

**City
of
Menlo Park**

Menlo Park, California

Comprehensive Annual Financial Report

For the year ended June 30, 2004

C&L
Caporicci & Larson
Certified Public Accountants

City of Menlo Park
For the year ended June 30, 2004

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

December 02, 2004

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, 2004. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the data is accurate in all material respects and is reported in such a way as to present fairly and honestly the financial position and results of operations of the funds and account groups of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, supplementary, and statistical. The introductory section includes this transmittal letter, the City's organizational chart and a list of principal officials.

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

The notes to the financial statements are provided in the financial section and are considered essential to fair presentation and adequate disclosure for this financial report. The notes include the summary of significant accounting polices 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.

Major Changes in Reporting

The financial statements for the year ended June 30, 2003, the City implemented the new financial reporting requirements as prescribed by the GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This GASB Statement requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management’s Discussion & Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

Background

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

The City contains a healthy balance of residential, commercial, and industrial uses. Residential home prices are among the highest in the area reflecting the desirability of living in the community. Major companies that have facilities in Menlo Park include Sun Microsystems, Tyco/Raychem Corporation, E*Trade, SRI International, Informix and Boise Cascade. Menlo Park is also home to the Western Region Headquarters of the United States Geological Survey, a major Veterans Administration medical facility, and the U.S. Department of Energy funded and University owned and operated Stanford Linear Accelerator Center.

Reporting Entity

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

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

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

Community Development Agency

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

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

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

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

Economic Condition and Outlook

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

Major Initiatives

FOR THE YEAR: The City Council initiated a number of new projects and emphasized maintaining quality city services with the goal of ensuring that Menlo Park remains a desirable community. The focus in developing the 2003-04 fiscal year budget was to reduce costs to match revenues while striving to sustain service levels. Fortunately, the passage of the \$38 million Measure T general obligation bond combined with the \$44 million redevelopment agency bond issue a year earlier, provided the City with the financial resources to improve community facilities that enhance the quality of life for residents.

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

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

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

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

Much of the work undertaken in Housing and Redevelopment was continued from last year's goal setting. Considerable progress was made in terms of implementing the high priority redevelopment area projects funded through the 2000 bond issue, with many projects advancing through the design phase and into construction: Included are the Ivy Plaza and Hamilton Avenue streetscape projects and neighborhood-wide infrastructure improvements. In Housing, key work elements included the Park and Housing project on Hamilton Avenue, Below Market Rate ordinance refinements and further progress with Habitat for Humanity.

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

The Police Department addressed issues of training new officers, increased crime as a byproduct of the economic downturn, and efforts to improve the Pierce Road area through code enforcement. The department's officers maintain their individual commitment to community policing through innovative outreach efforts. Continued emphasis was placed on technology deployment and juvenile offender diversion programs.

The Engineering and Maintenance divisions within Public Works stayed on course in keeping capital projects within budget and on schedule and furthering progress on improving internal operations. Following a series of study sessions on the state of the City's capital facilities and capital improvements program, the Council approved two investment plans in March and a Five-Year Infrastructure Maintenance Program and a Five-Year Street Resurfacing Program.

FOR THE FUTURE: A major focus will be continuing to implement the funded and top-ranked priority capital improvement projects in both the redevelopment area and as identified in the Parks and Recreation Master Plan. Many projects that were started will continue into the fiscal year ahead. Similarly, with land assembly completed and a developer chosen, park and housing development will be proceeding on Hamilton Avenue and the long-awaited Police/City Service Center on Willow Road will break ground in early 2005. Other projects and studies will be identified and programmed as the City Council establishes its goals and annual priorities.

In terms of internal organizational initiatives, staff will continue evolving the program-based budget structure, with improved ability to measure and track service-level results. And the persistent downturn in the economy will continue to challenge the staff's creativity in terms of maintaining quality city services in the face of diminished revenues.

Accounting System & Control

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

Budgeting Controls

In addition, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City's governing body. Activities of the general fund, special revenue funds and capital projects funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level. The City also maintains an encumbrance accounting system as a technique of accomplishing budgetary control.

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

General Government Functions

Net assets for governmental activities were decreased by \$925,292 for the fiscal year to \$372,528,475. This accounts for 95% of the City's total net assets of \$393,235,550. A comparison of the cost of services by function for the City's governmental activities is shown below, along with the revenues used to cover the net expenses of the governmental activities.

Total government activity type expenses were \$46,559,605 in fiscal year 2003-04. The largest expenses were incurred for Public Works and General Government. These expenses do not include capital outlays, which are now reflected in the City's capital assets.

Total program revenues from governmental activities were \$17,426,702 for the 2003-04 fiscal year. Per GASB 34, program revenues are derived directly from the program itself or from parties outside the reporting government's taxpayers or citizenry. They reduce the net cost of the function to be financed from the government's general revenues. The largest category of program revenues came from Charges for Services for General Government, at 33%.

General revenues are all other revenues not categorized as program revenues, such as property taxes, sales taxes, and investment earnings. Total general revenues from governmental activities were \$27,990,911 in the 2003-04 fiscal year. The largest percentage of general revenues received during the 2003-04 fiscal year for governmental activities were Taxes, \$26,419,030, which includes property taxes, sales tax, motor vehicle license, and other taxes.

Business Type Activities

Net assets for business-type activities were \$20,707,075. Total program revenues for business-type activities were \$3,754,693. The largest program revenues were in Water-Charges for Services of \$3,754,693. Total expenses for business-type activities were \$3,555,582 during the 2003-04 fiscal year.

Cash Management

Cash temporarily idle during the year was invested in the Local Agency Investment Fund administered by the Treasurer of the State of California, obligations of the United States Treasury, Federal Agency Coupons and Discount Notes, Medium Term Notes, and Certificates of Deposit. The average daily balance of the investments for the City and the Agency for the fiscal year was \$91.2 million, which earned approximately \$1.8 million with an effective yield of 1.83 percent.

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

At June 30, 2004, 62 percent of investments held by the City are classified in the category of lowest credit risk as defined by the Government Accounting Standards Board; 38 percent was invested in California Local Agency Investment Fund; and remaining investments were held in the government's name either by the counter party financial institution's trust department or by a Securities and Exchange Commission brokerage firm.

Risk Management

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

Other Information

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

Awards. The Government Finance Officers Association of the United States has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended June 30, 2003.

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

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

The City has also been awarded the Certificate of Award for Outstanding Financial Reporting by the California Society of Municipal Finance Officers for its Comprehensive Annual Report for the year ended June 30, 2003. We will submit our 2004 report to the California Society of Municipal Finance Officers as well.

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

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

Respectfully,

David Boesch
City Manager

Uma Chokkalingam
Finance Director

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, 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, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with generally accepted accounting principles in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2004, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Oakland

180 Grand Ave., Suite 1365
Oakland, California 94612

Orange County

3184-D Airway Avenue
Costa Mesa, California 92626

Sacramento

777 Campus Commons Rd., Suite 200
Sacramento, California 95825

San Diego

600 "B" Street, Suite 1900
San Diego, California 92101

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

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

Capricci & Carson

Oakland, California
September 2, 2004



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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2004

This discussion and analysis of the City of Menlo Park's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2004. Please read it in conjunction with the accompanying transmittal letter, the basic financial statements and the accompanying notes to those financial statements.

FINANCIAL HIGHLIGHTS

Government-Wide Highlights:

Net Assets - The assets of the City exceeded its liabilities at fiscal year ending June 30, 2004 by \$393,235,550. Of this amount, \$76,271,114 was reported as "unrestricted net assets" and may be used to meet the government's ongoing obligations to citizens and creditors.

Changes in Net Assets - The City's total net assets decreased by \$812,399 in fiscal year 2003-04. Net assets of governmental activities decreased by \$925,292, while net assets of the business type activities increased by \$112,893.

Fund Highlights:

Governmental Funds - Fund Balances- As of the close of fiscal year 2003-04, the City's governmental funds reported a combined ending fund balance of \$97,199,694, a decrease of \$7,390,893 from the prior year. Of this amount, \$41,504,617 represents "unreserved, undesignated fund balances" available for appropriation.

General Fund - The undesignated fund balance of the general fund on June 30, 2004 was \$22,173,564. The total fund balance decreased by \$42,402 from the prior year.

Long-Term Debt:

The City's total bonded debt obligations decreased by \$1,625,000 (2%) during fiscal year 2003-04. It is due to the annual payment of the principal balance.

City Highlights:

Numerous renovation projects for the City's parks have been completed and the improvement project for Burgess Park is continuing.

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

The Police Department maintains its commitment to the community, focuses on training new officers and efforts to improve the Pierce Road area through code enforcement. To improve community safety emphasis is placed on technology development, juvenile offender diversion programs and innovative outreach efforts.

The Community Development Agency continues to deliver high quality projects that have been planned based on neighborhood needs and goals.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

City of Menlo Park's Net Assets

	Governmental Activities 2004	Business-Type Activities 2004	Total 2004
Current Assets	\$ 76,654,996	\$ 16,002,196	\$ 92,657,192
Non-Current Assets	33,994,719	-	33,994,719
Capital Assets	358,531,891	5,149,972	363,681,863
Total Assets	469,181,606	21,152,168	490,333,774
Current Liabilities	9,664,295	418,793	10,083,088
Long-term Liabilities	86,988,836	26,300	87,015,136
Total Liabilities	96,653,131	445,093	97,098,224
Investments in Capital			
Net of Related Debt	271,543,602	5,149,972	276,693,574
Restricted	40,196,802	74,060	40,270,862
Unrestricted	60,788,071	15,483,043	76,271,114
Total Net Assets	\$ 372,528,475	\$ 20,707,075	\$ 393,235,550

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

Governmental activities:

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

Business-type activities:

The City charges a fee to customers to cover all or most of the cost of certain services it provides. The City's Water system activities are reported in this category.

**City of Menlo Park's Changes in Net Assets
Fiscal Year Ending June 30, 2004**

	Governmental Activities	Business-Type Activities	Total
Revenues:			
Program Revenues:			
Charges for Services	\$ 14,927,549	\$ 3,754,693	\$ 18,682,242
Operating Grants and Contributions	2,418,574	-	2,418,574
Capital Grants and Contributions	80,579	-	80,579
General Revenue:			
Property Taxes	16,878,085	-	16,878,085
Sales Taxes	6,580,473	-	6,580,473
Motor Vehicle License	1,394,880	-	1,394,880
Other Taxes	1,565,592	-	1,565,592
Investment Earnings	1,464,350	130,482	1,594,832
Miscellaneous	107,531	-	107,531
Total Revenues	45,417,613	3,885,175	49,302,788
Expenses:			
General Government	8,375,348	-	8,375,348
Public Safety	8,010,385	-	8,010,385
Public Works	9,742,184	-	9,742,184
Culture and Recreation	7,971,110	-	7,971,110
Community Development	7,780,767	-	7,780,767
Interest on Long-term Debt	4,679,811	-	4,679,811
Water Operations	-	3,555,582	3,555,582
Total Expenses	46,559,605	3,555,582	50,115,187
Increase (Decrease) in Net Assets before Transfers	(1,141,992)	329,593	(812,399)
Transfers	216,700	(216,700)	-
Changes in Net Assets	(925,292)	112,893	(812,399)
Net Assets - Beginning of the Year (as restated)	373,453,767	20,594,182	394,047,949
Net Assets - End of the Year	\$ 372,528,475	\$ 20,707,075	\$ 393,235,550

FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

Governmental funds:

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

Proprietary funds:

When the City charges customers for the services it provides—whether to outside customers or to other units of the City—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Fund Net Assets. In fact, the City's enterprise funds are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

Fiduciary Funds:

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

Notes to the Financial Statements:

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

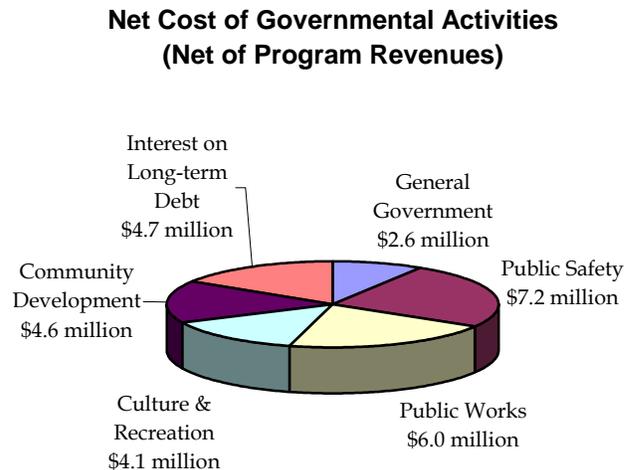
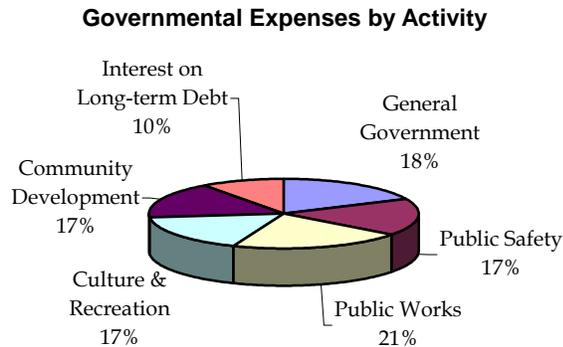
Required Supplementary Information:

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information providing a budgetary comparison statement for the general fund and all major funds. It also includes Employees Pension Plan Schedule of Funding. Required supplementary information can be found on pages 71 through 76 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, the City as a whole has net assets of \$393,235,550 at June 30, 2004. Program expenses by function, general revenues by major source, excess and/or deficiency of revenues over expenses before contributions to fund principal, special, and extraordinary items, and total assets are presented in the Statement of Activities and Changes in Net Assets.

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



BUSINESS TYPE ACTIVITIES

Net assets for business-type activities were \$20,707,075. Total program revenues for business-type activities were \$3,754,693. The main program revenue was Charges for Services of \$3,754,693, related to the water usage fee. Total expenses for the business-type activities were \$3,555,582 during fiscal year 2004, which is related to water operations.

FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS

Major Fund Balances:

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

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

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

Fund Balances for Major Funds	June 30, 2004	June 30, 2003	Increase (Decrease) From 2002-03
General Fund	\$31,697,333	\$31,739,735	(\$42,402)
Community Development Block Grant Fund	731	566	165
Community Development Agency Fund	29,837,542	34,721,245	(4,883,703)
Other Governmental Funds	35,664,088	38,129,041	(2,464,953)
Water Fund	20,707,075	20,594,182	112,893
TOTAL	\$117,906,769	\$125,184,769	(\$7,278,000)

General Fund Balance:

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

At the end of the current fiscal year, undesignated fund balance of the General Fund was \$22,173,564, while total fund balance reached \$31,697,333. As a measure of the General Fund's liquidity, it may be useful to compare both undesignated fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 76% of total General Fund expenditures including transfers out, while total fund balance represents 109% of that same amount.

During the current year, the fund balance of the General Fund decreased by \$42,402. This represents 0.1% of the General Fund operating budget. Of the total fund balance of \$31,697,333 \$1,543,774 is reserved for certain commitments and \$7,979,994 is designated for various items such as insurance claims, equipment and infrastructure replacement and fiscal uncertainties leaving \$22,173,564 as the undesignated fund balance.

The available fund balance of the City's General Fund decreased by \$42,402 during the current fiscal year. Key factors in the decline are as follows:

- Operating expenditures were \$362,980 over operating revenues.
- Operating transfers-in exceeded operating transfers-out by \$315,037.

Special Revenue Fund Balance:

At the end of the current fiscal year, the total fund balance of all the Special Revenue Funds is \$45,238,722. During the year, the total fund balance decreased by \$4,415,302. The key factors in the change are as follows:

- Community Development Agency is continuing construction of redevelopment projects.

Capital Projects Fund Balance:

At June 30, 2004, the total fund balance for the Capital Projects Funds is \$19,121,584. This is the result of a \$3,067,093 decrease in fund balance during the fiscal year. The key factors in the change of the total fund balance are as follows:

- Parks and Recreation projects and urban development projects were started or being continued.

Enterprise Funds:

The City has one enterprise operation: the Water Fund. An enterprise fund accounts for activities that are financed and operated in a manner similar to private business enterprises. The City Council has determined that the cost of providing these services to the public be recovered primarily through user charges.

The Water Fund accounts for water supplied to approximately 4,000 customers. The retained earnings at June 30, 2004 were \$20,707,075, an increase of \$112,893. The City adopted consumption block rates ranging from \$0.80/ccf to \$1.60/ccf, along with a \$.35/ccf capital surcharge, as recommended in the rate study done by Bartle Wells and Associates. The rates are structured to encourage water conservation; to increase operating fund balance; to support capital improvement projects; and to find new sources of water.

