011



City's Top 10 Principal Tax Payers
June 30, 2002



Source:

San Mateo County Tax Roll, Tidemark, June 2011

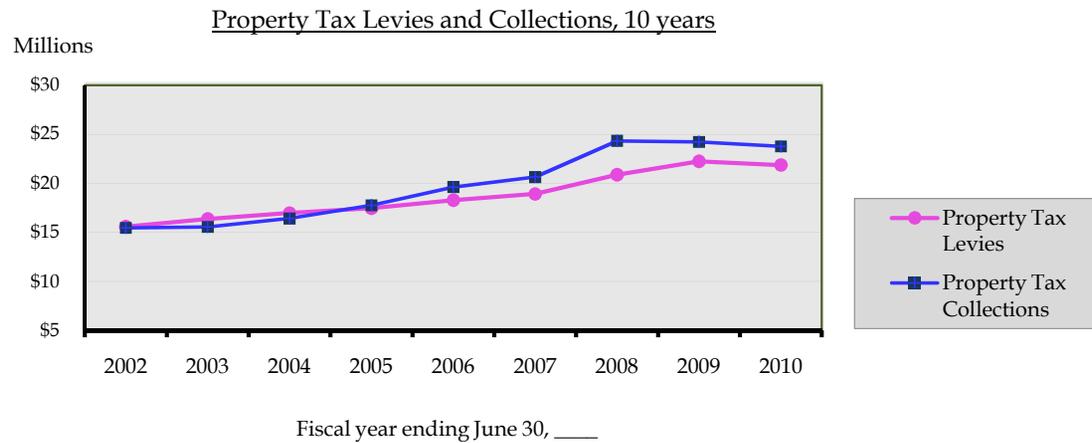
California Municipal Statistics Inc., June 2011



Property Tax Levies and Collections
June 30, 2011
Last Ten Years

Debt Capacity:
Schedule 10

Fiscal Year Ending June 30	Property Tax Levies	Property Tax Collections	Percentage of Collections
2002	\$ 15,587,032	\$ 15,448,991	99.11%
2003	16,363,962	15,545,560	95.00%
2004	16,969,603	16,418,473	96.75%
2005	17,467,955	17,755,873	101.65%
2006	18,281,120	19,621,262	107.33%
2007	18,913,707	20,634,275	109.10%
2008	20,873,781	24,326,290	116.54%
2009	22,237,748	24,213,138	108.88%
2010	21,859,410	23,753,591	108.67%
2011	23,541,681	23,936,578	101.68%



Source:

County of San Mateo, Letter of Estimated Property Tax Revenues

City of Menlo Park

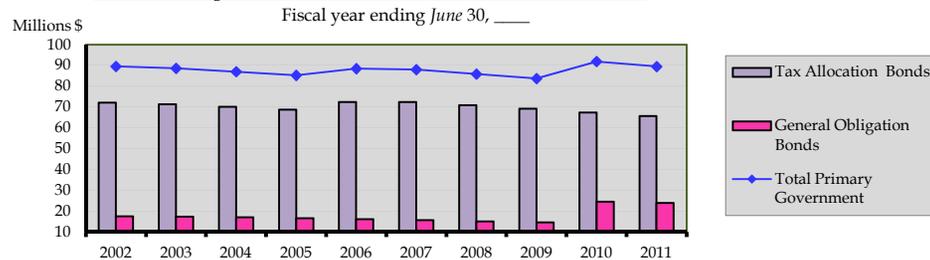


Ratios of Outstanding Debt by Type
June 30, 2011
Last Ten Years

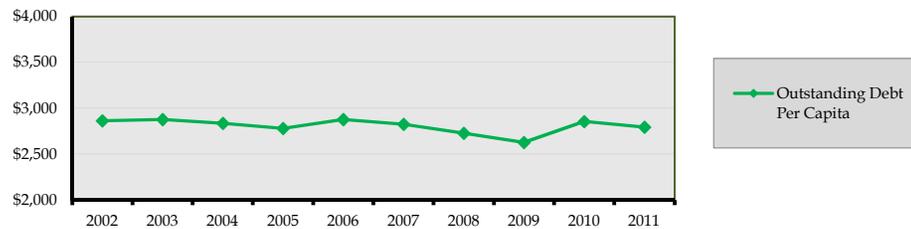
Debt Capacity:
Schedule 11

Fiscal Year Ending June 30	General Obligation Bonds	Tax Allocation Bonds (1)	Total Primary Government (4)	Percentage of Personal Income (6)	Outstanding Debt Per Capita (7)
2002	\$ 17,485,000 (2)	\$ 72,045,000	\$ 89,530,000	5.37%	\$ 2,864
2003	17,275,000	71,350,000	88,625,000	5.50%	2,878
2004	16,930,000	70,070,000	87,000,000	5.00%	2,837
2005	16,500,000	68,730,000	85,230,000	4.70%	2,781
2006	16,050,000	72,430,000 (5)	88,480,000	4.30%	2,877
2007	15,575,000	72,430,000	88,005,000	3.94%	2,826
2008	15,070,000	70,820,000	85,890,000	n/a	2,728
2009	14,535,000	69,140,000	83,675,000	n/a	2,626
2010	24,487,472 (3)	67,395,000	91,882,472	n/a	2,855
2011	23,874,973	65,585,000	89,459,973	n/a	2,793

General Obligation Bonds & Tax Allocation Bonds, 10 Years



Outstanding Debt Per Capita, 10 Years



Source: City of Menlo Park

Notes:

- (1) General Obligation Bonds consists of 1996, 2002, and 2009 General Obligation Bonds
- (2) The City issued \$13,245,000 in 2002 General Obligation bonds
- (3) The City issued \$10,440,000 in 2009 General Obligation Bonds
- (4) Tax Allocation Bonds consists of 2006 Las Pulgas Project Tax Allocation Bonds
- (5) The 1996 & 2000 Tax Allocation Bonds were refinanced with 2006 Refunding Bonds
- (6) County of San Mateo's per capita personal income
- (7) State of California Department of Finance, population

n/a - not available



Direct and Overlapping Debt
June 30, 2011

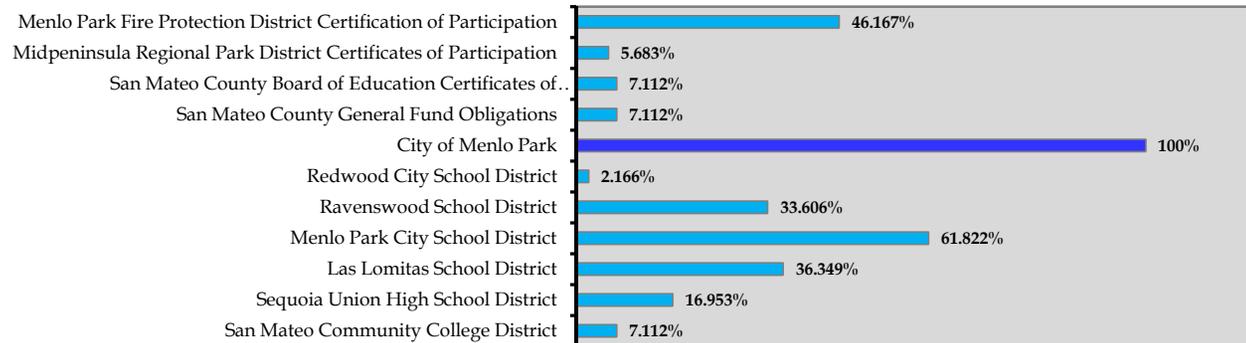
Debt Capacity:
Schedule 12

Fiscal year 2010-2011

City Assessed Valuation	\$ 10,181,884,118
Redevelopment Incremental Valuation	1,102,325,890
Total Assessed Valuation	\$ 11,284,210,008

