

CITY OF MENLO PARK CALIFORNIA



Comprehensive Annual Financial Report

FOR THE FISCAL YEAR ENDING JUNE 30, 2006

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2006



CITY OF MENLO PARK, CALIFORNIA

PREPARED BY
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City of Menlo Park

Menlo Park, California

Comprehensive Annual Financial Report

For the year ended June 30, 2006

C&L
Caporicci & Larson
Certified Public Accountants

City of Menlo Park
For the year ended June 30, 2006

Table of Contents

	<u>Page</u>
 <u>INTRODUCTORY SECTION</u>	
Letter of Transmittal	i
Organization Chart.....	xiv
Principal Officials of the City of Menlo Park, California	xv
Certificate of Achievement for Excellence in Financial Reporting - Government Finance Officers Association.....	xvi
Certificate of Award for Outstanding Financial Reporting - California Society of Municipal Finance Officers.....	xvii
 <u>FINANCIAL SECTION</u>	
Independent Auditors' Report.....	1
Management Discussion and Analysis.....	3
 Basic Financial Statements:	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Assets.....	19
Statement of Activities and Changes in Net Assets.....	20
 <i>Fund Financial Statements:</i>	
<i>Governmental Fund Financial Statements:</i>	
Balance Sheet – Governmental Funds.....	26
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.....	29
Statement of Revenues, Expenditures and Changes Fund Balances.....	30
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Nets Assets.....	32
 <i>Proprietary Fund Financial Statements:</i>	
Statement of Net Assets	34
Statement of Revenues, Expenses and Changes in Fund Net Assets.....	35
Statement of Cash Flows.....	36
 <i>Fiduciary Fund Financial Statements:</i>	
Statement of Fiduciary Net Assets	38
 Notes to Basic Financial Statements.....	 39

City of Menlo Park
For the year ended June 30, 2006

Table of Contents, Continued

	<u>Page</u>
<u>FINANCIAL SECTION, Continued</u>	
Required Supplementary Information:	
Budgetary Principles	76
Budgetary Comparison Schedule:	
General Fund	77
Community Development Agency Housing Special Revenue Fund	78
Community Development Agency Non-Housing Special Revenue Fund	79
Community Development Block Grant Special Revenue Fund	80
Schedule of Funding Progress - Public Employees Retirement System	81
Supplementary Information:	
<i>Budgetary Schedules for Major Governmental Funds:</i>	
Budgetary Comparison Schedule - CDA Debt Service Fund	86
Budgetary Comparison Schedule - CDA Capital Projects Fund.....	87
<i>Non-Major Governmental Funds:</i>	
Combining Fund Statements and Schedules:	
Combining Balance Sheet.....	92
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	98
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:	
Highway Users Tax Special Revenue Fund.....	103
Federal Revenue Sharing Special Revenue Fund	104
Landscape Tree Assessment Special Revenue Fund	105
Sidewalk Assessment Special Revenue Fund	106
Bayfront Park Landfill Special Revenue Fund	107
Below Market Rate Housing Special Revenue Fund.....	108
County Transportation Tax Special Revenue Fund	109
Public Library Special Revenue Fund	110
Literacy Grant Special Revenue Fund	111
Narcotic Seizure Special Revenue Fund	112
Traffic Impact Fees Special Revenue Fund	113
Downtown Parking Permits Special Revenue Fund	114
Storm Drainage Fees Special Revenue Fund	115
Solid Waste Service Special Revenue Fund	116
Bay Area Air Quality Management Special Revenue Fund	117

City of Menlo Park
For the year ended June 30, 2006

Table of Contents, Continued

	<u>Page</u>
<u>FINANCIAL SECTION, Continued</u>	
Storm Water Management (NPDES) Special Revenue Fund	118
Peninsula Partnership Special Revenue Fund.....	119
Supplemental Law Enforcement Special Revenue Fund	120
Local Law Enforcement Block Grant Special Revenue Fund.....	121
Bayfront Park Maintenance Special Revenue Fund	122
Recreation In-Lieu Special Revenue Fund	123
Sharon Hills Park Special Revenue Fund.....	124
Vintage Oaks Landscape Special Revenue Fund	125
Miscellaneous Trust Special Revenue Fund	126
Library Bond Debt Service Fund.....	127
Recreation GO Bond 2002 Debt Service Fund	128
Library Addition Capital Projects Fund.....	129
Measure T 2002 GO Bond Capital Projects Fund.....	130
Capital Improvement General Capital Projects Fund	131
 <i>Proprietary Funds:</i>	
Combining Schedule of Net Assets.....	134
Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets	135
 <i>Agency Fund:</i>	
Combining Statement of Net Assets	136
Combining Statement of Changes in Net Assets	137
 <u>STATISTICAL SECTION (UNAUDITED)</u>	
Net Assets by Component.....	140
Changes in Net Assets - Last Four Fiscal Years	141
Fund Balances - Governmental Funds - Last Ten Fiscal Years	144
Changes in Fund Balances - Governmental Funds - Last Ten Fiscal Years	146
General Government Revenues by Source - Last Ten Fiscal Years	148
General Government Taxes Detail - Last Ten Fiscal Years	150
Assessed Valuation, Tax Rate and Tax Levies - Last Ten Fiscal Years	152
Direct and Overlapping Property Tax Rates - Last Ten Fiscal Years	155
Principal Property Taxpayers	156
Property Tax Levies and Collections	158

City of Menlo Park
For the year ended June 30, 2006

Table of Contents, Continued

Ratio of Net General Bonded Debt to Total Assessed Value and Net Bonded Debt Per Capita - Last Ten Fiscal Years	160
Direct and Overlapping Debt	161
Computation of Legal Debt Margin	162
Pledged Revenue Coverage- Last Ten Fiscal Years	164
Demographic and Economic Statistics	165
Principal Employers and Labor Force Overview	166
FTE City Employees by Function	168
Operating Indicators	169
Capital Assets by Function.....	170
Menlo Park Municipal Water District Statistics	174
Miscellaneous Statistics	178

INTRODUCTORY SECTION



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December 1, 2006

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, 2006. 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, which is unaudited, includes selected financial and demographic information, generally presented on a multi-year basis.

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

Since the year ended June 30, 2003, the City has incorporated the financial reporting requirements as prescribed by the Governmental Accounting Standards Board (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 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, the City is often referred to as the “Venture Capital” capital.

The City maintains 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 Electronics Corporation, E*Trade Financial, SRI International, and Office Max. 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 of the primary government (i.e. the City of Menlo Park as legally defined), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable.

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

The City of Menlo Park provides a varied range of services, including police protection, 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). Fire protection services are provided by the Menlo Park Fire Protection District, an entity which is separate and distinct from the City.

Economic Condition and Outlook

The City’s major revenue sources are property taxes, sales and use taxes, and fees and charges for services. Until five 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, particularly in the area of sales taxes. Although the downturn appears to have stabilized, the near 50% decline in sales tax revenues from the height of the technology boom has severely limited the City’s fiscal flexibility. Property values have continued to rise throughout the economic slump, but sales taxes have not significantly improved. The State’s own fiscal crisis served to exacerbate

municipal financial issues through a re-distribution of property taxes (away from local governments) in 2004/05 and 2005/06 to fund State obligations. It is anticipated that Proposition 1A, approved by voters in November 2004, will prevent similar manipulation of local government revenues by the state in the future.

Although many of the City's revenues seemed to stabilize in the prior fiscal year, many factors associated with on-going operating costs continued to increase: operations of new facilities, and maintenance of the City's infrastructure along with increased employer retirement system assessments, higher health care premiums, increased workers compensation and unpredictable energy costs will continue to place significant fiscal pressure on the General Fund over the next several years. Because Menlo Park prudently built up its General Fund reserves over the economic boon of the preceding decade, it has been able to respond to revenue challenges in the short term with a combination of improved efficiencies, modest service reductions, fee increases, some workforce reduction and planned use of the General Fund Reserve.

Early in 2005, facing a long-term forecast of continued deficit spending, the City Council approved a plan to embark on a process of citizen engagement in order to gather input about community priorities. The goal was to build a community-supported budget for the 2006-07 fiscal year that would be sustainable in the *long-term*. Under this scenario, the 2005-06 Budget was prepared under an abbreviated timeline, reflecting the previous year's resource allocation, maintaining prior cost-trimming measures and providing for contractual cost increases only. The original "hold-over" budget for 2005-06 kept services substantially intact, but allowed for no funding of infrastructure maintenance and called for a \$672,500 draw down on General Fund reserves to balance the budget.

At mid-year, several budget adjustments were made to reflect higher revenue projections and known salary and benefit savings projected from key departmental personnel vacancies. As the civic engagement process, entitled "*Your City/Your Decision*", continued into the Spring of 2006, Staff was directed to include specific strategies in the 2006-07 budget. These strategies reflected the community's interest in a combined approach, including cost reductions, fee increases and taxes to solve the City's budget gap. Council also determined that further cost-cutting strategies could best be reconsidered in 2006-07, once the net cost reductions strategies undertaken as part of the *Your City/Your Decision* process became known, and the possibilities of a successful tax measure on the November 2007 ballot solidified. Also in 2005-06 the City began preparations for implementation of GASB pronouncements concerning the accounting and reporting of retiree medical benefits, and began to include funding of these costs in its long-term forecasts. Although a general fund surplus was anticipated as the 2005-06 fiscal year drew to an end, the City's long-term budget prognosis remained relatively unchanged.

For the fiscal year ended June 30, 2006, General Fund revenues exceeded the budget by over \$1.6 million. With the housing market remaining strong through most of the year, property tax revenues were \$558,000 (5.9%) over the projected budget. Sales Taxes ended the year \$380,000 (6.2%) over budget. Outside of taxes, the largest variances occurred in the area of Community Development. Charges for services were \$550,000 higher than budgeted in this department, and building permit revenue exceeded projections by almost \$275,000. General Fund departmental expenditure savings of over \$2.8 million were largely the result of staff vacancies (\$1.3 million). Uncertainties surrounding the future funding of many services kept other operating expenses (including utilities, supplies, training, repairs and maintenance) low - \$660,000 less than projected - and an additional \$360,000 represents outstanding commitments in the form of purchase orders or contracts for services. With new GAAP accounting for compensated

absences, additional expenses accrued for increases in staff leave time were not recorded as departmental expenses within the fund statements. While making a concerted effort to return to full staffing levels, many of these cost savings will not recur going forward.

Although the General Fund experienced a net surplus for the fiscal year, the City's Capital Improvement fund balance decreased by nearly \$3.3 million. Funds previously appropriated to specific projects were drawn down, and no transfer from the City's General Fund was budgeted to support capital expenditures in 2005-06. A balance of \$5.5 million remains in the Capital Improvement Fund.

Fortunately, Menlo Park has and will continue to have an overall low rate of population growth, which will minimize 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, will assist in the continued stability of the City's finances. With commercial rental and occupancy rates down, business development continues to be a key component in the City's quest for long-term fiscal sustainability. The slumping housing market anticipated to dampen California's economy through the end of 2007 may also have a negative impact on the City's revenues for the short-term.

Community Development Agency

The City Council, acting as the Community Development 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 established that same year. Plan amendments have expanded the Las Pulgas Community Development project area, established new bonded indebtedness limits and revenue caps, and extended the Agency's deadline for Activities and Plan expiration. Bonds issued in 1988 (\$4,720,000), 1992 (\$25,000,000) and again in 2000 (\$44,000,000) provided funds for various redevelopment projects of the Agency. The Agency's investment in projects has resulted in demand for housing and considerable investment in renovations and additions to the existing housing stock. Several streetscape projects were completed this fiscal year, adding new curbs, gutters and driveways in varying locations throughout the area. In keeping with the improved physical appearance of the project area, residents and businesses hold bright prospects for future community enhancements.

In terms of new affordable housing in the community, plans are moving forward to the completion of a 47 single family home project and one acre park on lands previously owned by the Agency, 20 of which would be designated as Below Market Rate (BMR) homes. Early in 2006, the developer used this site, in a collaborative partnership with the State of California Sustainable Building Task Force and Sunset Magazine, to showcase the construction of green-built residences demonstrating the latest advances in green building design and construction and to promote the benefits of sustainable building practices.

Agency staff was also active in processing rehabilitation loans, emergency repair loans and landscaping grants - all programs developed to increase and maintain the availability of affordable housing in the project area. Program funding for code and drug enforcement and housing improvements continued to have a positive effect on the quality of life of the area.

Late in the fiscal year, the Agency was able to take advantage of market conditions to refinance its outstanding tax-exempt debt at lower interest rates. Enhancing the tax allocation refinancing through the use of an interest rate swap agreement, the 2006 Tax Allocation Refunding Bonds issuance will provide the Agency with approximately \$500,000 each year in debt service savings through 2016.

Since the Agency's primary source of revenue is tax increments, property values and new construction in the redevelopment area are the key economic factors that define the future resources of the agency. Despite the fact that assessed valuation for the Agency rose 2.9% over the prior year, tax increment revenue decreased by over 8% due to over \$800,000 in property tax refunds granted by the Assessment Appeals Board for fiscal years 2003-04 and 2004-05. These successful appeals within the project area were due to office building vacancies in the past few years, and will no doubt thwart increases in the area's assessed valuation in the short term. Although commercial and industrial activities remain slightly suppressed, the housing market continues to show considerable resilience.

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 passage of the \$38 million Measure T general obligation bond in 2002, combined with the redevelopment agency's capital resources has provided the City with the financial resources to improve community facilities that enhance the quality of life for residents. However, continued budget restraints have limited the City's ability to provide appropriate programming and upkeep for the new facilities while sustaining the high level of current services available to the community.

A 10-year financial forecast prepared early in 2004-05 confirmed that annual shortfalls for the City's General Fund were projected to continue until the year 2012-13. Recognizing that the continued use of reserves, especially under a cost-deferring scenario would not be a prudent strategy, Council approved a new approach to developing a balanced budget. With this approach, a "status quo" budget for 2005-06 was approved in May in order to allow sufficient time for the planning and implementation of a comprehensive process of community outreach and service evaluation for the 2006-07 budget. The focus in developing the 2005-06 fiscal year budget was to hold down operating costs to the extent possible, while developing a sustainable General Fund budget for the City in the long-term through this community engagement process. This process (described further below) was labeled *Your City/Your Decision*, as the results were based on community input. All departments were involved in the *Your City/Your Decision* budget process: evaluating General Fund-provided services and costs, developing the educational survey, developing net cost reduction options with minimal service impacts to the community, responding to questions from workshop participants, and implementing the approved budget strategies at the departmental level.

The **City Manager's Office** led the charge in the *Your City/Your Decision* process to develop a long-term, sustainable General Fund budget. With the assistance of the Council-appointed Budget Advisory Committee and outreach specialists to assist in the civic engagement process, an informational mailer and survey was developed and distributed to the residents and businesses of the City. This survey was Phase I of the *Your City/Your Decision* process. The results were compiled and used to develop a wide range of potential budget-balancing strategies for use in the Phase II community workshops, attended by an estimated 225 participants. The workshops were

intended to seek feedback on specific options for reducing services, raising fees and increasing taxes in order to balance the budget. Consistent with the results of the survey, participants of the workshops showed a preference for a combined approach, using both net cost reductions with an emphasis on fee increases (captured in the update of the City's Municipal Fee Schedule), and increased tax revenues. With Council direction, staff included specific *Your City/Your Decision* strategies in the 2006-07 operating budget that reflected the mix of revenues, service reductions and other cost savings indicated by the community feedback. In addition, a number of overhead reductions and efficiencies were implemented, resulting in a total of \$1,540,000 of net cost reductions for the 2006-07 budget. Staff also began the process of polling the community to gauge support for tax measures that could fund City services and infrastructure needs. This effort was designed to assist Council in deciding the size and type of tax measure (if any) to place before voters in the November 2006 election.

In addition to coordinating and implementing the community engagement budget process, the **Department of Administrative Services** piloted a number of measures to improve the effectiveness of the City's operations and management.

The department created an on-site computer lab and provided 120 hours of training sessions to build employees' skills in important job-related computer applications. The department also implemented a successful grant-funded pilot project to allow community members to view live and archived City Council meetings via the Internet. Webstreaming of these meetings greatly increased the public's access to the Council's deliberations and actions.

The Department's Finance staff led the process to refinance Redevelopment Area bonds, which will result in debt service savings to the Redevelopment Agency of approximately \$5 million over 10 years. Staff also oversaw the completion of the City's first actuarial valuation of its OPEB (Other Post Employment Benefits). The study was performed to determine the City's liability for its retiree medical insurance benefit, as a first step towards compliance with new Governmental Accounting Standards Board regulations regarding the accounting and disclosure requirements for these benefits. Staff continues to investigate appropriate financing mechanisms for its OPEB liability.

Toward the end of fiscal year, the Human Resources staff began negotiating contracts with the City's two safety bargaining units, whose contracts expired on June 30, 2006. In addition to continuous recruitment and retention endeavors during a year of often-tumultuous budget discussions, the staff succeeded in the completion of a nationwide Police Chief recruitment.

The **Community Development Department** not only completed the land use entitlements for the major housing project in the Redevelopment Agency project area described above, but also for the following major projects: 12 new residences at 966-2003 Willow Road; residential projects at 110-175 Linfield Drive, consisting of a total of 56 new residences; redevelopment of the Safeway grocery store, with additional retail and service space on El Camino Real; and the Rosewood hotel and office project, consisting of a 170,000 square-foot 125-room conference hotel and 100,000 square feet of office space on Sand Hill Road. Residential permit activity increased in 2005-06, but was still well below the unprecedented levels of the 2003-04 fiscal year. Commercial permitting volume declined moderately, but valuations increased significantly due to the size of the project applications.

The Engineering and Maintenance divisions within **Public Works** stayed on course in keeping the City's many capital projects within budget and on schedule. Two large Measure T projects were

completed and opened to the public in the last few months of the fiscal year. The Burgess Pool and locker room construction, a nearly \$7 million dollar project, consists of three new pools and a lobby and locker room facility attached to the existing gymnasium within the Civic Center complex. Although a third party operator will run the aquatics programs at the new site, the Public Works Department will continue to provide maintenance and support systems oversight to the new facilities. The Menlo Childrens' Center (MCC) was also completed in the Spring. This project consisted of a total remodel of the City's former Police building and use of an additional foundation-mounted modular building for the Community Services Department's Toddler, Preschool and School Age child care programs. The \$3.4 million project was completed in April 2006.

Several infrastructure projects were completed in 2005-06, including the Sand Hill Road/Santa Cruz Avenue Project, a \$12 million project funded totally by Stanford University. This project took nearly 18 months to complete, and consisted of a widened, four-lane roadway (which required cantilevered retaining walls) with bike lanes and walking paths. Construction of the Sherman Avenue and Santa Cruz Avenue intersection improvements was also completed, as were major streetscape improvements in the Belle Haven Neighborhood. Attractive landscaping improvements were made at the Onetta Harris Community Center. Renovation of Parking Plaza 5 in the downtown area is nearly complete. This project incorporated a demonstration for pervious pavement material, for which partial funding was provided by a water quality grant. To offset the burden of infrastructure maintenance on the General Fund, a building construction impact fee took effect in November 2005 to recover the cost of repairing damage to streets caused by construction-related vehicle traffic.