Fiduciary Operations:

The City Council contracts with the State of California Public Employees Retirement System (PERS) for retirement coverage for City employees. As of June 30, 2003, the City had excess assets of \$5,091,147 in the Safety Plan and \$2,595,667 in the Miscellaneous Plan. Deviations from the assumptions made by the Retirement System and enhancements made to the safety employees benefit drive the FY 2005-06 contribution rates as follows:

Miscellaneous employees group	11.508%
Safety employees group	26.360%

DEBT ADMINISTRATION

As of June 30, 2004, the City has various debt obligations outstanding. These debt obligations are comprised of:

<u>Type</u>	<u>Principal Outstanding</u>
General Obligation Bonds	\$ 16,930,000
Tax Allocation Bonds	70,070,000

During fiscal year 1995-1996, the City issued \$4,630,000 of General Obligation Refunding Bonds, Series 1996 to refund and defease \$4,080,000 of the \$4,665,000 aggregate principal amount of the outstanding City of Menlo Park Library Improvement Project General Obligation Bonds, Series 1990. The proceeds of the 1990 Bonds were used to finance certain improvements to the City’s library, including the renovation of existing structures and the construction of additional facilities. The balance of the 1996 General Obligation Refunding Bonds at June 30, 2004 was \$3,815,000. The bonds are to be paid from special assessments to property owners within the City.

During fiscal year 1995-1996, the City issued \$32,305,000 of Community Development Agency of the City of Menlo Park Las Pulgas Community Development Project Tax Allocation Refunding Bonds, Series 1996 to refund and defease the Agency’s outstanding Series 1988 Bonds issued in the original principal amount of \$4,720,000, to refund and defease the outstanding Series 1992 Bonds issued in the original principal amount of \$25,000,000, to fund a reserve account, and to pay costs of issuance incurred in connection with the issuance, sale and delivery of the 1996 Bonds. The balance of the 1996 Tax Allocation Bonds at June 30, 2004 was \$26,450,000.

During fiscal year 2000-2001, the City issued \$44,000,000 of Community Development Agency of the City of Menlo Park Las Pulgas Community Development Project Tax Allocation Bonds, Series 2000 to finance certain capital projects of benefit to the Las Pulgas Community Development Project. The balance of the 2000 Tax Allocation Bonds at June 30, 2004 was \$43,620,000.

During fiscal year 2001-2002 the City issued \$13,245,000 of General Obligation Bonds, Series 2002 to finance certain parks and recreation improvements. The balance of the 2002 General Obligation Bonds at June 30, 2004 was \$13,115,000.

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business type activities as of June 30, 2004, amounts to \$363,681,863, net of accumulated depreciation of \$57,207,547. This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the City such as roads, bridges, streets and sidewalks, drainage systems, lighting systems and similar items. The total changes to the City's investment in capital assets for the current fiscal year was \$5,384,082, net of accumulated depreciation.

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

- City-wide street resurfacing - \$916,578
- Hamilton Avenue Streetscape - \$3,972,918
- Belle Haven Community Park - \$715,673
- Burgess Park Improvements - \$988,271
- Nealon Park Improvements - \$562,084

Additional information on the City's capital assets can be found in note 5 on pages 53 through 55 of this report.

GENERAL FUND BUDGETARY HIGHLIGHTS

Comparing the FY 2003-04 General Fund original expenditure budget (or adopted) including the transfers out amount of \$28,359,851 to the final budget amount of \$31,548,944 shows a net increase of \$3,189,093.

Major increases in the budget include:

- \$1,400,000 increase in transfers-out for General Fund.
- \$1,400,000 increase in General Government for settlement payment.

Included in this figure is \$244,995 in committed purchase orders from the prior June 30 balance. The resulting beginning budget balance was equal to \$28,604,846.

ECONOMIC CONDITION AND OUTLOOK

During fiscal year 2003-04, the City still experienced a decline of sales tax revenue associated with the national recession. In addition, the lower interest rates have meant a lower earning potential for the City's investments. The economic downturn has severely impacted the State of California and, in turn, any solution will include moderate cuts to local governments.

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

REQUESTS FOR INFORMATION

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

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BASIC FINANCIAL STATEMENTS

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**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

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City of Menlo Park
Statement of Net Assets
June 30, 2004

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Current assets:			
Cash and investments	\$ 64,195,433	\$ 15,612,546	\$ 79,807,979
Receivables:			
Accounts	2,689,292	303,852	2,993,144
Interest	353,437	85,798	439,235
Notes	9,373,402	-	9,373,402
Deposits and prepaid items	43,432	-	43,432
Total current assets	<u>76,654,996</u>	<u>16,002,196</u>	<u>92,657,192</u>
Noncurrent assets:			
Restricted cash and investments	33,994,719	-	33,994,719
Capital assets			
Non-depreciable	263,300,307	1,328,747	264,629,054
Depreciable, net	95,231,584	3,821,225	99,052,809
Total capital asset	<u>358,531,891</u>	<u>5,149,972</u>	<u>363,681,863</u>
Total noncurrent assets	<u>392,526,610</u>	<u>5,149,972</u>	<u>397,676,582</u>
Total assets	<u><u>469,181,606</u></u>	<u><u>21,152,168</u></u>	<u><u>490,333,774</u></u>
LIABILITIES			
Current liabilities:			
Accounts payable	3,326,274	328,468	3,654,742
Accrued payroll	1,176,707	23,932	1,200,639
Interest payable	676,128	-	676,128
Deposits	250,314	47,348	297,662
Compensated absences due within one year	753,341	19,045	772,386
Unearned revenue	813,805	-	813,805
Claims payable due within one year	897,726	-	897,726
Long-term debt due within one year	1,770,000	-	1,770,000
Total current liabilities	<u>9,664,295</u>	<u>418,793</u>	<u>10,083,088</u>
Noncurrent liabilities:			
Claims payable	716,128	-	716,128
Compensated absences due in more than one year	1,042,708	26,300	1,069,008
Long-term debt due in more than one year	85,230,000	-	85,230,000
Total noncurrent liabilities	<u>86,988,836</u>	<u>26,300</u>	<u>87,015,136</u>
Total liabilities	<u><u>96,653,131</u></u>	<u><u>445,093</u></u>	<u><u>97,098,224</u></u>
NET ASSETS			
Invested in capital assets, net of related debt	271,543,602	5,149,972	276,693,574
Restricted for:			
Capital projects	36,959,941	50,413	37,010,354
Debt service	1,142,055	-	1,142,055
Special projects	2,094,806	23,647	2,118,453
Unrestricted	60,788,071	15,483,043	76,271,114
Total net assets	<u><u>\$ 372,528,475</u></u>	<u><u>\$ 20,707,075</u></u>	<u><u>\$ 393,235,550</u></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, 2004

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General Government	\$ 8,375,348	\$ 5,707,675	\$ 55,799	\$ -	\$ 5,763,474
Public Safety	8,010,385	526,542	279,545	-	806,087
Public Works	9,742,184	2,914,762	784,659	80,579	3,780,000
Culture and recreation	7,971,110	2,909,707	1,003,537	-	3,913,244
Community development	7,780,767	2,868,863	295,034	-	3,163,897
Interest on long-term debt	4,679,811	-	-	-	-
Total governmental activities	46,559,605	14,927,549	2,418,574	80,579	17,426,702
Business-type activities:					
Water	3,555,582	3,754,693	-	-	3,754,693
Total business-type activities	3,555,582	3,754,693	-	-	3,754,693
Total primary government	\$ 50,115,187	\$ 18,682,242	\$ 2,418,574	\$ 80,579	\$ 21,181,395

General Revenues:

Taxes:

Property taxes

Sales taxes

Motor vehicle license

Other taxes

Total taxes

Investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

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

Net assets - end of year

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (2,611,874)	\$ -	\$ (2,611,874)
(7,204,298)	-	(7,204,298)
(5,962,184)	-	(5,962,184)
(4,057,866)	-	(4,057,866)
(4,616,870)	-	(4,616,870)
(4,679,811)	-	(4,679,811)
<u>(29,132,903)</u>	<u>-</u>	<u>(29,132,903)</u>
-	199,111	199,111
-	199,111	199,111
<u>(29,132,903)</u>	<u>199,111</u>	<u>(28,933,792)</u>
16,878,085	-	16,878,085
6,580,473	-	6,580,473
1,394,880	-	1,394,880
1,565,592	-	1,565,592
<u>26,419,030</u>	<u>-</u>	<u>26,419,030</u>
1,464,350	130,482	1,594,832
107,531	-	107,531
216,700	(216,700)	-
<u>28,207,611</u>	<u>(86,218)</u>	<u>28,121,393</u>
(925,292)	112,893	(812,399)
<u>373,453,767</u>	<u>20,594,182</u>	<u>394,047,949</u>
<u>\$ 372,528,475</u>	<u>\$ 20,707,075</u>	<u>\$ 393,235,550</u>

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

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

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

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City of Menlo Park
Balance Sheet
Governmental Funds
June 30, 2004

	Major Funds				Total Governmental Funds
	General Fund	Community Development Block Grant Special Revenue	Community Development Agency Special Revenue	Non-Major Governmental Funds	
ASSETS					
Cash and investments	\$ 31,937,710	\$ -	\$ 7,858,367	\$ 24,399,356	\$ 64,195,433
Restricted cash and investments	-	-	23,212,203	10,782,516	33,994,719
Receivables:					
Accounts	1,283,409	416,090	-	989,793	2,689,292
Interest	234,755	-	43,207	75,475	353,437
Notes	1,370,542	2,318,844	4,766,260	917,756	9,373,402
Deposits and prepaid items	43,432	-	-	-	43,432
Due from other funds	-	-	402,959	16,615	419,574
Advances to other funds	-	500,000	-	-	500,000
Total assets	\$ 34,869,848	\$ 3,234,934	\$ 36,282,996	\$ 37,181,511	\$ 111,569,289
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 723,813	\$ 2,858	\$ 1,649,125	\$ 950,478	\$ 3,326,274
Accrued payroll	1,037,662	4,795	57,379	76,871	1,176,707
Compensated absences	677,257	4,747	27,255	44,082	753,341
Due to other funds	-	402,959	-	16,615	419,574
Deposits	250,314	-	-	-	250,314
Deferred revenue	483,469	2,818,844	4,211,695	429,377	7,943,385
Advances from other funds	-	-	500,000	-	500,000
Total liabilities	3,172,515	3,234,203	6,445,454	1,517,423	14,369,595
Fund Balances					
Reserved	1,543,775	3,263	6,375,938	6,977,610	14,900,586
Unreserved:					
Designated, reported in:					
Major funds	7,979,994	-	12,770,877	-	20,750,871
Non-major funds:					
Special revenue funds	-	-	-	4,974,456	4,974,456
Capital project funds	-	-	-	15,069,164	15,069,164
Undesignated, reported in:					
Major funds	22,173,564	(2,532)	10,690,727	-	32,861,759
Non-major funds:					
Special revenue funds	-	-	-	8,642,858	8,642,858
Total Unreserved	30,153,558	(2,532)	23,461,604	28,686,478	82,299,108
Total fund balances	31,697,333	731	29,837,542	35,664,088	97,199,694
Total liabilities and fund balances	\$ 34,869,848	\$ 3,234,934	\$ 36,282,996	\$ 37,181,511	\$ 111,569,289

City of Menlo Park
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2004

Total Fund Balances - Total Governmental Funds \$ 97,199,694

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	263,300,307
Depreciable, net	95,231,584

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. (676,128)

Deferred revenues recorded in governmental fund financial statements resulting from activities in which revenues were earned but funds were not available are reclassified as revenues in the Government-Wide Financial Statements. 7,129,580

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

Long-term liabilities - due within one year:	
Claims and judgments payable	(897,726)
Long-term debt	(1,770,000)
Long-term liabilities - due in more than one year:	
Claims and judgments payable	(716,128)
Compensated absences payable	(1,042,708)
Long-term debt	(85,230,000)

Net Assets of Governmental Activities \$ 372,528,475

City of Menlo Park
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2004

	Major Funds				Total Governmental Funds
	General Fund	Community Development Block Grant Special Revenue	Community Development Agency Special Revenue	Non-Major Governmental Funds	
REVENUES:					
Taxes:					
Secured property taxes	\$ 5,741,883	\$ -	\$ 9,016,592	\$ -	\$ 14,758,475
Unsecured property taxes	510,438	-	1,069,412	-	1,579,850
Other property taxes	539,761	-	-	494	540,255
Sales taxes	6,048,940	-	-	1,138,329	7,187,269
Franchise and occupancy taxes	2,202,364	-	-	-	2,202,364
Special assessments	-	-	-	3,501,335	3,501,335
Licenses and permits	2,553,997	-	-	337,026	2,891,023
Fines and forfeitures	756,678	-	-	-	756,678
Use of money and property	688,429	-	426,424	343,583	1,458,436
Intergovernmental	2,322,221	127,311	-	1,233,405	3,682,937
Charges for services	4,367,440	582,472	-	1,590,451	6,540,363
Other	14,700	-	350	92,480	107,530
Total revenues	25,746,851	709,783	10,512,778	8,237,103	45,206,515
EXPENDITURES:					
Current:					
General government	5,912,521	-	-	1,467,979	7,380,500
Public safety	7,634,558	-	-	192,037	7,826,595
Public works	3,642,424	-	-	3,570,988	7,213,412
Culture and recreation	6,904,366	-	-	693,604	7,597,970
Rehabilitation loans	-	582,200	-	-	582,200
Community development	1,817,044	-	806,645	236,111	2,859,800
Urban development and housing	-	127,418	4,162,030	14,871	4,304,319
Capital outlay	198,918	-	5,182,647	3,547,356	8,928,921
Debt service:					
Principal	-	-	1,280,000	345,000	1,625,000
Interest	-	-	3,811,159	880,363	4,691,522
Total expenditures	26,109,831	709,618	15,242,481	10,948,309	53,010,239
REVENUES OVER (UNDER) EXPENDITURES	(362,980)	165	(4,729,703)	(2,711,206)	(7,803,724)
OTHER FINANCING SOURCES (USES):					
Transfers in	3,213,220	-	-	230,483	3,443,703
Transfers out	(2,897,483)	-	(154,000)	(175,520)	(3,227,003)
Proceeds from sale of fixed assets	4,841	-	-	191,290	196,131
Total other financing sources (uses)	320,578	-	(154,000)	246,253	412,831
Net change in fund balances	(42,402)	165	(4,883,703)	(2,464,953)	(7,390,893)
FUND BALANCES:					
Beginning of year	31,739,735	566	34,721,245	38,577,118	105,038,664
Prior period adjustment (Note 17)	-	-	-	(448,077)	(448,077)
Beginning of year, as restated	31,739,735	566	34,721,245	38,129,041	104,590,587
End of year	\$ 31,697,333	\$ 731	\$ 29,837,542	\$ 35,664,088	\$ 97,199,694

See accompanying Notes to Basic Financial Statements.

City of Menlo Park

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets For the year ended June 30, 2004

Net Change in Fund Balances - Total Governmental Funds \$ (7,390,893)

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. 9,229,926

Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in Governmental Funds. (3,793,536)

Loss on the disposal of capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they did not require the use of current financial resources. Therefore, it was not reported as expenditures in Governmental Funds. (403,881)

Proceeds from sale of fixed assets were reported in Governmental Funds as revenue. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the amount is included in the calculation of gain/loss on disposal of capital assets. (196,131)

Revenues that have not met the revenue recognition criteria in the Fund Financial statements are recognized as revenue in the Government-Wide Financial Statements. 211,098

Expenses to accrue for long-term compensated absences and claims liability 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 Governmental Funds. (218,586)

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: 1,625,000

Interest expense on long-term debt was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they did not require the use of current financial resources. Therefore, interest expense was not reported as expenditures in Governmental Funds. The following amount represented the change in accrued interest from prior year. 11,711

Change in Net Assets of Governmental Activities \$ (925,292)

PROPRIETARY FUND FINANCIAL STATEMENTS

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

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

City of Menlo Park
Statement of Net Assets
Proprietary Funds
June 30, 2004

	<u>Major Fund</u> <u>Water</u>
ASSETS	
Current assets:	
Cash and investments	\$ 15,612,546
Receivables:	
Accounts	303,852
Interest	85,798
Total current assets	<u>16,002,196</u>
Noncurrent assets:	
Non-depreciable	1,328,747
Depreciable, net	3,821,225
Total noncurrent assets	<u>5,149,972</u>
Total assets	<u>21,152,168</u>
LIABILITIES	
Current liabilities:	
Accounts payable	328,468
Accrued payroll	23,932
Deposits	47,348
Compensated absences	19,045
Total current liabilities	<u>418,793</u>
Noncurrent liabilities:	
Compensated absences due in more than one year	26,300
Total noncurrent liabilities	<u>26,300</u>
Total liabilities	<u>445,093</u>
NET ASSETS	
Invested in capital assets, net of related debt	5,149,972
Restricted for:	
Capital projects	50,413
Special projects	23,647
Unrestricted	15,483,043
Total net assets	<u>\$ 20,707,075</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, 2004

	Major Fund Water
OPERATING REVENUES:	
Water sales	\$ 3,753,080
Connection fees	1,613
Total operating revenues	3,754,693
OPERATING EXPENSES:	
Cost of sales and services	2,998,272
General and administrative	433,343
Depreciation	123,967
Total operating expenses	3,555,582
OPERATING INCOME (LOSS)	199,111
NONOPERATING REVENUES (EXPENSES):	
Interest income	130,482
Total nonoperating revenues	130,482
INCOME (LOSS) BEFORE OPERATING TRANSFERS	329,593
OPERATING TRANSFERS:	
Transfers out	(216,700)
Total operating transfers	(216,700)
Net income (loss)	112,893
NET ASSETS:	
Beginning of year	20,594,182
End of year	\$ 20,707,075

See accompanying Notes to Basic Financial Statements.