	Outstanding Debt 6/30/2011	Percentage Applicable (1)	Estimated Share of Overlapping Debt	Ratio to Total Assessed Valuation
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:				
San Mateo Community College District	\$ 613,779,994	7.112%	\$ 43,652,033	0.387%
Sequoia Union High School District	348,900,000	16.953%	59,149,017	0.524%
Las Lomas School District	17,544,944	36.349%	6,377,412	0.057%
Menlo Park City School District	102,534,999	61.822%	63,389,187	0.562%
Ravenswood School District	11,692,358	33.606%	3,929,334	0.035%
Redwood City School District	50,516,817	2.166%	1,094,194	0.010%
City of Menlo Park	23,805,000	100%	23,805,000	0.211%
Total Direct and Overlapping Tax and Assessment Debt			\$ 201,396,177	1.785%
OVERLAPPING GENERAL FUND DEBT:				
San Mateo County General Fund Obligations	\$ 337,584,816	7.112%	24,009,032	0.213%
San Mateo County Board of Education Certificates of Participation	12,420,000	7.112%	883,310	0.008%
Midpeninsula Regional Park District Certificates of Participation	131,003,031	5.683%	7,444,902	0.066%
Menlo Park Fire Protection District Certification of Participation	11,990,000	46.167%	5,535,423	0.049%
Total Overlapping General Fund Debt			\$ 37,872,668	0.336%
COMBINED TOTAL DEBT (2)			\$ 239,268,845	2.120%

Estimated Share of Overlapping Debt - June 30, 2011



Source: California Municipal Statistics, Inc.

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

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

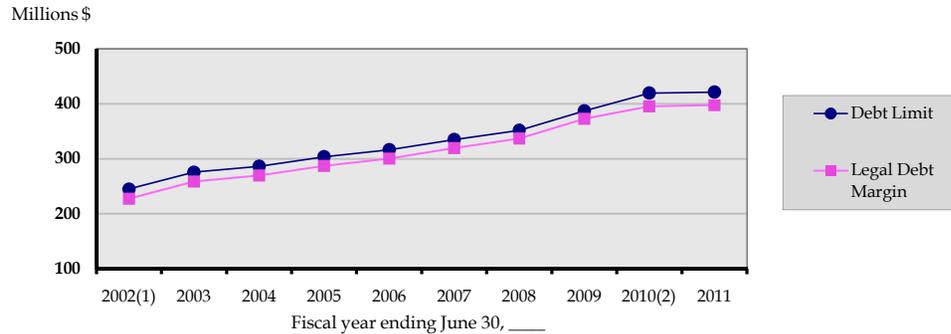


Legal Debt Service Margin Information
June 30, 2011
Last Ten Years

Debt Capacity
Schedule 13

Fiscal year ending June 30, ____	2002(1)	2003	2004	2005	2006	2007	2008	2009	2010(2)	2011
Total Assessed Valuation	\$ 6,525,446,839	\$ 7,349,582,506	\$ 7,636,849,442	\$ 8,098,392,444	\$ 8,439,815,620	\$ 8,934,356,839	\$ 9,381,942,948	\$ 10,324,430,171	\$ 11,189,939,944	\$ 11,234,274,760
Conversion Percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted Assessed Valuation	1,631,361,710	1,837,395,627	1,909,212,361	2,024,598,111	2,109,953,905	2,233,589,210	2,345,485,737	2,581,107,543	2,797,484,986	2,808,568,690
Debt Limit Percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt Limit	244,704,256	275,609,344	286,381,854	303,689,717	316,493,086	335,038,381	351,822,861	387,166,131	419,622,748	421,285,304
Debt Applicable to Limit - General Obligation Bonds	17,485,000	17,275,000	16,930,000	16,500,000	16,050,000	15,575,000	15,070,000	14,535,000	24,487,472	23,874,973
Legal Debt Margin	\$227,219,256	\$258,334,344	\$269,451,854	\$287,189,717	\$300,443,086	\$319,463,381	\$336,752,861	\$372,631,131	\$395,135,276	\$397,410,331
Debt Applicable to Limit as a Percentage of Debt Limit	92.9%	93.7%	94.1%	94.6%	94.9%	95.4%	95.7%	96.2%	94.2%	94.3%

Legal Debt Service Limit, 10 years



Source: County of San Mateo, Assessed Valuation Reports

Notes:

(1) The City issued 2002 General Obligation Bonds

(2) The City issued 2009 General Obligation Bonds

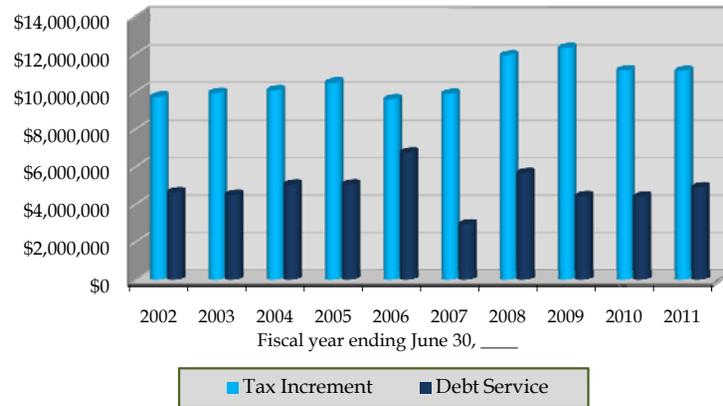


Pledged Revenue Coverage-Community Development Agency
 June 30, 2011
 Last Ten Years