This year the **Community Services Department** was able to showcase the completion of a number of major projects, beginning the fiscal year with the grand opening of the renovated Burgess Park during a week of events culminating in the popular 4th of July parade and family picnic. The grand openings of the Menlo Children's Center and Burgess Pool also took place in 2005-06, basically completing the first phase of Measure T bond funded projects. The department oversaw the smooth transition of the Burgess aquatics programs to a private swim organization as a way to maintain service to the public and reduce cost to the City.

The Community Services Department received awards from the California Parks and Recreation Society in 2005-06 for the Juvenile Diversion Program, operated in collaboration with the Police Department, and for the design of the newly completed Burgess Skate Park. The Community Services Department also completed the Belle Haven Action Plan, which was initiated to better understand and address the diverse needs of the Belle Haven neighborhood. The plan resulted in weekend hours and additional programs at the Onetta Harris Community Center, such as increased basketball leagues and new arts and crafts classes. Council approved the Belle Haven Community School project in February 2006. The community school is an approach that provides for the seamless integration of academic, enrichment and health and human service support to children and their families. New programs and services through the Belle Haven Community School are a parent center, a family resource center and a program to help English language learners to improve their English.

The City's **Library Department** successfully completed the implementation of a new catalog and circulation system as the Peninsula Library System, of which Menlo Park Library is a member, switched automation vendors. By the end of the fiscal year the staff had begun to input orders for library materials into the online acquisitions system. This on-line order and tracking system will let library customers know what materials a library has on-order but which have not yet been

added to the collection. Other features of the new system can be viewed at <http://catalog.plsinfo.org/>.

Those that like to access the Menlo Park Library in person were pleased to find 42 newly reupholstered lounge chairs in the main library; the interior wooden tables and stands were also refinished. The technical services area was moved from the main floor to a larger, more functional space on the lower level of the building. In the 2005-06 fiscal year, twelve new public access Internet terminals were installed in the main library, and four such terminals were funded from the Cable Co-op Legacy Grant for the Belle Haven Branch. Also at the Belle Haven Branch, English as a Second Language classes at literacy tutoring classes were expanded.

The presence of law enforcement personnel in the community often drives the perception of quality public safety services. **The Police Department** continued to provide an effective presence of law enforcement personnel throughout the community despite the constraints on departmental personnel and other resources experienced in the past few fiscal years. The addition of a fourth officer K-9 unit to the force this last year will help maximize the use of current law enforcement personnel, and is an example of leveraging grant funding to augment field services. The addition of mobile report-writing software on the Mobile Data Terminals (MDTs) located in all patrol cars will also maximize manpower by increasing the officer's time in the field.

At Police headquarters, the dispatch software has been upgraded to accept 911 calls directly from cellular phones. This has greatly increased the convenience of placing calls for service from the community. Also by fiscal year end, the contract for consolidation of Police Dispatch services with the City of San Carlos was in its final stages. This regionalized approach to delivery of dispatch services using computerized telecommunications systems has proven cost effective and efficient in times of increasing budgetary constraints. In addition, the department has been planning for a new state-of-the-art facility to bring more City services, and enhanced customer service to the Belle Haven neighborhood substation. Building permits should be issued soon, allowing for construction on this long-awaited project to begin. The department is also preparing for implementation of red traffic signal light cameras at major intersections of the City, to reduce the danger at these intersections and automate the citation process for red light violations immediately upon infraction. All of these programs and projects will go forward under the management of Bruce Goitia, who was promoted to Police Chief in May, after an extensive recruitment effort.

FOR THE FUTURE: The net-cost reduction strategies identified and approved through the *Your City/Your Decision* budget process are recognized as an ample "first step" in closing an ongoing General Fund structural deficit. Although a significant surplus was experienced in the 2005-06 fiscal year, the savings incurred through extensive departmental staff vacancies and the surge in development project revenues are not considered on-going or part of a sustainable spending plan. A major focus for the City will be forwarding appropriate funding strategies for not only current operations and top-ranked priority capital improvement projects, but also to cover such long-term on-going expenses as infrastructure maintenance and employee benefits.

To that end, staff continues to explore, per Council direction, future revenue and cost reduction opportunities, including the Utility Users' Tax ballot measure in November 2006, obtaining a comprehensive cost allocation study to assist in capturing true costs of services, and reviewing other cost reduction strategies and revenue opportunities that could be implemented without compromising the quality of the City's municipal services. As the needs of the community change, the priority-setting process promulgated with each fiscal year budget should identify the

most appropriate use of available funds. The presence of adequate reserves reflects the foresight of the City Council and community and allows the City to both manage costs in a strategic manner and prepare itself well for the future.

The program-based budget structure established in recent years will continue to evolve, with improved ability to measure and track service-level results with varying funding levels. The fiscal challenges ahead will continue to require creativity in terms of maintaining quality city services and responding to community needs. The year ahead will also include a continued focus on improving the workplace by advancing the concepts of the organizational development initiative (ODI) effort launched in 2004.

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.

Cash Management

Cash temporarily idle during the year was invested in the Local Agency Investment Fund (LAIF), administered by the Treasurer of the State of California, obligations of the United States Treasury, Federal Agency 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 \$82.4 million, which earned approximately \$3.5 million with an annualized return net of fees of 3.1 percent. Although cash and investment balances were lower, the amount of investment income earned increased from the prior year due largely to higher average interest rates on City investments.

The City's Cash and Investments footnote disclosures have been changed with the implementation of GASB Statement #40, *Deposit and Investment Risk Disclosures*. The statement requires risk disclosures beyond the custodial credit risks identified in prior year reports to include interest rate and overall credit risks inherent in the portfolio. Because the City's

investment policy is to obtain the highest yield available as long as investments meet the criteria established for safety and liquidity, it is reasonable that these risks should be measured and disclosed.

At June 30, 2006, 35 percent of investments held by the City were invested in LAIF. Investments in LAIF are highly liquid, and generally may be converted to cash within twenty-four hours without loss of investment income. Combined with other investments of limited duration, the City's portfolio carries an average investment maturity of 221 days, with 75.8 percent of the portfolio invested in securities with a maturity of less than a year. By remaining short in duration, exposure to fair value losses from rising interest rates is mitigated. Since LAIF is a state-administered external investment pool, additional disclosures are included regarding LAIF investments.

Risk Management

The General Fund designates \$2.8 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

Statistical Section. In May 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 44, *Economic Condition Reporting: the Statistical Section*. GASB No. 44 significantly changes the content and presentation of the information reported in the statistical section of a Comprehensive Annual Financial Report (CAFR). The new Statistical Section structure was developed as a means to assist the reader in: understanding financial trends over time, assessing the City's revenue capacity, gauging the affordability of the City's levels of outstanding debt, and understanding the environment within which the City's financial activities take place. Operating information is also included to help the reader understand how the data in the City's financial report relates to the services the City provides and the activities it performs. Over time, the intent is to accumulate meaningful trend information with which to assess performance. The overhaul of the City's CAFR Statistical Section for compliance with GASB No. 44 was a major effort of the Finance staff for the fiscal year ended June 30, 2006, and should provide useful information now and in the future as this trend information is collected.

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, 2005. In order to be awarded this Certificate, 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. 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, 2005.

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. In particular, Geoffrey Buchheim, Financial Services Manager, bears the primary responsibility for overseeing the fiscal year end close and coordinating the annual audit process. Special thanks are due to Kim Lam, Accounting Assistant, for her work in assembling the necessary data for inclusion in the updated Statistical Section of the report.

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

Respectfully,



David Boesch
City Manager

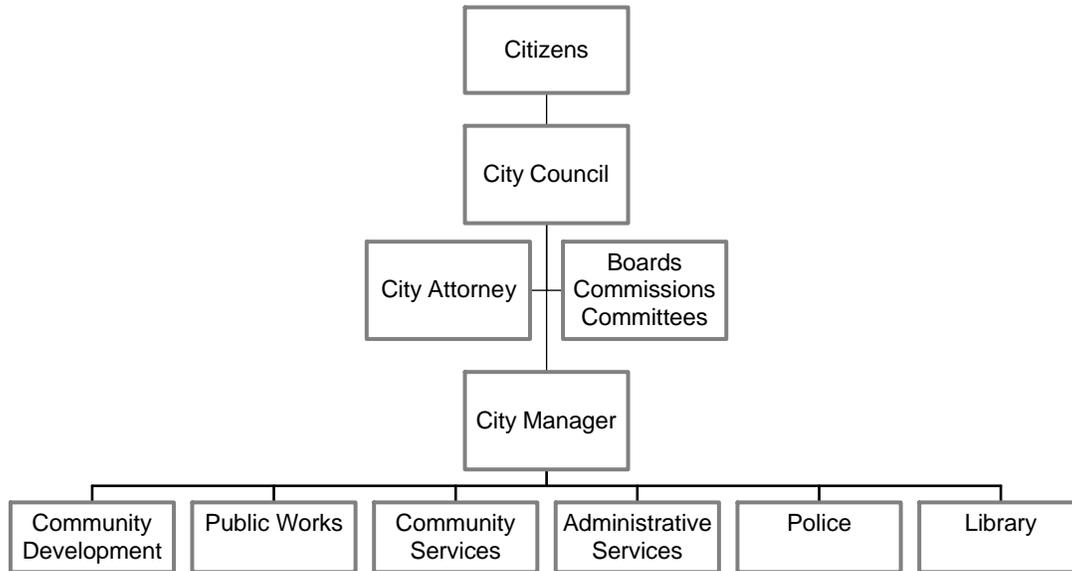


Carol Augustine
Finance Director

CITY OF MENLO PARK, CALIFORNIA

ORGANIZATIONAL CHART

JUNE 30, 2006



CITY OF MENLO PARK, CALIFORNIA

LIST OF CITY OFFICIALS

JUNE 30, 2006

CITY COUNCIL

Nicholas P. Jellins, Mayor
Kelly Fergusson, Mayor Pro Tem
Mickie Winkler, Councilmember
Lee B. Duboc, Councilmember
Andrew Cohen, Councilmember

ADMINISTRATION AND DEPARTMENT HEADS

City Attorney William McClure
City Manager David Boesch
Assistant City Manager Audrey Seymour
Administrative Services:
 Personnel and Information Services Director Glen Kramer
 Finance Director Carol Augustine
 City Clerk Sylvia Vonderlinden
Community Services Director, Acting Michael Taylor
Police Chief Bruce Goitia
Library Director Susan Holmer
Developmental Services:
 Director of Community Development Arlinda Heineck
 Director of Public Works Kent Steffens

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Menlo Park
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

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



President

Executive Director

*California Society of
Municipal Finance Officers*

Certificate of Award

Outstanding Financial Reporting 2004-05

Presented to the

City of Menlo Park

*This certificate is issued in recognition of meeting professional standards and criteria in reporting
which reflect a high level of quality in the annual financial statements
and in the underlying accounting system from which the reports were prepared.*

February 24, 2006

William A. Stand

Bill Thomas, Chair
Professional & Technical Standards Committee

Dedicated to Excellence in Municipal Financial Management



FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, 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, 2006, 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, 2006, 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 October 6, 2006 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note 1 to the basic financial statements, the City adopted Statement of the Governmental Accounting Standards Board No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries*, No. 44, *Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1)*, No. 46, *Net Assets Restricted by Enabling Legislation*, and No. 47, *Accounting for Termination Benefits*.

Oakland

180 Grand Ave., Suite 1365
Oakland, California 94612

Orange County

9 Corporate Park, Suite 100
Irvine, California 92606

Sacramento

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

San Diego

4858 Mercury, Suite 106
San Diego, California 92111

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

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.

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
October 6, 2006



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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2006

This management's discussion and analysis (MD&A) 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, 2006. The MD&A is intended to provide an objective and easily readable analysis. Please read it in conjunction with the accompanying transmittal letter and the basic financial statements which follow this section.

FINANCIAL HIGHLIGHTS

Government-Wide Highlights:

Net Assets - The assets of the City exceeded its liabilities at fiscal year ending June 30, 2006 by \$375,204,723. Of this amount, \$55,360,065 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 \$10,410,741 in fiscal year 2005-06. Net assets of governmental activities decreased by \$11,168,355, due largely to the loss recorded on the sale of a 6.2-acre Housing and Park site within the Community Development Agency's project area. Net assets of the business type activities increased by \$757,614, reflecting in large part the \$574,980 revenue from the Water Capital Facility surcharge associated with future water system improvements, which remained unspent at year end.

Fund Highlights:

Governmental Funds - Fund Balances- As of the close of fiscal year 2005-06, the City's governmental funds reported a combined ending fund balance of \$91,148,647, substantially unchanged from the prior year. Of the total fund balances, \$47,654,923 is categorized as "unreserved, undesignated fund balances" available for appropriation.

General Fund - The undesignated fund balance of the general fund on June 30, 2006 was \$25,001,249. The total fund balance increased by \$3,694,464 from the prior year.

Long-Term Debt:

The City's total bonded debt obligations decreased by \$286,972 during fiscal year 2005-06, reflecting the annual payment of the principal balance of outstanding debt. Although the 1996 and 2000 debt issuances were refinanced with the issuance of the 2006 Las Pulgas Project Tax Allocation Bonds, the transaction did not result in a change in the overall debt obligation.

City Highlights:

Although the City continues to struggle with the effects of the economic slowdown that began in the spring of 2001, much has been achieved with the financial resources available. The priorities of capital projects resided in the completion of the remaining two projects funded by the first round of the Measure T bond funds approved by voters in November 2001. Construction of the Burgess Pool and Locker Room, at a capitalized cost of \$6,488,862, was completed and opened to the public in April 2006. The Menlo Children's Center (MCC) was also completed in the spring, with a capitalized cost of \$3,620,782.

In regards to operations, all City departments focused their efforts on promoting a public dialogue in order to establish community priorities within the parameters of a long-term, sustainable budget for the City's General Fund. This budget process, entitled *Your City/Your Decision*, was initiated late in the 2004-05 fiscal year. An informational mailer/survey was distributed in September 2005 and the results were used to develop specific budget strategies from which the community could choose. Community workshops in February 2006 allowed participants to voice their preferences of the various cost-cutting and revenue-enhancing strategies that would provide for a balanced budget for 2006-07 and beyond. The process culminated in a mix of strategies that reflected the community feedback generated. These strategies would generally minimize the impact on health, safety and general welfare, preserve services to the Belle Haven neighborhood, increase the degree to which other community services pay for themselves, and retain key elements of what makes Menlo Park a unique place to live and work. In addition to other budget balancing strategies, the placement of a new Utility User Tax measure on the ballot for November 2006 was pursued.

The City's Redevelopment Agency (RDA) saw the execution of a Disposition and Development Agreement ("DDA") which culminated in the sale of property for the development of a small-lot, single-family residential area and neighborhood park on an underutilized site within the redevelopment area. The Agency-owned property had been acquired and readied for development at a cost of \$17,692,855 to the agency; the sales price was \$3,977,000. The new homes (including 20 Below Market Rate homes), public park and improved infrastructure will enhance the overall living environment of the Project Area. An RDA streetscape project was also completed this fiscal year at a total cost of \$1,253,502.

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 an indicator of whether its *financial health* is improving or deteriorating. Other factors to consider are changes in the City's property tax base and the condition of the City's roads.

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

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

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

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—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 single enterprise fund accounts for the business-type activities reported in the government-wide statements but provides 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, the City as a whole has net assets of \$375,204,723 at June 30, 2006. 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 and Community Development. The programs for the business type activities consist of water services provided by the Menlo Park Municipal Water District.

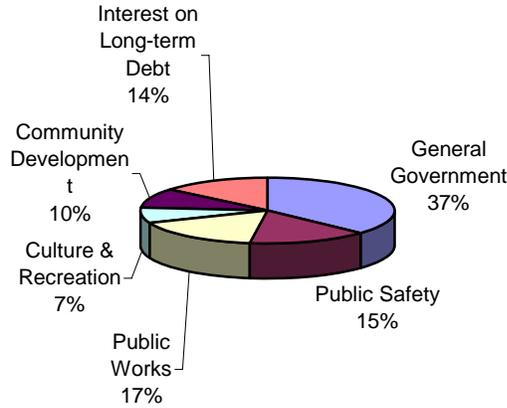
City of Menlo Park's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current Assets	\$ 82,788,898	\$ 78,708,292	\$ 15,275,373	\$ 14,875,090	\$ 98,064,271	\$ 93,583,382
Non-Current Assets	22,033,507	26,229,579	-	-	22,033,507	26,229,579
Capital Assets	350,162,325	361,919,601	7,440,931	7,119,922	357,603,256	369,039,523
Total Assets	454,984,730	466,857,472	22,716,304	21,995,012	477,701,034	488,852,484
Current Liabilities	7,179,280	9,381,799	528,206	539,344	7,707,486	9,921,143
Long-term Liabilities	94,762,657	93,264,525	26,168	51,352	94,788,825	93,315,877
Total Liabilities	101,941,937	102,646,324	554,374	590,696	102,496,311	103,237,020
Investments in Capital						
Net of Related Debt	266,250,790	276,025,463	7,440,931	7,119,922	273,691,721	283,145,385
Restricted	35,499,220	40,834,828	10,653,717	9,743,217	46,152,937	50,578,045
Unrestricted	51,292,783	47,350,857	4,067,282	4,541,177	55,360,065	51,892,034
Total Net Assets	\$ 353,042,793	\$ 364,211,148	\$ 22,161,930	\$ 21,404,316	\$ 375,204,723	\$ 385,615,464