City of Menlo Park
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2004

	Major Fund
	Water
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers/other funds	\$ 3,814,388
Cash payment to suppliers	(2,923,443)
Cash payments for general and administrative	(399,284)
Net cash provided (used) by operating activities	491,661
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfers out	(216,700)
Net cash provided (used) by noncapital financing activities	(216,700)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets	(242,405)
Net cash provided (used) by capital and related financing activities	(242,405)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment income	144,330
Net cash provided (used) by investing activities	144,330
Net increase (decrease) in cash and cash equivalents	176,886
CASH AND CASH EQUIVALENTS:	
Beginning of year	15,435,660
End of year	\$ 15,612,546
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET	
CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ 199,111
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	123,967
Changes in current assets and liabilities:	
Accounts receivable	54,534
Accounts payable	74,829
Accrued payroll	8,030
Compensated absences	26,028
Deposits	5,162
Total adjustments	292,550
Net cash provided (used) by operating activities	\$ 491,661

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, 2004

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 155,070
Total assets	<u>\$ 155,070</u>
LIABILITIES	
Accounts payable	\$ 94,229
Deposits	60,841
Total liabilities	<u>\$ 155,070</u>

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS

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City of Menlo Park
Notes to Basic Financial Statements
For the year ended June 30, 2004

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.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

A. Reporting Entity, Continued

- The City and the Agency are financially interdependent. The City makes loans to the Agency to use for redevelopment purposes. Property tax revenues of the Agency are used to repay the loans to the City.

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

B. Basis of Accounting and Measurement Focus

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

Government-Wide Financial Statements

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

These 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:

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

- 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.

Governmental Fund Financial Statements

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

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

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

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

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.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Net Assets. The City’s fiduciary funds represent agency funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting as are the governmental funds explained above. Fiduciary fund types are accounted for according to the nature of the fund.

C. Use of Restricted and Unrestricted Net Assets

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

D. Cash and Investments

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Cash and Investments, Continued

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

The City participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF) which has invested a portion of the 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 General Purpose Financial Statements.

E. Capital Assets

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

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

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Capital Assets, Continued

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

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.

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."

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

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

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

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

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

J. Property Taxes, Continued

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."

2. CASH AND INVESTMENTS

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

The investments made by the City Treasurer are limited to those allowable under State statutes as incorporated into the City's Investment Policy, dated July 1, 2003, and adopted June 24th, 2003 which is more conservative than that allowed by State statute.

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

Certificates of Deposit	Government Agency Securities
Bankers Acceptances	Treasury Bills and Notes
Commercial Papers	Passbook Savings Accounts
Repurchase Agreements	State of California Local Agency Investment Fund

A. Cash Deposits

At June 30, 2004, the carrying amount of the City's deposits was \$78,104 and the bank balances were \$973,869. The total bank balance was covered by federal depository insurance or by collateral held by the City's agent in the City's name.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

2. CASH AND INVESTMENTS, Continued

A. Cash Deposits, Continued

All pooled certificates of deposit and bank balances are entirely insured or collateralized. The California Government Code requires California banks and savings and loan associations to secure an agency's deposits by pledging government securities as collateral. The market value of the pledged securities must equal at least 110% of an agency's deposits. California law also allows financial institutions to secure local agency deposits by pledging first trust deed mortgage notes having a value of 150% of a local agency's deposits. The City may waive collateral requirements for deposits which are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC).

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

Category 1 - Deposits which are insured by the FDIC.

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

Category 3 - Deposits which are uninsured or uncollateralized.

B. Investments

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

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

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

2. CASH AND INVESTMENTS, Continued

B. Investments, Continued

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

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

C. Summary of Cash and Investments

The following is a summary of cash and investments at June 30, 2004:

	Government-Wide Statement of Net Assets			Fund Financials	
	Governmental Activities	Business-Type Activities	Total	Fiduciary Funds Statement of Net Assets	Total
Cash and investments	\$ 64,195,433	\$ 15,612,546	\$ 79,807,979	\$ 155,070	\$ 79,963,049
Restricted cash and investments	\$ 33,994,719	\$ -	\$ 33,994,719	\$ -	\$ 33,994,719

Cash (deposits) and investments were categorized as follows at June 30, 2004:

	Category 1	Not Required to be Categorized	Fair Value
Cash and Investments:			
Cash and Cash Deposits:			
Checking	\$ 78,104	\$ -	\$ 78,104
Petty cash	3,829	-	3,829
Total cash and cash deposits	81,933	-	81,933
Investments:			
U.S. Treasury	9,849,730	-	9,849,730
Federal Home Loan Bank	24,783,564	-	24,783,564
Federal National Mortgage Association	10,897,500	-	10,897,500
Federal Home Loan Mortgage Corporation	1,972,300	-	1,972,300
Corporate Bonds	1,992,200	-	1,992,200
Local Agency Investment Fund	-	30,385,822	30,385,822
Total investments	49,495,294	30,385,822	79,881,116
Total cash and investments	\$ 49,577,227	\$ 30,385,822	\$ 79,963,049

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

2. CASH AND INVESTMENTS, Continued

C. Summary of Cash and Investments, Continued

Investments to Maturity

Investments held by the City grouped by maturity date at June 30, 2004, are shown below:

<u>Maturity</u>	
Current to One Year	\$ 32,377,382
One - Two Years	30,679,110
Two - Three Years	<u>16,824,624</u>
Total	\$ 79,881,116

At June 30, 2004, the City's restricted cash and investments classified by risk category consisted of the following:

	<u>Category 2</u>	<u>Fair Value</u>
Restricted Cash and Investments:		
Other cash with fiscal agents:		
Bank of New York:		
Federal Securities	\$ 5,541,176	\$ 5,541,176
Local Agency Investment Fund	<u>28,453,479</u>	<u>28,453,479</u>
Total Bank of New York	<u>33,994,655</u>	<u>33,994,655</u>
US Bank:		
US Treasury Money Market	<u>64</u>	<u>64</u>
Total restricted cash and investments	\$ 33,994,719	\$ 33,994,719

At June 30, 2004, the City had no Category 3 type pooled cash or investments.

External Investment Pool

The City's investments with LAIF at June 30, 2004, 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-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

2. CASH AND INVESTMENTS, Continued

C. Summary of Cash and Investments, Continued

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, 2004, the City had \$58,839,301 invested in LAIF, which had invested 1.603% of the pool investment funds in Structured Notes and Asset-Backed 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, 2004, 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, 2004, the City's investments in LAIF at fair value amounted to \$58,839,301 using a LAIF fair value factor of 0.9983841770.

3. RECEIVABLES

A. Accounts Receivables

As of June 30, 2004, accounts receivable consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Taxes:			
Property taxes	\$ 79,835	\$ -	\$ 79,835
Sales taxes	652,333	-	652,333
Occupancy taxes	267,760	-	267,760
Special assessments	15,796	-	15,796
Total taxes	<u>1,015,724</u>	<u>-</u>	<u>\$ 1,015,724</u>
Franchise fees	120,843	-	120,843
Parking permits	268	-	268
Traffic fines	18,740	-	18,740
Rental income	8,186	-	8,186
Grants	1,126,893	-	1,126,893
Contributions	141,455	-	141,455
Water service fees	-	303,852	303,852
Miscellaneous	257,183	-	257,183
Total accounts receivable	<u><u>\$ 2,689,292</u></u>	<u><u>\$ 303,852</u></u>	<u><u>\$ 2,993,144</u></u>

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

3. RECEIVABLES, Continued

B. Notes Receivables

As of June 30, 2004, notes receivable consisted of the following:

	<u>Notes Receivable</u>
Major Funds:	
General Fund:	
City Manager housing	\$ 1,370,542
Community Development Block Grant	2,318,844
Community Development Agency	<u>4,766,260</u>
Total general fund	<u>8,455,646</u>
Other Governmental Funds:	
Below market rate housing	889,257
Emergency repair loan (ERL)	<u>28,499</u>
Total special revenue funds	<u>917,756</u>
Total notes receivable	<u><u>\$ 9,373,402</u></u>

City Manager Housing

A note was entered into on June 13, 2001, between the City Manager and the City to assist in the purchase of residential real estate property. This note is secured by a First Deed of Trust on the property. Another note was entered into on March 18, 2003, between the City Manager and the City to assist in the purchase of another residential real estate property. The note is secured by a Third Deed of Trust. The outstanding balance of the loans at June 30, 2004, was \$1,370,542.

Community Development Block Grant

The City uses Housing and Community Development Block Grant funds to provide housing rehabilitation loans to eligible applicants. Loans bear no or very low interest and are not due until the property changes ownership. Outstanding loans at June 30, 2004, were \$2,318,844. Since the funds have not been legally vested with the City as of June 30, 2004, these funds are reported as deferred revenue.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

3. RECEIVABLES, Continued

B. Notes receivable, Continued

Community Development Agency

The City of Menlo Park Community Development Agency (Agency) assumed a portfolio of loans which had been made by Neighborhood Housing Services (NHS) to low income residents of Menlo Park for housing rehabilitation. The Agency had granted funds to the local NHS for that purpose and assumed the loans when the NHS closed. The outstanding balance at June 30, 2004 was \$38,935.

The Agency made a loan to Peninsula Habitat for Humanity for purchase of two mini-park lots as sites to develop two single-family houses for very low-income homeowners. Loan repayment is structured as a zero interest note with a twenty-year term. The outstanding balance at June 30, 2004, was \$48,750.

The Agency made a loan to Mid-Peninsula Housing Coalition for purchase of a five-unit apartment building for very low-income households. The loan carries a 3% simple interest rate, with payments made from residual receipts of the property. The outstanding balance at June 30, 2004, was \$252,522.

The Agency made housing rehabilitation loans to two eligible participants. Loans bear no or very low interest and are not due until the property changes ownership. The outstanding balance at June 30, 2004, was \$164,756.

On March 21, 2002, the Agency made a loan for Peace Officer Homebuyer Assistance Program (POMA) to one eligible participant in the amount of \$84,000. The loan bears an interest rate of 5.48%. The loan amount (principal and interest) is forgiven at an increasing graduated rate with every bi-weekly pay period until the loan is entirely forgiven at the end of the 10 years. The outstanding balance as of June 30, 2004, was \$78,317.

On October 28, 2002, the Agency made a loan to Menlo Gateway, Inc. to refinance Menlo Gateway's debt in the amount of \$4,022,157. The loan bears a compounded interest of 3%. The payment is secured by the Deed of Trust. The final payment is due on February 15, 2043. The outstanding balance as of June 30, 2004, was \$4,182,980.

Total Agency loans at June 30, 2004, amounted to \$4,766,260.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

3. RECEIVABLES, Continued

B. Notes receivable, Continued

Below Market Rate Housing

The City uses Below Market Rate Housing Reserve funds to provide residents and employees who work in Menlo Park with second mortgage loans to purchase their first home in Menlo Park. These "PAL" loans are amortized over 30 years, and are currently restricted to purchasers of Below Market Rate Housing units, which are income and price restricted housing units produced through the City's Below Market Rate Housing program. Outstanding loans at June 30, 2004, were \$889,257.

Emergency Repair Loan (ERL)

The Emergency Repair Loan (ERL) Program is designed to assist lower income households with minor emergency repairs to their home. The revolving loan program was originally funded by a Federal Revenue Sharing Grant. The maximum loan amount is ten thousand dollars at 3% interest, with a loan term of either 5, 10, or 15 years. Outstanding loans at June 30, 2004, were \$28,499.

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, 2004, deferred revenues in the Government-Wide Financial Statements were as follows:

	<u>Governmental Activities</u>
Rental income	\$ 1,930
Recreation summer programs	336,991
Donation for computer lab	400
Police donations	22,723
Planning deferred	662
Art deferred	8,647
MCC deferred	1,093
Friends of library deferred	40,481
Garbage service fees	<u>400,878</u>
Total	<u><u>\$ 813,805</u></u>

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

4. UNEARNED/DEFERRED REVENUE, Continued

B. Fund Financial Statements

At June 30, 2004, 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:

	General Fund	Special Revenue Funds		Non-Major Funds	Total
		Community Development Block Grant	Community Development Agency		
Rental income	\$ 1,930	\$ -	\$ -	\$ -	\$ 1,930
Recreation Summer Programs	336,991	-	-	-	336,991
Donation for Computer Lab	400	-	-	-	400
Planning Deferred	662	-	-	-	662
City Manager Home Loan Interest	70,542	-	-	-	70,542
Percent for Art Deferred	8,647	-	-	-	8,647
MCC Deferred	1,093	-	-	-	1,093
Police Donations	22,723	-	-	-	22,723
Friends of Library Deferred	40,481	-	-	-	40,481
Garbage Service Fees	-	-	-	400,878	400,878
Menlo Gateway Loan	-	-	4,182,980	-	4,182,980
CDBG loans	-	2,318,844	-	-	2,318,844
Advance to CDA fund	-	500,000	-	-	500,000
Emergency Repair Loans	-	-	-	28,499	28,499
Mid Peninsula loans	-	-	28,715	-	28,715
Total	\$ 483,469	\$ 2,818,844	\$ 4,211,695	\$ 429,377	7,943,385

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

5. CAPITAL ASSETS

A. Government-Wide Financial Statements

At June 30, 2004, the City's capital assets consisted of the following:

	Government Activities	Business-Type Activities	Total
Non-Depreciable Assets:			
Land	\$ 221,534,267	\$ 1,066,454	\$ 222,600,721
Land improvements	32,705,490	-	32,705,490
Construction in progress	9,060,550	262,293	9,322,843
Total non-depreciable assets, net	<u>263,300,307</u>	<u>1,328,747</u>	<u>264,629,054</u>
Depreciable Assets:			
Buildings	39,706,068	3,945,489	43,651,557
Equipment	5,919,103	585,643	6,504,746
Other improvements	3,797,004	-	3,797,004
Infrastructure	97,849,119	4,457,930	102,307,049
	<u>147,271,294</u>	<u>8,989,062</u>	<u>156,260,356</u>
Less accumulated depreciation	<u>(52,039,710)</u>	<u>(5,167,837)</u>	<u>(57,207,547)</u>
Total depreciable assets, net	<u>95,231,584</u>	<u>3,821,225</u>	<u>99,052,809</u>
Total capital assets	<u><u>\$ 358,531,891</u></u>	<u><u>\$ 5,149,972</u></u>	<u><u>\$ 363,681,863</u></u>

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

5. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

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

	Balance June 30, 2003	Reclassification/ Additions	Retirements	Adjustments	Balance June 30, 2004
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 221,534,267	\$ -	\$ -	\$ -	\$ 221,534,267
Land improvements	32,705,490	-	-	-	32,705,490
Construction in progress	1,717,984	7,328,813	(415,514)	429,267	9,060,550
Total capital assets, not being depreciated	255,957,741	7,328,813	(415,514)	429,267	263,300,307
Capital assets, being depreciated:					
Buildings	39,689,374	16,694	-	-	39,706,068
Equipment	5,798,154	185,086	(64,137)	-	5,919,103
Other improvements	3,328,493	474,631	(6,120)	-	3,797,004
Infrastructure	97,117,678	1,640,216	(908,775)	-	97,849,119
Total capital assets, being depreciated	145,933,699	2,316,627	(979,032)	-	147,271,294
Less accumulated depreciation for:					
Buildings	(8,474,130)	(790,905)	-	-	(9,265,035)
Equipment	(4,241,955)	(554,748)	62,049	-	(4,734,654)
Other improvements	(1,353,180)	(102,219)	6,120	-	(1,449,279)
Infrastructure	(34,555,929)	(2,345,664)	310,851	-	(36,590,742)
Total accumulated depreciation	(48,625,194)	(3,793,536)	379,020	-	(52,039,710)
Total capital assets, being depreciated, net	97,308,505	(1,476,909)	(600,012)	-	95,231,584
Governmental activities capital assets, net	\$ 353,266,246	\$ 5,851,904	\$ (1,015,526)	\$ 429,267	\$ 358,531,891

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

General government	\$ 673,386
Public safety	183,790
Public works	2,528,772
Culture and recreation	373,140
Community development	34,448
Total depreciation expense - governmental departments	\$ 3,793,536

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

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, 2003	Additions	Retirements	Balance June 30, 2004
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 1,066,454	\$ -	\$ -	\$ 1,066,454
Constructin in progress	19,887	242,405	-	262,292
Total capital assets, not being depreciated	<u>1,086,341</u>	<u>242,405</u>	<u>-</u>	<u>1,328,746</u>
Capital assets, being depreciated:				
Buildings	3,945,489	-	-	3,945,489
Equipment	585,643	-	-	585,643
Infrastructure	4,457,930	-	-	4,457,930
Total capital assets, being depreciated	<u>8,989,062</u>	<u>-</u>	<u>-</u>	<u>8,989,062</u>
Less accumulated depreciation for:				
Buildings	(810,858)	(78,910)	-	(889,768)
Equipment	(555,638)	(11,034)	-	(566,672)
Infrastructure	(3,677,373)	(34,023)	-	(3,711,396)
Total accumulated depreciation	<u>(5,043,869)</u>	<u>(123,967)</u>	<u>-</u>	<u>(5,167,836)</u>
Total capital assets, being depreciated, net	<u>3,945,193</u>	<u>(123,967)</u>	<u>-</u>	<u>3,821,226</u>
Business-Type activities capital assets, net	<u>\$ 5,031,534</u>	<u>\$ 118,438</u>	<u>\$ -</u>	<u>\$ 5,149,972</u>

Depreciation expense for all proprietary funds was \$123,967 for the year ended June 30, 2004, 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, 2004

6. LONG-TERM DEBT

A. Long-Term Obligations

Summary of changes in long-term debt transactions for the year ended June 30, 2004 was as follows:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004	Due within one year	Due in more than one year
Governmental Activities:						
1996 General Obligation						
Refunding Bonds	\$ 4,030,000	\$ -	\$ (215,000)	\$ 3,815,000	\$ 230,000	\$ 3,585,000
1996 Las Pulgas Project						
Refunding Bonds	27,350,000	-	(900,000)	26,450,000	935,000	25,515,000
2000 Las Pulgas Project						
Tax Allocation Bonds	44,000,000	-	(380,000)	43,620,000	405,000	43,215,000
2002 General Obligation						
Bonds	13,245,000	-	(130,000)	13,115,000	200,000	12,915,000
Total governmental activities	\$ 88,625,000	\$ -	\$ (1,625,000)	\$ 87,000,000	\$ 1,770,000	\$ 85,230,000

1996 General Obligation Refunding Bonds

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

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

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

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, 2004, were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 230,000	\$ 179,238	\$ 409,238
2006	240,000	169,013	409,013
2007	255,000	157,995	412,995
2008	270,000	146,048	416,048
2009	285,000	133,087	418,087
2010-2014	1,700,000	431,025	2,131,025
2015-2016	835,000	42,375	877,375
Total	\$ 3,815,000	\$ 1,258,781	\$ 5,073,781

1996 Las Pulgas Project Refunding Bonds

Las Pulgas Project Refunding Bonds outstanding at June 30, 2004, amounted to \$26,450,000. The bonds bear interest at rates between 3.75% and 5.375%, with interest payments made semi-annually on June 1 and December 1. The bonds mature annually from 1996 to 2022 on June 1 in amounts ranging from \$60,000 to \$2,235,000.