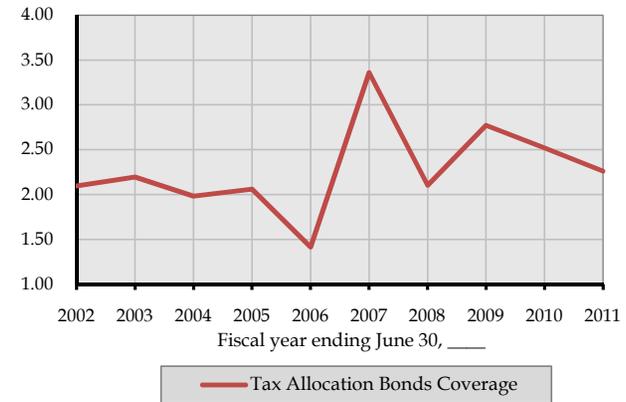
Debt Capacity:
 Schedule 14

Fiscal Year Ending	Tax Increment	Debt Service		Total Debt Service	Tax Allocation Bonds Coverage
		Principal	Interest & Charges		
2002	\$ 9,747,852	\$ 775,000	\$ 3,878,739	\$ 4,653,739	2.09
2003	9,961,806	695,000	3,843,476	4,538,476	2.19
2004	10,086,004	1,280,000	3,811,159	5,091,159	1.98
2005	10,501,114	1,340,000	3,752,829	5,092,829	2.06
2006	9,613,455	1,405,000	5,384,928	6,789,928	1.42
2007	9,907,272	- ⁽¹⁾	2,948,006	2,948,006	3.36
2008	11,953,189	1,610,000	4,075,322	5,685,322	2.10
2009	12,345,579	1,680,000	2,776,371	4,456,371	2.77
2010	11,149,849	1,745,000	2,682,517	4,427,517	2.52
2011	11,125,255	1,810,000	3,112,496	4,922,496	2.26

Tax Increment & Debt Service, 10 years



Tax Allocation Bonds Coverage Ratios, 10 years



Source: City of Menlo Park

(1) No principal due, the bonds were refinanced in 2006.

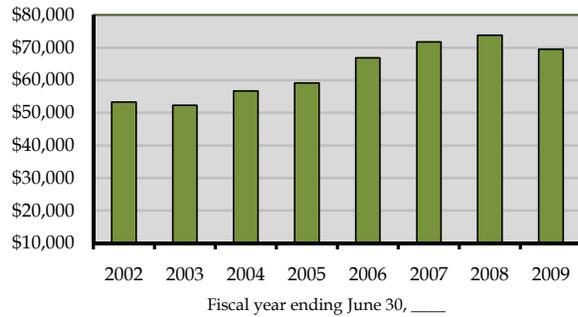


Demographic and Economic Statistics
 June 30, 2011
 Last Ten Years

Demographic and
 Economic
 Information:
 Schedule 15

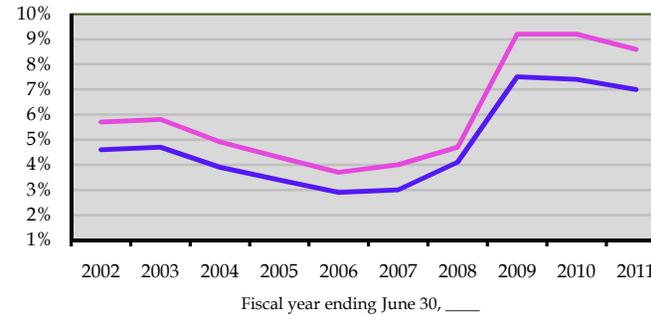
Calendar Year	City of Menlo Park		County of San Mateo		K-12 Public School Enrollments ⁽⁵⁾
	Population ⁽¹⁾	City's Unemployment Rate ⁽²⁾	County's Unemployment Rate ⁽³⁾	Personal Income Per Capita ⁽⁴⁾	
2002	31,262	4.6%	5.7%	\$ 53,315.00	3,919
2003	30,798	4.7%	5.8%	52,289	4,033
2004	30,671	3.9%	4.9%	56,697	4,109
2005	30,648	3.4%	4.3%	59,213	4,120
2006	30,750	2.9%	3.7%	66,839	4,124
2007	31,146	3.0%	4.0%	71,753	4,177
2008	31,490	4.1%	4.7%	73,839	4,297
2009	31,865	7.5%	9.2%	69,562	4,498
2010	32,185	7.4%	9.2%	n/a	4,477
2011	32,026	7.0%	8.6%	n/a	4,678

Personal Income Per Capita



■ Personal Income Per Capita(4)

Unemployment Rates, 10 years



— City's Unemployment Rate(2) — County's Unemployment Rate(3)

Source:

- (1) State of California Department of Finance, Demographic Research Unit
- (2) California Labor Market Information, EDD, labormarketinfo.edd.ca.gov, June 2011
- (3) California Labor Market Information, EDD, labormarketinfo.edd.ca.gov, June 2011
- (4) US Department of Commerce, Bureau of Economic Analysis, bea.gov
- (5) California Department of Education, Education Demographics Office, Enrollment Over Time - Data Quest, Menlo-Atherton High School and Menlo Park City

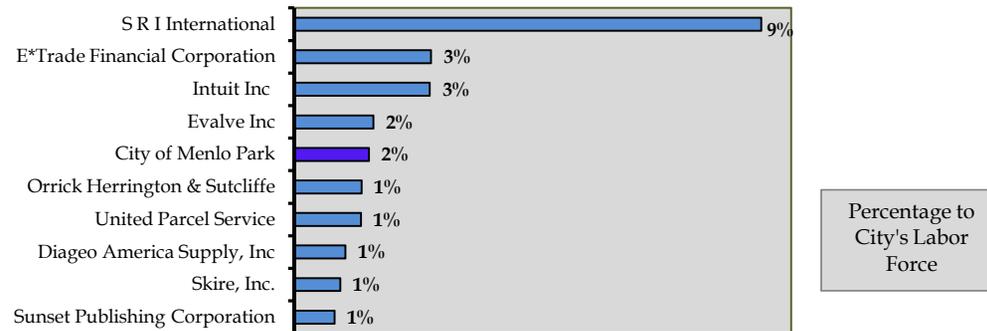


Principal Employers
 June 30, 2011
 Current Fiscal Year and Nine Years Prior

Demographic
 Economic
 Information:
 Schedule 16

	2010-11			2001-2002		
	Rank	Total Employees	Percentage of Total City's Labor Force	Total Employees	Percentage of Total City's Labor Force	
<u>City's Principal Employers</u>						
S R I International	1	1457	9%	1,181	7%	
E*Trade Financial Corporation	2	427	3%	565	3%	
Intuit Inc	3	423	3%	n/a	n/a	*
Evalve Inc	4	247	2%	n/a	n/a	**
City of Menlo Park	5	233	2%	244	1%	
Orrick Herrington & Sutcliffe	6	210	1%	129	1%	
United Parcel Service	7	208	1%	177	1%	
Diageo America Supply, Inc	8	160	1%	196	1%	
Skire, Inc.	9	144	1%	30	0%	
Sunset Publishing Corporation	10	126	1%	150	1%	
Top 10 Employers		3,635	23%	2,672	16%	
Total Employment of the City's Labor Force		15,500	100%	16,700	100%	