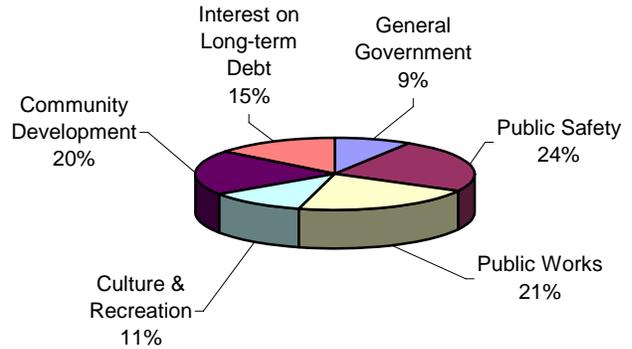
City of Menlo Park's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program Revenues:						
Charges for Services	\$ 16,193,197	\$ 12,386,707	\$ 3,567,919	\$ 3,305,954	\$ 19,761,116	\$ 15,692,661
Operating Grants and Contributions	1,681,506	1,712,952	-	-	1,681,506	1,712,952
Capital Grants and Contributions	268,468	686,540	-	462,525	268,468	1,149,065
General Revenue:					-	-
Property Taxes	19,621,262	17,755,873	-	-	19,621,262	17,755,873
Sales Taxes	6,503,635	6,057,460	-	-	6,503,635	6,057,460
Motor Vehicle License	741,466	2,008,458	-	-	741,466	2,008,458
Other Taxes	2,518,404	2,352,535	-	-	2,518,404	2,352,535
Investment Earnings	3,482,982	2,239,123	498,773	333,040	3,981,755	2,572,163
Miscellaneous	212,819	77,106	-	-	212,819	77,106
Total Revenues	51,223,739	45,276,754	4,066,692	4,101,519	55,290,431	49,378,273
Expenses:						
General Government	7,761,696	7,322,997	-	-	7,761,696	7,322,997
Public Safety	9,092,996	9,196,468	-	-	9,092,996	9,196,468
Public Works	10,275,029	9,094,984	-	-	10,275,029	9,094,984
Culture and Recreation	7,781,549	7,547,337	-	-	7,781,549	7,547,337
Community Development	23,179,192	8,721,659	-	-	23,179,192	8,721,659
Interest on Long-term Debt	4,529,332	4,602,336	-	-	4,529,332	4,602,336
Water Operations	-	-	3,081,378	3,187,578	3,081,378	3,187,578
Total Expenses	62,619,794	46,485,781	3,081,378	3,187,578	65,701,172	49,673,359
Inc/Dec in Net Assets before Transfers	(11,396,055)	(1,209,027)	985,314	913,941	(10,410,741)	(295,086)
Transfers	227,700	216,700	(227,700)	(216,700)	-	-
Changes in Net Assets	(11,168,355)	(992,327)	757,614	697,241	(10,410,741)	(295,086)
Net Assets - Beginning of the Year	364,211,148	365,203,475	21,404,316	20,707,075	385,615,464	385,910,550
Net Assets - End of the Year	\$ 353,042,793	\$ 364,211,148	\$ 22,161,930	\$ 21,404,316	\$ 375,204,723	\$ 385,615,464

Governmental Expense by Activity



Net Cost of Governmental Activities



BUSINESS TYPE ACTIVITIES

Net assets for business-type activities were \$22,161,930. Total program revenues for business-type activities were \$3,567,919, which consisted solely of Charges for Services related to the water usage and capital surcharge fees. Total expenses for the business-type activities were \$3,081,378 during fiscal year 2006, all 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 was implemented with Government Accounting Standards Board (GASB) Statement 34. Each major individual fund is required to be presented separately and all non-major governmental funds to be aggregated into a single other governmental fund category. The General Fund is always considered a major fund. The criteria to determine what other funds must be reported as a major fund are:

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

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

Fund Balances for Major Funds	June 30 2006	June 30 2005	Increase (Decrease) From 2004-05
General Fund	\$35,500,676	\$31,806,212	\$3,694,464
CDA Housing Fund	410,902	(3,607,736)	4,018,638
CDA Non-Housing Fund	15,016,940	19,250,262	(4,233,322)
CDA Debt Service Fund	6,849,552		6,849,552
CDA Capital Projects Fund	7,902,504	12,042,619	(4,140,115)
Community Development Block Grant	9,683	5,594	4,089
Other Governmental Funds	25,458,390	32,900,773	(7,442,383)
TOTAL	\$91,148,647	\$92,397,724	(\$1,249,077)

Note that these 2005-06 statements present the City's Community Development Agency funds as four distinct major funds, rather than the combined treatment provided in prior years.

General Fund Balance

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

At the end of the current fiscal year, the undesignated fund balance of the General Fund was \$25,001,249, while the total fund balance reached \$35,500,676. As a measure of the General Fund's liquidity, it may be useful to compare both the undesignated fund balance and total fund balance to total fund expenditures. The unreserved fund balance represents 122 percent of total General Fund expenditures including transfers out for the year, while total fund balance represents 129 percent of that same amount.

During the current year, the *total* fund balance of the General Fund increased by \$3,694,464. This represents 12.2% of the General Fund operating budget. Of the total fund balance of \$35,500,676, \$1,887,470 is reserved for certain commitments and \$8,611,957 is designated for various items such as insurance claims, equipment and infrastructure replacement and fiscal uncertainties leaving \$25,001,249 as the undesignated fund balance.

The *available* fund balance of the City's General Fund increased by \$3,496,062 during the current fiscal year. Key factors (discussed further in General Fund Budgetary Highlights) in the increase were:

- Operating revenues exceeded operating expenditures by \$3,694,464
- Funds designated for Insurance claim liability increased by \$758,639

Note that a prior-period adjustment to remove the liability for compensated absences from the fund financial statements (intended for inclusion only in the City-wide financial statements) added \$697,090 to the General Fund's beginning fund balance at July 1, 2005.

Special Revenue Fund Balance

At the end of the current fiscal year, the total fund balance of all the Special Revenue Funds was \$32,697,170. During the year, the total fund balance for all special revenue funds increased by \$94,295. The Community Development Agency (CDA) Special Revenue funds had a decrease of \$214,684 in fund balance to an end of year balance of \$15,427,842. These funds recorded a decrease in revenue of \$942,891 from the prior fiscal year, but at year end revenues were \$4,535,685 over expenditures. The decline of the CDA Special Revenue fund balance during the fiscal year was due largely to transfers to the debt service fund for the escrow account and issuance costs related to the refinancing of the Agency's tax allocation bonds.

Capital Projects Fund Balance

At June 30, 2006, the total fund balance for the Capital Projects Funds was \$7,966,821. This is the result of a \$7,726,766 decrease in fund balance during the fiscal year. The Capital Improvement General fund experienced a decrease of \$3,277,723 to a year-end fund balance of \$5,558,135 due to the continuance of infrastructure maintenance and improvements along with other capital project priorities without funding for these improvements from the General Fund. The Measure T 2002 GO Bond Capital Improvement fund had a decrease of \$4,416,500 in fund balance to an end of year balance of \$1,996,118, the result of completing the major projects of the Menlo Children's Center and the Burgess Aquatics Center.

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 the approximately 4,000 customers of the Menlo Park Municipal Water District. The retained earnings at June 30, 2006 were \$22,161,930, an increase of \$757,614. In 2005, the City adopted consumption block rates and a capital surcharge per unit of consumption as recommended in the rate study done by Bartle Wells and Associates. The rates are structured to encourage water conservation, to increase the operating fund balance, to support capital improvement projects, and to find new sources of water.

Fiduciary Operations

As previously stated, the City holds certain assets on behalf of others in separate Fiduciary, or Agency, funds. These funds cannot be used to finance City operations. The amount of fiduciary funds held at year end increased by \$67,066, due largely to payroll contributions (for the payroll dated June 30, 2006) not yet remitted to the appropriate entities.

DEBT ADMINISTRATION

As of June 30, 2005, the City has various debt obligations outstanding. These debt obligations are comprised of:

<u>Type</u>	<u>Principal Outstanding</u>
General Obligation Bonds	\$ 16,050,000
Tax Allocation Bonds	72,430,000

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. The balance of the 1996 General Obligation Refunding Bonds at June 30, 2006 was \$3,345,000. The bonds are to be paid from special assessments to property owners within the City.

During fiscal year 2001-2002 the City issued \$13,245,000 of General Obligation Bonds, Series 2002 to finance certain parks and recreation improvements. The balance of the 2002 General Obligation Bonds at June 30, 2006 was \$12,705,000.

In May 2006, the City's Community Development Agency issued Tax Allocation Refunding Bonds in a par amount of \$72,430,000 for the purpose of refunding at lower interest rates outstanding Series 1996 and Series 2000 Tax Allocation Bonds. These bonds had been issued to finance capital projects of benefit to the Las Pulgas Community Development Project Area. The 2006 net bond proceeds together with other available monies pledged toward repayment of the 1996 and 2000 bonds were used to refund all outstanding principal of these bond issues (\$25,515,000 and \$43,215,000, respectively). In order to maximize refunding savings, the Agency utilized a "synthetic " fixed-rate bond structure by issuing variable-rate bonds and then entering into a floating-to-fixed interest rate swap. The refinancing provides an estimated net savings of over \$5,122,000 over the life of the bonds.

Additional information on the City's long-term debt can be found in note 6 on pages 58 through 63 of this report.

As disclosed in the Notes to Basic Financial Statements, a liability has been recorded to reflect the City's obligation to provide post-closure care of the landfill at Bayfront Park. Although the City has established a revenue stream to fund landfill post-closure care, governmental accounting standards require the calculation and recording of the liability associated with this activity. The liability is included in the reporting of the City's long-term debt, at an estimated \$7,220,173 at June 30, 2006.

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business type activities as of June 30, 2006 amounts to \$357,603,256, net of accumulated depreciation of \$63,117,630. This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the City such as roads, bridges, streets and sidewalks, drainage systems, lighting systems and similar items. The City's investment in capital assets for the current fiscal year decreased by \$11,436,266, due largely to the sale of the housing and park site noted earlier.

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

- Burgess Park pool and gymnasium - \$6,488,862
- Burgess Park improvements and skate park - \$3,939,725
- Child care center - \$3,620,782
- RDA streetscape improvements - \$1,253,502
- City street resurfacing - \$491,841

Capital asset additions during the current fiscal year included only one Works In Progress project exceeding \$200,000 at the end of 2005-06:

- Parking plaza renovation - \$680,820

Additional information on the City's capital assets can be found in note 5 on pages 56 through 57 of this report.

GENERAL FUND BUDGETARY HIGHLIGHTS

The 2005-06 fiscal year adopted budget for General Fund expenditures including transfers out amounted to \$29,358,547. The final (adjusted) budget amount was \$30,346,201, a net increase of \$987,654.

Increases to the adopted budget include \$471,895 in committed purchase orders from the prior June 30 balance and:

- \$57,980 for expenses associated with various public safety, community services and library programs funded through increased grant revenues
- \$42,000 in Community Development for contract building permit and plan review services
- \$95,000 to settle a suit over past DUI billings
- \$52,120 in Community Development for contract assistance with the Commercial Zoning Ordinance Update
- \$50,000 in Administrative Services for contract polling services and other costs of exploring a tax measure on the November 7, 2006 ballot

General Fund Revenues

- Property tax revenues increased 37.9 percent over the prior year primarily due to the State's Motor Vehicle License Fee (VLF) "Swap" arrangement. This plan of revenue realignment was prescribed by the State, with 2004-05 being the transition year. In 2004-05, the State "backfilled" the VLF revenue loss to cities with an additional allocation of local property tax from county ERAF (Educational Revenue Augmentation Funds). The backfilled amount was based on the original amount of VLF lost. Beginning in 2005-06, this amount is now based upon assessed valuation and should therefore be classified as property taxes. The amount of "Property Tax in Lieu of VLF" in 2005-06 was \$1,993,660. Without this reclassification, property taxes for the City increased 10.5 percent. Assessed property values in the City increased 6.25 percent, and revenues from property transfer tax grew 6.9 percent. The housing market has remained strong throughout the economic downturn of the last five years.

The City received a distribution of excess contributions to the County's ERAF fund that exceeded the prior year distribution by over \$214,000, partially due to the final liquidation of ERAF Fund reserves from fiscal year 2001-02. In addition, excess ERAF distributed to redevelopment agencies for fiscal years 2002-03 and 2003-04 was retroactively disallowed, and redistributed to all other taxing agencies along with the excess ERAF of 2004-05. This amounted to an additional \$94,858 of property tax revenue to the City's General Fund, which alone represents an additional 1.3 percent increase over the prior year.

- Sales tax revenues, at just over \$6.5 million, marked a 7.37 percent increase (\$446,175) over the prior year, exceeding the mid-year budget estimate by \$380,000. Projecting sales tax revenues has been complicated since the implementation of the "Triple Flip" mechanism designed to secured payment of the State's new debt in 2004-05. It appears that the steep slide of sales taxes from its peak in fiscal year 2000-01 has ended, although it should be noted that sales tax receipts for the final two quarters of the year were 2.3 percent lower than the same quarters of the previous year.
- A 29.7 percent increase in revenues from use of money and property was mainly the result of an increase from investment earnings. Yields on investments increased as interest rates continued to rise steadily throughout the fiscal year. Whereas the annualized return on the portfolio at June 30, 2005 was 2.65 percent, the same return at June 30, 2006 was 4.16 percent. The increase on investments was \$344,467 (35.8 percent) over the prior fiscal year, though due to increased capital spending, the portfolio balance dropped almost \$6 million (6.1 percent). Rental income was up \$38,148, or 11.7 percent.

- Intergovernmental revenue dropped over 44 percent from the prior year due mainly to the reclassification of the “property tax in lieu of VLF” to property taxes, as explained above. However, the State did pay back a VLF “loan” from 2003-04, which increased intergovernmental revenues by \$530,000. This classification also includes federal and state grant revenue, which experienced little change over the prior fiscal year.
- Revenues from charges for services increased \$396,124 (10.3 percent), largely due to an increase in the demand for Community Development services. Planning fees, improvement plan checks, and subdivision inspection fees, up a combined \$369,935, accounted for most of the increase.
- Licenses and permits revenues increased 20.25 percent from 2004-05 levels. Again, the source of the increase was largely the result of Community Development activities. The volume of building permit activity pushed revenues 15.6 percent over the \$1.76 million projected.

Total General Fund revenues, exclusive of transfers in from other funds, rose 11.8 percent (\$3,231,280) over the 2004-05 fiscal year.

General Fund Expenditures

Although budgetary savings were experienced in all departments, departmental expenses varied greatly from the prior year.

- General government expenditures increased 9.2 percent over the prior fiscal year, largely due to anticipated personnel, insurance and contract cost increases. However, expenditures were 14.2 percent under budget. Several factors contributed to these budgetary savings, including: the budget for Workers Compensation program expenses were revised upward by \$300,000 at mid-year in anticipation of higher claims expenses, when only an additional \$100,000 proved to be necessary; insurance premiums, claims and legal expenses were \$307,201 under budget in the City’s General Liability program; and Administrative Service contract commitments of \$80,000 remained and will carry forward to the next fiscal year.
- Public safety expenditures actually decreased 0.83 percent from the prior fiscal year. Due to large number of vacancies in the police force, including top administrative positions, the department experienced \$730,000 in personnel savings alone.
- The Community Services department also experienced significant personnel savings (\$330,000), due both to numerous vacancies and cost-cutting strategies implemented in the last quarter of the year. There was a total of \$188,500 of budgetary savings in the Aquatics program, due to the delayed opening of the new Burgess Aquatics Center and outsourcing of the Center’s operations.
- General Fund expenditures for capital outlay increased \$80,132 (21.5 percent) from the prior year, but fell short of budget due to planned fixed asset purchases or improvements delayed to the subsequent fiscal year.

Total actual General Fund expenditures, exclusive of transfers out, increased 3.96 percent (\$1,040,012) over the 2004-05 fiscal year.

Operating transfers to other funds decreased due to the transfer of \$2,000,000 to the General Capital Improvement Fund made in 2004-05 to fund infrastructure replacement and repairs. No such transfer was made in the 2005-06 fiscal year.

ECONOMIC CONDITION AND OUTLOOK

To what extent the 2005-06 results of General Fund operations will impact the City's budgetary bottom line in the future is uncertain. Clearly, the City does not foresee continued personnel savings as key vacancies are filled and personnel retention improves. Funding of infrastructure, through a transfer from the General Fund, was restored in the 2006-07 operating budget to prevent further declines in available capital fund balances. Although the City has continued to experience fiscal challenges associated with the sales tax revenue reductions experienced since the region's economic slump, which began in 2001, sales taxes appear to have leveled off from the prior years' decline. However, the loss of sales-tax generators is still of concern. Despite intensified business development efforts to retain current businesses and to promote new commercial development throughout the City, four of Menlo Park's five car dealerships have closed in search of locations with higher visibility than currently afforded along the City's main corridor, El Camino Real. Some success in terms of new commercial development is apparent: a luxury hotel facility at the City's southwest highway interchange should break ground early in 2006-07. The housing market, which has buoyed property taxes in the Silicon Valley throughout the first years of the millennium, is expected to slow considerably in the near future. In order to keep pace with rising labor, insurance and energy costs, the City's revenue picture must be carefully nurtured for the long term.

With the completion of the *Your City/Your Decision* community engagement process in 2005-06, the City included many of the cost cutting and revenue enhancing strategies preferred by the populace in the development of the 2006-07 operating budget. The Council also approved pursuit of a Utility User Tax for the November 2006 ballot to possibly support future year budgets.

The City continues its efforts in forming partnerships with private entities and other stakeholders in the community, and looks regionally for more efficient ways to provide quality governmental services. Long-term financial planning will be utilized to securely match revenue streams with its operational liabilities. The City completed its first valuation of retiree medical benefits this fiscal year, and intends to develop viable budget strategies to secure funding for the associated liability. The goal of a balanced, sustainable budget that will allow for Menlo Park's continued financial stability in the long term remains a priority for the City.