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

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

6. LONG-TERM DEBT, Continued

A. Long-term Obligations, Continued

1996 Las Pulgas Project Refunding Bonds, Continued

The annual debt service requirements to maturity for the 1996 Las Pulgas Project Refunding Bonds outstanding at June 30, 2004, were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 935,000	\$ 1,404,946	\$ 2,339,946
2006	605,000	1,359,599	1,964,599
2007	1,025,000	1,329,651	2,354,651
2008	1,085,000	1,277,889	2,362,889
2009	1,140,000	1,222,011	2,362,011
2010-2014	6,650,000	5,142,113	11,792,113
2015-2019	8,635,000	3,154,588	11,789,588
2020-2022	6,375,000	697,138	7,072,138
Total	\$ 26,450,000	\$ 15,587,935	\$ 42,037,935

2000 Las Pulgas Project Tax Allocation Bonds

Las Pulgas Community Development Project Tax Allocation Bonds, Series 2000 outstanding at June 30, 2004, amounted to \$43,620,000. The bonds bear interest at rates between 4.10% and 5.55%, with interest payments made semi-annually on June 1 and December 1. The bonds mature annually from 2004 to 2030 on June 1 in amounts ranging from \$380,000 to \$4,820,000.

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

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

6. LONG-TERM DEBT, Continued

A. Long-term Obligations, Continued

2000 Las Pulgas Project Tax Allocation Bonds, Continued

The annual debt service requirements to maturity for the 2000 Las Pulgas Project Tax Allocation Bonds outstanding at June 30, 2004, were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 405,000	\$ 2,347,883	\$ 2,752,883
2006	800,000	2,331,075	3,131,075
2007	440,000	2,297,075	2,737,075
2008	455,000	2,278,155	2,733,155
2009	475,000	2,258,363	2,733,363
2010-2014	2,735,000	10,943,922	13,678,922
2015-2019	3,505,000	10,198,638	13,703,638
2020-2024	9,415,000	9,014,670	18,429,670
2025-2029	20,570,000	4,883,545	25,453,545
2030	4,820,000	267,510	5,087,510
Total	<u>\$ 43,620,000</u>	<u>\$ 46,820,836</u>	<u>\$ 90,440,836</u>

2002 General Obligation Bonds

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

The bonds maturing on or before August 1, 2013 are not subject to optional redemption prior to their maturities. The bonds maturing on or after August 1, 2014 are subject to redemption prior to their respective maturities at the option of the City, from any source of available funds, as a whole or in part on any date, on or after August 1, 2012. If less than all of the bonds are called for redemption, bonds shall be redeemed in inverse order of maturities, and if less than all of the bonds of any given maturity are called for redemption, the portions of bonds given maturities to be redeemed shall be determined by lot. Bonds shall be redeemed at the following redemption prices (expressed as a percentage of the principal amount of the bonds called for redemption), together with interest accrued thereon to the date of redemption:

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

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, 2004, were as follows:

Year Ending June 30,	Principal	Interest	Total
2005	200,000	687,960	887,960
2006	210,000	676,560	886,560
2007	220,000	664,485	884,485
2008	235,000	651,835	886,835
2009	250,000	631,135	881,135
2010-2014	1,475,000	2,917,481	4,392,481
2015-2019	1,900,000	2,485,540	4,385,540
2020-2024	2,405,000	1,965,051	4,370,051
2025-2039	3,100,000	1,251,754	4,351,754
2030-2033	3,120,000	341,320	3,461,320
Total	\$ 13,115,000	\$ 12,273,121	\$ 25,388,121

B. Prior Years' Defeased Obligations

1988 and 1992 Tax Allocation Bonds

During fiscal year 1995-1996, the City's Community Development Agency issued \$32,305,000 of 1996 Tax Allocation Refunding Bonds to refund and defease the Agency's outstanding principal of \$3,565,000 of the 1988 Tax Allocation Bonds and the outstanding principal of \$25,000,000 of the 1992 Tax Allocation Bonds. Both the 1988 and 1992 series bonds have been 100% defeased and the liability has been removed from the Long-Term Debt.

The refundings were undertaken to reduce total debt service payments over the next 25 years and to obtain an economic gain.

The balance of the defeased bonds outstanding as of June 30, 2004, was \$24,015,000.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

7. COMPENSATED ABSENCES

Compensated absences at June 30, 2004 were as follows:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004	Due within one year	Due in more than one year
Governmental Activities:	\$ 1,732,979	\$ 63,070	\$ -	\$ 1,796,049	\$ 753,341	\$ 1,042,708
Business-Type Activities:	19,317	26,028	-	45,345	19,045	26,300
Total compensated absences	<u>\$ 1,752,296</u>	<u>\$ 89,098</u>	<u>\$ -</u>	<u>\$ 1,841,394</u>	<u>\$ 772,386</u>	<u>\$ 1,069,008</u>

8. RISK MANAGEMENT

General Liability Insurance

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in pooled insurance programs offered by a Joint Powers Insurance Authority for losses in excess of specific program deductibles. The Liability program has a per claim deductible of \$100,000 and a policy limit of \$15,000,000. The Employment Practices program has a per claim deductible of \$75,000 and policy limit of \$6,000,000. The Property and Fire program has a per claim deductible of \$10,000 and a policy limit of replacement value.

Workers' Compensation

The City participated in a Joint Powers Authority pooled workers' compensation insurance program. This program has a per claim deductible of \$250,000 and a policy limit of \$25,000,000.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

8. RISK MANAGEMENT, Continued

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

	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claim Payments for Current and Prior Years	End of Year Liability
1994-1995	\$ 387,556	\$ 77,248	\$ (190,498)	\$ 274,306
1995-1996	274,306	620,603	(325,355)	569,554
1996-1997	569,554	588,907	(411,191)	747,270
1997-1998	747,270	755,001	(477,414)	1,024,857
1998-1999	1,024,857	811,041	(577,723)	1,258,175
1999-2000	1,258,175	813,829	(870,628)	1,201,376
2000-2001	1,201,376	1,129,222	(822,279)	1,508,319
2001-2002	1,508,319	1,017,717	(907,282)	1,618,754
2002-2003	1,618,754	461,060	(612,016)	1,467,798
2003-2004	1,467,798	969,496	(823,440)	1,613,854

9. INTERFUND TRANSACTIONS

Interfund receivables and payables at June 30, 2004, were as follows:

Due To / From Other Funds

The composition of due to/from other funds as of June 30, 2004 is as follows:

	Due from other funds		Total
	Community Development Agency Special Revenue	Non-Major Governmental Funds	
Due to other funds			
Governmental Activities:			
Major Funds:			
Community Development			
Block Grant Special Revenue	402,959	-	402,959
Non-Major Governmental Funds	-	16,615	16,615
Total	\$ 402,959	16,615	\$ 419,574

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

9. INTERFUND TRANSACTIONS, Continued

Advances To / From Other Funds

The composition of advances to/from other funds as of June 30, 2004 is as follows:

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

Interfund Transfers

Interfund transfers for the year ended June 30, 2004, were as follows:

Transfers Out	Governmental Activities:	Transfers In		
	Major funds:	Governmental Activities		
	General Fund	Major Fund	Non-Major	
	Community Development Agency	General	Governmental	
	Non-Major Governmental Funds	Fund	Funds	Total
	Business-Type Activities:			
Water	\$ 2,700,000	\$ 197,483	\$ 2,897,483	
	154,000	-	154,000	
	175,520	-	175,520	
	183,700	33,000	216,700	
Total	\$ 3,213,220	\$ 230,483	\$ 3,443,703	

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

10. CLASSIFICATION OF NET ASSETS

In the Fund Financial Statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the City Council and Management and can be increased, reduced or eliminated by similar actions. The following reserves and designations were recorded at June 30, 2004:

	General Fund	Community Development Block Grant Special Revenue	Community Development Agency Special Revenue	Non-Major Governmental Funds	Total
Reserved:					
Encumbrances	\$ 230,342	\$ 3,263	\$ 4,675,590	\$ 4,853,555	\$ 9,762,750
Deposits and prepaid items	13,432	-	-	-	13,432
Advances to other funds	-	-	-	-	-
Housing loans	-	-	1,700,348	982,000	2,682,348
Debt service	-	-	-	1,142,055	1,142,055
Notes receivable	1,300,000	-	-	-	1,300,000
Total reserved	1,543,774	3,263	6,375,938	6,977,610	14,900,585
Unreserved, Designated:					
Insurance	2,351,978	-	-	-	2,351,978
Equipment replacement	28,016	-	-	-	28,016
Operational reserve	500,000	-	-	-	500,000
Vacation and sick leave	100,000	-	-	-	100,000
Infrastructure replacement	2,000,000	-	-	-	2,000,000
Fiscal uncertainties	1,000,000	-	-	-	1,000,000
PERS safety investment	2,000,000	-	-	-	2,000,000
Special programs and services reported in special revenue funds	-	-	-	4,974,456	4,974,456
Capital improvements reported in:					
Special revenue funds	-	-	12,770,877	-	12,770,877
Capital project funds	-	-	-	15,069,164	15,069,164
Total unreserved, designated	7,979,994	-	12,770,877	20,043,620	40,794,491
Unreserved, undesignated reported in:					
Major funds	22,173,565	(2,532)	10,690,727	-	32,861,760
Non-major funds:					
Special revenue funds	-	-	-	8,642,858	8,642,858
Total Unreserved, undesignated	22,173,565	(2,532)	10,690,727	8,642,858	41,504,618
Total	\$ 31,697,333	\$ 731	\$ 29,837,542	\$ 35,664,088	\$ 97,199,694

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

10. CLASSIFICATION OF NET ASSETS, Continued

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

11. PUBLIC EMPLOYEE RETIREMENT SYSTEM

Plan Description

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

Funding Policy

Participants are required to contribute 7% 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 0% for miscellaneous employees, and 5.511% for safety employees, of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Cost

For 2004, the City's annual pension cost of \$239,473 for PERS was equal to the City's required and actual contribution. The required contribution was determined as part of the June 30, 2001, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 3.75% to 14.20% for miscellaneous employees and from 4.27% to 11.59% for safety employees depending on age, service, and type of employment, and (c) 3.5% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.5%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. PERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis. The average remaining amortization period at June 30, 2001, was 21 years for miscellaneous employees and 5 years for safety employees for prior and current service unfunded liability.

THREE-YEAR TREND INFORMATION FOR PERS

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2001	\$ -	100%	\$ -
June 30, 2002	-	100%	-
June 30, 2003	239,473	100%	-

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

12. OTHER POST-EMPLOYMENT BENEFITS

In accordance with Resolution No. 4135, "Resolution of the City Council of the City of Menlo Park electing to be subject to the Public Employees' Medical and Hospital Care Act," adopted by the City Council on September 5, 1989, with an effective date of October 1, 1989, the City offers retirees the continuation of group health insurance. The City's contribution for each active employee or retiree for fiscal year 2004 was \$32.20 per month. For the fiscal year ended June 30, 2004, 60 former employees or annuitants were enrolled in the PERS Health Benefits Program.

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

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

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

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

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

12. OTHER POST-EMPLOYMENT BENEFITS, Continued

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

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

The health insurance premium, less the City contribution of \$32.20, is deducted each month from the retiree's PERS pension warrant. If the retiree is eligible for the sick leave/general leave conversion benefit, the City reimburses the retiree for the appropriate level of coverage premium amount, less the sixteen dollar City contribution for each active and retired employee. The cost to the City for the retiree health insurance for the fiscal year ended June 30, 2004, was approximately \$157,428 which includes an administrative cost of 0.44% of premium. Effective January 1, 2004, the PERS Health Benefits Program premiums increased by an average of 12.6%.

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

Currently, the City is financing the City contribution of \$32.20 per active or retired enrollee in the PERS Health Benefits Program, the administrative cost of 0.44% of premium, and the sick leave/general leave conversion benefit. These expenditures are recorded in the General Fund.

13. COMMUNITY DEVELOPMENT AGENCY OF THE CITY OF MENLO PARK

The Community Development Agency of the City of Menlo Park (Agency) was established in 1981 with the adoption of the Las Pulgas Community Development Plan (1981 Plan). Since 1981, the Agency has implemented numerous programs to improve housing in the project area. Revenue from tax increments in fiscal year 2003-2004 was \$10,086,004.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

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

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

14. CONTINGENCIES

The City participates in a number of Federal, State, and County programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grantor program regulations, the City may be required to reimburse the grantor government. As of June 30, 2004, some amounts of grant expenditures have not been audited, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any individual governmental funds or the overall financial condition of the City.

15. LITIGATION

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

16. NONPROFIT ORGANIZATION DEBT WITH NO CITY COMMITMENT

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

17. COMMITMENTS

The City had various commitments totaling \$9,865,205 as of June 30, 2004. Ten of these commitments were for large construction projects; the Burgess Park Improvement for \$2,723,166, the Ivy Drive Streetscape for \$1,465,465, the Hamilton Avenue Streetscape for \$1,315,341, the new Police Substation for \$1,306,000, the Nealon Park Improvement for \$828,120, the Menlo Child Care Center for \$338,526, the Burgess Pool and Gymnasium Improvement for \$307,687, the Redevelopment Agency Streetscape Overall Improvement for \$263,709, the Sidewalk Improvement Program for \$249,935, and the Belle Haven Community Park for \$144,811. The remaining commitments, totaling \$922,445, were for numerous less significant activities. All commitments are evidenced by contractual agreements with contractors.

18. PRIOR-PERIOD ADJUSTMENT

A. Government-Wide Statements

The City recorded the following prior period adjustments to correct prior year capital assets and deferred revenues as part of GASB Statement No. 34 implementation. Accordingly, the net assets as of July 1, 2003, have been restated as follows:

	Net Assets as Previously Reported	Prior Period Adjustments			Net Assets as Restated
		Capital Assets	Deferred Revenues	Receivables/ Revenues	
Government-Wide Activities:					
Net assets	\$ 366,554,095	\$ 429,267	\$ 6,918,482	\$ (448,077)	\$ 373,453,767
Total government-wide activities	<u>\$ 366,554,095</u>	<u>\$ 429,267</u>	<u>\$ 6,918,482</u>	<u>\$ (448,077)</u>	<u>\$ 373,453,767</u>

A. Funds Financial Statements

The City recorded a prior period adjustment as a result of an overstatement of intergovernmental receivables, and therefore, an overstatement of revenues.