City's Top 10 Employers
 Fiscal year ending June 30, 2011



Source:

City of Menlo Park, Finance, Business License, calendar year, non-profit organizations' data is not available
 State of California, Employment Development Department, Labor Force, June 2001 and 2011

Notes:

(*) Intuit Inc. started in 2008

(**) Evalve Inc. started in 2004



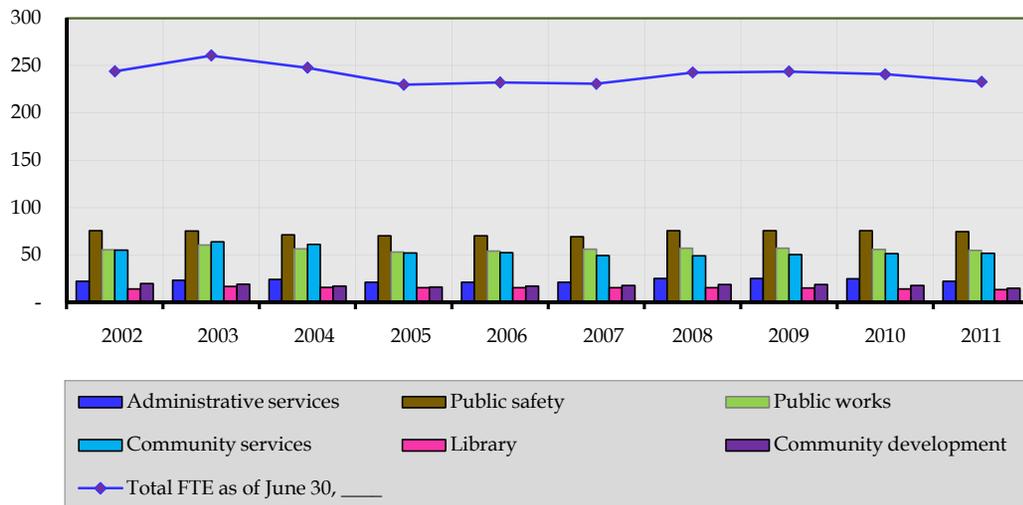
Full Time Equivalent City Employees by Function
 June 30, 2011
 Last Ten Years

Demographic and
 Economic
 Information:
 Schedule 17

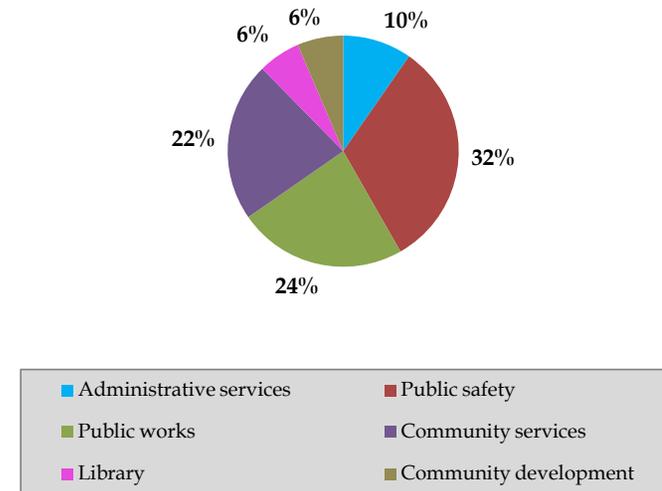
Full-Time Equivalent Employees										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government										
Administrative services	22.50	23.50	24.50	21.50	21.50	21.50	25.35	25.35	25.00	22.50
Public safety	76.00	75.50	71.50	70.50	70.50	69.50	76.00	76.00	75.75	74.75
Public works	55.75	60.75	56.75	53.25	54.25	56.25	57.25	57.25	56.00	55.00
Culture and recreation										
Community services	55.50	64.25	61.50	52.50	52.75	49.75	49.25	50.75	51.50	52.00
Library	14.25	17.00	16.00	15.75	15.75	15.75	15.75	15.25	14.50	13.75
Community development	20.00	19.50	17.50	16.50	17.50	18.00	19.15	19.15	18.00	15.00
Total	244.00	260.50	247.75	230.00	232.25	230.75	242.75	243.75	240.75	233.00

City's Full Time Equivalent Employees, 10 years

Fiscal year ending June 30, ____



Full-Time Equivalent Employees - June 30, 2011



Source: City of Menlo Park, Personnel

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Operating Indicators by Demand Level of Service, by Function/Program
 June 30, 2011
 Last Ten Years