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, 2006

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Current assets:			
Cash and investments	\$ 69,811,664	\$ 14,851,693	\$ 84,663,357
Receivables:			
Accounts	947,833	275,159	1,222,992
Interest	701,401	148,521	849,922
Notes	9,407,175	-	9,407,175
Due from other governments	1,717,414	-	1,717,414
Deposits and prepaid items	203,411	-	203,411
Total current assets	<u>82,788,898</u>	<u>15,275,373</u>	<u>98,064,271</u>
Noncurrent assets:			
Restricted cash and investments	20,387,394	-	20,387,394
Deferred Charges	1,646,113	-	1,646,113
Capital assets			
Non-depreciable	239,100,764	1,066,454	240,167,218
Depreciable, net	111,061,561	6,374,477	117,436,038
Total capital asset	<u>350,162,325</u>	<u>7,440,931</u>	<u>357,603,256</u>
Total noncurrent assets	<u>372,195,832</u>	<u>7,440,931</u>	<u>379,636,763</u>
Total assets	<u>454,984,730</u>	<u>22,716,304</u>	<u>477,701,034</u>
LIABILITIES			
Current liabilities:			
Accounts payable	2,770,282	441,706	3,211,988
Accrued payroll	477,012	12,502	489,514
Interest payable	614,620	-	614,620
Deposits	556,962	50,794	607,756
Unearned revenue	858,770	-	858,770
Claims payable due within one year	550,220	-	550,220
Compensated absences due within one year	768,905	23,204	792,109
Landfill postclosure care due within one year	107,509	-	107,509
Long-term debt due within one year	475,000	-	475,000
Total current liabilities	<u>7,179,280</u>	<u>528,206</u>	<u>7,707,486</u>
Noncurrent liabilities:			
Claims payable due in more than one year	2,314,902	-	2,314,902
Compensated absences due in more than one year	867,063	26,168	893,231
Landfill postclosure care due n more than one year	7,112,664	-	7,112,664
Long-term debt due in more than one year	84,468,028	-	84,468,028
Total noncurrent liabilities	<u>94,762,657</u>	<u>26,168</u>	<u>94,788,825</u>
Total liabilities	<u>101,941,937</u>	<u>554,374</u>	<u>102,496,311</u>
NET ASSETS			
Invested in capital assets, net of related debt	266,250,790	7,440,931	273,691,721
Restricted for:			
Capital projects	16,297,615	10,653,717	26,951,332
Debt service	8,366,348	-	8,366,348
Community Development	6,187,396	-	6,187,396
Special projects	4,647,861	-	4,647,861
Unrestricted	51,292,783	4,067,282	55,360,065
Total net assets	<u>\$ 353,042,793</u>	<u>\$ 22,161,930</u>	<u>\$ 375,204,723</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, 2006

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General Government	\$ 7,761,696	\$ 4,649,505	\$ 59,099	\$ -	\$ 4,708,604
Public Safety	9,092,996	1,086,348	204,363	-	1,290,711
Public Works	10,275,029	3,609,732	188,092	268,468	4,066,292
Culture and recreation	7,781,549	2,949,807	1,040,281	-	3,990,088
Community development	23,179,192	3,897,805	189,670	-	4,087,475
Interest on long-term debt	4,529,332	-	-	-	-
Total governmental activities	62,619,794	16,193,197	1,681,505	268,468	18,143,170
Business-type activities:					
Water	3,081,378	3,567,919	-	-	3,567,919
Total business-type activities	3,081,378	3,567,919	-	-	3,567,919
Total primary government	\$ 65,701,172	\$ 19,761,116	\$ 1,681,505	\$ 268,468	\$ 21,711,089

General Revenues:

Taxes:

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

Total taxes

Investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning of year

Net assets - end of year

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (3,053,092)	\$ -	\$ (3,053,092)
(7,802,285)	-	(7,802,285)
(6,208,737)	-	(6,208,737)
(3,791,461)	-	(3,791,461)
(19,091,717)	-	(19,091,717)
(4,529,332)	-	(4,529,332)
<u>(44,476,624)</u>	<u>-</u>	<u>(44,476,624)</u>
-	486,541	486,541
-	486,541	486,541
<u>(44,476,624)</u>	<u>486,541</u>	<u>(43,990,083)</u>
19,621,262	-	19,621,262
6,503,635	-	6,503,635
741,467	-	741,467
1,237,697	-	1,237,697
1,280,707	-	1,280,707
29,384,768	-	29,384,768
3,482,982	498,773	3,981,755
212,819	-	212,819
227,700	(227,700)	-
<u>33,308,269</u>	<u>271,073</u>	<u>33,579,342</u>
(11,168,355)	757,614	(10,410,741)
<u>364,211,148</u>	<u>21,404,316</u>	<u>385,615,464</u>
<u>\$ 353,042,793</u>	<u>\$ 22,161,930</u>	<u>\$ 375,204,723</u>

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

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

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

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

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

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

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

City of Menlo Park
Balance Sheet
Governmental Funds
June 30, 2006

Major Funds

	General Fund	Community Development Agency			Capital Projects
		Special Revenue Housing	Special Revenue Non-Housing	Debt Service	
ASSETS					
Cash and investments	\$ 34,196,870	\$ 465,547	\$ 11,357,373	\$ -	\$ 36,222
Restricted cash and investments	-	-	1,389	6,849,552	11,776,361
Receivables:					
Accounts	796,470	-	-	-	-
Interest	422,919	4,656	113,546	-	362
Notes	1,457,292	4,918,351	-	-	-
Due from other governments	916,557	-	2,225	-	-
Deposits and prepaid items	203,411	-	-	-	-
Due from other funds	-	-	4,247,065	-	-
Advances to other funds	-	-	-	-	-
Total assets	\$ 37,993,519	\$ 5,388,554	\$ 15,721,598	\$ 6,849,552	\$ 11,812,945
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 837,505	\$ 79,318	\$ 690,075	\$ -	\$ 85,466
Accrued payroll and related liabilities	414,729	3,630	14,583	-	1,131
Due to other funds	-	-	-	-	3,823,844
Deposits	556,962	-	-	-	-
Deferred revenue	683,647	4,394,704	-	-	-
Advances from other funds	-	500,000	-	-	-
Total liabilities	2,492,843	4,977,652	704,658	-	3,910,441
Fund Balances:					
Reserved	1,887,470	1,999,466	11,847	6,849,552	1,790,084
Unreserved:					
Designated, reported in:					
General fund	8,611,957	-	-	-	-
Special revenue funds	-	-	-	-	-
Capital project funds	-	-	-	-	6,112,420
Undesignated, reported in:					
General fund	25,001,249	-	-	-	-
Special revenue funds	-	(1,588,564)	15,005,093	-	-
Total unreserved	33,613,206	(1,588,564)	15,005,093	-	6,112,420
Total fund balances	35,500,676	410,902	15,016,940	6,849,552	7,902,504
Total liabilities and fund balances	\$ 37,993,519	\$ 5,388,554	\$ 15,721,598	\$ 6,849,552	\$ 11,812,945

See accompanying Notes to Basic Financial Statements.

Major Fund		
Community Development Block Grant Special Revenue	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ 23,755,652	\$ 69,811,664
-	1,760,092	20,387,394
-	151,363	947,833
-	159,918	701,401
2,257,235	774,297	9,407,175
440,997	357,635	1,717,414
-	-	203,411
-	21,769	4,268,834
500,000	-	500,000
\$ 3,198,232	\$ 26,980,726	\$ 107,945,126
\$ 5,928	\$ 1,071,990	\$ 2,770,282
2,164	40,775	477,012
423,221	21,769	4,268,834
-	-	556,962
2,757,236	387,802	8,223,389
-	-	500,000
3,188,549	1,522,336	16,796,479
501,375	8,252,902	21,292,696
-	-	8,611,957
-	849,074	849,074
-	6,627,577	12,739,997
-	-	25,001,249
(491,692)	9,728,837	22,653,674
(491,692)	17,205,488	69,855,951
9,683	25,458,390	91,148,647
\$ 3,198,232	\$ 26,980,726	\$ 107,945,126

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City of Menlo Park
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2006

Total Fund Balances - Total Governmental Funds \$ 91,148,647

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	239,100,764
Depreciable, net	111,061,561

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. (614,620)

Deferred charges on issuance of debt are recorded as expenditures in the Fund Financial Statements. In the Government-Wide Financial Statements, these costs are capitalized and amortized over the life of the debt. 1,646,113

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. 7,364,619

Landfill postclosure care costs do not require current financial resources and are not reported as a liability in the fund financials statements. (7,220,173)

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	(550,220)
Compensated absences payable	(768,905)
Long-term debt	(475,000)

Long-term liabilities - due in more than one year:

Claims and judgments payable	(2,314,902)
Compensated absences payable	(867,063)
Long-term debt	(84,468,028)

Net Assets of Governmental Activities \$ 353,042,793

City of Menlo Park
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2006

	Major Funds				
	General Fund	Community Development Agency			Capital Projects
		Special Revenue Housing	Special Revenue Non-Housing	Debt Service	
REVENUES:					
Taxes:					
Secured property taxes	\$ 6,892,935	\$ 1,737,325	\$ 6,949,301	\$ -	\$ -
Unsecured property taxes	404,056	185,366	741,463	-	-
Other property taxes	2,710,817	-	-	-	-
Sales taxes	6,503,635	-	-	-	-
Other taxes	2,476,443	-	-	-	-
Special assessments	-	-	-	-	-
Licenses and permits	3,091,469	-	-	-	-
Fines and forfeitures	792,005	-	-	-	-
Use of money and property	1,671,653	90,418	334,617	379	644,367
Intergovernmental	1,732,929	-	-	-	-
Charges for services	4,225,135	50	11,626	-	-
Other	47,996	-	-	-	-
Total revenues	30,549,073	2,013,159	8,037,007	379	644,367
EXPENDITURES:					
Current:					
General government	5,173,093	-	-	-	-
Public safety	8,865,022	-	-	-	-
Public works	3,932,849	-	-	-	-
Culture and recreation	6,875,398	-	-	-	-
Rehabilitation loans	-	-	-	-	-
Community development	1,980,028	-	1,182,264	-	181,430
Urban development and housing	-	436,066	3,895,331	-	27,293
Capital outlay	452,479	820	-	-	1,075,759
Debt service:					
Principal	-	-	-	1,405,000	-
Interest and fiscal charges	-	-	-	3,738,815	-
Cost of Issuance	-	-	-	1,646,113	-
Total expenditures	27,278,869	436,886	5,077,595	6,789,928	1,284,482
REVENUES OVER (UNDER) EXPENDITURES	3,270,204	1,576,273	2,959,412	(6,789,549)	(640,115)
OTHER FINANCING SOURCES (USES):					
Transfers in	609,518	3,500,000	-	12,071,073	-
Transfers out	(196,000)	(1,057,635)	(11,167,438)	-	(3,500,000)
Issuance of debt	-	-	-	72,430,000	-
Payment to escrow agent	-	-	-	(70,525,172)	-
Discount on issuance of debt	-	-	-	(336,800)	-
Proceeds from sale of capital assets	10,742	-	3,974,704	-	-
Total other financing sources (uses)	424,260	2,442,365	(7,192,734)	13,639,101	(3,500,000)
Net change in fund balances	3,694,464	4,018,638	(4,233,322)	6,849,552	(4,140,115)
FUND BALANCES:					
Beginning of year, as restated	31,806,212	(3,607,736)	19,250,262	-	12,042,619
End of year	\$ 35,500,676	\$ 410,902	\$ 15,016,940	\$ 6,849,552	\$ 7,902,504

See accompanying Notes to Basic Financial Statements.

<hr/> <hr/>		
<u>Major Fund</u>		
<u>Community Development Block Grant Special Revenue</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 15,579,561
-	-	1,330,885
-	-	2,710,817
-	-	6,503,635
-	1,285,506	3,761,949
-	2,433,635	2,433,635
-	341,276	3,432,745
-	-	792,005
-	741,548	3,482,982
189,670	768,840	2,691,439
364,694	3,445,640	8,047,145
-	164,821	212,817
<u>554,364</u>	<u>9,181,266</u>	<u>50,979,615</u>
-	1,479,037	6,652,130
-	64,655	8,929,677
-	3,818,033	7,750,882
-	428,175	7,303,573
400,100	-	400,100
-	744,561	4,088,283
150,175	35,400	4,544,265
-	8,731,935	10,260,993
-	450,000	1,855,000
-	840,035	4,578,850
-	-	1,646,113
<u>550,275</u>	<u>16,591,831</u>	<u>58,009,866</u>
<u>4,089</u>	<u>(7,410,565)</u>	<u>(7,030,251)</u>
-	196,000	16,376,591
-	(227,818)	(16,148,891)
-	-	72,430,000
-	-	(70,525,172)
-	-	(336,800)
-	-	3,985,446
<u>-</u>	<u>(31,818)</u>	<u>5,781,174</u>
4,089	(7,442,383)	(1,249,077)
<u>5,594</u>	<u>32,900,773</u>	<u>92,397,724</u>
<u>\$ 9,683</u>	<u>\$ 25,458,390</u>	<u>\$ 91,148,647</u>

City of Menlo Park

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets For the year ended June 30, 2006

Net Change in Fund Balances - Total Governmental Funds \$ (1,249,077)

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. 10,251,488

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. (3,896,104)

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. (14,127,214)

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. (3,985,446)

Revenues that have not met the revenue recognition criteria in the Fund Financial statements are recognized as revenue in the Government-Wide Financial Statements. This amount represents the change in deferred revenue from prior year. 244,124

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.

Change in compensated absences 153,971
Change in claims liability (647,527)

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 1,855,000
Issuance of debt (72,430,000)
Payments to escrow agents 70,525,172

Deferred charges on issuance of debt are recorded as expenditures in the Fund Financial Statements. In the Government Wide Financial Statements, these costs are capitalized and amortized over the life of the debt. 1,646,113

Discounts on issuance of debt are recorded as expenditures in the Fund Financial Statements. In the Government-Wide Financial Statements, these costs are capitalized and reported as part of long-term debt and amortized over the life of the debt. 336,800

Expenses for landfill postclosure costs are expenditures in the Governmental Fund Financial Statements but reduce the liability in the Government-Wide Financial Statements. 104,827

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. 49,518

Change in Net Assets of Governmental Activities \$ (11,168,355)

See accompanying Notes to Basic Financial Statements.

PROPRIETARY FUND FINANCIAL STATEMENTS

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

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

City of Menlo Park
Statement of Net Assets
Proprietary Funds
June 30, 2006

	<u>Major Fund</u>
	<u>Water</u>
ASSETS	
Current assets:	
Cash and investments	\$ 14,851,693
Receivables:	
Accounts	275,159
Interest	148,521
Total current assets	<u>15,275,373</u>
Noncurrent assets:	
Non-depreciable	1,066,454
Depreciable, net	6,374,477
Total noncurrent assets	<u>7,440,931</u>
Total assets	<u>22,716,304</u>
LIABILITIES	
Current liabilities:	
Accounts payable	441,706
Accrued payroll	12,502
Deposits	50,794
Compensated absences	23,204
Total current liabilities	<u>528,206</u>
Noncurrent liabilities:	
Compensated absences	26,168
Total noncurrent liabilities	<u>26,168</u>
Total liabilities	<u>554,374</u>
NET ASSETS	
Invested in capital assets, net of related debt	7,440,931
Restricted for:	
Capital projects	10,653,717
Unrestricted	4,067,282
Total net assets	<u>\$ 22,161,930</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, 2006

	Major Fund
	Water
OPERATING REVENUES:	
Water sales	\$ 3,562,094
Connection fees	5,825
Total operating revenues	3,567,919
OPERATING EXPENSES:	
Cost of sales and services	2,562,837
General and administrative	393,047
Depreciation	125,494
Total operating expenses	3,081,378
OPERATING INCOME (LOSS)	486,541
NONOPERATING REVENUES (EXPENSES):	
Interest income	498,773
Total nonoperating revenues	498,773
INCOME (LOSS) BEFORE OPERATING TRANSFERS	985,314
OPERATING TRANSFERS:	
Transfers out	(227,700)
Total operating transfers	(227,700)
Net income (loss)	757,614
NET ASSETS:	
Beginning of year	21,404,316
End of year	\$ 22,161,930

See accompanying Notes to Basic Financial Statements.

City of Menlo Park
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2006

	<u>Major Fund</u>
	<u>Water</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers/other funds	\$ 3,625,367
Cash payment to suppliers	(2,588,048)
Cash payments for general and administrative	(404,537)
Net cash provided (used) by operating activities	<u>632,782</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfers out	(227,700)
Net cash provided (used) by noncapital financing activities	<u>(227,700)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets	(446,503)
Net cash provided (used) by capital and related financing activities	<u>(446,503)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment income	448,720
Net cash provided (used) by investing activities	<u>448,720</u>
Net increase (decrease) in cash and cash equivalents	407,299
CASH AND CASH EQUIVALENTS:	
Beginning of year	14,444,394
End of year	<u>\$ 14,851,693</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ 486,541
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	125,494
Changes in current assets and liabilities:	
Accounts receivable	57,069
Accounts payable	(23,231)
Accrued payroll	(11,490)
Compensated absences	(1,980)
Deposits	379
Total adjustments	<u>146,241</u>
Net cash provided (used) by operating activities	<u>\$ 632,782</u>

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, 2006

	Agency Funds
	<u> </u>
ASSETS	
Cash and cash equivalents	\$ 217,069
Total assets	<u>\$ 217,069</u>
LIABILITIES	
Accrued payroll	\$ 134,842
Deposits	<u>82,227</u>
Total liabilities	<u>\$ 217,069</u>

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS

City of Menlo Park
Notes to Basic Financial Statements
For the year ended June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

The criteria used in determining the scope of the reporting entity are based on the provisions of GASB Statement No. 14, *The Financial Reporting Entity*. The City is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the City appoints a voting majority of the component unit's board, or because the component unit will provide a financial benefit or impose a financial burden on the City. The Agency has been accounted for as a "blended" component unit of the City. Despite being legally separate, this entity is so intertwined with the City that it is, in substance, part of the City's operations. Accordingly, the balances and transactions of these component units are reported within the funds of the City. Balances for the Agency consisting of special revenue, debt service and capital projects are reported as separate funds.

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

- The members of the City Council also act as the governing bodies of the Agency.
- The Agency is managed by employees of the City. A portion of the City's salary and overhead expenses are billed to the Agency each year.
- The City and the Agency are financially interdependent. The City 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.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus

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

Government-Wide Financial Statements

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

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

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

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

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

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

The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, to the business-type activities, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the committee on Accounting Procedure. The City applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements

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

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

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

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

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

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

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

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements, Continued

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

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

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

Proprietary Fund Financial Statements

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

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

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

The City’s only Proprietary Fund is an Enterprise which accounts for the Water distribution operations of the Menlo Park Municipal Water District.

Fiduciary Fund Financial Statements

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Use of Restricted and Unrestricted Net Assets

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

D. Cash and Investments

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

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

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

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

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

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

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Capital Assets

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

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.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

H. Use of Estimates

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

I. Compensated Absences

City employees have vested interests in varying levels of vacation, sick leave, and compensatory time. If sick leave and vacation is not used by the employee during the term of employment, compensation is payable to the employee at the time of retirement. Such compensation is calculated at the employees' then prevalent rate at the time of retirement or termination. Whereas vacation is compensated at 100% of accumulated hours, sick leave is accrued and compensated only at retirement at 15% of accumulated hours. On termination, only accrued vacation is compensated and not sick leave. The liabilities for compensated absences of the governmental activities are recorded in the Government-Wide financial statements. The liabilities of compensated absences of proprietary funds are recorded as liabilities in the appropriate proprietary fund and in the business-type activities in the Government-Wide financial statements. The liabilities of compensated absences of governmental funds are reported in those funds only if there is an unused reimbursable leave still outstanding following an employee's resignation or retirement as of June 30, 2006.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. *Compensated Absences, Continued*

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

<u>Bargaining Unit</u>	<u>Vacation</u>	<u>Sick Leave</u>
SEIU	336 hours	1,360 hours
AFSCME	336 hours	1,440 hours
POA	424 hours	1,500 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

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."

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. Implementation of New GASB Pronouncements

In 2006, the City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* – The Statement establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This Statement also clarifies and establishes accounting requirements for insurance recoveries.
- Statement No. 44, *Economic Condition Reporting: The Statistical Section (Amendment of NCGA Statement 1)* – The Statement establishes the objectives of the statistical section and the five categories of information it contains: financial trends information, revenue capacity information, debt capacity information, demographic and economic information, and operating information.
- GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation* – The Statement addresses selected issues and amends GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The Statement enhances the usefulness and comparability of net asset information and clarifies the meaning of legal enforceability. The Statement also specifies accounting and financial reporting requirements for restricted net assets.
- GASB Statement No. 47, *Accounting for Termination Benefits* – The Statement provides accounting guidance for state and local governmental employers regarding benefits (such as early-retirement incentives and severance benefits) provided to employees that are terminated. The Statement requires recognition of the cost of involuntary termination benefits in the period in which a government becomes obligated to provide benefits to terminated employees.