	Net Assets as Previously Reported	Prior Period Adjustment	Net Assets as Restated
		Receivables/ Revenues	
Non-Major Fund:			
Traffic Impact Fees fund	\$ 1,525,741	\$ (448,077)	\$ 1,077,664
Total government-wide activities	<u>\$ 1,525,741</u>	<u>\$ (448,077)</u>	<u>\$ 1,077,664</u>

REQUIRED SUPPLEMENTARY INFORMATION

City of Menlo Park
Required Supplementary Information
For the year ended June 30, 2004

1. BUDGETARY PRINCIPLES

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

1. City Council identifies the priority projects/programs for the budget at a study session with public input. The City Council annually adopts the budget for the ensuing fiscal year generally prior to July 1st.
2. The City Manager is authorized to transfer budgetary amounts within a single fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.
3. Legally adopted budgets and formal budgetary integration is employed as a management control device during the year for the General Fund, special revenue funds, debt service funds, and capital projects funds. Trust and agency funds are not budgeted.
4. Budgets for the General, special revenue and capital projects funds are adopted on a basis consistent with GAAP.
5. Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller, returned to the taxpayers through revised tax rates or revised 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, 2003, based on the calculations by City Management, proceeds of taxes did not exceed the appropriations limit.
6. Budgeted revenue amounts represent the original budget modified by adjustments authorized during the year. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year which were contingent upon new or additional revenue sources and reappropriated amounts for prior year encumbrances. The City Manager must approve adjustments to departmental budgets; however, management may amend the budgeted amounts within departmental expenditure classifications.
7. Appropriations lapse at the end of the fiscal year and then are rebudgeted for the coming year.
8. Budgeted appropriations for the various governmental funds become effective each July 1. The City Council may amend the budget during the fiscal year. The legal level of budgetary control has been established at the fund level. Appropriations generally lapse at the end of the fiscal year to the extent they have not been expended or encumbered.

Encumbrances

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

City of Menlo Park
Required Supplementary Information, Continued
For the year ended June 30, 2004

1. BUDGETARY PRINCIPLES, Continued

Budgetary Comparison Schedule, General Fund

	Budget		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Taxes:				
Secured property taxes	\$ 5,061,600	\$ 5,061,600	\$ 5,741,883	\$ 680,283
Unsecured property taxes	522,668	522,668	510,438	(12,230)
Other property taxes	315,500	315,500	539,761	224,261
Sales taxes	6,629,470	6,629,470	6,048,940	(580,530)
Franchise and occupancy taxes	2,142,477	2,142,477	2,202,364	59,887
Licenses and permits	2,585,600	2,585,600	2,553,997	(31,603)
Fines and forfeitures	774,025	774,025	756,678	(17,347)
Use of money and property	1,085,242	1,085,242	688,429	(396,813)
Intergovernmental	2,594,631	2,594,631	2,322,221	(272,410)
Charges for services	4,069,757	4,069,757	4,367,440	297,683
Other	13,750	13,750	14,700	950
Total revenues	25,794,720	25,794,720	25,746,851	(47,869)
EXPENDITURES:				
Current:				
General government	5,456,475	6,889,181	5,912,521	976,660
Public safety	7,816,266	7,875,539	7,634,558	240,981
Public works	4,074,190	4,142,648	3,642,424	500,224
Culture and recreation	7,437,541	7,404,937	6,904,366	500,571
Community development	1,905,926	2,060,468	1,817,044	243,424
Capital outlay	173,453	280,171	198,918	81,253
Total expenditures	26,863,851	28,652,944	26,109,831	2,543,113
REVENUES OVER (UNDER) EXPENDITURES	(1,069,131)	(2,858,224)	(362,980)	2,495,244
OTHER FINANCING SOURCES (USES):				
Transfers in	1,813,220	3,213,220	3,213,220	-
Transfers out	(1,496,000)	(2,896,000)	(2,897,483)	(1,483)
Proceeds from sale of fixed assets	-	-	4,841	4,841
Total other financing sources (uses)	317,220	317,220	320,578	3,358
Net change in fund balances	\$ (751,911)	\$ (2,541,004)	(42,402)	\$ 2,498,602
FUND BALANCES:				
Beginning of year			31,739,735	
End of year			<u>\$ 31,697,333</u>	

City of Menlo Park
Required Supplementary Information, Continued
For the year ended June 30, 2004

1. BUDGETARY PRINCIPLES, Continued

Budgetary Comparison Schedule, Community Development Block Grant Special Revenue Fund

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 127,311	\$ 127,311
Charges for services	425,000	425,000	582,472	157,472
Total revenues	425,000	425,000	709,783	284,783
EXPENDITURES:				
Current:				
Rehabilitation loans	279,158	279,158	582,200	(303,042)
Urban development and housing	145,292	145,292	127,418	17,874
Capital outlay	550	550	-	550
Total expenditures	425,000	425,000	709,618	(284,618)
REVENUES OVER (UNDER) EXPENDITURES	\$ -	\$ -	165	\$ 165
FUND BALANCES:				
Beginning of year			566	
End of year			\$ 731	

City of Menlo Park
Required Supplementary Information, Continued
For the year ended June 30, 2004

1. BUDGETARY PRINCIPLES, Continued

Budgetary Comparison Schedule, Community Development Agency Special Revenue Fund

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES:				
Taxes:				
Secured property taxes	\$ 8,186,000	\$ 8,186,000	\$ 9,016,592	\$ 830,592
Unsecured property taxes	926,000	926,000	1,069,412	143,412
Use of money and property	233,018	233,018	426,424	193,406
Charges for services	47,000	47,000	350	(46,650)
Total revenues	9,392,018	9,392,018	10,512,778	1,120,760
EXPENDITURES:				
Current:				
Community development	763,670	808,537	806,645	1,892
Urban development and housing	5,249,185	5,508,344	4,162,030	1,346,314
Capital outlay	13,353,374	15,025,947	5,182,647	9,843,300
Debt service:				
Principal	1,280,000	1,280,000	1,280,000	-
Interest	3,811,160	3,811,160	3,811,159	1
Total expenditures	24,457,389	26,433,988	15,242,481	11,191,507
REVENUES OVER (UNDER) EXPENDITURES	(15,065,371)	(17,041,970)	(4,729,703)	12,312,267
OTHER FINANCING SOURCES (USES):				
Transfers out	(154,000)	(154,000)	(154,000)	-
Total other financing sources (uses)	(154,000)	(154,000)	(154,000)	-
Net change in fund balances	\$ (15,219,371)	\$ (17,195,970)	(4,883,703)	\$ 12,312,267
FUND BALANCES:				
Beginning of year, as restated			34,721,245	
End of year			\$ 29,837,542	

City of Menlo Park
Required Supplementary Information, Continued
For the year ended June 30, 2004

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

SCHEDULE OF FUNDING PROGRESS

Miscellaneous Employees

Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Unfunded (Overfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded (Overfunded) Liability as a Percentage of Covered Payroll
June 30, 2001	33,386,613	43,100,644	(9,714,031)	129.1%	10,122,132	(96.0)%
June 30, 2002	37,073,300	40,927,659	(3,854,359)	110.4%	12,030,408	(32.0)%
June 30, 2003	44,337,289	41,741,622	2,595,667	94.1%	12,502,729	20.8%

Safety Employees

Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Unfunded (Overfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded (Overfunded) Liability as a Percentage of Covered Payroll
June 30, 2001	28,674,551	31,086,602	(2,412,051)	108.4%	4,474,723	(53.9)%
June 30, 2002	31,101,041	28,753,761	2,347,280	92.5%	4,190,894	56.0%
CalPERS Risk Pool Information (see note below)						
June 30, 2003	1,248,172,736	1,045,895,860	202,276,876	83.8%	154,384,703	131.0%

As of the actuarial valuation date of June 30, 2003, the City's safety plan became part of a CalPERS Risk Pool for employers with less than 100 active plan members. The schedule of funding progress for safety employees presented above is for the whole pool and not that of the City individually.

SUPPLEMENTARY INFORMATION

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NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds, Continued:

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

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

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

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

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

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

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

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

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

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

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

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

Debt Service Fund:

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

NON-MAJOR GOVERNMENTAL FUNDS

Capital Projects Funds:

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

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

City of Menlo Park
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2004

	Special Revenue				
	Highway Users Tax	Federal Revenue Sharing	Landscape/ Tree Assessment	Sidewalk Assessment	Bayfront Park Landfill
ASSETS					
Cash and investments	\$ 313,822	\$ 74,815	\$ 546,230	\$ 201,400	\$ 176,444
Restricted cash and investments	-	-	-	-	-
Receivables:					
Accounts	595,335	-	-	-	9,735
Interest	1,724	411	-	-	963
Notes	-	28,499	-	-	-
Due from other funds	-	-	-	-	-
Total assets	\$ 910,881	\$ 103,725	\$ 546,230	\$ 201,400	\$ 187,142
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 69,413	\$ -	\$ 29,362	\$ -	\$ 7,065
Accrued payroll	3,955	-	3,941	2,485	438
Compensated absences	396	-	5,427	828	499
Due to other funds	-	-	-	-	-
Deferred revenue	-	28,499	-	-	22,449
Total liabilities	73,764	28,499	38,730	3,313	30,451
Fund Balances:					
Reserved:					
Encumbrances	306,475	-	128,126	129,935	2,357
Advances to other funds	-	-	-	-	-
Housing loans	-	-	-	-	-
Debt service	-	-	-	-	-
Total reserved	306,475	-	128,126	129,935	2,357
Unreserved:					
Designated:					
Special programs and services	-	-	-	-	-
Capital improvements	-	-	-	-	-
Total designated	-	-	-	-	-
Undesignated	530,642	75,226	379,374	68,152	154,334
Total fund balances	837,117	75,226	507,500	198,087	156,691
Total liabilities and fund balances	\$ 910,881	\$ 103,725	\$ 546,230	\$ 201,400	\$ 187,142

Special Revenue

Below Market Rate Housing	County Transportation Tax	Public Library	Literacy Grants	Narcotic Seizure	Traffic Impact Fees	Downtown Parking Permits	Storm Drainage Fees
\$ 3,684,072	\$ 1,307,278	\$ 80,115	\$ 37,255	\$ 6,610	\$ 632,677	\$ 1,373,130	\$ 85
-	-	-	-	-	-	-	-
494	279,684	-	25,000	-	-	-	-
20,246	7,184	-	-	-	3,477	7,546	-
889,257	-	-	-	-	-	-	-
-	-	16,615	-	-	-	-	-
<u>\$ 4,594,069</u>	<u>\$ 1,594,146</u>	<u>\$ 96,730</u>	<u>\$ 62,255</u>	<u>\$ 6,610</u>	<u>\$ 636,154</u>	<u>\$ 1,380,676</u>	<u>\$ 85</u>
-	-	-	-	-	-	-	-
-	53,571	-	4,190	-	6,237	393	-
-	13,991	-	6,091	-	8,682	2,137	14
-	5,250	-	2,455	-	5,305	-	-
-	-	-	16,615	-	-	-	-
-	-	-	-	-	-	-	-
-	<u>72,812</u>	-	<u>29,351</u>	-	<u>20,224</u>	<u>2,530</u>	<u>14</u>
-	-	-	-	-	-	-	-
3,061	155,886	1,010	750	-	2,127	6,300	-
-	-	-	-	-	-	-	-
982,000	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>985,061</u>	<u>155,886</u>	<u>1,010</u>	<u>750</u>	<u>-</u>	<u>2,127</u>	<u>6,300</u>	<u>-</u>
-	-	-	-	-	-	-	-
3,609,008	1,365,448	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>3,609,008</u>	<u>1,365,448</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	95,720	32,154	6,610	613,803	1,371,846	71
4,594,069	1,521,334	96,730	32,904	6,610	615,930	1,378,146	71
<u>\$ 4,594,069</u>	<u>\$ 1,594,146</u>	<u>\$ 96,730</u>	<u>\$ 62,255</u>	<u>\$ 6,610</u>	<u>\$ 636,154</u>	<u>\$ 1,380,676</u>	<u>\$ 85</u>

(Continued)

City of Menlo Park
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2004

	Special Revenue				
	Solid Waste Service	Bay Area Air Quality Management	Storm Water Management (NPDES)	Peninsula Partnership Grant	Supplemental Law Enforcement Service
ASSETS					
Cash and investments	\$ 1,126,347	\$ 225	\$ 653,298	\$ 56,608	\$ 115,402
Restricted cash and investments	-	-	-	-	-
Receivables:					
Accounts	-	65,298	-	-	-
Interest	6,190	-	-	-	634
Notes	-	-	-	-	-
Due from other funds	-	-	-	-	-
Total assets	\$ 1,132,537	\$ 65,523	\$ 653,298	\$ 56,608	\$ 116,036
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 100,538	\$ 21,841	\$ 7,658	\$ 5,258	\$ 1,716
Accrued payroll	6,380	-	6,542	7,550	-
Compensated absences	5,242	-	7,092	2,942	-
Due to other funds	-	-	-	-	-
Deferred revenue	378,429	-	-	-	-
Total liabilities	490,589	21,841	21,292	15,750	1,716
Fund Balances:					
Reserved:					
Encumbrances	9,912	-	10,031	-	13,794
Advances to other funds	-	-	-	-	-
Housing loans	-	-	-	-	-
Debt service	-	-	-	-	-
Total reserved	9,912	-	10,031	-	13,794
Unreserved:					
Designated:					
Special programs and services	-	-	-	-	-
Capital improvements	-	-	-	-	-
Total designated	-	-	-	-	-
Undesignated	632,036	43,682	621,975	40,858	100,526
Total fund balances	641,948	43,682	632,006	40,858	114,320
Total liabilities and fund balances	\$ 1,132,537	\$ 65,523	\$ 653,298	\$ 56,608	\$ 116,036

Special Revenue						Debt Service	
Local Law Enforcement Block Grant	Bayfront Park Maintenance	Recreation In-Lieu	Sharon Hills Park	Vintage Oaks Landscape	Miscellaneous Trust	Library Bond	Recreation GO Bond 2002
\$ 11,402	\$ 1,695,833	\$ 56,834	\$ 167,674	\$ 176,718	\$ 1,819,141	\$ 587,995	\$ 542,692
-	-	-	-	-	-	64	-
-	8,186	-	-	-	-	1,708	4,353
63	9,319	312	921	971	5,751	3,231	2,962
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 11,465</u>	<u>\$ 1,713,338</u>	<u>\$ 57,146</u>	<u>\$ 168,595</u>	<u>\$ 177,689</u>	<u>\$ 1,824,892</u>	<u>\$ 592,998</u>	<u>\$ 550,007</u>
\$ -	\$ 15,668	\$ -	\$ -	\$ 358	\$ 27,999	\$ 450	\$ 500
-	469	-	-	-	-	-	-
-	840	-	-	-	571	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	16,977	-	-	358	28,570	450	500
-	19,871	-	11,500	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	592,548	549,507
-	19,871	-	11,500	-	-	592,548	549,507
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
11,465	1,676,490	57,146	157,095	177,331	1,796,322	-	-
11,465	1,696,361	57,146	168,595	177,331	1,796,322	592,548	549,507
<u>\$ 11,465</u>	<u>\$ 1,713,338</u>	<u>\$ 57,146</u>	<u>\$ 168,595</u>	<u>\$ 177,689</u>	<u>\$ 1,824,892</u>	<u>\$ 592,998</u>	<u>\$ 550,007</u>

(Continued)

City of Menlo Park
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2004

	Capital Projects			Total Non-Major Governmental Funds
	Library Addition	Measure T 2002 GO Bond	Capital Improvement General	
ASSETS				
Cash and investments	\$ 555,420	\$ 94,232	\$ 8,305,602	\$ 24,399,356
Restricted cash and investments	-	10,782,452	-	10,782,516
Receivables:				
Accounts	-	-	-	989,793
Interest	3,052	518	-	75,475
Notes	-	-	-	917,756
Due from other funds	-	-	-	16,615
Total assets	\$ 558,472	\$ 10,877,202	\$ 8,305,602	\$ 37,181,511
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 47,414	\$ 527,096	\$ 23,751	\$ 950,478
Accrued payroll	-	9,585	4,611	76,871
Compensated absences	-	7,235	-	44,082
Due to other funds	-	-	-	16,615
Deferred revenue	-	-	-	429,377
Total liabilities	47,414	543,916	28,362	1,517,423
Fund Balances:				
Reserved:				
Encumbrances	-	3,118,845	933,575	4,853,555
Advances to other funds	-	-	-	-
Housing loans	-	-	-	982,000
Debt service	-	-	-	1,142,055
Total Reserved	-	3,118,845	933,575	6,977,610
Unreserved:				
Designated:				
Special programs and services	-	-	-	4,974,456
Capital improvements	511,058	7,214,441	7,343,665	15,069,164
Total Designated	511,058	7,214,441	7,343,665	20,043,620
Undesignated	-	-	-	8,642,858
Total fund balances	511,058	10,333,286	8,277,240	35,664,088
Total liabilities and fund balances	\$ 558,472	\$ 10,877,202	\$ 8,305,602	\$ 37,181,511

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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, 2004

	Special Revenue				
	Highway Users Tax	Federal Revenue Sharing	Landscape/ Tree Assessment	Sidewalk Assessment	Bayfront Park Landfill
REVENUES:					
Taxes:					
Other property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	606,797	-	-	-	-
Special assessments	-	-	441,047	173,054	261,353
Licenses and permits	-	-	-	-	-
Use of money and property	(1,576)	1,140	-	-	2,908
Intergovernmental	543,974	-	-	-	-
Charges for services	18,709	15,600	-	-	21,607
Other	-	-	-	-	-
Total revenues	1,167,904	16,740	441,047	173,054	285,868
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	310,824	-	457,705	109,834	-
Culture and recreation	-	-	-	-	129,177
Community development	-	-	-	-	-
Urban development and housing	-	12,763	-	-	-
Capital outlay	819,789	-	2,725	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	1,130,613	12,763	460,430	109,834	129,177
REVENUES OVER (UNDER) EXPENDITURES	37,291	3,977	(19,383)	63,220	156,691
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	141,000	-	-
Transfers out	-	-	(93,500)	-	-
Proceeds from sale of fixed assets	750	-	-	-	-
Total other financing sources (uses)	750	-	47,500	-	-
Net change in fund balances	38,041	3,977	28,117	63,220	156,691
FUND BALANCES:					
Beginning of year	799,076	71,249	479,383	134,867	-
Prior period adjustment (Note 17)	-	-	-	-	-
Beginning of year, as restated	799,076	71,249	479,383	134,867	-
End of year	\$ 837,117	\$ 75,226	\$ 507,500	\$ 198,087	\$ 156,691