Operating Information:
 Schedule 18

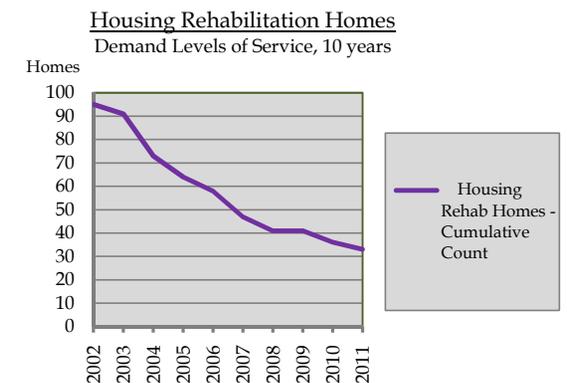
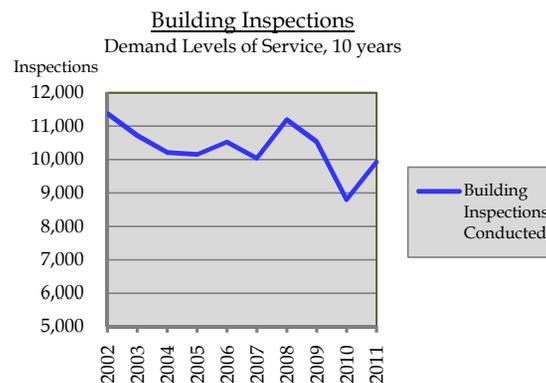
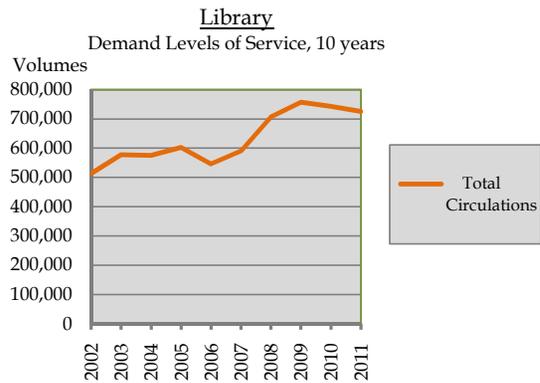
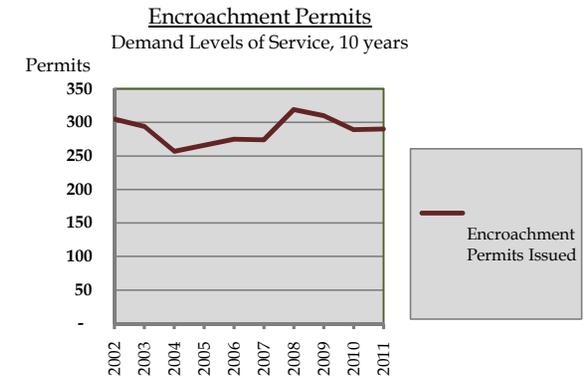
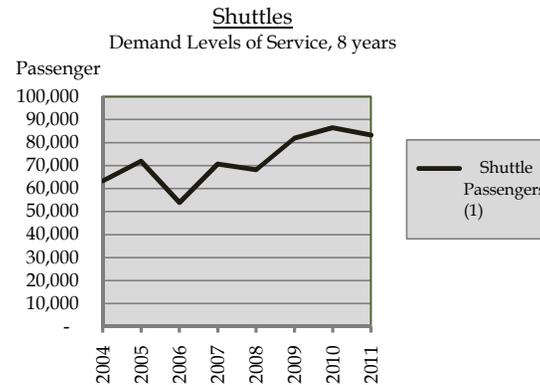
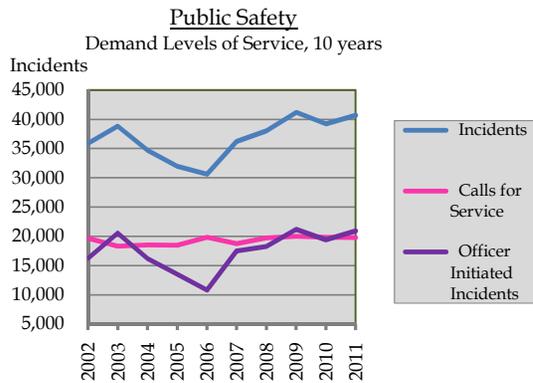
		FISCAL YEAR ENDING JUNE 30, _____									
<u>FUNCTION/PROGRAM</u>		<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Public Safety	Incidents	35,907	38,856	34,676	31,977	30,597	36,206	37,997	41,200	39,217	40,675
	Calls for Service	19,658	18,299	18,516	18,467	19,806	18,721	19,736	20,015	19,840	19,752
	Officer Initiated Incidents	16,249	20,557	16,160	13,510	10,791	17,485	18,261	21,185	19,377	20,923
Public Works	<u>Transportation:</u>										
	Shuttle Passengers (1)	n/a	n/a	63,387	71,963	53,978	70,712	68,201	81,837	86,503	83,246
	<u>Engineering:</u>										
	Encroachment Permits Issued	305	294	257	266	275	274	319	310	289	290
Culture and Recreation	<u>Parks and recreation:</u>										
	Number of Activity Hours Provided(2)	10,239	9,863	9,762	9,649	9,571	21,902	119,674	37,869	48,270	37,964
	Number of recreational activities participants(3)	20,478	23,417	20,259	20,033	39,987	42,424	237,968	61,514	64,762	88,032
	<u>Library:</u>										
	Books Volumes held	140,942	134,047	134,294	136,590	143,351	142,735	149,927	151,650	146,429	146,356
	Video/DVD held	7,500	8,749	10,048	11,650	12,569	11,092	15,148	14,989	13,688	14,262
	Books Volumes added	11,480	13,850	9,394	9,153	4,992	9,587	7,613	15,162	9,826	9,587
Total Circulations	513,560	577,170	575,023	602,548	545,764	590,261	707,073	756,808	742,555	726,189	
Community Development	<u>Building Permits Issued:</u>										
	Residential - Count	679	707	970	761	824	745	787	652	667	733
	Residential -Value (\$1000s)	34,417	34,163	56,527	44,819	55,404	70,643	84,006	51,761	42,033	49,618
	Commercial - Count	145	153	210	161	155	185	170	187	160	202
	Commercial -Value (\$1000s)	64,675	73,280	25,199	24,425	44,428	112,118	73,820	42,435	32,419	46,756
	Accessory -Count	132	136	94	84	107	99	99	74	87	85
	Accessory -Value (\$1000s)	2,134	2,866	1,820	4,552	1,062	1,290	2,337	1,039	1,188	1,812
	Building Inspections Conducted	11,377	10,713	10,215	10,159	10,522	10,036	11,197	10,532	8,797	9,928
	<u>Housing and Redevelopment:</u>										
	Below Market Rate - Units sold(4)	0	2	1	0	0	8	16	5	2	2
	Below Market Rate - Units resold(4)	0	0	1	0	1	2	0	0	1	3
	Housing Rehabilitation - New loans	13	7	9	3	5	0	0	5	0	0
	Housing Rehab Loans - Cumulative \$	2,284,738	2,337,511	2,276,512	2,129,896	2,205,021	1,744,741	1,459,047	1,440,877	1,340,433	1,312,380
	Housing Rehab Homes - Cumulative Count	95	91	73	64	58	47	41	41	36	33
RDA - Housing Rehabilitation - New loans(5)	-	-	-	-	-	-	-	-	-	4	3
RDA - Housing Rehab Loans - Cumulative \$	-	-	-	-	-	-	-	-	193,000	347,785	
RDA - Housing Rehab Homes - Cumulative Count	-	-	-	-	-	-	-	-	4	7	
Administration Services	<u>Finance:</u>										
	New Business License Applications	593	510	527	481	469	649	708	564	308	458

(Continued)



Operating Indicators by Demand Level of Service, by Function/Program
 June 30, 2011
 Last Ten Years

Operating Information:
 Schedule 18



Source: City of Menlo Park

Notes:

- (1) Public demand of the free shuttles was increased in 2006-07 as a result of frequent promotions of the free service by the City of Menlo Park Transportation Department and the participating companies who promote commute alternatives in peak hours.
- (2) Increased programming in rooms previously used for child care at Burgess and new programs at the Onetta Harris Community Center. The method of calculation may vary from previously submitted information.
- (3) Park and Recreation: Differences in department programming from year to year result in substantial variances in some totals.
- (4) Updated 10/12/2011
- (5) Redevelopment Agency-Housing Rehabilitation started in fiscal year 2009-2011