2. CASH AND INVESTMENTS

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

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

A. Authorized Investments

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

2. CASH AND INVESTMENTS, Continued

A. Authorized Investments, Continued

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

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

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

GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires that the City's investments be carried at fair market value instead of cost. Accordingly, the City adjusts the carrying value of its investments to reflect their fair value at each fiscal year-end, and the effects of these adjustments are included in income for that fiscal year. Changes in fair value in the fiscal year ended June 30, 2006 from the fiscal year ended, June 30, 2005, amounted to a decrease of \$209,673.

B. Deposits

At June 30, 2006, the carrying amount of the City's deposits was \$84,068 and the bank balances were \$1,065,800. The total bank balance was covered by federal depository insurance or by collateral held by the City's agent in the City's name.

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).

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

2. CASH AND INVESTMENTS, Continued

C. Risks Disclosures

The following is a summary of pooled cash and investments, including cash and investments with fiscal agent at June 30, 2006.

	Government-Wide Statement of Net Assets			Fund Financials	
	Governmental Activities	Business-Type Activities	Total	Fiduciary Funds Statement of	
				Net Assets	Total
Cash and investments	\$ 69,811,664	\$ 14,851,693	\$ 84,663,357	\$ 217,069	\$ 84,880,426
Restricted cash and investments	\$ 20,387,394	\$ -	\$ 20,387,394	\$ -	\$ 20,387,394

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

As of June 30, 2006, the City had the following cash and investments and maturities:

Investment Type	Fair Value	Investment Maturities (in years)				
		1 year or less	1-2 years	2-3 years	3-4 years	4-5 years
Deposits	\$ 84,068	\$ 84,068	\$ -	\$ -	\$ -	\$ -
Petty cash	3,905	3,905	-	-	-	-
Securities of U.S. Government						
Treasury agencies:						
U.S. treasury T-notes	13,769,000	2,951,500	6,925,100	3,892,400	-	-
U.S. instrumentality	42,470,600	25,820,400	4,902,100	3,952,100	2,891,400	4,904,600
Local Agency Investments Funds	27,556,853	27,556,853	-	-	-	-
Corporate notes	996,000	996,000	-	-	-	-
Total	\$ 84,880,426	\$ 57,412,726	\$ 11,827,200	\$ 7,844,500	\$ 2,891,400	\$ 4,904,600

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy provides that final maturities of securities cannot exceed five years. Specific maturities of investments depend on liquidity needs. At June 30, 2006, the City's pooled cash and investments had the following maturities:

<u>Maturity</u>	<u>Percentage of Investment</u>
Less than one year	68%
One to two years	14%
Two to three years	9%
Three to four years	3%
Four to five years	6%

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

2. CASH AND INVESTMENTS, Continued

C Risks Disclosures, Continued

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

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

D. External Investment Pool

The City's investments with LAIF at June 30, 2006, included a small portion of the pooled funds invested in Structured Notes and Asset-Backed Securities. These investments may include the following:

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

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

As of June 30, 2006, the City had \$27,556,853 invested in LAIF, which had invested 2.567% of the pool investment funds in Structured Notes and Asset-Back Securities. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. The City valued its investments in LAIF as of June 30, 2006, 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, 2006, the City's investment in LAIF at fair value amounted to \$27,556,853 using a LAIF fair value factor of 0.998185821.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

3. RECEIVABLES

A. Accounts Receivables

As of June 30, 2006, accounts receivable consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Taxes:			
Occupancy taxes	\$ 332,739	\$ -	\$ 332,739
Total taxes	332,739	-	\$ 332,739
Franchise fees	211,056	-	211,056
Rental income	30,329	-	30,329
General government charges	1,216	-	1,216
Public works charges	71,741	-	71,741
Public safety charges	6,013	-	6,013
Community development fees	241,820	-	241,820
Recreation programs	51,906	-	51,906
Water service fees	-	275,159	275,159
Donations	1,013	-	1,013
Total accounts receivable	\$ 947,833	\$ 275,159	\$ 1,222,992

B. Notes Receivables

As of June 30, 2006, notes receivable consisted of the following:

	Notes Receivable
Major Funds:	
General Fund:	
City Manager housing	\$ 1,457,292
Community Development Block Grant	2,257,235
Community Development Agency	4,918,350
Total general fund	8,632,877
Other Governmental Funds:	
Below market rate housing	718,910
Emergency repair loan (ERL)	55,388
Total special revenue funds	774,298
Total notes receivable	\$ 9,407,175

City Manager Housing

As part of an employment agreement effective July 2003 and last amended in March 2003, the City Council has authorized a loan evidenced by three notes totaling \$1.3 million to the City Manager in order to assist in the purchase of residential real estate property. These notes are secured by deeds of trust on the property. The notes bear an interest rate of 5 percent, however, up to 3.75 percent may be deferred until the ultimate sale of the property or payment of the loan. The notes are due and payable within twelve months of termination of employment or sale of the property. The outstanding balance of the notes at June 30, 2006 was \$1,457,292.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

3. RECEIVABLES, Continued

B. Notes receivable, Continued

Community Development Block Grant

The City administers home improvement loans to seniors and very low income residents using Community Development Block Grant (CDBG) funds. The program provides for no or very low interest loans, which are secured by deeds of trust. Although payments for some loans are amortized over an established schedule, some loans allow for deferred payment of accrued interest and principal until the property changes ownership. Repayments received from outstanding loans are used to make additional housing rehabilitation loans. Outstanding loans at June 30, 2006, were \$2,257,235. Since the funds have not been legally vested with the City as of June 30, 2006, these funds are reported as deferred revenue.

Community Development Agency

The City of Menlo Park Community Development Agency (Agency) assumed a portfolio of loans which had been made by Neighborhood Housing Services (NHS) to low income residents of Menlo Park for housing rehabilitation. The Agency had granted funds to the local NHS for that purpose and assumed the loans when the NHS closed. The outstanding balance at June 30, 2006 was \$29,051.

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, 2006, was \$42,250.

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, 2006, was \$266,321.

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, 2006, was \$161,574.

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, 2006, was \$66,965.

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, 2006, was \$4,352,188.

Total Agency loans at June 30, 2006, amounted to \$4,918,350.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

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, 2006, were \$718,910.

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, 2006, were \$55,387.

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, 2006, deferred revenues in the Government-Wide Financial Statements were as follows:

	Governmental Activities
Rental income	\$ 642
Recreation summer programs	212,296
Childcare fees	118,112
Permits and inspection fees	185,608
Police donations	388
Planning deferred	662
Percent for art deferred	8,647
Garbage service fees	332,415
Total	<u><u>\$ 858,770</u></u>

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

4. UNEARNED/DEFERRED REVENUE, Continued

B. Fund Financial Statements

At June 30, 2006, the following deferred revenues were recorded in the Fund Financial Statements because either the revenues had not been earned or the funds were not available to finance expenditures of the current period:

Governmental Funds:

	Special Revenue Funds				Total
	General Fund	Community Development		Non-Major Funds	
		Community Development Agency	Block Grant		
Rental income	\$ 642	\$ -	\$ -	\$ -	\$ 642
Recreation Summer Programs	212,296	-	-	-	212,296
Childcare fees	118,112	-	-	-	118,112
Permits and inspection fees	185,608	-	-	-	185,608
Planning deferred	662	-	-	-	662
City Manager home loan interest	157,292	-	-	-	157,292
Percent for art deferred	8,647	-	-	-	8,647
Police donations	388	-	-	-	388
Garbage service fees	-	-	-	332,415	332,415
Menlo Gateway loan	-	4,352,189	-	-	4,352,189
CDBG loans	-	-	2,257,236	-	2,257,236
Advance to CDA fund	-	-	500,000	-	500,000
Emergency repair loans	-	-	-	55,387	55,387
Mid Peninsula loans	-	42,515	-	-	42,515
Total	\$ 683,647	\$ 4,394,704	\$ 2,757,236	\$ 387,802	8,223,389

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

5. CAPITAL ASSETS

A. Government-Wide Financial Statements

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

	Balance June 30, 2005	Additions	Retirements	Reclassification	Balance June 30, 2006
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 221,534,267	\$ 302,326	\$ (17,692,855)	\$ 1,088,772	\$ 205,232,510
Land improvements	32,900,109	-	-	-	32,900,109
Construction in progress	8,501,684	817,208	(58,416)	(8,292,331)	968,145
Total capital assets, not being depreciated	262,936,060	1,119,534	(17,751,271)	(7,203,559)	239,100,764
Capital assets, being depreciated:					
Buildings	39,974,278	4,919,210	-	1,765,399	46,658,887
Equipment	6,035,756	486,361	(320,740)	-	6,201,377
Other improvements	5,509,784	1,986,173	(685,182)	5,270,830	12,081,605
Infrastructure	102,932,198	1,740,210	(954,591)	167,330	103,885,147
Total capital assets, being depreciated	154,452,016	9,131,954	(1,960,513)	7,203,559	168,827,016
Less accumulated depreciation for:					
Buildings	(10,123,175)	(799,485)	-	-	(10,922,660)
Equipment	(5,005,339)	(401,108)	297,196	-	(5,109,251)
Other improvements	(1,566,363)	(204,955)	685,182	-	(1,086,136)
Infrastructure	(38,773,598)	(2,490,556)	616,746	-	(40,647,408)
Total accumulated depreciation	(55,468,475)	(3,896,104)	1,599,124	-	(57,765,455)
Total capital assets, being depreciated, net	98,983,541	5,235,850	(361,389)	7,203,559	111,061,561
Governmental activities capital assets, net	\$ 361,919,601	\$ 6,355,384	\$ (18,112,660)	\$ -	\$ 350,162,325

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

General government	\$ 606,505
Public safety	163,319
Public works	2,628,974
Culture and recreation	477,976
Community development	19,330
Total depreciation expense - governmental departments	\$ 3,896,104

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

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, 2005	Additions	Retirements	Adjustments/ Transfers	Balance June 30, 2006
Business-Type Activities:					
Capital assets, not being depreciated:					
Land	\$ 1,066,454	\$ -	\$ -	\$ -	\$ 1,066,454
Construction in progress	1,936,033	51,794	-	(1,804,602)	183,225
Total capital assets, not being depreciated	<u>3,002,487</u>	<u>51,794</u>	<u>-</u>	<u>(1,804,602)</u>	<u>1,249,679</u>
Capital assets, being depreciated:					
Buildings	3,945,489	196,206	-	-	4,141,695
Equipment	585,643	3,450	-	-	589,093
Infrastructure	4,874,739	195,054	(61,756)	1,804,602	6,812,639
Total capital assets, being depreciated	<u>9,405,871</u>	<u>394,710</u>	<u>(61,756)</u>	<u>1,804,602</u>	<u>11,543,427</u>
Less accumulated depreciation for:					
Buildings	(968,678)	(78,910)	-	-	(1,047,588)
Equipment	(574,340)	(4,225)	-	-	(578,565)
Infrastructure	(3,745,419)	(42,359)	61,756	-	(3,726,022)
Total accumulated depreciation	<u>(5,288,437)</u>	<u>(125,494)</u>	<u>61,756</u>	<u>-</u>	<u>(5,352,175)</u>
Total capital assets, being depreciated, net	<u>4,117,434</u>	<u>269,216</u>	<u>-</u>	<u>1,804,602</u>	<u>6,191,252</u>
Business-Type activities capital assets, net	<u>\$ 7,119,921</u>	<u>\$ 321,010</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,440,931</u>

Depreciation expense for all proprietary funds was \$125,494 for the year ended June 30, 2006, 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, 2006

6. LONG-TERM DEBT

A. Long-Term Obligations

Summary of changes in long-term debt transactions for the year ended June 30, 2006 was as follows:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006	Due within one year	Due in more than one year
Governmental Activities:						
1996 General Obligation Refunding Bonds	\$ 3,585,000	\$ -	\$ (240,000)	\$ 3,345,000	\$ 255,000	\$ 3,090,000
1996 Las Pulgas Project Refunding Bonds	25,515,000	-	(25,515,000)	-	-	-
2000 Las Pulgas Project Tax Allocation Bonds	43,215,000	-	(43,215,000)	-	-	-
2002 General Obligation Bonds	12,915,000	-	(210,000)	12,705,000	220,000	12,485,000
2006 Las Pulgas Project Tax Allocation Bonds	-	72,430,000	-	72,430,000	-	72,430,000
Deferred amount on refunding of the 2006 Las Pulgas Project Tax Allocation Bonds	-	(3,200,172)	-	(3,200,172)	-	(3,200,172)
Discount on 2006 Las Pulgas Project Tax Allocation Bonds	-	(336,800)	-	(336,800)	-	(336,800)
Total governmental activities	\$ 85,230,000	\$ 68,893,028	\$ (69,180,000)	\$ 84,943,028	\$ 475,000	\$ 84,468,028

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, 2006

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, 2006, were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 255,000	\$ 157,995	\$ 412,995
2008	270,000	146,048	416,048
2009	285,000	133,087	418,087
2010	300,000	119,025	419,025
2011-2015	2,235,000	354,375	2,589,375
Total	\$ 3,345,000	\$ 910,530	\$ 4,255,530

1996 Las Pulgas Project Refunding Bonds

Las Pulgas Project Refunding Bonds were refunded in fiscal year 2006 with the issuance of the 2006 Las Pulgas Project Tax Allocation Bonds.

2000 Las Pulgas Project Tax Allocation Bonds

Las Pulgas Community Development Project Tax Allocation Bonds, Series 2000 were refunded in fiscal year 2006 with the issuance of the 2006 Las Pulgas Project Tax Allocation Bonds.

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, 2006

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, 2006, were as follows:

Year Ending June 30,	Principal	Interest	Total
2007	\$ 220,000	\$ 664,485	\$ 884,485
2008	235,000	651,835	886,835
2009	250,000	631,135	881,135
2010	260,000	623,948	883,948
2011-2015	1,560,000	2,875,076	4,435,076
2016-2020	1,990,000	2,441,400	4,431,400
2021-2025	2,530,000	1,903,851	4,433,851
2026-2040	3,260,000	1,170,198	4,430,198
2031-2034	2,400,000	258,640	2,658,640
Total	\$ 12,705,000	\$ 11,220,568	\$ 23,925,568

2006 Las Pulgas Project Tax Allocation Bonds

In May 2006, the Community Development Agency of the City of Menlo Park issued Tax Allocation Refunding Bonds in a par amount of \$72,430,000 for the purpose of refunding at lower interest rates the Agency's outstanding Series 1996 and Series 2000 Tax Allocation Bonds. As such, the Series 2006 is the only outstanding bond issuance funding redevelopment activities of benefit to the Agency's Las Pulgas Community Development Project Area. The bonds are repayable from the Community Development Agency tax revenues, including a portion of its housing set-aside tax increment revenues. In addition, pass-through payments to other local taxing agencies were subordinated to payment of debt service on the Bonds. Principal payments are due annually on January 1, commencing in 2007.

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

Terms:

Redevelopment Agency of the City of Menlo Park Swap Portfolio						
Bond Issue	Notional Amount	Counter-party	Fixed Rate Paid	Variable Rate Received	Swap Termination Date	Counterparty Credit Ratings Moody's/S&P/Fitch
Tax Allocation Refunding Series 2006	\$72,430	Piper Jaffray with guarantee from Morgan Stanley Capital Services	4.065 %	63.5% of 1-month LIBOR + 0.15%	01/01/2031	Aa3/A+/AA-

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

6. LONG-TERM DEBT, Continued

A. Long-term Obligations, Continued

2006 Las Pulgas Project Tax Allocation Bonds, Continued

In connection with the issuance of the refunding bonds, the Agency elected to enter into a floating-to-fixed interest rate swap, creating a synthetic fixed-rate debt for the Agency. The bonds interest rate of 4.065% includes the 3.794% base swap rate plus the 0.165% liquidity fee plus the 0.0875% remarketing fee.

Fair Value: At June 30, 2006, the swap had a negative fair value of (\$470,049). Because the coupons on the Agency's variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the LIBOR swap yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swaps. Valuations based on other models or different assumptions may yield different results.

Credit Risk: As of June 30, 2005, the Agency was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the Agency would be exposed to credit risk in the amount of the derivative's fair value.

The swap agreement contains specific collateral requirements that are in effect for the Agency and the counterparties, which would require collateralization of the fair value of the swap should credit rating fall below the applicable thresholds. In addition, the swap payments associated with the Series 2006 bonds are guaranteed by an AMBAC Inc. surety agreement. Collateral postings would only be required in the event AMBAC's rating is reduced. Cross-default provisions allow a nondefaulting party to accelerate and terminate all outstanding transactions and to net the transactions' fair values into a single sum to be owed by or owed to the nondefaulting party.

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

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

6. LONG-TERM DEBT, Continued

A. Long-term Obligations, Continued

2006 Las Pulgas Project Tax Allocation Bonds, Continued

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

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ -	\$ 2,711,659	2,711,659
2008	1,610,000	2,679,481	4,289,481
2009	1,680,000	2,612,348	4,292,348
2010	1,745,000	2,543,066	4,288,066
2011-2015	1,810,000	2,471,065	4,281,065
2016-2020	10,155,000	12,287,057	22,442,057
2021-2025	15,110,000	9,746,319	24,856,319
2026-2040	18,255,000	6,372,817	24,627,817
2031-2034	22,065,000	(2,632,174)	19,432,826
Total	<u>\$ 72,430,000</u>	<u>\$ 38,791,638</u>	<u>\$ 111,221,638</u>

The issuance of the 2006 Las Pulgas Tax Allocation Bonds included a discount of \$336,800. This amount was recorded as expenditures in the fund financial statements but was capitalized in the government-wide financials statements and recorded as a reduction of long-term debt. The discount will be amortized over the life of the debt. No amortization was recorded in fiscal year 2006 since the debt was issued at the end of the year.

In connection with the issuance of the 2006 Las Pulgas Tax Allocation Bonds, the City recorded a deferral on refunding of debt which is reported as part of long-term debt. This deferral was in connection with interest payments made to the escrow agent for future payments of interest. The total amount deferred was \$3,200,172 which will be amortized over the life of the bond. No amortization was recorded in fiscal year 2006 since the debt was issued at the end of the year.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

6. LONG-TERM DEBT, Continued

B. Prior Years' Defeased Obligations

1996 and 2000 Tax Allocation Bonds

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

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

The balance of the defeased bonds outstanding as of June 30, 2006, was \$67,325,000.