Special Revenue

Below Market Rate Housing	County Transportation Tax	Public Library	Literacy Grants	Narcotic Seizure	Traffic Impact Fees	Downtown Parking Permits	Storm Drainage Fees
\$ 494	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	531,532	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	337,026	-
51,816	7,670	-	-	-	1,112	11,584	-
-	168,877	14,779	54,289	-	-	-	-
96	439,392	-	-	2,482	-	-	6,471
-	-	-	28,158	-	-	-	-
52,406	1,147,471	14,779	82,447	2,482	1,112	348,610	6,471
-	-	-	-	-	-	-	-
-	86,705	-	-	-	42,240	-	-
-	478,839	-	-	-	286,741	62,951	6,400
-	-	-	146,291	-	-	-	-
-	71,384	-	-	-	78,163	-	-
2,108	-	-	-	-	-	-	-
-	586,378	-	-	-	55,702	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,108	1,223,306	-	146,291	-	462,846	62,951	6,400
50,298	(75,835)	14,779	(63,844)	2,482	(461,734)	285,659	71
-	-	-	55,000	-	-	-	-
-	-	-	-	-	-	-	-
190,540	-	-	-	-	-	-	-
190,540	-	-	55,000	-	-	-	-
240,838	(75,835)	14,779	(8,844)	2,482	(461,734)	285,659	71
4,353,231	1,597,169	81,951	41,748	4,128	1,525,741	1,092,487	-
-	-	-	-	-	(448,077)	-	-
4,353,231	1,597,169	81,951	41,748	4,128	1,077,664	1,092,487	-
\$ 4,594,069	\$ 1,521,334	\$ 96,730	\$ 32,904	\$ 6,610	\$ 615,930	\$ 1,378,146	\$ 71

(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, 2004

	Special Revenue				
	Solid Waste Service	Bay Area Air Quality Management	Storm Water Management (NPDES)	Peninsula Partnership	Supplemental Law Enforcement Services
REVENUES:					
Taxes:					
Other property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-
Special assessments	952,298	-	316,804	-	-
Licenses and permits	-	-	-	-	-
Use of money and property	3,101	87	-	-	966
Intergovernmental	17,676	125,582	-	186,543	100,416
Charges for services	378,555	-	-	5,316	-
Other	-	-	-	-	-
Total revenues	1,351,630	125,669	316,804	191,859	101,382
EXPENDITURES:					
Current:					
General government	1,465,867	-	-	-	-
Public safety	-	-	-	-	49,302
Public works	-	-	400,629	-	-
Culture and recreation	-	-	-	225,022	-
Community development	-	86,564	-	-	-
Urban development and housing	-	-	-	-	-
Capital outlay	301	-	-	-	29,576
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	1,466,168	86,564	400,629	225,022	78,878
REVENUES OVER (UNDER) EXPENDITURES	(114,538)	39,105	(83,825)	(33,163)	22,504
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	(58,300)	-	(23,020)	-	-
Proceeds from sale of fixed assets	-	-	-	-	-
Total other financing sources (uses)	(58,300)	-	(23,020)	-	-
Net change in fund balances	(172,838)	39,105	(106,845)	(33,163)	22,504
FUND BALANCES:					
Beginning of year	814,786	4,577	738,851	74,021	91,816
Prior period adjustment (Note 17)	-	-	-	-	-
Beginning of year	814,786	4,577	738,851	74,021	91,816
End of year	\$ 641,948	\$ 43,682	\$ 632,006	\$ 40,858	\$ 114,320

Special Revenue						Debt Service	
Local Law Enforcement Block Grant	Bayfront Park Maintenance	Recreation In-Lieu	Sharon Hills Park	Vintage Oaks Landscape	Miscellaneous Trust	Library Bond	Recreation GO Bond 2002
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	388,698	968,081
-	-	-	-	-	-	-	-
123	90,562	544	1,360	1,388	8,539	1,186	4,753
13,349	-	-	-	-	7,920	-	-
-	-	39,170	-	-	488,215	-	-
-	-	-	-	-	64,322	-	-
13,472	90,562	39,714	1,360	1,388	568,996	389,884	972,834
-	-	-	-	-	2,112	-	-
13,790	-	-	-	-	-	-	-
-	-	-	-	12,603	65,873	-	-
-	151,166	-	125	-	38,372	451	3,000
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	223	-	-
-	-	-	-	-	-	215,000	130,000
-	-	-	-	-	-	188,698	691,665
13,790	151,166	-	125	12,603	106,580	404,149	824,665
(318)	(60,604)	39,714	1,235	(11,215)	462,416	(14,265)	148,169
1,483	-	-	-	-	-	-	-
-	-	-	-	-	(700)	-	-
-	-	-	-	-	-	-	-
1,483	-	-	-	-	(700)	-	-
1,165	(60,604)	39,714	1,235	(11,215)	461,716	(14,265)	148,169
10,300	1,756,965	17,432	167,360	188,546	1,334,606	606,813	401,338
-	-	-	-	-	-	-	-
10,300	1,756,965	17,432	167,360	188,546	1,334,606	606,813	401,338
\$ 11,465	\$ 1,696,361	\$ 57,146	\$ 168,595	\$ 177,331	\$ 1,796,322	\$ 592,548	\$ 549,507

(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, 2004

	Capital Projects			Total Non-Major Governmental Funds
	Library Addition	Measure T 2002 GO Bond	Capital Improvement General	
REVENUES:				
Taxes:				
Other property taxes	\$ -	\$ -	\$ -	\$ 494
Sales taxes	-	-	-	1,138,329
Special assessments	-	-	-	3,501,335
Licenses and permits	-	-	-	337,026
Use of money and property	4,534	151,786	-	343,583
Intergovernmental	-	-	-	1,233,405
Charges for services	-	-	174,838	1,590,451
Other	-	-	-	92,480
Total revenues	4,534	151,786	174,838	8,237,103
EXPENDITURES:				
Current:				
General government	-	-	-	1,467,979
Public safety	-	-	-	192,037
Public works	40,556	1,107,548	230,485	3,570,988
Culture and recreation	-	-	-	693,604
Community development	-	-	-	236,111
Urban development and housing	-	-	-	14,871
Capital outlay	47,414	1,725,341	279,907	3,547,356
Debt service:				
Principal	-	-	-	345,000
Interest	-	-	-	880,363
Total expenditures	87,970	2,832,889	510,392	10,948,309
REVENUES OVER (UNDER) EXPENDITURES	(83,436)	(2,681,103)	(335,554)	(2,711,206)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	33,000	230,483
Transfers out	-	-	-	(175,520)
Proceeds from sale of fixed assets	-	-	-	191,290
Total other financing sources (uses)	-	-	33,000	246,253
Net change in fund balances	(83,436)	(2,681,103)	(302,554)	(2,464,953)
FUND BALANCES:				
Beginning of year	594,494	13,014,389	8,579,794	38,577,118
Prior period adjustment (Note 17)	-	-	-	(448,077)
Beginning of year, as restated	594,494	13,014,389	8,579,794	38,129,041
End of year	\$ 511,058	\$ 10,333,286	\$ 8,277,240	\$ 35,664,088

(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, 2004

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Sales taxes	\$ 622,000	\$ 622,000	\$ 606,797	\$ (15,203)
Use of money and property	3,500	3,500	(1,576)	(5,076)
Intergovernmental	25,000	25,000	543,974	518,974
Charges for services	-	-	18,709	18,709
Total revenues	650,500	650,500	1,167,904	517,404
EXPENDITURES:				
Current:				
Public works	313,060	330,831	310,824	20,007
Capital outlay	152,500	1,166,073	819,789	346,284
Total expenditures	465,560	1,496,904	1,130,613	366,291
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of fixed assets	-	-	750	750
Total other financing sources (uses)	-	-	750	750
Net change in fund balances	\$ 184,940	\$ (846,404)	38,041	\$ 884,445
FUND BALANCES:				
Beginning of year			799,076	
End of year			\$ 837,117	

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, 2004

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 2,000	\$ 2,000	\$ 1,140	\$ (860)
Charges for services	26,050	26,050	15,600	(10,450)
Total revenues	28,050	28,050	16,740	(11,310)
EXPENDITURES:				
Current:				
Urban development and housing	28,050	28,050	12,763	15,287
Total expenditures	28,050	28,050	12,763	15,287
Net change in fund balances	\$ -	\$ -	3,977	\$ 3,977
FUND BALANCES:				
Beginning of year			71,249	
End of year			<u>\$ 75,226</u>	

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, 2004

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ 441,000	\$ 441,000	\$ 441,047	\$ 47
Total revenues	<u>441,000</u>	<u>441,000</u>	<u>441,047</u>	<u>47</u>
EXPENDITURES:				
Current:				
Public works	547,350	681,241	457,705	223,536
Capital outlay	<u>5,000</u>	<u>2,500</u>	<u>2,725</u>	<u>(225)</u>
Total expenditures	<u>552,350</u>	<u>683,741</u>	<u>460,430</u>	<u>223,311</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(111,350)</u>	<u>(242,741)</u>	<u>(19,383)</u>	<u>(223,264)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	141,000	141,000	141,000	-
Transfers out	<u>-</u>	<u>(93,500)</u>	<u>(93,500)</u>	<u>-</u>
Total other financing sources (uses)	<u>141,000</u>	<u>47,500</u>	<u>47,500</u>	<u>-</u>
Net change in fund balances	<u>\$ 29,650</u>	<u>\$ (195,241)</u>	<u>28,117</u>	<u>\$ 223,358</u>
FUND BALANCES:				
Beginning of year			<u>479,383</u>	
End of year			<u>\$ 507,500</u>	

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, 2004

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ 173,000	\$ 173,000	\$ 173,054	\$ 54
Total revenues	<u>173,000</u>	<u>173,000</u>	<u>173,054</u>	<u>54</u>
EXPENDITURES:				
Current:				
Public works	184,838	130,194	109,834	20,360
Capital outlay	-	130,000	-	130,000
Total expenditures	<u>184,838</u>	<u>260,194</u>	<u>109,834</u>	<u>150,360</u>
Net change in fund balances	<u>\$ (11,838)</u>	<u>\$ (87,194)</u>	63,220	<u>\$ 150,414</u>
FUND BALANCES:				
Beginning of year			<u>134,867</u>	
End of year			<u>\$ 198,087</u>	

City of Menlo Park

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

Bayfront Park Landfill Special Revenue Fund

For the year ended June 30, 2004

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ 290,000	\$ 290,000	\$ 261,353	\$ (28,647)
Use of money and property	-	-	2,908	2,908
Charges for services	-	-	21,607	21,607
Total revenues	290,000	290,000	285,868	(4,132)
EXPENDITURES:				
Current:				
Culture and recreation	206,593	206,593	129,177	(77,416)
Capital outlay	25,000	25,000	-	(25,000)
Total expenditures	231,593	231,593	129,177	(102,416)
Net change in fund balances	\$ 58,407	\$ 58,407	156,691	\$ 98,284
FUND BALANCES:				
Beginning of year			-	
End of year			\$ 156,691	

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, 2004

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Other property taxes	\$ -	\$ -	\$ 494	\$ 494
Use of money and property	36,000	36,000	51,816	15,816
Charges for services	300	300	96	(204)
Total revenues	36,300	36,300	52,406	16,106
EXPENDITURES:				
Current:				
Urban development and housing	2,800,000	2,803,061	2,108	2,800,953
Capital outlay	-	-	-	-
Total expenditures	2,800,000	2,803,061	2,108	2,800,953
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of fixed assets	-	-	190,540	190,540
Total other financing sources (uses)	-	-	190,540	190,540
Net change in fund balances	\$ (2,763,700)	\$ (2,766,761)	240,838	\$ 3,007,599
FUND BALANCES:				
Beginning of year			4,353,231	
End of year			<u>\$ 4,594,069</u>	

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, 2004

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Taxes:				
Sales taxes	\$ 500,000	\$ 500,000	\$ 531,532	\$ 31,532
Use of money and property	25,000	25,000	7,670	(17,330)
Intergovernmental	224,000	260,508	168,877	(91,631)
Charges for services	350,000	350,000	439,392	89,392
Total revenues	1,099,000	1,135,508	1,147,471	11,963
EXPENDITURES:				
Current:				
General government	901	901	-	901
Public safety	106,491	106,491	86,705	19,786
Public works	500,833	765,536	478,839	286,697
Community development	132,082	135,604	71,384	64,220
Capital outlay	786,200	996,902	586,378	410,524
Total expenditures	1,526,507	2,005,434	1,223,306	782,128
Net change in fund balances	\$ (427,507)	\$ (869,926)	(75,835)	\$ 794,091
FUND BALANCES:				
Beginning of year			1,597,169	
End of year			\$ 1,521,334	

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, 2004

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 14,779	\$ 14,779
Total revenues	<u>-</u>	<u>-</u>	<u>14,779</u>	<u>14,779</u>
EXPENDITURES:				
Current:				
Culture and recreation	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>14,779</u>	<u>\$ 14,779</u>
FUND BALANCES:				
Beginning of year			<u>81,951</u>	
End of year			<u>\$ 96,730</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, 2004

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 68,000	\$ 68,000	\$ 54,289	\$ (13,711)
Other	54,000	54,000	28,158	(25,842)
Total revenues	122,000	122,000	82,447	(39,553)
EXPENDITURES:				
Current:				
Culture and recreation	187,190	192,190	146,291	45,899
Capital outlay	100	100	-	100
Total expenditures	187,290	192,290	146,291	45,999
REVENUES OVER (UNDER) EXPENDITURES	(65,290)	(70,290)	(63,844)	(85,552)
OTHER FINANCING SOURCES (USES):				
Transfers in	55,000	55,000	55,000	-
Total other financing sources (uses)	55,000	55,000	55,000	-
Net change in fund balances	\$ (10,290)	\$ (15,290)	(8,844)	\$ 6,446
FUND BALANCES:				
Beginning of year			41,748	
End of year			<u>\$ 32,904</u>	

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, 2004

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for current services	\$ -	\$ -	\$ 2,482	\$ 2,482
Total revenues	-	-	2,482	2,482
Net change in fund balances	\$ -	\$ -	2,482	\$ 2,482
FUND BALANCES:				
Beginning of year			4,128	
End of year			\$ 6,610	

City of Menlo Park

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

Traffic Impact Fees Special Revenue Fund

For the year ended June 30, 2004

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 25,000	\$ 25,000	\$ 1,112	\$ (23,888)
Intergovernmental	-	-	-	-
Total revenues	25,000	25,000	1,112	(23,888)
EXPENDITURES:				
Current:				
Public safety	95,563	95,563	42,240	53,323
Public works	170,649	337,645	286,741	50,904
Community development	129,999	129,999	78,163	51,836
Capital outlay	142,000	192,111	55,702	136,409
Total expenditures	538,211	755,318	462,846	292,472
Net change in fund balances	\$ (513,211)	\$ (730,318)	(461,734)	\$ 268,584
FUND BALANCES:				
Beginning of year			1,525,741	
Prior period adjustment (Note 17)			(448,077)	
Beginning of year, as restated			1,077,664	
End of year			\$ 615,930	

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, 2004

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses and permits	\$ 343,200	\$ 343,200	\$ 337,026	\$ (6,174)
Use of money and property	15,000	15,000	11,584	(3,416)
Total revenues	358,200	358,200	348,610	(9,590)
EXPENDITURES:				
Current:				
Public works	181,516	181,516	62,951	118,565
Capital outlay	900,000	900,000	-	900,000
Total expenditures	1,081,516	1,081,516	62,951	1,018,565
Net change in fund balances	\$ (723,316)	\$ (723,316)	285,659	\$ 1,008,975
FUND BALANCES:				
Beginning of year			1,092,487	
End of year			\$ 1,378,146	

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, 2004

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Use of money and property	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	6,471	6,471
Total revenues	-	-	6,471	6,471
EXPENDITURES:				
Current:				
Public works	9,297	9,297	6,400	2,897
Total expenditures	9,297	9,297	6,400	2,897
Net change in fund balances	\$ (9,297)	\$ (9,297)	71	\$ 9,368
FUND BALANCES:				
Beginning of year			-	
End of year			\$ 71	

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, 2004

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Special assessments	\$ 995,000	\$ 995,000	\$ 952,298	\$ (42,702)
Use of money and property	10,000	10,000	3,101	(6,899)
Intergovernmental	-	-	17,676	17,676
Charges for services	365,000	365,000	378,555	13,555
Total revenues	1,370,000	1,370,000	1,351,630	(18,370)
EXPENDITURES:				
Current:				
General government	1,510,756	1,510,756	1,465,867	44,889
Capital outlay	3,000	3,000	301	2,699
Total expenditures	1,513,756	1,513,756	1,466,168	47,588
REVENUES OVER (UNDER) EXPENDITURES	(143,756)	(143,756)	(114,538)	(65,958)
OTHER FINANCING SOURCES (USES):				
Transfers out	(58,300)	(58,300)	(58,300)	-
Total other financing sources (uses)	(58,300)	(58,300)	(58,300)	-
Net change in fund balances	\$ (202,056)	\$ (202,056)	(172,838)	\$ 29,218
FUND BALANCES:				
Beginning of year			814,786	
End of year			\$ 641,948	