Capital Asset Statistics by Function
 June 30, 2011
 Last Ten Years

Operating Information:
 Schedule 19

FISCAL YEAR ENDING JUNE 30, _____

Function	Facility	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government	Civic Center-Administration	1	1	1	1	1	1	1	1	1	1
Public Safety	Police Stations	1	1	1	2	2	2	2	2	2	2
Public Works	Streets (miles)	101	101	101	101	101	101	101	101	101	101
	Streetlights	1,659	1,659	1,659	1,718	1,718	1,718	1,718	1,718	1,719	2,233
	Traffic Signals	22	22	22	22	22	22	22	22	22	22
	Water: (1,000 gallons)	3,557	3,557	3,557	3,363	3,363	3,556	3,805	3,337	2,582	2868
	- Capacity per day (millions of gallons)	4	3	4	4	3	4	4	3	3	3
	- Water storage (millions of gallons)	6	6	6	6	6	6	6	6	6	6
	- Water lines (miles)	55	55	55	55	55	55	55	59	59	59
Parks and Recreation	Child Care Centers	5	5	5	5	5	5	5	6	6	6
	Recreation Center	1	1	1	1	1	1	1	1	1	1
	Library	2	2	2	2	2	2	2	2	2	2
	Parks	13	13	13	13	13	13	13	14	14	14
	Community Center	1	1	1	1	1	1	1	1	1	1
	Senior Centers	2	2	2	2	2	2	2	2	2	2
	Gymnasium	2	2	2	2	2	2	2	2	2	2
	Pools ⁽¹⁾	4	4	4	5	5	5	5	5	5	5
	Medical Clinic	1	1	1	1	1	1	1	1	1	1
	Gate House	1	1	1	1	1	1	1	1	1	1
	Dog Park Areas	n/a	n/a	n/a	n/a	n/a	n/a	2	2	2	2

Source: City of Menlo Park

Notes:

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

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Capital Asset and Infrastructure Statistics by Activities
 June 30, 2011
 Last Ten Years

Operating Information:
 Schedule 20

Fiscal Year Ending	Non-Depreciable					Depreciable							Less: Accumulated Depreciation	Total Depreciable	Combined Total
	Land	Land Improvement	Real Estate Held for Sale	Construction in Progress	Total Non-Depreciable	Buildings	Share Use Facilities	Equipment	Other Improvements	Infrastructure					
2002	\$ 8,490,309	\$ -	\$ -	\$ 25,626,382	\$ 34,116,691	\$ 29,185,487	\$ -	\$ 7,803,067	\$ 13,767,101	\$ -	\$ -	\$ 50,755,655	\$ 84,872,346		
2003	221,534,267	32,705,490	-	1,717,984	255,957,741	39,689,374	-	5,798,154	3,328,493	97,117,678	(48,625,194)	97,308,505	353,266,246		
2004	221,534,267	32,705,490	-	9,060,550	263,300,307	39,706,068	-	5,919,103	3,797,004	97,849,119	(52,039,710)	95,231,584	358,531,891		
2005	221,534,267	32,900,109	-	8,501,684	262,936,060	39,974,278	-	6,035,756	5,509,784	102,932,198	(55,468,475)	98,983,541	361,919,601		
2006	205,232,510	32,900,109	-	968,145	239,100,764	46,658,887	-	6,201,377	12,081,605	103,885,147	(57,765,455)	111,061,561	350,162,325		
2007	204,949,233	32,900,109	-	600,561	238,449,903	46,933,785	-	5,912,705	12,717,853	105,533,229	(61,481,901)	109,615,671	348,065,574		
2008	204,949,233	32,900,109	-	2,971,197	240,820,539	46,933,785	-	6,162,913	12,782,089	106,952,666	(65,743,622)	107,087,831	347,908,370		
2009	204,949,233	32,900,109	-	3,318,133	241,167,475	46,933,785	-	6,383,215	12,792,366	107,911,764	(69,349,289)	104,671,841	345,839,316		
2010	204,949,233	32,900,109	446,725	5,889,419	244,185,486	47,218,382	2,600,000	6,384,363	12,792,366	108,730,291	(73,724,714)	104,000,688	348,186,174		
2011	204,949,233	32,900,109	648,285	6,979,308	245,476,935	65,959,147	2,600,000	6,464,074	12,878,068	109,994,804	(76,800,272)	121,095,821	366,572,756		
2002	\$ 403,675	\$ -	\$ -	\$ -	\$ 403,675	\$ -	\$ -	\$ 605,104	\$ -	\$ 9,459,197	\$ (3,047,256)	\$ 7,017,045	\$ 7,420,720		
2003	1,066,454	-	-	-	1,066,454	-	-	585,643	-	8,423,306	(5,043,868)	3,965,081	5,031,535		
2004	1,066,454	-	-	262,293	1,328,747	3,945,489	-	585,643	-	4,457,930	(5,167,837)	3,821,225	5,149,972		
2005	1,066,454	-	-	1,936,034	3,002,488	3,945,489	-	585,643	-	4,874,739	(5,288,437)	4,117,434	7,119,922		
2006	1,066,454	-	-	183,225	1,249,679	4,141,695	-	589,093	-	6,812,639	(5,352,175)	6,191,252	7,440,931		
2007	1,066,454	-	-	277,361	1,343,815	4,165,957	-	589,093	-	6,812,639	(5,520,161)	6,047,528	7,391,343		
2008	1,066,454	-	-	561,544	1,627,998	4,159,460	-	621,809	-	6,812,639	(5,689,537)	5,904,371	7,532,369		
2009	1,066,454	-	-	793,183	1,859,637	4,159,460	-	566,303	-	6,812,639	(5,777,412)	5,760,990	7,620,627		
2010	1,066,454	-	-	1,133,544	2,199,998	4,159,460	-	569,755	-	6,812,639	(5,951,168)	5,590,686	7,790,684		
2011	1,066,454	-	-	2,041,278	3,107,732	4,159,460	-	503,003	-	6,812,639	(6,046,123)	5,428,979	8,536,711		

Source:

City of Menlo Park

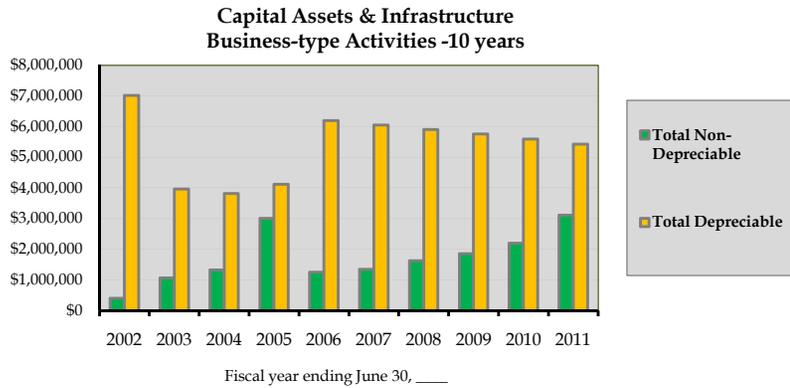
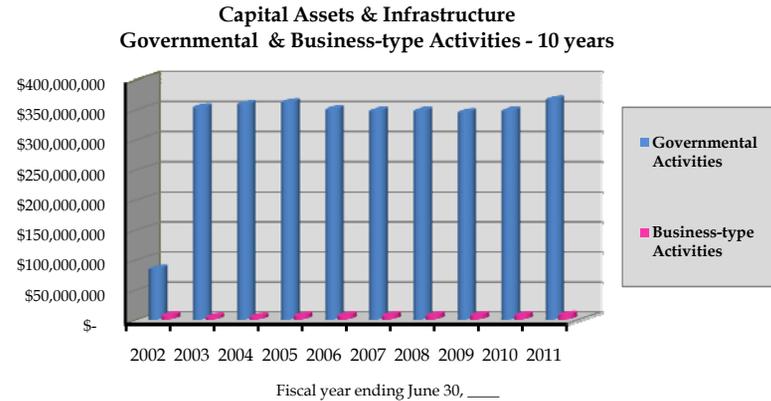
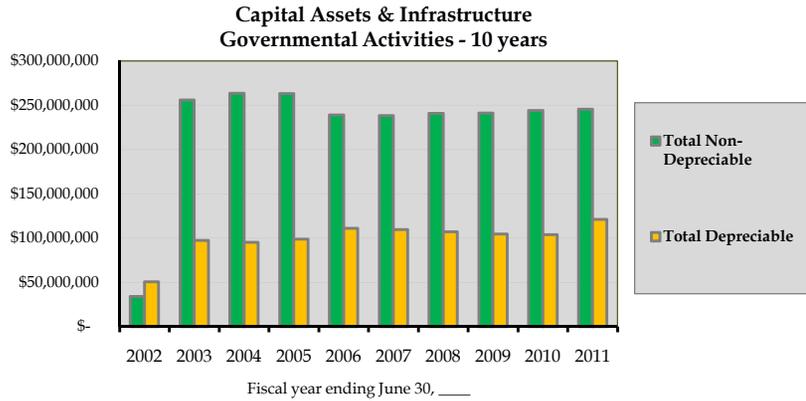
Notes: City started implementing the GASB Statement No. 34 in FY 2002-03. Prior to FY 2002-03, capital assets of the governmental funds were not depreciated and infrastructures were not reported.

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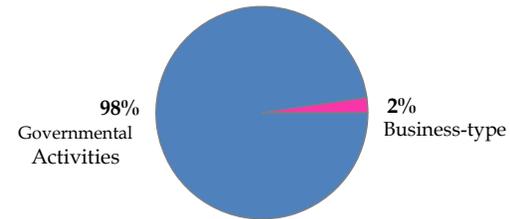


Capital Asset and Infrastructure Statistics by Activities
 June 30, 2011
 Last Ten Years

Operating Information:
 Schedule 20



Capital Assets & Infrastructure
 Government & Business-type Activities - June 30, 2011





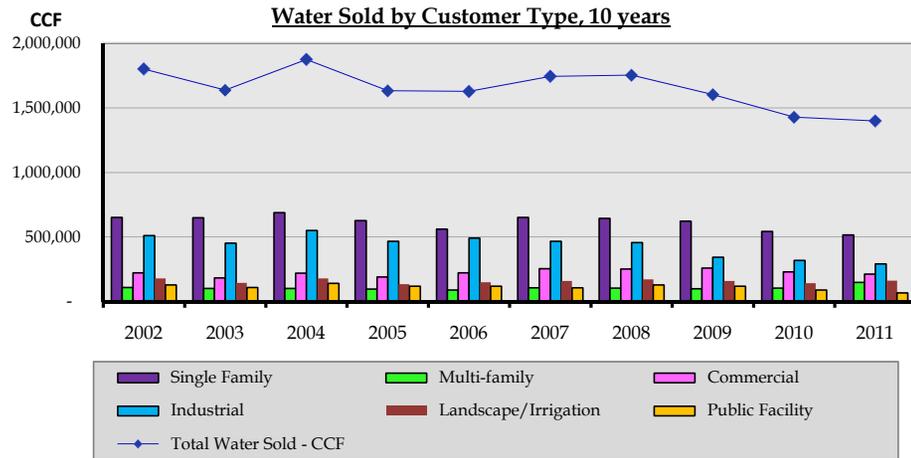
Water Sold by Type of Customer
June 30, 2011
Last Ten Years

Operating Information:
Schedule 21

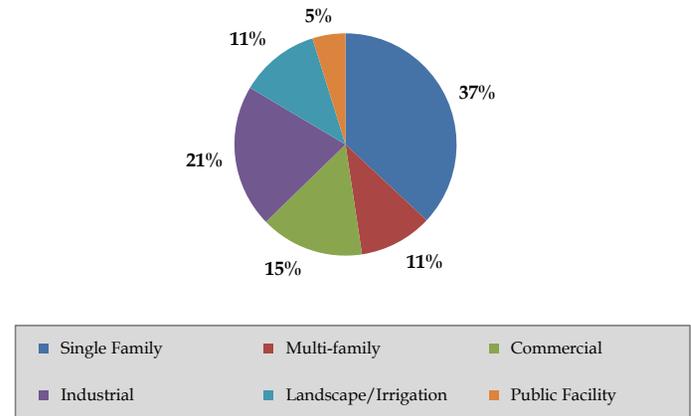
Water Sold

Fiscal Year Ending June 30, _____

Type of Customer	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Single Family	650,434	649,272	687,498	626,255	560,166	652,204	644,785	623,012	543,758	516,958
Multi-family	108,870	100,851	101,149	97,178	89,682	106,339	103,263	98,672	104,032	149,228
Commercial	222,508	182,992	219,354	190,834	221,551	253,596	251,400	258,675	229,159	211,796
Industrial	511,933	452,007	549,563	466,153	491,050	467,379	456,315	343,516	319,117	291,137
Landscape/Irrigation	179,607	144,931	177,958	134,150	148,601	159,097	170,846	160,021	142,781	163,080
Public Facility	129,221	107,918	141,001	118,424	117,785	107,003	127,811	119,814	89,655	67,389
Total Water Sold - CCI	1,802,573	1,637,971	1,876,523	1,632,994	1,628,835	1,745,618	1,754,420	1,603,710	1,428,502	1,399,588
Total Direct Rate(*)	\$ 6.15	6.15	6.15	6.15	6.15	6.85	7.61	8.48	9.44	11.01



Water Sold by Customer Type, June 30, 2011



Source: California Water Service Company, City of Menlo Park

Notes:

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

Prior year 2007-Monthly charge \$5 plus additional first 5 units charge and surcharge \$1.15

Year 2007-Monthly charge \$5.60 plus additional first 5 units charge and surcharge \$1.25

Year 2008-Monthly charge \$6.26 plus additional first 5 units charge and surcharge \$1.35

Year 2009-Monthly charge \$7.01 plus additional first 5 units charge and surcharge \$1.47

Year 2010-Monthly charge \$7.84 plus additional first 5 units charge and surcharge \$1.61

Year 2011-Monthly charge \$9.14 plus additional first 5 units charge and surcharge \$1.87