7. COMPENSATED ABSENCES

As of fiscal year 2006, compensated absences were not included as a liability in the Fund Financial Statements (see Note no. 20 for the prior period adjustment). Compensated absences at June 30, 2006 were as follows:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006	Due within one year	Due in more than one year
Governmental Activities:	\$ 1,789,939	\$ 719,798	\$ (873,769)	\$ 1,635,968	\$ 768,905	\$ 867,063
Business-Type Activities:	51,352	25,649	(27,629)	49,372	23,204	26,168
Total compensated absences	<u>\$ 1,841,394</u>	<u>\$ 745,447</u>	<u>\$ (901,398)</u>	<u>\$ 1,685,340</u>	<u>\$ 792,109</u>	<u>\$ 893,231</u>

8. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The City participates in pooled insurance programs offered by the Bay Cities Joint Powers Insurance Authority (BCJPIA) for losses in excess of specific program deductibles. The purpose of the pool is to provide certain levels of liability coverage, claims administration, and loss control support to member Cities. The bylaws of the BCJPIA, the risk coverage agreement, and an associated memorandum of coverage govern the rights and responsibilities of the BCJPIA's 21 members. Each member chooses its self-insured liability retention levels. Each member has a vote in approving the pool's self-insured retention level, in setting the coverage limits, in establishing the level of pool reserves and in approving the premium allocation methodology used for setting the premiums for each member.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

8. RISK MANAGEMENT, Continued

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

Bay Cities Joint Powers Insurance Authority
 1831 K Street
 Sacramento, CA 95814

The City's Liability program has a per claim deductible of \$100,000 and a policy limit of \$20,000,000. The Employment Practices program has a per claim deductible of \$75,000 and a policy limit of \$1,000,000. The Property and Fire program has a per claim deductible of \$10,000 and a policy limit of replacement value.

The City's Workers' Compensation program has a per claim deductible of \$350,000 and a policy limit of \$150,000,000.

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

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

Changes in the balances of the City's claims liabilities during the years ended June 30, 2006, 2005, and 2004 were as follows:

	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claim Payments for Current and Prior Years	End of Year Liability
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
2003-2004	\$ 1,467,798	\$ 969,496	\$ (823,440)	\$ 1,613,854
2004-2005	1,613,854	1,445,898	(842,157)	2,217,595
2005-2006	2,217,595	1,073,397	(425,870)	2,865,122

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

9. INTERFUND TRANSACTIONS

Interfund receivables and payables at June 30, 2006, were as follows:

Due To / From Other Funds

Interfund due to/due from represent short term loans owed for purposed of covering short term negative cash positions and will be repaid when fund revenues are received. The composition of due to/from other funds as of June 30, 2006 is as follows:

		Due from other funds		
		Community Development Agency Special Revenue	Non-Major Governmental Funds	Total
Due to other funds	Governmental Activities:			
	Major Funds:			
	Community Development Agency:			
	Capital Projects Fund	\$ 3,823,844	\$ -	\$ 3,823,844
	Community Development Block Grant	423,221	-	423,221
	Non-Major Funds:			
Family Literacy Grant Fund	-	21,769	21,769	
	Total	\$ 4,247,065	\$ 21,769	\$ 4,268,834

Advances To / From Other Funds

Advances from the Community Development Block Grant Special Revenue fund to the Community Development Agency fund were provided to fund the Agency's housing project. There are no set repayment terms. The composition of advances to/from other funds as of June 30, 2006 is as follows:

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

9. INTERFUND TRANSACTIONS, Continued

Interfund Transfers

Interfund transfers for the year ended June 30, 2006, were as follows:

		Transfers In				
		Governmental Activities				
		Major Funds		Non-Major		
		General	CDA	CDA	Governmental	
		Fund	Special Revenue	Debt Service	Funds	Total
Transfers Out	Governmental Activities:					
	Major funds:					
	General Fund	\$ -	\$ -	\$ -	\$ 196,000	\$ 196,000
	CDA- Housing	38,500	-	1,019,135	-	1,057,635
	CDA- Non Housing	115,500	-	11,051,938	-	11,167,438
	CDA - Capital Projects	-	3,500,000	-	-	3,500,000
	Non-Major Governmental Funds	227,818	-	-	-	227,818
	Business-type Activities:					
Water	227,700	-	-		227,700	
Total	\$ 609,518	\$ 3,500,000	\$ 12,071,073	\$ 196,000	\$ 16,376,591	

The most significant transfers were from the Community Development Agency non- Housing fund to the to the Community development Agency Debt Service Fund which were provided to make debt service payment and to transfer restricted cash.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

10. CLASSIFICATION OF NET ASSETS

In the Fund Financial Statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. The various 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, 2006:

	General Fund	Community Development Agency				Community Development Block Grant Special Revenue	Non-Major Funds	Total
		Special Revenue Housing	Special Revenue Non-Housing	Debt Service	Capital Projects			
Reserved:								
Encumbrances and reappropriations	\$ 384,059	\$ 294,070	\$ 11,847	\$ -	\$ 1,790,084	\$ 1,375	\$ 2,254,106	\$ 4,735,541
Deposits and prepaid items	203,411	-	-	-	-	-	-	203,411
Advances to other funds	-	-	-	-	-	500,000	-	500,000
Housing loans	-	1,705,396	-	-	-	-	4,482,000	6,187,396
Debt service	-	-	-	6,849,552	-	-	1,516,796	8,366,348
Notes receivable	1,300,000	-	-	-	-	-	-	1,300,000
Total reserved	1,887,470	1,999,466	11,847	6,849,552	1,790,084	501,375	8,252,902	21,292,696
Unreserved, designated:								
Insurance	2,865,122	-	-	-	-	-	-	2,865,122
Equipment replacement	146,835	-	-	-	-	-	-	146,835
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
Street impact fees	-	-	-	-	-	-	271,014	271,014
Special programs and services:								
Special revenue funds	-	-	-	-	-	-	578,060	578,060
Capital improvements reported in:								
Capital project funds	-	-	-	-	6,112,420	-	6,627,577	12,739,997
Total unreserved, designated	8,611,957	-	-	-	6,112,420	-	7,476,651	22,201,028
Unreserved, undesignated reported in:								
General Fund	25,001,249	-	-	-	-	-	-	25,001,249
Special revenue funds	-	(1,588,564)	15,005,093	-	-	(491,692)	9,728,837	22,653,674
Total unreserved, undesignated	25,001,249	(1,588,564)	15,005,093	-	-	(491,692)	9,728,837	47,654,923
Total	\$ 35,500,676	\$ 410,902	\$ 15,016,940	\$ 6,849,552	\$ 7,902,504	\$ 9,683	\$ 25,458,390	\$ 91,148,647

Reserved for Encumbrances and Reappropriations - 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 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.

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

10. CLASSIFICATION OF NET ASSETS, Continued

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

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.

11. OTHER FUND DISCLOSURES

Expenditures over Appropriations

The following funds had an excess of expenditures over appropriations,

Major Funds:	
Community Development Agency	
Debt Service Fund	\$ 4,894,426
Community Development Block Grant	132,475
Non-Major:	
Special Revenue Funds:	
Federal Revenue Sharing	8,141
Narcotic Seizure	3,407
Storm Drainage Fees	1,518
Miscellaneous Trust	960,909

The Community Development Agency Debt Service excess of expenditures was due to bond issuance costs for refinancing of old bonds and the funding for the new debt service reserve. The refinancing was not anticipated when preparing the 2005-2006 budget.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

11. OTHER FUND DISCLOSURES, Continued

The Community Development Block Grant Fund made additional rehabilitation loans.

The Federal Revenue Sharing Fund made an additional emergency rehabilitation loan in June 2006.

The Storm Drainage Fund usually budgets for special projects, but during the winter of 2006, heavy rains required unanticipated staff time.

The Miscellaneous Trust Funds paid \$743,000 for environmental impact report studies. These studies are related to construction projects and paid for by deposits held for these projects. Since these studies are funded by deposits, no annual appropriation of funds is established. In addition, there was a repayment of \$400,000 to a developer for a contractual deposit at the end of the agreement period. The amount was not appropriated.

12. PUBLIC EMPLOYEE RETIREMENT SYSTEM

Plan Description

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

Funding Policy

Participants are required to contribute 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 11.508% for miscellaneous employees, and 26.360% for safety employees, of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

12. PUBLIC EMPLOYEE RETIREMENT SYSTEM, Continued

Annual Pension Cost

For 2006, the City's annual pension cost of \$2,477,974 for PERS was equal to the City's required and actual contribution. The required contribution was determined as part of the June 30, 2003, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions were as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Valuation date	June 30, 2003	June 30, 2003
Actuarial cost method	Entry age Actuarial Cost Method	Entry age Actuarial Cost Method
Amortization method	level percent of payroll	level percent of payroll
Average remaining period	12 years as of the valuation date	15 years as of the valuation date
Asset valuation method	3 year smoothed market	3 year smoothed market
Actuarial assumptions:		
Investment rate of return	7.75% (net of administrative expenses)	7.75% (net of administrative expenses)
Projected salary increases	3.25% to 14.45% depending on age, service, and type of employment	3.25% to 13.15% depending on age, service, and type of employment
Inflation	3.00%	3.00%
Payroll growth	3.25%	3.25%
Individual salary growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%

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

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2004	\$ 239,473	100%	\$ -
June 30, 2005	1,735,805	100%	-
June 30, 2006	2,477,974	100%	-

13. 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 2006 is \$64.60 per month. As of September 7, 1989, approximately eighty-three former employees were eligible for this benefit. For the fiscal year ended June 30, 2006, 65 former employees or annuitants were enrolled in the PERS Health Benefits Program.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

13. OTHER POST-EMPLOYMENT BENEFITS, Continued

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 of 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 twenty 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 fifteen 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 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 3 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.

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.

AFSCME and 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.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

13. OTHER POST-EMPLOYMENT BENEFITS, Continued

The health insurance premium, less the City contribution of \$64.60, 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 City contribution for each active and retired employee. The cost to the City for retiree health insurance for the fiscal year ended June 30, 2006 was \$215,021 which includes an administrative cost of 0.3% of premium. Effective January 1, 2006, the PERS Health Benefits Program premiums increased by an average of 7.6%.

The PERS Health Benefits Program offers HMOs, 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 \$64.60 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 \$64.60 per active or retired enrollee in the PERS Health Benefits Program, the administrative cost of 0.3% of premium, and the sick leave/general leave conversion benefit. These expenditures are recorded in the General Fund.

14. LANDFILL POST-CLOSURE CARE

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

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

The City's outstanding future post-closure care costs were estimated at \$7,220,173 at June 30, 2006. This estimate is based upon the present value of future cash flows associated with the landfill site's post-closure costs, discounted using the City's projected return on investment. The amount of fund balance within the Landfill Special Revenue Fund is not sufficient to cover such a liability, though the revenue stream provided by the solid waste collection surcharge and all post-closure costs will be accounted for in this fund. The City has recorded the post-closure cost liability and prior period adjustment as part of governmental activities in the government-wide financial statements.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

14. LANDFILL POST-CLOSURE CARE, Continued

The City will fund on-going post-closure costs with a combination of revenues from the surcharge and interest earnings. However, if these revenues are inadequate or additional post-closure care requirements are determined (due to changes in technology, applicable laws or regulations, for example), these costs may need to be covered by additional garbage surcharges or from future tax revenue. The following is the activity for landfill post closure care for fiscal year 2006

	Balance July 1, 2006	Deletions	Balance June 30, 2006	Due within one year	Due in more than one year
Governmental Activities	<u>\$ 7,325,000</u>	<u>\$ (104,827)</u>	<u>\$ 7,220,173</u>	<u>\$ 107,509</u>	<u>\$ 7,112,664</u>

15. 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 2005-2006 was \$9,613,445.

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 the tax increment that the Agency may collect from \$30 million to \$430 million and extend the project to the year 2030. The amended Plan includes a comprehensive and coordinated set of additional project activities related to, 1) planning and code enforcement, 2) real estate development and improvements (including significant activities to continue to improve, increase and preserve the community's supply of affordable low and moderate income housing), 3) public infrastructure and facilities improvements, 4) community facilities, and 5) other support projects. These projects are designed to help reduce and eliminate the many aspects of visual, economic, physical, and social blight which still exists within the project area.

16. 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, 2006, 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.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

17. 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.

18. 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.

19. COMMITMENTS

The City had various commitments totaling \$4,670,373 as of June 30, 2006. Five of these commitments were for large construction projects: the Police Substation/City Hall Annex for \$1,310,772, the Redevelopment Agency Streetscape Overall Improvement for \$421,367, the Terminal Avenue Site Remediation for \$229,832, the Burgess Pool and Gymnasium for \$906,492, and the Parking Plaza Renovation for \$211,016. The remaining commitments, totaling \$1,590,894, were for less significant activities. All commitments are evidenced by contractual agreements with contractors.

20. PRIOR PERIOD ADJUSTMENT

In fiscal year 2006, the City removed the liability for compensated absences from its fund financials statements to comply with GASB pronouncements and definitions of these liabilities. There was no effect on the government-wide financial statements. The following adjustments were made:

	Net Assets as Previously Reported	Prior Period Adjustment <hr/> Compensated Absences	Net Assets as Restated
General Fund	\$ 31,109,122	\$ 697,090	\$ 31,806,212
Community Development Agency:			
Housing Special Revenue Fund	(3,614,800)	7,064	(3,607,736)
Non-Housing Special Revenue Fund	19,236,149	14,113	19,250,262
Capital Projects	12,035,922	6,697	12,042,619
Community Development Block Grant:			
Special Revenue Fund	831	4,763	5,594
Non-major funds	32,825,634	75,139	32,900,773

REQUIRED SUPPLEMENTARY INFORMATION

City of Menlo Park
Required Supplementary Information
For the year ended June 30, 2006

BUDGETARY PRINCIPLES

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

1. City Council identifies the priority projects/programs for the budget at a study session with public input. The City Council annually adopts the budget for the ensuing fiscal year generally prior to July 1.
2. The City Manager is authorized to transfer budgetary amounts within a single fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.
3. Legally adopted budgets and formal budgetary integration is employed as a management control device during the year for the General Fund, special revenue funds, debt service funds, and capital projects funds. 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, 2006, 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, 2006

Budgetary Comparison Schedule, General Fund

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES:				
Taxes:				
Secured property taxes	\$ 6,250,000	\$ 6,837,000	\$ 6,892,935	\$ 55,935
Unsecured property taxes	450,000	450,000	404,056	(45,944)
Other property taxes	463,000	2,163,000	2,710,817	547,817
Sales taxes	6,520,000	6,120,000	6,503,635	383,635
Other taxes	2,305,000	2,405,000	2,476,443	71,443
Licenses and permits	2,733,600	2,870,000	3,091,469	221,469
Fines and forfeitures	871,520	830,000	792,005	(37,995)
Use of money and property	1,388,000	1,700,000	1,671,653	(28,347)
Intergovernmental	2,908,815	1,805,769	1,732,929	(72,840)
Charges for services	3,831,582	3,629,290	4,225,135	595,845
Other	11,000	106,710	47,996	(58,714)
Total revenues	27,732,517	28,916,769	30,549,073	1,632,304
EXPENDITURES:				
Current:				
General government	5,419,916	6,025,866	5,173,093	852,773
Public safety	9,691,264	9,784,740	8,865,022	919,718
Public works	4,001,347	4,077,835	3,932,849	144,986
Culture and recreation	7,635,224	7,492,302	6,875,398	616,904
Community development	1,982,967	2,172,282	1,980,028	192,254
Capital outlay	431,829	597,176	452,479	144,697
Total expenditures	29,162,547	30,150,201	27,278,869	2,871,332
REVENUES OVER (UNDER) EXPENDITURES	(1,430,030)	(1,233,432)	3,270,204	4,503,636
OTHER FINANCING SOURCES (USES):				
Transfers in	660,220	609,518	609,518	-
Transfers out	(196,000)	(196,000)	(196,000)	-
Proceeds from sale of fixed assets	-	-	10,742	10,742
Total other financing sources (uses)	464,220	413,518	424,260	10,742
Net change in fund balances	\$ (965,810)	\$ (819,914)	3,694,464	\$ 4,514,378
FUND BALANCES:				
Beginning of year, as restated			31,806,212	
End of year			<u>\$ 35,500,676</u>	

City of Menlo Park
Required Supplementary Information, Continued
For the year ended June 30, 2006

Budgetary Comparison Schedule, Community Development Agency Housing Special Revenue Fund

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Secured property taxes	\$ 2,000,000	\$ 2,000,000	\$ 1,737,325	\$ (262,675)
Unsecured property taxes	192,953	192,953	185,366	(7,587)
Use of money and property	30,600	30,600	90,418	59,818
Charges for services	42,000	42,000	50	(41,950)
Total revenues	2,265,553	2,265,553	2,013,159	(252,394)
EXPENDITURES:				
Current:				
Rehabilitation loans	200,000	200,000	-	200,000
Urban development and housing	1,182,978	1,253,668	436,066	817,602
Capital outlay	2,660	42,438	820	41,618
Total expenditures	1,385,638	1,496,106	436,886	1,059,220
REVENUES OVER (UNDER) EXPENDITURES	879,915	769,447	1,576,273	806,826
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	3,500,000	3,500,000
Transfers out	(1,057,634)	(1,057,634)	(1,057,635)	(1)
Total other financing sources (uses)	(1,057,634)	(1,057,634)	2,442,365	3,499,999
Net change in fund balances	\$ (177,719)	\$ (288,187)	4,018,638	\$ 4,306,825
FUND BALANCES:				
Beginning of year, as restated			(3,607,736)	
End of year			\$ 410,902	

City of Menlo Park
Required Supplementary Information, Continued
For the year ended June 30, 2006

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

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
REVENUES:				
Taxes:				
Secured property taxes	\$ 8,000,000	\$ 8,000,000	\$ 6,949,301	\$ (1,050,699)
Unsecured property taxes	771,800	771,800	741,463	(30,337)
Use of money and property	250,000	250,000	334,617	84,617
Charges for services	5,000	5,000	11,626	6,626
Total revenues	9,026,800	9,026,800	8,037,007	(989,793)
EXPENDITURES:				
Current:				
Community development	1,105,892	1,105,892	1,182,264	(76,372)
Urban development and housing	4,513,419	4,560,171	3,895,331	664,840
Capital outlay	1,800	1,800	-	1,800
Total expenditures	5,621,111	5,667,863	5,077,595	590,268
REVENUES OVER (UNDER) EXPENDITURES	3,405,689	3,358,937	2,959,412	(399,525)
OTHER FINANCING SOURCES (USES):				
Transfers out	(4,192,039)	(4,192,039)	(11,167,438)	(6,975,399)
Proceeds from sale of capital assets	-	-	3,974,704	3,974,704
Total other financing sources (uses)	(4,192,039)	(4,192,039)	(7,192,734)	(3,000,695)
Net change in fund balances	\$ (786,350)	\$ (833,102)	(4,233,322)	\$ (3,400,220)
FUND BALANCES:				
Beginning of year, as restated			19,250,262	
End of year			\$ 15,016,940	

City of Menlo Park
Required Supplementary Information, Continued
For the year ended June 30, 2006

Budgetary Comparison Schedule, Community Development Block Grant Special Revenue Fund

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 189,670	\$ 189,670
Charges for services	416,900	416,900	364,694	(52,206)
Total revenues	416,900	416,900	554,364	137,464
EXPENDITURES:				
Current:				
Rehabilitation loans	244,086	244,086	400,100	(156,014)
Urban development and housing	171,303	172,378	150,175	22,203
Capital outlay	1,333	1,333	-	1,333
Total expenditures	416,722	417,797	550,275	(132,478)
REVENUES OVER (UNDER) EXPENDITURES	\$ 178	\$ (897)	4,089	\$ 4,986
FUND BALANCES:				
Beginning of year, as restated			5,594	
End of year			\$ 9,683	

City of Menlo Park
Required Supplementary Information, Continued
For the year ended June 30, 2006

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
2003	\$ 41,741,622	\$ 44,337,289	\$ 2,595,667	94.1%	\$ 12,502,729	20.8%
2004	44,038,509	48,623,667	4,585,158	90.6%	12,491,817	36.7%
2005	47,827,629	51,962,557	4,134,928	92.0%	12,438,965	33.2%

Safety Employees

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. As part of a cost-sharing multiple-employer defined benefit plan, disclosure of the schedule of funding progress is not required.