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, 2004

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 87	\$ 87
Intergovernmental	168,600	168,600	125,582	(43,018)
Total revenues	168,600	168,600	125,669	(42,931)
EXPENDITURES:				
Current:				
Community development	154,000	154,000	86,564	67,436
Total expenditures	154,000	154,000	86,564	67,436
Net change in fund balances	\$ 14,600	\$ 14,600	39,105	\$ (110,367)
FUND BALANCES:				
Beginning of year			4,577	
End of year			\$ 43,682	

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, 2004

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ 320,000	\$ 320,000	\$ 316,804	\$ (3,196)
Total revenues	<u>320,000</u>	<u>320,000</u>	<u>316,804</u>	<u>(3,196)</u>
EXPENDITURES:				
Current:				
Public works	450,645	461,345	400,629	60,716
Capital outlay	<u>1,500</u>	<u>1,500</u>	<u>-</u>	<u>1,500</u>
Total expenditures	<u>452,145</u>	<u>462,845</u>	<u>400,629</u>	<u>62,216</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(132,145)</u>	<u>(142,845)</u>	<u>(83,825)</u>	<u>(65,412)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(23,020)	(23,020)	-
Total other financing sources (uses)	<u>-</u>	<u>(23,020)</u>	<u>(23,020)</u>	<u>-</u>
Net change in fund balances	<u>\$ (132,145)</u>	<u>\$ (165,865)</u>	<u>(106,845)</u>	<u>\$ 59,020</u>
FUND BALANCES:				
Beginning of year			<u>738,851</u>	
End of year			<u>\$ 632,006</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, 2004

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 213,208	\$ 213,208	\$ 186,543	\$ (26,665)
Charges for services	4,000	4,000	5,316	1,316
Total revenues	217,208	217,208	191,859	(25,349)
EXPENDITURES:				
Current:				
Culture and recreation	248,594	281,478	225,022	56,456
Capital Outlay	2,000	2,000	-	2,000
Total expenditures	250,594	283,478	225,022	58,456
Net change in fund balances	\$ (33,386)	\$ (66,270)	(33,163)	\$ 33,107
FUND BALANCES:				
Beginning of year			74,021	
End of year			\$ 40,858	

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, 2004

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 966	\$ 966
Intergovernmental	-	-	100,416	100,416
Total revenues	-	-	101,382	101,382
EXPENDITURES:				
Current:				
Public safety	-	4,170	49,302	(45,132)
Capital outlay	-	-	29,576	(29,576)
Total expenditures	-	4,170	78,878	(74,708)
Net change in fund balances	\$ -	\$ (4,170)	22,504	\$ 26,674
FUND BALANCES:				
Beginning of year			91,816	
End of year			\$ 114,320	

City of Menlo Park

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

Local Law Enforcement Block Grant Special Revenue Fund

For the year ended June 30, 2004

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 123	\$ 123
Intergovernmental	-	-	13,349	13,349
Total revenues	-	-	13,472	13,472
EXPENDITURES:				
Current:				
Public safety	-	-	13,790	(13,790)
Total expenditures	-	-	13,790	(13,790)
REVENUES OVER (UNDER) EXPENDITURES	-	-	(318)	27,262
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	1,483	1,483
Total other financing sources (uses)	-	-	1,483	1,483
Net change in fund balances	\$ -	\$ -	1,165	\$ 1,165
FUND BALANCES:				
Beginning of year			10,300	
End of year			<u>\$ 11,465</u>	

City of Menlo Park

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

Bayfront Park Maintenance Special Revenue Fund

For the year ended June 30, 2004

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 84,000	\$ 84,000	\$ 90,562	\$ 6,562
Total revenues	84,000	84,000	90,562	6,562
EXPENDITURES:				
Current:				
Culture and recreation	439,672	439,672	151,166	288,506
Capital outlay	5,000	5,000	-	5,000
Total expenditures	444,672	444,672	151,166	293,506
Net change in fund balances	\$ (360,672)	\$ (360,672)	(60,604)	\$ 300,068
FUND BALANCES:				
Beginning of year, as restated			1,756,965	
End of year			\$ 1,696,361	

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, 2004

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 544	\$ 544
Charges for services	-	-	39,170	39,170
Total revenues	-	-	39,714	39,714
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	39,714	<u>\$ 39,714</u>
FUND BALANCES:				
Beginning of year			17,432	
End of year			<u>\$ 57,146</u>	

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, 2004

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 4,000	\$ 4,000	\$ 1,360	\$ (2,640)
Total revenues	<u>4,000</u>	<u>4,000</u>	<u>1,360</u>	<u>(2,640)</u>
EXPENDITURES:				
Current:				
Culture and recreation	11,500	11,500	125	11,375
Total expenditures	<u>11,500</u>	<u>11,500</u>	<u>125</u>	<u>11,375</u>
Net change in fund balances	<u>\$ (7,500)</u>	<u>\$ (7,500)</u>	1,235	<u>\$ 8,735</u>
FUND BALANCES:				
Beginning of year			<u>167,360</u>	
End of year			<u>\$ 168,595</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, 2004

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 1,388	\$ 1,388
Total revenues	-	-	1,388	1,388
EXPENDITURES:				
Current:				
Public works	21,600	26,512	12,603	13,909
Total expenditures	21,600	26,512	12,603	13,909
Net change in fund balances	\$ (21,600)	\$ (26,512)	(11,215)	\$ 15,297
FUND BALANCES:				
Beginning of year			188,546	
End of year			<u>\$ 177,331</u>	

City of Menlo Park

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

Miscellaneous Trust Special Revenue Fund

For the year ended June 30, 2004

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 8,539	\$ 8,539
Intergovernmental	-	-	7,920	7,920
Charges for services	-	-	488,215	488,215
Other	-	-	64,322	64,322
Total revenues	-	-	568,996	568,996
EXPENDITURES:				
Current:				
General government	-	-	2,112	(2,112)
Public works	-	-	65,873	(65,873)
Culture and recreation	23,533	24,312	38,372	(14,060)
Community development	-	58,674	-	58,674
Capital outlay	-	-	223	(223)
Total expenditures	23,533	82,986	106,580	(23,594)
REVENUES OVER (UNDER) EXPENDITURES	(23,533)	(82,986)	462,416	592,590
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	(700)	(700)
Total other financing sources (uses)	-	-	(700)	(700)
Net change in fund balances	\$ (23,533)	\$ (82,986)	461,716	\$ 544,702
FUND BALANCES:				
Beginning of year			1,334,606	
End of year			<u>\$ 1,796,322</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, 2004

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Special assessments	\$ 350,000	\$ 350,000	\$ 388,698	\$ 38,698
Use of money and property	3,000	3,000	1,186	(1,814)
Total revenues	353,000	353,000	389,884	36,884
EXPENDITURES:				
Current:				
Culture and recreation	1,500	1,500	451	1,049
Debt service:				
Principal	215,000	215,000	215,000	-
Interest	188,700	188,700	188,698	2
Total expenditures	405,200	405,200	404,149	1,051
Net change in fund balances	\$ (52,200)	\$ (52,200)	(14,265)	\$ 37,935
FUND BALANCES:				
Beginning of year			606,813	
End of year			\$ 592,548	

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, 2004

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ 895,000	\$ 895,000	\$ 968,081	\$ 73,081
Use of money and property	6,000	6,000	4,753	(1,247)
Total revenues	901,000	901,000	972,834	71,834
EXPENDITURES:				
Current:				
Culture and recreation	2,000	2,000	3,000	(1,000)
Debt service:				
Principal	130,000	130,000	130,000	-
Interest	693,665	693,665	691,665	2,000
Total expenditures	825,665	825,665	824,665	1,000
Net change in fund balances	\$ 75,335	\$ 75,335	148,169	\$ 72,834
FUND BALANCES:				
Beginning of year			401,338	
End of year			\$ 549,507	

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, 2004

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 4,534	\$ 4,534
Total revenues	-	-	4,534	4,534
EXPENDITURES:				
Current				
Culture and recreation	41,000	41,000	-	
Capital outlay		47,414	47,414	-
Total expenditures	41,000	88,414	47,414	-
Net change in fund balances	\$ (41,000)	\$ (88,414)	(83,436)	\$ 4,978
FUND BALANCES:				
Beginning of year			594,494	
End of year			<u>\$ 511,058</u>	

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, 2004

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 151,786	\$ 151,786
Total revenues	-	-	151,786	151,786
EXPENDITURES:				
Current:				
Public works	913,365	2,206,962	1,107,548	1,099,414
Capital outlay	11,366,646	11,354,112	1,725,341	9,628,771
Total expenditures	12,280,011	13,561,074	2,832,889	10,728,185
Net change in fund balances	\$ (12,280,011)	\$ (13,561,074)	(2,681,103)	\$ (10,576,399)
FUND BALANCES:				
Beginning of year			13,014,389	
End of year			\$ 10,333,286	

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, 2004

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Special assessments	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	174,838	174,838
Total revenues	-	-	174,838	174,838
EXPENDITURES:				
Current:				
Public works	53,796	191,529	230,485	(38,956)
Culture and recreation	383,546	409,522	-	409,522
Capital outlay	4,771,017	4,934,005	279,907	4,654,098
Total expenditures	5,208,359	5,535,056	510,392	5,024,664
REVENUES OVER (UNDER) EXPENDITURES	(5,208,359)	(5,535,056)	(335,554)	(4,849,826)
OTHER FINANCING SOURCES (USES):				
Transfers in	33,000	33,000	33,000	-
Total other financing sources (uses)	33,000	33,000	33,000	-
Net change in fund balances	\$ (5,175,359)	\$ (5,502,056)	(302,554)	\$ 5,199,502
FUND BALANCES:				
Beginning of year			8,579,794	
End of year			<u>\$ 8,277,240</u>	

City of Menlo Park
Combining Statement of Net Assets
Agency Funds
June 30, 2004

	Refundable Deposits	Cash Bonds Payable	Payroll Revolving	Total Agency Funds
ASSETS				
Cash and investments	\$ 51,902	\$ 13,271	\$ 89,897	\$ 155,070
Total assets	\$ 51,902	\$ 13,271	\$ 89,897	\$ 155,070
LIABILITIES				
Accounts payable	\$ 4,332	\$ -	\$ 89,897	\$ 94,229
Deposits	47,570	13,271	-	60,841
Total liabilities	\$ 51,902	\$ 13,271	\$ 89,897	\$ 155,070

City of Menlo Park
Combining Statement of Changes in Net Assets
Agency Funds
For the year ended June 30, 2004

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
<u>Refundable Deposits</u>				
Assets:				
Cash and investments	\$ 42,500	\$ 18,260	\$ (8,858)	\$ 51,902
Liabilities:				
Accounts payable	\$ -	\$ 14,990	\$ (10,658)	\$ 4,332
Deposits	42,500	18,260	(13,190)	47,570
Total liabilities	\$ 42,500	\$ 33,250	\$ (23,848)	\$ 51,902
 <u>Cash Bonds Payable</u>				
Assets:				
Cash and investments	\$ 13,271	\$ -	\$ -	\$ 13,271
Liabilities:				
Deposits	\$ 13,271	\$ -	\$ -	\$ 13,271
 <u>Payroll Revolving</u>				
Assets:				
Cash and investments	\$ 69,890	\$ 1,840,489	\$ (1,820,482)	\$ 89,897
Liabilities:				
Accounts payable	\$ 69,890	\$ 10,998,008	\$ (10,978,001)	\$ 89,897
 <u>Total Agency Funds</u>				
Assets:				
Cash and investments	\$ 125,661	\$ 1,858,749	\$ (1,829,340)	\$ 155,070
Liabilities:				
Accounts payable	\$ 69,890	\$ 11,012,998	\$ (10,988,659)	\$ 94,229
Deposits	55,771	18,260	(13,190)	60,841
Total liabilities	\$ 125,661	\$ 11,031,258	\$ (11,001,849)	\$ 155,070

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**STATISTICAL SECTION
(Unaudited)**

City of Menlo Park
General Government Expenditures by Function *
June 30, 2004
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	General Government	Public Safety	Public Works	Culture and Recreation	Rehabilitation Loans
1994-1995	\$ 3,704,841	\$ 5,671,910	\$ 3,087,167	\$ 4,379,150	\$ 522,242
1995-1996	3,891,180	5,828,805	3,293,360	4,711,696	444,315
1996-1997	4,080,633	6,308,729	4,003,864	4,951,301	295,223
1997-1998	4,534,705	6,751,403	4,710,301	5,728,235	338,788
1998-1999	4,838,242	6,829,378	4,631,434	6,562,009	448,045
1999-2000**	5,101,699	7,264,817	3,862,141	6,740,339	248,660
2000-2001	5,652,521	7,980,832	4,099,263	6,975,161	350,030
2001-2002	6,083,761	8,044,869	3,993,619	7,995,043	595,290
2002-2003	6,010,975	8,462,537	6,136,086	7,357,338	434,120
2003-2004	7,380,500	7,826,595	7,213,412	7,597,970	582,200

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

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

Source: City of Menlo Park

Community Development	Urban Development and Housing	Capital Outlay	Debt Service		Total
			Principal Retirement	Interest and Fiscal Charges	
\$ 1,144,745	\$ 1,388,653	\$ 5,849,438	\$ 586,000	\$ 2,282,516	\$ 28,616,662
1,124,552	2,557,865	3,842,408	440,000	2,112,090	28,246,271
1,164,716	2,129,104	7,577,982	765,000	1,904,118	33,180,670
1,579,955	2,084,780	8,364,376	805,000	1,890,116	36,787,659
1,636,385	2,424,377	6,411,406	835,000	1,850,873	36,467,149
2,416,633	2,815,875	5,850,623	875,000	1,809,243	36,985,030
2,854,841	4,687,426	10,021,368	925,000	3,149,759	46,696,201
3,140,511	3,757,889	21,510,780	970,000	4,086,960	60,178,722
2,682,788	3,945,154	14,105,147	905,000	4,538,471	54,577,616
2,859,800	4,304,319	8,928,921	1,625,000	4,691,522	53,010,239

City of Menlo Park
General Government Revenues by Source *
June 30, 2004
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Special Assessment</u>	<u>Licenses and Permits</u>	<u>Fines and Forfeitures</u>	<u>Use of Money and Property</u>
1994-1995	\$ 14,931,830	\$ 1,099,059	\$ 1,932,360	\$ 64,399	\$ 2,695,767
1995-1996	17,085,902	1,107,907	1,786,935	70,792	2,954,925
1996-1997	19,197,080	1,072,744	2,585,437	48,178	2,998,668
1997-1998	20,814,340	1,092,449	2,783,860	67,326	3,148,117
1998-1999	22,726,432	1,466,474	2,800,754	195,182	2,965,786
1999-2000	25,577,479	1,493,406	2,824,434	213,482	3,470,883
2000-2001	29,286,576	1,379,277	3,227,919	279,172	6,374,995
2001-2002	27,434,250	1,399,697	2,585,384	207,906	4,857,451
2002-2003	26,039,230	3,240,160	2,952,762	802,636	3,257,644
2003-2004	26,268,213	3,501,335	2,891,023	756,678	1,458,436

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

Source: City of Menlo Park

Inter- governmental	Charges for Services	Other Revenues	Reimbursed Construction Costs	Total
\$ 3,614,290	\$ 4,970,190	\$ 245,304	\$ -	\$ 29,553,199
3,855,437	4,807,465	264,655	-	31,934,018
3,969,695	5,527,602	198,044	-	35,597,448
3,989,621	4,944,680	91,022	-	36,931,415
4,712,777	4,909,370	150,143	-	39,926,918
4,626,773	4,528,800	174,215	-	42,909,472
5,368,949	5,465,783	84,882	-	51,467,553
6,084,897	5,015,592	97,678	-	47,682,855
5,130,839	4,596,943	172,523	-	46,192,737
3,682,937	6,540,363	107,530	-	45,206,515

City of Menlo Park
General Government Taxes Detail
June 30, 2004
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>Secured</u>	<u>Unsecured</u>	<u>Redemptions</u>	<u>Transfer Tax</u>	<u>Other</u>	<u>Sales Tax</u>	<u>Franchise and Occupancy Taxes</u>	<u>Total</u>
1994-1995	\$ 5,688,960	\$ 1,220,385	\$ 693	\$ 167,318	\$ 119,272	\$ 6,257,781	\$ 1,477,421	\$14,931,830
1995-1996	6,191,279	1,145,784	1,375	171,049	275,697	7,467,757	1,832,961	17,085,902
1996-1997	7,620,518	1,105,701	-	279,281	364,370	7,808,769	2,018,441	19,197,080
1997-1998	8,256,758	1,095,960	488	293,461	391,745	8,524,786	2,251,142	20,814,340
1998-1999	8,831,772	1,680,720	7,241	382,570	249,692	9,254,468	2,319,969	22,726,432
1999-2000	10,691,113	1,273,399	2,737	393,167	733,040	9,952,992	2,531,031	25,577,479
2000-2001	11,573,842	1,355,236	653	347,243	312,260	13,031,014	2,666,328	29,286,576
2001-2002	12,626,049	1,568,876	14,282	358,241	1,239,784	9,214,713	2,412,305	27,434,250
2002-2003	13,695,509	1,501,581	468	330,542	348,002	8,005,666	2,157,462	26,039,230
2003-2004	14,758,475	1,579,850	3,455	463,562	73,238	7,187,269	2,202,364	26,268,213