1 unit is 748 gallons



Water Service Rates
June 30, 2011
Last Ten Years

Operating Information:
Schedule 22

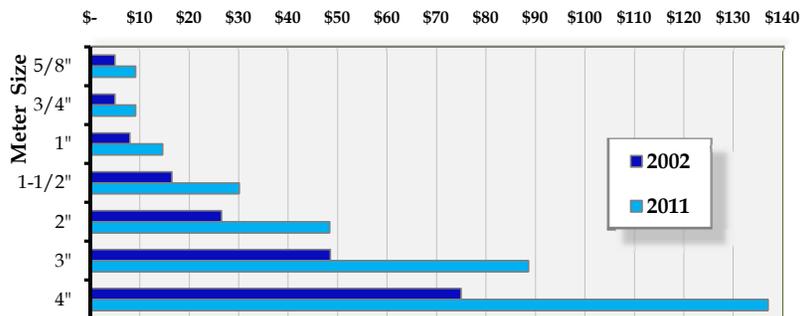
Monthly Base Rate

FISCAL YEAR ENDING JUNE 30, _____

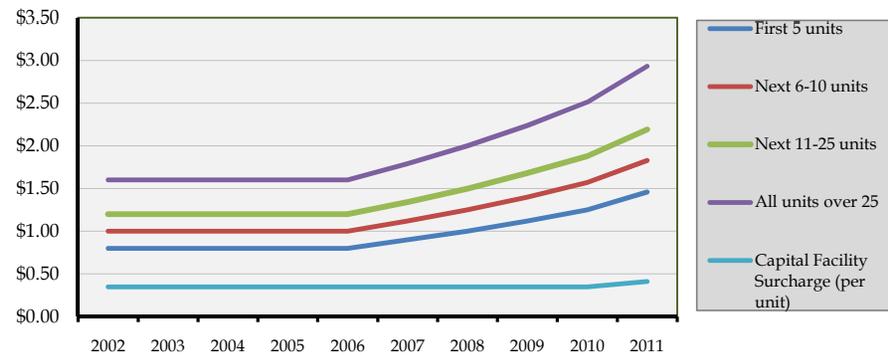
by Meter Size	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
5/8"	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.60	\$ 6.26	\$ 7.01	\$ 7.84	\$ 9.14
3/4"	5.00	5.00	5.00	5.00	5.00	5.60	6.26	7.01	7.84	9.14
1"	8.00	8.00	8.00	8.00	8.00	8.95	10.02	11.21	12.54	14.61
1-1/2"	16.50	16.50	16.50	16.50	16.50	18.46	20.66	23.12	25.87	30.15
2"	26.50	26.50	26.50	26.50	26.50	29.65	33.18	37.13	41.55	48.42
3"	48.50	48.50	48.50	48.50	48.50	54.27	60.73	67.96	76.04	88.62
4"	75.00	75.00	75.00	75.00	75.00	83.93	93.91	105.09	117.59	137.04
6"	166.50	166.50	166.50	166.50	166.50	186.31	208.48	233.29	261.06	304.24
8"	369.50	369.50	369.50	369.50	369.50	413.47	462.67	517.73	579.34	675.16
10"	820.00	820.00	820.00	820.00	820.00	917.58	1,026.77	1,148.96	1,285.68	1,498.33
Additional charges (*)										
First 5 units	0.80	0.80	0.80	0.80	0.80	0.90	1.00	1.12	1.25	1.46
Next 6-10 units	1.00	1.00	1.00	1.00	1.00	1.12	1.25	1.40	1.57	1.83
Next 11-25 units	1.20	1.20	1.20	1.20	1.20	1.34	1.50	1.68	1.88	2.19
All units over 25	1.60	1.60	1.60	1.60	1.60	1.79	2.00	2.24	2.51	2.93
Capital Facility Surcharge (per unit)	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.41

Monthly Base Rates by Meter Size

Fiscal year ending 2002 and 2011



Additional Charges' Rates(*) - 10 years



Source: City of Menlo Park, Master Fee Schedules

Notes:

* Additional charge is based on monthly meter readings, one unit is 748 gallons.

The District charges an excess-use rate above normal demand.

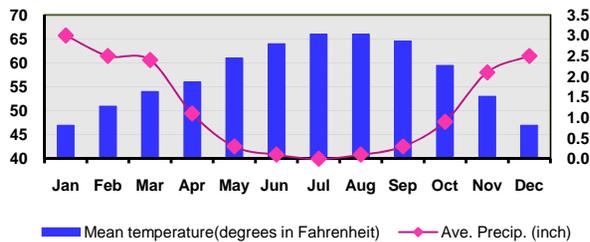


Miscellaneous Statistics
June 30, 2011

Operating Information:
Schedule 23

Date of Incorporation	November 23, 1927
Form of Government	Council / Manager
City Council Members	5
City Commissions	10
Arts, Bicycle, Environmental Quality, Finance & Audit, Housing, Las Pulgas, Library, Parks & Recreation, Planning, & Transportation	
Latitude, Longitude	37.45 N, 122.18 W
Elevation	60 feet
Land Area, square miles	18
Sunny Days a year	265
Average Annual Rainfall	15.71"

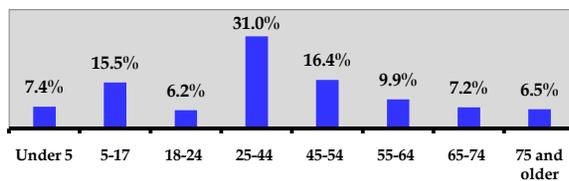
Average Monthly Temperatures & Precipitations



Demographic Estimates

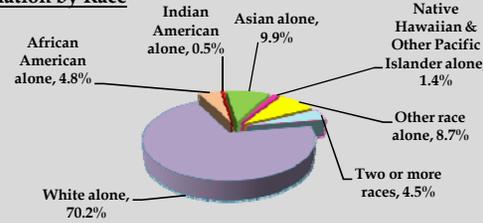
Population, <i>Census 2010</i>	32,026
People per square miles	3,271
Males	48.0%
Females	52.0%
Median age (years old)	38.7

Population by Age Group



Source: Menlo Park Chamber of Commerce, City of Menlo Park
 Countrystudies.us/united-states/weather/california/menlo-park.htm
 California Department of Finance, Demographic Research Unit, Census 2010, April 1, 2010
 U.S. Census Bureau, 2005-2009 American FactFinder

Population by Race



Social Characteristics

Percentage Speak English only

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

Percentage Speak a language other than English:

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

Education Attainment -Population 25 years and over

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

Marital Status

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

Citizenship Status

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

Poverty Status in the past 12 months, 2008

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

Housing Characteristics - April 1, 2010

Total housing units	13,085
Occupied housing units	12,847
Vacancy housing units	738
Vacancy rate	5.6%
Home owner vacancy rate	1.1%
Rental vacancy rate	5.2%
Family households	60.3%
Average household size (persons)	2.47
Average family size (persons)	3.21

Schools

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

Utilities and other services:

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

Local attractions, culture & recreation

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