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SUPPLEMENTARY INFORMATION

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MAJOR GOVERNMENTAL FUNDS BUDGETARY SCHEDULES

City of Menlo Park

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

Community Development Agency - Debt Service Major Fund

For the year ended June 30, 2006

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 379	\$ 379
Total revenues	-	-	379	379
EXPENDITURES:				
Debt service:				
Principal	1,405,000	1,405,000	1,405,000	-
Interest and fiscal charges	3,690,674	3,690,674	3,738,815	(48,141)
Cost of Issuance	-	-	1,646,113	(1,646,113)
Total expenditures	5,095,674	5,095,674	6,789,928	(1,694,254)
REVENUES OVER (UNDER) EXPENDITURES	(5,095,674)	(5,095,674)	(6,789,549)	(1,693,875)
OTHER FINANCING SOURCES (USES):				
Transfers in	5,095,674	5,095,674	12,071,073	6,975,399
Issuance of debt	-	-	72,430,000	72,430,000
Payment to escrow agent	-	-	(70,525,172)	(70,525,172)
Discount on issuance of debt	-	-	(336,800)	(336,800)
Total other financing sources (uses)	5,095,674	5,095,674	13,639,101	8,543,427
Net change in fund balances	\$ -	\$ -	6,849,552	\$ 6,849,552
FUND BALANCES:				
Beginning of year			-	
End of year			\$ 6,849,552	

City of Menlo Park

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

Community Development Agency - Capital Projects Major Fund

For the year ended June 30, 2006

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 309,000	\$ 309,000	\$ 644,367	\$ 335,367
Total revenues	309,000	309,000	644,367	335,367
EXPENDITURES:				
Current:				
Community development	405,177	1,204,589	181,430	1,023,159
Urban development and housing	30,123	30,123	27,293	2,830
Capital outlay	232,000	5,749,873	1,075,759	4,674,114
Total expenditures	667,300	6,984,585	1,284,482	5,700,103
REVENUES OVER (UNDER) EXPENDITURES	(358,300)	(6,675,585)	(640,115)	6,035,470
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	(3,500,000)	(3,500,000)
Total other financing sources (uses)	-	-	(3,500,000)	(3,500,000)
Net change in fund balances	\$ (358,300)	\$ (6,675,585)	(4,140,115)	\$ 2,535,470
FUND BALANCES:				
Beginning of year, as restated			12,042,619	
End of year			\$ 7,902,504	

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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 surcharges and other revenues 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 in order to keep health standards high for the single-family residences.

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

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds, Continued:

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

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

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

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

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

Debt Service Fund:

Debt service funds are established to account for the accumulation and disbursement of monies to comply with the interest and redemption requirements of the Library Bond and the 2002 Recreation GO Bond Obligations.

Capital Projects Funds:

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

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

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

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City of Menlo Park
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2006

	Special Revenue				
	Highway Users Tax	Federal Revenue Sharing	Landscape/ Tree Assessment	Sidewalk Assessment	Bayfront Park Landfill
ASSETS					
Cash and investments	\$ 1,686,178	\$ 52,011	\$ 236,300	\$ 419,214	\$ 543,759
Restricted cash and investments	-	-	-	-	-
Receivables:					
Accounts	-	-	-	-	69,220
Interest	16,862	520	-	-	5,438
Notes	-	55,387	-	-	-
Due from other governments	96,920	-	14,002	5,445	2,791
Due from other funds	-	-	-	-	-
Total assets	\$ 1,799,960	\$ 107,918	\$ 250,302	\$ 424,659	\$ 621,208
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 5,629	\$ -	\$ 16,976	\$ 648	\$ 18,629
Accrued payroll and related liabilities	2,610	-	6,510	898	82
Compensated absences	-	-	-	-	-
Due to other funds	-	-	-	-	-
Deferred revenue	-	55,387	-	-	19,945
Total liabilities	8,239	55,387	23,486	1,546	38,656
Fund Balances:					
Reserved:					
Encumbrances and reappropriations	32,747	-	22,930	88,058	4,492
Advances to other funds	-	-	-	-	-
Housing loans	-	-	-	-	-
Debt service	-	-	-	-	-
Total reserved	32,747	-	22,930	88,058	4,492
Unreserved:					
Designated:					
Street impact fees	271,014	-	-	-	-
Special programs and services	-	-	-	-	578,060
Capital improvements	-	-	-	-	-
Total designated	271,014	-	-	-	578,060
Undesignated	1,487,960	52,531	203,886	335,055	-
Total fund balances	1,791,721	52,531	226,816	423,113	582,552
Total liabilities and fund balances	\$ 1,799,960	\$ 107,918	\$ 250,302	\$ 424,659	\$ 621,208

Special Revenue

Below Market Rate Housing	County Transportation Tax	Public Library	Literacy Grants	Narcotic Seizure	Traffic Impact Fees	Downtown Parking Permits	Storm Drainage Fees
\$ 3,905,221	\$ 1,608,587	\$ 120,743	\$ 20,772	\$ 9,600	\$ 475,173	\$ 1,624,991	\$ 13,942
-	-	-	-	-	-	-	-
-	17,173	-	-	-	-	24,424	-
39,054	16,086	-	-	-	4,752	16,251	139
718,910	-	-	-	-	-	-	-
-	155,291	-	-	-	-	-	-
-	-	-	21,769	-	-	-	-
<u>\$ 4,663,185</u>	<u>\$ 1,797,137</u>	<u>\$ 120,743</u>	<u>\$ 42,541</u>	<u>\$ 9,600</u>	<u>\$ 479,925</u>	<u>\$ 1,665,666</u>	<u>\$ 14,081</u>
\$ 804	\$ 203,505	\$ -	\$ 1,477	\$ 828	\$ 462	\$ 211,971	\$ -
-	5,572	-	2,870	-	2,172	311	-
-	-	-	-	-	-	-	-
-	-	-	21,769	-	-	-	-
-	-	-	-	-	-	-	-
<u>804</u>	<u>209,077</u>	<u>-</u>	<u>26,116</u>	<u>828</u>	<u>2,634</u>	<u>212,282</u>	<u>-</u>
-	182,579	-	1,468	-	-	211,016	-
-	-	-	-	-	-	-	-
4,482,000	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>4,482,000</u>	<u>182,579</u>	<u>-</u>	<u>1,468</u>	<u>-</u>	<u>-</u>	<u>211,016</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>180,381</u>	<u>1,405,481</u>	<u>120,743</u>	<u>14,957</u>	<u>8,772</u>	<u>477,291</u>	<u>1,242,368</u>	<u>14,081</u>
<u>4,662,381</u>	<u>1,588,060</u>	<u>120,743</u>	<u>16,425</u>	<u>8,772</u>	<u>477,291</u>	<u>1,453,384</u>	<u>14,081</u>
<u>\$ 4,663,185</u>	<u>\$ 1,797,137</u>	<u>\$ 120,743</u>	<u>\$ 42,541</u>	<u>\$ 9,600</u>	<u>\$ 479,925</u>	<u>\$ 1,665,666</u>	<u>\$ 14,081</u>

City of Menlo Park
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2006

	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	\$ 853,250	\$ 47,484	\$ 481,377	\$ 12,323	\$ 127,990
Restricted cash and investments	-	-	-	-	-
Receivables:					
Accounts	-	2,195	-	27,020	-
Interest	8,533	475	-	-	1,280
Notes	-	-	-	-	-
Due from other governments	45,321	-	6,586	-	-
Due from other funds	-	-	-	-	-
Total assets	\$ 907,104	\$ 50,154	\$ 487,963	\$ 39,343	\$ 129,270
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 142,935	\$ 2,293	\$ 8,749	\$ 924	\$ 15,498
Accrued payroll and related liabilities	4,322	-	2,215	6,729	156
Compensated absences	-	-	-	-	-
Due to other funds	-	-	-	-	-
Deferred revenue	312,470	-	-	-	-
Total liabilities	459,727	2,293	10,964	7,653	15,654
Fund Balances:					
Reserved:					
Encumbrances and reappropriations	31,151	-	39,474	3,000	18,400
Advances to other funds	-	-	-	-	-
Housing loans	-	-	-	-	-
Debt service	-	-	-	-	-
Total reserved	31,151	-	39,474	3,000	18,400
Unreserved:					
Designated:					
Street impact fees	-	-	-	-	-
Special programs and services	-	-	-	-	-
Capital improvements	-	-	-	-	-
Total designated	-	-	-	-	-
Undesignated	416,226	47,861	437,525	28,690	95,216
Total fund balances	447,377	47,861	476,999	31,690	113,616
Total liabilities and fund balances	\$ 907,104	\$ 50,154	\$ 487,963	\$ 39,343	\$ 129,270

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
\$ -	\$ 1,534,103	\$ 287,641	\$ 152,699	\$ 160,841	\$ 1,496,003	\$ 617,625	\$ 853,120
-	-	-	-	-	-	64	-
-	-	-	-	-	-	-	-
-	15,342	2,876	1,527	1,609	5,928	6,176	8,532
-	-	-	-	-	-	-	-
-	-	-	-	-	-	7,806	23,473
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 1,549,445</u>	<u>\$ 290,517</u>	<u>\$ 154,226</u>	<u>\$ 162,450</u>	<u>\$ 1,501,931</u>	<u>\$ 631,671</u>	<u>\$ 885,125</u>
\$ -	\$ 57,507	\$ -	\$ 11,500	\$ 1,061	\$ 148,344	\$ -	\$ -
-	412	-	-	-	385	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	57,919	-	11,500	1,061	148,729	-	-
-	19,798	-	-	-	259,749	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	631,671	885,125
-	19,798	-	-	-	259,749	631,671	885,125
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	1,471,728	290,517	142,726	161,389	1,093,453	-	-
-	1,491,526	290,517	142,726	161,389	1,353,202	631,671	885,125
<u>\$ -</u>	<u>\$ 1,549,445</u>	<u>\$ 290,517</u>	<u>\$ 154,226</u>	<u>\$ 162,450</u>	<u>\$ 1,501,931</u>	<u>\$ 631,671</u>	<u>\$ 885,125</u>

City of Menlo Park
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2006

	Capital Projects			Total Non-Major Governmental Funds
	Library Addition	Measure T 2002 GO Bond	Capital Improvement General	
ASSETS				
Cash and investments	\$ 408,483	\$ 442,021	\$ 5,564,201	\$ 23,755,652
Restricted cash and investments	-	1,760,028	-	1,760,092
Receivables:				
Accounts	-	400	10,931	151,363
Interest	4,085	4,453	-	159,918
Notes	-	-	-	774,297
Due from other governments	-	-	-	357,635
Due from other funds	-	-	-	21,769
Total assets	\$ 412,568	\$ 2,206,902	\$ 5,575,132	\$ 26,980,726
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 209,414	\$ 12,836	\$ 1,071,990
Accrued payroll and related liabilities	-	1,370	4,161	40,775
Compensated absences	-	-	-	-
Due to other funds	-	-	-	21,769
Deferred revenue	-	-	-	387,802
Total liabilities	-	210,784	16,997	1,522,336
Fund Balances:				
Reserved:				
Encumbrances and reappropriations	26,916	1,182,406	129,922	2,254,106
Advances to other funds	-	-	-	-
Housing loans	-	-	-	4,482,000
Debt service	-	-	-	1,516,796
Total reserved	26,916	1,182,406	129,922	8,252,902
Unreserved:				
Designated:				
Street impact fees	-	-	-	271,014
Special programs and services	-	-	-	578,060
Capital improvements	385,652	813,712	5,428,213	6,627,577
Total designated	385,652	813,712	5,428,213	7,476,651
Undesignated	-	-	-	9,728,837
Total fund balances	412,568	1,996,118	5,558,135	25,458,390
Total liabilities and fund balances	\$ 412,568	\$ 2,206,902	\$ 5,575,132	\$ 26,980,726

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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, 2006

	Special Revenue				
	Highway Users Tax	Federal Revenue Sharing	Landscape/ Tree Assessment	Sidewalk Assessment	Bayfront Park Landfill
REVENUES:					
Other taxes	\$ 595,607	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	451,291	175,502	-
Licenses and permits	-	-	-	-	-
Use of money and property	43,192	2,475	-	-	73,902
Intergovernmental	139,377	-	12,130	-	-
Charges for services	271,014	9,696	1,698	-	310,998
Other	-	-	-	-	-
Total revenues	1,049,190	12,171	465,119	175,502	384,900
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	241,402	-	512,664	63,819	153,426
Culture and recreation	-	-	-	-	-
Community development	-	-	-	-	-
Urban development and housing	-	33,141	-	-	-
Capital outlay	28,155	-	19,399	170,379	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	269,557	33,141	532,063	234,198	153,426
REVENUES OVER (UNDER) EXPENDITURES	779,633	(20,970)	(66,944)	(58,696)	231,474
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	141,000	-
Transfers out	-	-	(126,500)	-	-
Proceeds from sale of fixed assets	-	-	-	-	-
Total other financing sources (uses)	-	-	(126,500)	141,000	-
Net change in fund balances	779,633	(20,970)	(193,444)	82,304	231,474
FUND BALANCES:					
Beginning of year	1,005,853	73,501	411,946	340,001	350,203
Prior period adjustments	6,235	-	8,314	808	875
Beginning of year, as restated	1,012,088	73,501	420,260	340,809	351,078
End of year	\$ 1,791,721	\$ 52,531	\$ 226,816	\$ 423,113	\$ 582,552

Special Revenue

Below Market Rate Housing	County Transportation Tax	Public Library	Literacy Grants	Narcotic Seizure	Traffic Impact Fees	Downtown Parking Permits	Storm Drainage Fees
\$ -	\$ 647,938	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	341,276	-
144,298	52,503	-	-	-	16,804	55,167	196
-	199,323	12,035	37,772	-	-	-	-
123,818	68,665	-	-	2,154	34,802	24,424	15,323
-	-	-	43,220	-	-	-	-
268,116	968,429	12,035	80,992	2,154	51,606	420,867	15,519
-	168	-	-	-	-	-	-
-	-	-	-	-	-	4,307	-
-	538,940	-	-	-	94,644	95,400	1,518
-	-	251	145,975	-	-	-	-
-	688	-	-	-	-	-	-
2,259	-	-	-	-	-	-	-
283,278	453,301	-	-	3,407	848	510,138	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
285,537	993,097	251	145,975	3,407	95,492	609,845	1,518
(17,421)	(24,668)	11,784	(64,983)	(1,253)	(43,886)	(188,978)	14,001
-	-	-	55,000	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	55,000	-	-	-	-
(17,421)	(24,668)	11,784	(9,983)	(1,253)	(43,886)	(188,978)	14,001
4,679,802	1,603,227	108,959	20,572	10,025	519,592	1,641,182	80
-	9,501	-	5,836	-	1,585	1,180	-
4,679,802	1,612,728	108,959	26,408	10,025	521,177	1,642,362	80
\$ 4,662,381	\$ 1,588,060	\$ 120,743	\$ 16,425	\$ 8,772	\$ 477,291	\$ 1,453,384	\$ 14,081

(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, 2006

	Special Revenue				Supplemental Law Enforcement Services
	Solid Waste Service	Bay Area Air Quality Management	Storm Water Management (NPDES)	Peninsula Partnership	
REVENUES:					
Other taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	320,820	-	-
Licenses and permits	-	-	-	-	-
Use of money and property	23,204	939	-	-	5,213
Intergovernmental	8,306	82,973	-	176,924	100,000
Charges for services	1,640,352	366	2,948	-	-
Other	-	-	-	-	-
Total revenues	1,671,862	84,278	323,768	176,924	105,213
EXPENDITURES:					
Current:					
General government	1,478,869	-	-	-	-
Public safety	-	-	-	-	58,113
Public works	155,559	83,340	360,107	-	-
Culture and recreation	-	-	-	207,816	-
Community development	-	-	-	-	-
Urban development and housing	-	-	-	-	-
Capital outlay	25,193	-	25,230	256	44,996
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	1,659,621	83,340	385,337	208,072	103,109
REVENUES OVER (UNDER) EXPENDITURES	12,241	938	(61,569)	(31,148)	2,104
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	(61,300)	-	(23,020)	-	-
Proceeds from sale of fixed assets	-	-	-	-	-
Total other financing sources (uses)	(61,300)	-	(23,020)	-	-
Net change in fund balances	(49,059)	938	(84,589)	(31,148)	2,104
FUND BALANCES:					
Beginning of year	493,161	46,923	559,136	60,212	111,512
Prior period adjustments	3,275	-	2,452	2,626	-
Beginning of year, as restated	496,436	46,923	561,588	62,838	111,512
End of year	\$ 447,377	\$ 47,861	\$ 476,999	\$ 31,690	\$ 113,616

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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	412,991	1,073,031
-	-	-	-	-	-	-	-
22	53,540	8,759	5,170	5,572	32,105	15,974	17,425
-	-	-	-	-	-	-	-
-	-	170,000	-	-	721,629	-	-
-	-	-	-	-	121,601	-	-
22	53,540	178,759	5,170	5,572	875,335	428,965	1,090,456
-	-	-	-	-	-	-	-
2,235	-	-	-	-	-	-	-
-	208,559	-	23,000	14,183	422,009	-	-
-	-	-	-	-	74,133	-	-
-	-	-	-	-	743,873	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	240,000	210,000
-	-	-	-	-	-	169,012	671,023
2,235	208,559	-	23,000	14,183	1,240,015	409,012	881,023
(2,213)	(155,019)	178,759	(17,830)	(8,611)	(364,680)	19,953	209,433
-	-	-	-	-	-	-	-
-	-	-	-	-	(700)	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	(700)	-	-
(2,213)	(155,019)	178,759	(17,830)	(8,611)	(365,380)	19,953	209,433
2,213	1,646,015	111,758	160,556	170,000	1,718,208	611,718	675,692
-	530	-	-	-	374	-	-
2,213	1,646,545	111,758	160,556	170,000	1,718,582	611,718	675,692
\$ -	\$ 1,491,526	\$ 290,517	\$ 142,726	\$ 161,389	\$ 1,353,202	\$ 631,671	\$ 885,125