Source: City of Menlo Park and San Mateo County

City of Menlo Park
Property Tax Levies and Collections
June 30, 2004
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>Estimated Taxes Levied</u>	<u>Total Tax Collections</u>	<u>Delinquent Collections</u>	<u>Current Tax Collections</u>
1994-1995	\$ 7,664,858	\$ 7,041,879	\$ -	\$ 7,041,879
1995-1996	8,124,610	7,612,759	-	7,612,759
1996-1997	8,887,672	9,090,589	-	9,090,589
1997-1998	10,276,766	9,744,463	-	9,744,463
1998-1999	11,632,610	10,762,184	-	10,762,184
1999-2000	13,003,352	12,697,552	-	12,697,552
2000-2001	13,804,204	13,241,338	-	13,241,338
2001-2002	15,587,032	15,434,709	-	15,434,709
2002-2003	16,363,962	15,545,092	-	15,545,092
2003-2004	16,969,603	16,411,563	-	16,411,563

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

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

Source: San Mateo County

City of Menlo Park
Assessed Valuation, Tax Rate and Tax Levies
June 30, 2004
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Land Development	State Assessed			Secured		
		Improvements	Personal Property	Land Value	Improvements	Personal Property	
1994-1995	\$ 4,298,573	\$ 125,471	\$ 91,996	\$ 1,248,429,049	\$ 2,047,475,658	\$ 104,529,389	
1995-1996	3,912,916	144,813	106,175	1,299,000,693	2,139,191,268	107,584,423	
1996-1997	3,639,791	124,508	91,287	1,348,713,869	2,228,762,710	119,042,090	
1997-1998	3,623,151	316,438	181,152	1,480,057,209	2,369,822,699	190,821,197	
1998-1999	4,956,018	387,849	222,030	1,613,667,336	2,550,942,830	205,623,607	
1999-2000	2,078,149	264,986	151,696	1,815,087,154	2,820,381,931	257,399,381	
2000-2001	770,807	244,959	140,232	1,990,570,199	2,973,214,646	198,721,523	
2001-2002	4,836,844	268,184	153,528	2,261,244,888	3,249,584,012	209,856,123	
2002-2003	4,777,290	258,202	147,814	2,393,968,299	3,389,779,535	237,014,128	
2003-2004	420,858	294,871	168,802	2,691,815,120	3,626,549,176	203,493,192	

Note:

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

Source: City of Menlo Park

Unsecured			Total Before Exemptions		
Land		Personal	Land		Personal
Value	Improvements	Property	Value	Improvements	Property
\$ 2,517,005	\$ 112,002,910	\$ 303,387,909	\$ 1,255,244,627	\$ 2,159,604,039	\$ 408,009,294
1,896,930	101,855,292	269,504,036	1,304,810,539	2,241,191,373	377,194,634
1,897,415	116,432,846	253,134,789	1,354,251,075	2,345,320,064	372,268,166
2,312,520	107,675,869	264,453,335	1,485,992,880	2,477,815,006	455,455,684
1,245,228	142,194,309	329,946,966	1,619,868,582	2,693,524,988	535,792,603
1,892,868	188,747,068	289,717,576	1,819,058,171	3,009,393,985	547,268,653
2,013,214	252,623,758	371,757,297	1,993,354,220	3,226,083,363	570,619,052
4,169,073	289,398,376	462,631,749	2,270,250,805	3,539,250,572	672,641,400
8,056,133	314,752,983	383,590,822	2,406,801,722	3,704,790,720	620,752,764
7,868,741	313,945,483	347,728,227	2,700,104,719	3,940,789,530	551,390,221

(Continued)

City of Menlo Park
Assessed Valuation, Tax Rate and Tax Levies, Continued
June 30, 2004
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Grand Total	HOPTR *	BIPTR **	Other	Net Subject To Tax
1994-1995	3,822,857,960	43,906,800	-	82,775,430	3,696,175,730
1995-1996	3,923,196,546	44,042,600	-	75,267,754	3,803,886,192
1996-1997	4,071,839,305	44,087,400	-	76,460,157	3,951,291,748
1997-1998	4,419,263,570	44,576,865	-	80,344,612	4,294,342,093
1998-1999	4,849,186,173	44,970,800	-	73,415,885	4,730,799,488
1999-2000	5,375,720,809	44,724,400	-	79,175,848	5,251,820,561
2000-2001	5,790,056,635	43,953,000	-	112,569,221	5,633,534,414
2001-2002	6,482,142,777	45,138,800	-	85,158,247	6,351,845,730
2002-2003	6,732,345,206	42,530,600	-	110,060,786	6,579,753,820
2003-2004	7,192,284,470	42,238,000	-	121,479,503	7,028,566,967

* Homeowner Property Tax Relief

** Business Inventory Property Tax Relief

Source: San Mateo County

(Concluded)

City of Menlo Park
Ratio of Net General Bonded Debt to
Total Assessed Value and Net Bonded Debt Per Capita
June 30, 2004 - Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>Population</u>	<u>Total Assessed Value</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
1994-1995	30,465	\$ 3,365,181,630	\$ 4,760,000	0.1414%	\$ 156.24
1995-1996	30,465	3,435,297,283	5,215,000	0.1518%	171.18
1996-1997	30,554	3,516,445,929	5,085,000	0.1446%	166.43
1997-1998	30,554	3,754,294,880	4,935,000	0.1314%	161.52
1998-1999	31,246	4,104,093,393	4,780,000	0.1165%	152.98
1999-2000	31,529	4,537,308,861	4,615,000	0.1017%	146.37
2000-2001	30,785	4,878,145,495	4,435,000	0.0909%	144.06
2001-2002	31,262	5,491,688,060	17,485,000	0.3184%	559.31
2002-2003	31,262	6,093,800,596	17,275,000	0.2835%	552.59
2003-2004	31,262	6,093,800,596	16,930,000	0.2778%	541.55

Source: San Mateo County and State Controller's Office

City of Menlo Park
Computation of Legal Debt Margin
June 30, 2004
(Unaudited)

Total assessed value of all real and personal property	\$ 6,093,800,596
Legal debt limit - 3.75% of total assessed valuation	228,517,522
Amount of bonded debt outstanding	<u>16,930,000</u>
Margin between legal and outstanding bonded debt	<u>\$ 211,587,522</u>

Source: San Mateo County

City of Menlo Park

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

June 30, 2004 - Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Total Bonded Debt Service Expenditures *	Total General Expenditures	Ratio Percentage
1994-1995	\$ 422,681	\$ 28,616,662	1.477%
1995-1996	421,946	28,246,271	1.494%
1996-1997	372,208	33,180,670	1.122%
1997-1998	405,048	36,787,659	1.101%
1998-1999	397,659	36,467,149	1.090%
1999-2000	394,929	36,985,030	1.068%
2000-2001	396,079	46,696,201	0.848%
2001-2002	400,771	60,178,722	0.666%
2002-2003	904,995	54,577,616	1.658%
2003-2004	1,225,363	53,010,239	2.312%

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

Source: City of Menlo Park

City of Menlo Park
Special Assessment Collections *
June 30, 2004
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>64-1</u>	<u>66-1</u>	<u>67-1</u>	<u>67-2</u>	<u>67-3</u>	<u>68-1</u>	<u>69-1</u>	<u>73-1</u>	<u>Total</u>
1994-1995	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1995-1996	-	-	-	-	-	-	-	-	-
1996-1997	-	-	-	-	-	-	-	-	-
1997-1998	-	-	-	-	-	-	-	-	-
1998-1999	-	-	-	-	-	-	-	-	-
1999-2000	-	-	-	-	-	-	-	-	-
2000-2001	-	-	-	-	-	-	-	-	-
2001-2002	-	-	-	-	-	-	-	-	-
2002-2003	-	-	-	-	-	-	-	-	-
2003-2004	-	-	-	-	-	-	-	-	-

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

Source: City of Menlo Park

City of Menlo Park
Property Tax Rates * - All Direct and Overlapping Governments
June 30, 2004
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>San Mateo County</u>	<u>Menlo Park Elementary</u>	<u>San Mateo Junior College</u>	<u>Sequoia High School</u>	<u>Menlo Park Debt Service</u>	<u>Total</u>
1994-1995	1.0000	-	-	-	0.0104	1.0104
1995-1996	1.0000	-	-	-	0.0107	1.0107
1996-1997	1.0000	0.0157	-	-	0.0092	1.0249
1997-1998	1.0000	0.0124	-	0.0064	0.0090	1.0278
1998-1999	1.0000	0.0445	-	0.0091	0.0082	1.0618
1999-2000	1.0000	0.0346	-	0.0107	0.0076	1.0529
2000-2001	1.0000	0.0303	-	0.0092	0.0071	1.0466
2001-2002	1.0000	0.0245	-	0.0079	0.0063	1.0387
2002-2003	1.0000	0.0220	0.0079	0.0130	0.0202	1.0631
2003-2004	1.0000	0.0232	0.0065	0.0238	0.0179	1.0714

* Per \$1,000 Assessed Valuation.

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

City of Menlo Park
Direct and Overlapping Bonded Debt
June 30, 2004

(Unaudited)

2003-2004 Assessed Valuation:	\$ 7,070,804,967
Redevelopment Incremental Valuation:	<u>(977,004,371)</u>
Adjusted Assessed Valuation	<u>\$ 6,093,800,596</u>

<u>DIRECT AND OVERLAPPING TAX ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 6/30/03</u>
Direct:		
City of Menlo Park	100.000%	<u>\$ 16,930,000</u>
Total Direct		<u>16,930,000</u>
Overlapping:		
San Mateo Community College District	6.638%	6,275,606
Sequoia Union High School District	16.746%	21,703,653
Las Lomas School District	36.858%	8,287,521
Menlo Park City School District	65.031%	12,742,824
Ravenswood School District	45.352%	4,557,876
Redwood City School District	2.553%	<u>1,602,650</u>
Total Overlapping		<u>55,170,130</u>
 TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		 <u>72,100,130</u>
 <u>DIRECT AND OVERLAPPING LEASE OBLIGATION DEBT:</u>		
San Mateo County General Fund Obligations	6.638%	28,084,630
San Mateo County Board of Education Certificates of Participation	6.638%	316,965
Redwood City School District Certificates of Participation	6.638%	2,050,146
Midpeninsula Regional Park District Certificates of Participation	5.566%	6,501,934
San Mateo County Mosquito Abatement District Certificates of Participation	9.175%	<u>156,434</u>
 TOTAL DIRECT AND OVERLAPPING LEASE OBLIGATIONS DEBT		 <u>37,110,109</u>
 COMBINED TOTAL DEBT		 <u>\$ 109,210,239 (1)</u>

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

Ratios to 2002-03 Assessed Valuation:

Direct Debt (\$16,930,000)	0.24%
Total Direct and Overlapping Tax Assessment Debt	1.02%

Ratios to Adjusted Assessed Valuation:

Combined Total Debt	1.79%
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STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/03: \$0

Source: California Municipal Statistics, Inc.

City of Menlo Park
Demographic Statistics
June 30, 2004
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>Population</u>	<u>Population Percent Change</u>
1994-1995	30,465	1.83%
1995-1996	30,465	0.00%
1996-1997	30,554	0.29%
1997-1998	30,554	0.00%
1998-1999	31,246	2.26%
1999-2000	31,529	0.91%
2000-2001	30,785	-2.36%
2001-2002	31,262	1.55%
2002-2003	31,262	0.00%
2003-2004	31,262	0.00%

Source: State Controller's Office

City of Menlo Park

Property Value, Construction, Bank and Savings and Loan Deposits

June 30, 2004

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Commercial					
	New Construction*		Improvements*		Total	
	Number of Permits	Value	Number of Permits	Value	Number of Permits	Value
1994-1995	67	\$ 7,481,100	228	\$ 58,266,940	295	\$ 65,748,040
1995-1996	50	4,871,700	272	26,040,338	322	30,912,038
1996-1997	74	15,151,250	234	22,616,335	308	37,767,585
1997-1998	84	4,689,870	210	51,137,810	294	55,827,680
1998-1999	91	6,120,500	219	45,413,250	310	51,533,750
1999-2000	123	18,624,904	219	32,161,750	342	50,786,654
2000-2001	137	10,276,353	218	60,248,913	355	70,525,266
2001-2002	88	23,809,281	154	42,301,367	242	66,110,648
2002-2003	83	2,454,729	171	72,396,531	254	74,851,260
2003-2004	62	2,279,228	218	24,397,778	280	26,677,006

Residential Construction

New Construction*		Improvements*		Total	
Number of Permits	Value	Number of Permits	Value	Number of Permits	Value
11	\$ 3,980,000	667	\$ 11,424,254	678	\$ 15,404,254
25	6,737,000	701	11,234,828	726	17,971,828
125	31,454,500	739	13,258,304	864	44,712,804
81	25,452,000	696	14,720,621	777	40,172,621
62	16,423,000	795	19,375,620	857	35,798,620
32	11,347,927	676	18,523,870	708	29,871,797
46	16,954,306	641	24,341,262	687	41,295,568
27	14,150,331	622	19,953,766	649	34,104,097
21	11,547,619	662	22,365,995	683	33,913,614
38	24,912,996	869	30,448,177	907	55,361,173

(Continued)

City of Menlo Park

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

June 30, 2004

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Improvements		Total	
	Bank Deposit **	Savings and Loan Deposit **	Property Value Taxable	Property Value Non-Taxable
1994-1995	\$ 643,189,000	\$ 308,674,000	\$ 3,696,175,730	\$ 126,682,230
1995-1996	650,685,000	409,265,000	3,803,886,192	119,310,354
1996-1997	677,080,000	384,805,000	3,951,291,748	120,547,557
1997-1998	873,888,000	246,262,000	4,294,342,093	124,921,477
1998-1999	1,065,280,000	237,482,000	4,730,799,488	118,386,685
1999-2000	2,018,559,000	285,908,000	5,251,820,561	123,900,248
2000-2001	1,812,084,000	299,730,000	5,633,534,414	156,522,221
2001-2002	1,405,559,000	347,453,000	6,351,845,730	130,297,047
2002-2003	1,548,977,000	349,214,000	6,579,753,820	152,591,386
2003-2004	N/A	N/A	7,028,566,967	163,717,503

Sources:

* City of Menlo Park

** The Findley Reports

(Concluded)

City of Menlo Park
Principal Taxpayers
June 30, 2004
(Unaudited)

Company	Type of Business	2003-04 Full Market Valuation	Ratio to Total City's Assessed Valuation
Sun Microsystems	Research and Development	\$ 383,591,524	5.46%
Tyco Electronics Corporation	Warehouses / Light Industry	211,771,958	3.01%
Stanford Research Institute	Professional Buildings (Medical)	141,612,177	2.01%
Menlo Oaks Partner	Vacant Land	77,129,798	1.10%
AMB Property LP	Warehouse	76,452,399	1.09%
Menlo Business Park	Office	73,896,134	1.05%
Henry Kaiser Foundation	Office	57,192,756	0.81%
Sharon Land Company	Office	50,595,125	0.72%
Jefferson Place Associates	Office	39,900,000	0.57%
Sand Hill Commons Investors	Office	35,723,135	0.51%
Total		1,147,865,006	16.33%
Total Assessed Value		\$ 7,028,566,967	

Source: San Mateo County Tax Roll

City of Menlo Park
Miscellaneous Statistics
June 30, 2004

(Unaudited)

Date of Incorporation	November 23, 1927
Form of Government	Council / Manager
Area	Approximately 19 square miles
Population	31,262
Number of street lights *	2088
Number of housing units***	12,714
Police Protection:	
Number of Stations	1
Number of police officers (including supervisory personnel)	52
Water Service:	
Name of Supplier	San Francisco Water
Daily Average Introduced into System (gallons)	3,556,700
Capacity per day (millions of gallons)	2.85
Water storage (millions of gallons)	5.50
Water lines (miles)	45

Classification	July / Aug 2003	Sept / Oct 2003	Nov / Dec 2003	Jan / Feb 2004	Mar / Apr 2004	May / June 2004	Total
Single Family	157,812	140,365	81,938	65,115	96,061	146,207	687,498
Multi Family	20,941	20,162	14,590	11,595	14,573	19,288	101,149
Commercial	46,894	51,364	28,707	20,041	28,541	43,807	219,354
Industrial	115,587	102,151	78,950	65,341	80,712	106,822	549,563
Landscape / Irrigation	53,397	42,914	24,512	3,515	12,981	40,639	177,958
Public Facility	44,151	33,670	16,507	7,895	9,259	29,519	141,001
Total **	438,782	390,626	245,204	173,502	242,127	386,282	1,876,523

* Not including the lights attached to traffic signals.

** In cubic cubic feet (CCF)

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