(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, 2006

	Capital Projects			Total Non-Major Governmental Funds
	Library Addition	Measure T 2002 GO Bond	Capital Improvement General	
REVENUES:				
Other taxes	\$ -	\$ -	\$ 41,961	\$ 1,285,506
Special assessments	-	-	-	2,433,635
Licenses and permits	-	-	-	341,276
Use of money and property	14,313	170,775	-	741,548
Intergovernmental	-	-	-	768,840
Charges for services	-	-	47,753	3,445,640
Other	-	-	-	164,821
Total revenues	14,313	170,775	89,714	9,181,266
EXPENDITURES:				
Current:				
General government	-	-	-	1,479,037
Public safety	-	-	-	64,655
Public works	46,856	487,310	315,297	3,818,033
Culture and recreation	-	-	-	428,175
Community development	-	-	-	744,561
Urban development and housing	-	-	-	35,400
Capital outlay	-	4,114,193	3,053,162	8,731,935
Debt service:				
Principal	-	-	-	450,000
Interest	-	-	-	840,035
Total expenditures	46,856	4,601,503	3,368,459	16,591,831
REVENUES OVER (UNDER) EXPENDITURES	(32,543)	(4,430,728)	(3,278,745)	(7,410,565)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	196,000
Transfers out	-	-	(16,298)	(227,818)
Proceeds from sale of fixed assets	-	-	-	-
Total other financing sources (uses)	-	-	(16,298)	(31,818)
Net change in fund balances	(32,543)	(4,430,728)	(3,295,043)	(7,442,383)
FUND BALANCES:				
Beginning of year	445,111	6,412,618	8,835,858	32,825,634
Prior period adjustments	-	14,228	17,320	75,139
Beginning of year, as restated	445,111	6,426,846	8,853,178	32,900,773
End of year	\$ 412,568	\$ 1,996,118	\$ 5,558,135	\$ 25,458,390

(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, 2006

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Other Taxes	\$ 834,906	\$ 834,906	\$ 595,607	\$ (239,299)
Use of money and property	3,200	3,200	43,192	39,992
Intergovernmental	-	-	139,377	139,377
Charges for services	-	140,000	271,014	131,014
Total revenues	838,106	978,106	1,049,190	71,084
EXPENDITURES:				
Current:				
Public works	419,190	423,941	241,402	182,539
Capital outlay	1,067,200	1,134,596	28,155	1,106,441
Total expenditures	1,486,390	1,558,537	269,557	1,288,980
Net change in fund balances	\$ (648,284)	\$ (580,431)	779,633	\$ 1,360,064
FUND BALANCES:				
Beginning of year, as restated			1,012,088	
End of year			\$ 1,791,721	

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, 2006

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 1,500	\$ 1,500	\$ 2,475	\$ 975
Charges for services	2,550	2,550	9,696	7,146
Total revenues	4,050	4,050	12,171	8,121
EXPENDITURES:				
Current:				
Urban development and housing	25,000	25,000	33,141	(8,141)
Total expenditures	25,000	25,000	33,141	(8,141)
Net change in fund balances	\$ (20,950)	\$ (20,950)	(20,970)	\$ (20)
FUND BALANCES:				
Beginning of year			73,501	
End of year			\$ 52,531	

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, 2006

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ 454,000	\$ 454,000	\$ 451,291	\$ (2,709)
Intergovernmental	-	-	12,130	12,130
Charges for services	-	-	1,698	1,698
Total revenues	454,000	454,000	465,119	11,119
EXPENDITURES:				
Current:				
Public works	582,100	614,249	512,664	101,585
Capital outlay	5,000	19,255	19,399	(144)
Total expenditures	587,100	633,504	532,063	101,441
REVENUES OVER (UNDER) EXPENDITURES	(133,100)	(179,504)	(66,944)	(90,322)
OTHER FINANCING SOURCES (USES):				
Transfers out	(126,500)	-	(126,500)	(126,500)
Total other financing sources (uses)	(126,500)	-	(126,500)	(126,500)
Net change in fund balances	\$ (259,600)	\$ (179,504)	(193,444)	\$ (13,940)
FUND BALANCES:				
Beginning of year, as restated			420,260	
End of year			\$ 226,816	

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, 2006

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ 353,000	\$ 173,000	\$ 175,502	\$ 2,502
Total revenues	<u>353,000</u>	<u>173,000</u>	<u>175,502</u>	<u>2,502</u>
EXPENDITURES:				
Current:				
Public works	92,618	170,786	63,819	106,967
Capital outlay	88,897	256,702	170,379	86,323
Total expenditures	<u>181,515</u>	<u>427,488</u>	<u>234,198</u>	<u>193,290</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>171,485</u>	<u>(254,488)</u>	<u>(58,696)</u>	<u>(190,788)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	141,000	141,000	141,000	-
Total other financing sources (uses)	<u>141,000</u>	<u>141,000</u>	<u>141,000</u>	<u>-</u>
Net change in fund balances	<u>\$ 312,485</u>	<u>\$ (113,488)</u>	82,304	<u>\$ 195,792</u>
FUND BALANCES:				
Beginning of year, as restated			<u>340,809</u>	
End of year			<u>\$ 423,113</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, 2006

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 7,000	\$ 77,000	\$ 73,902	\$ (3,098)
Charges for services	301,000	301,000	310,998	9,998
Total revenues	308,000	378,000	384,900	6,900
EXPENDITURES:				
Current:				
Public Works	200,195	205,656	153,426	52,230
Capital outlay	25,000	25,000	-	25,000
Total expenditures	225,195	230,656	153,426	77,230
Net change in fund balances	\$ 82,805	\$ 147,344	231,474	84,130
FUND BALANCES:				
Beginning of year, as restated			351,078	
End of year			\$ 582,552	

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, 2006

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 70,000	\$ 70,000	\$ 144,298	\$ 74,298
Charges for services	96	96	123,818	123,722
Total revenues	70,096	70,096	268,116	198,020
EXPENDITURES:				
Current:				
Urban development and housing	2,800,000	2,800,000	2,259	2,797,741
Capital outlay	-	-	283,278	(283,278)
Total expenditures	2,800,000	2,800,000	285,537	2,514,463
Net change in fund balances	\$ (2,729,904)	\$ (2,729,904)	(17,421)	\$ 2,712,483
FUND BALANCES:				
Beginning of year			4,679,802	
End of year			\$ 4,662,381	

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, 2006

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other Taxes	\$ 689,000	\$ 689,000	\$ 647,938	\$ (41,062)
Use of money and property	27,000	27,000	52,503	25,503
Intergovernmental	203,542	203,542	199,323	(4,219)
Charges for services	-	-	68,665	68,665
Total revenues	919,542	919,542	968,429	48,887
EXPENDITURES:				
Current:				
General government	1,028	1,028	168	860
Public works	955,878	1,010,579	538,940	471,639
Community development	-	-	688	(688)
Capital outlay	508,548	767,508	453,301	314,207
Total expenditures	1,465,454	1,779,115	993,097	786,018
Net change in fund balances	\$ (545,912)	\$ (859,573)	(24,668)	\$ 834,905
FUND BALANCES:				
Beginning of year, as restated			1,612,728	
End of year			\$ 1,588,060	

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, 2006

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 12,000	\$ 12,000	\$ 12,035	\$ 35
Total revenues	<u>12,000</u>	<u>12,000</u>	<u>12,035</u>	<u>35</u>
EXPENDITURES:				
Current:				
Culture and recreation	17,000	17,000	251	16,749
Total expenditures	<u>17,000</u>	<u>17,000</u>	<u>251</u>	<u>16,749</u>
Net change in fund balances	<u>\$ (5,000)</u>	<u>\$ (5,000)</u>	11,784	<u>\$ 16,784</u>
FUND BALANCES:				
Beginning of year			<u>108,959</u>	
End of year			<u>\$ 120,743</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, 2006

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 49,500	\$ 49,500	\$ 37,772	\$ (11,728)
Other	55,000	55,000	43,220	(11,780)
Total revenues	104,500	104,500	80,992	(23,508)
EXPENDITURES:				
Current:				
Culture and recreation	187,643	187,643	145,975	41,668
Capital outlay	100	100	-	100
Total expenditures	187,743	187,743	145,975	41,768
REVENUES OVER (UNDER) EXPENDITURES	(83,243)	(83,243)	(64,983)	18,260
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	\$ (28,243)	\$ (28,243)	(9,983)	\$ 18,260
FUND BALANCES:				
Beginning of year, as restated			26,408	
End of year			<u>\$ 16,425</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, 2006

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Charges for current services	\$ -	\$ -	\$ 2,154	\$ 2,154
Total revenues	-	-	2,154	2,154
EXPENDITURES:				
Capital outlay	-	-	3,407	(3,407)
Total expenditures	-	-	3,407	(3,407)
REVENUES OVER (UNDER) EXPENDITURES	-	-	(1,253)	(1,253)
Net change in fund balances	\$ -	\$ -	(1,253)	\$ (1,253)
FUND BALANCES:				
Beginning of year			10,025	
End of year			\$ 8,772	

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, 2006

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 10,000	\$ 10,000	\$ 16,804	\$ 6,804
Charges for services	-	-	34,802	34,802
Total revenues	10,000	10,000	51,606	41,606
EXPENDITURES:				
Current:				
Public works	171,010	248,811	94,644	154,167
Capital outlay	900	145,418	848	144,570
Total expenditures	171,910	394,229	95,492	298,737
Net change in fund balances	\$ (161,910)	\$ (384,229)	(43,886)	\$ 340,343
FUND BALANCES:				
Beginning of year, as restated			521,177	
End of year			\$ 477,291	

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, 2006

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses and permits	\$ 420,000	\$ 420,000	\$ 341,276	\$ (78,724)
Use of money and property	30,000	30,000	55,167	25,167
Total revenues	450,000	450,000	396,443	(53,557)
EXPENDITURES:				
Current:				
Public safety	9,720	12,786	4,307	8,479
Public works	87,939	135,207	95,400	39,807
Capital outlay	-	562,494	510,138	52,356
Total expenditures	97,659	710,487	609,845	100,642
Net change in fund balances	\$ 352,341	\$ (260,487)	(188,978)	\$ 71,509
FUND BALANCES:				
Beginning of year, as restated			1,642,362	
End of year			\$ 1,453,384	

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, 2006

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 196	\$ 196
Charges for services	-	-	15,323	15,323
Total revenues	-	-	15,519	15,519
EXPENDITURES:				
Current:				
Public works	-	-	1,518	(1,518)
Total expenditures	-	-	1,518	(1,518)
Net change in fund balances	\$ -	\$ -	14,001	\$ 14,001
FUND BALANCES:				
Beginning of year			80	
End of year			\$ 14,081	

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, 2006

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 7,000	\$ 7,000	\$ 23,204	\$ 16,204
Intergovernmental	8,306	8,306	8,306	-
Charges for services	1,382,000	1,382,000	1,640,352	258,352
Total revenues	1,397,306	1,397,306	1,671,862	274,556
EXPENDITURES:				
Current:				
General government	1,412,832	1,522,851	1,478,869	43,982
Public works	156,149	162,759	155,559	7,200
Capital outlay	27,500	27,500	25,193	2,307
Total expenditures	1,596,481	1,713,110	1,659,621	53,489
REVENUES OVER (UNDER) EXPENDITURES	(199,175)	(315,804)	12,241	221,067
OTHER FINANCING SOURCES (USES):				
Transfers out	(61,300)	(61,300)	(61,300)	-
Total other financing sources (uses)	(61,300)	(61,300)	(61,300)	-
Net change in fund balances	\$ (260,475)	\$ (377,104)	(49,059)	\$ 328,045
FUND BALANCES:				
Beginning of year, as restated			496,436	
End of year			\$ 447,377	

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, 2006

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 450	\$ 450	\$ 939	\$ 489
Intergovernmental	58,413	58,413	82,973	24,560
Total revenues	58,863	58,863	83,912	25,049
EXPENDITURES:				
Current:				
Public works	86,722	86,722	83,340	3,382
Total expenditures	86,722	86,722	83,340	3,382
Net change in fund balances	\$ (27,859)	\$ (27,859)	572	\$ 28,431
FUND BALANCES:				
Beginning of year			46,923	
End of year			\$ 47,495	

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, 2006

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ 315,000	\$ 315,000	\$ 320,820	\$ 5,820
Charges for services	-	-	2,948	2,948
Total revenues	315,000	315,000	323,768	8,768
EXPENDITURES:				
Current:				
Public works	412,441	457,542	360,107	97,435
Capital outlay	25,000	25,000	25,230	(230)
Total expenditures	437,441	482,542	385,337	97,205
REVENUES OVER (UNDER) EXPENDITURES	(122,441)	(167,542)	(61,569)	105,973
OTHER FINANCING SOURCES (USES):				
Transfers out	(23,020)	(23,020)	(23,020)	-
Total other financing sources (uses)	(23,020)	(23,020)	(23,020)	-
Net change in fund balances	\$ (145,461)	\$ (190,562)	(84,589)	\$ 105,973
FUND BALANCES:				
Beginning of year, as restated			561,588	
End of year			\$ 476,999	

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, 2006

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 242,272	\$ 242,272	\$ 176,924	\$ (65,348)
Total revenues	<u>242,272</u>	<u>242,272</u>	<u>176,924</u>	<u>(65,348)</u>
EXPENDITURES:				
Current:				
Culture and recreation	262,960	277,999	207,816	70,183
Total expenditures	<u>262,960</u>	<u>277,999</u>	<u>207,816</u>	<u>70,183</u>
Net change in fund balances	<u>\$ (20,688)</u>	<u>\$ (35,727)</u>	<u>(30,892)</u>	<u>\$ 4,835</u>
FUND BALANCES:				
Beginning of year, as restated			<u>62,838</u>	
End of year			<u>\$ 31,946</u>	

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, 2006

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 900	\$ 900	\$ 5,213	\$ 4,313
Intergovernmental	100,000	100,000	100,000	-
Total revenues	100,900	100,900	105,213	4,313
EXPENDITURES:				
Current:				
Public safety	65,000	102,430	58,113	44,317
Capital outlay	89,100	78,414	44,996	33,418
Total expenditures	154,100	180,844	103,109	77,735
Net change in fund balances	\$ (53,200)	\$ (79,944)	2,104	\$ 82,048
FUND BALANCES:				
Beginning of year, as restated			111,512	
End of year			\$ 113,616	

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, 2006

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 230	\$ 230	\$ 22	\$ (208)
Total revenues	230	230	22	(208)
EXPENDITURES:				
Current:				
Public safety	-	11,605	2,235	9,370
Total expenditures	-	11,605	2,235	9,370
REVENUES OVER (UNDER) EXPENDITURES	230	(11,375)	(2,213)	9,162
Net change in fund balances	\$ 230	\$ (11,375)	(2,213)	\$ 9,162
FUND BALANCES:				
Beginning of year			2,213	
End of year			\$ -	

City of Menlo Park

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

Bayfront Park Maintenance Special Revenue Fund

For the year ended June 30, 2006

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 107,500	\$ 37,500	\$ 53,540	\$ 16,040
Total revenues	<u>107,500</u>	<u>37,500</u>	<u>53,540</u>	<u>16,040</u>
EXPENDITURES:				
Current:				
Public works	434,505	452,531	208,559	243,972
Capital outlay	<u>2,500</u>	<u>2,500</u>	<u>-</u>	<u>2,500</u>
Total expenditures	<u>437,005</u>	<u>455,031</u>	<u>208,559</u>	<u>246,472</u>
Net change in fund balances	<u>\$ (329,505)</u>	<u>\$ (417,531)</u>	<u>(155,019)</u>	<u>\$ 262,512</u>
FUND BALANCES:				
Beginning of year, as restated			<u>1,646,545</u>	
End of year			<u>\$ 1,491,526</u>	

City of Menlo Park

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

Recreation In-Lieu Special Revenue Fund

For the year ended June 30, 2006

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 2,400	\$ 2,400	\$ 8,759	\$ 6,359
Charges for services	30,000	30,000	170,000	140,000
Total revenues	32,400	32,400	178,759	146,359
Net change in fund balances	\$ 32,400	\$ 32,400	178,759	\$ 146,359
FUND BALANCES:				
Beginning of year			111,758	
End of year			<u>\$ 290,517</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, 2006

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 4,500	\$ 4,500	\$ 5,170	\$ 670
Total revenues	<u>4,500</u>	<u>4,500</u>	<u>5,170</u>	<u>670</u>
EXPENDITURES:				
Current:				
Public works	11,500	23,000	23,000	-
Total expenditures	<u>11,500</u>	<u>23,000</u>	<u>23,000</u>	<u>-</u>
Net change in fund balances	<u>\$ (7,000)</u>	<u>\$ (18,500)</u>	(17,830)	<u>\$ 670</u>
FUND BALANCES:				
Beginning of year			<u>160,556</u>	
End of year			<u>\$ 142,726</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, 2006

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 4,500	\$ 4,500	\$ 5,572	\$ 1,072
Total revenues	<u>4,500</u>	<u>4,500</u>	<u>5,572</u>	<u>1,072</u>
EXPENDITURES:				
Current:				
Public works	15,470	15,470	14,183	1,287
Total expenditures	<u>15,470</u>	<u>15,470</u>	<u>14,183</u>	<u>1,287</u>
Net change in fund balances	<u>\$ (10,970)</u>	<u>\$ (10,970)</u>	(8,611)	<u>\$ 2,359</u>
FUND BALANCES:				
Beginning of year			<u>170,000</u>	
End of year			<u>\$ 161,389</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, 2006

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 24,680	\$ 24,680	\$ 32,105	\$ 7,425
Charges for services	-	-	721,629	721,629
Other	-	-	121,601	121,601
Total revenues	<u>24,680</u>	<u>24,680</u>	<u>875,335</u>	<u>850,655</u>
EXPENDITURES:				
Current:				
Public works	23,500	28,080	422,009	(393,929)
Public safety	-	-	1,175	(1,175)
Culture and recreation	74,555	74,555	74,133	422
Community development	-	177,965	743,873	(565,908)
Capital outlay	500	500	-	500
Total expenditures	<u>98,555</u>	<u>281,100</u>	<u>1,241,190</u>	<u>(960,090)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(73,875)</u>	<u>(256,420)</u>	<u>(365,855)</u>	<u>(109,435)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(700)	-	(700)	(700)
Total other financing sources (uses)	<u>(700)</u>	<u>-</u>	<u>(700)</u>	<u>(700)</u>
Net change in fund balances	<u>\$ (74,575)</u>	<u>\$ (256,420)</u>	<u>(366,555)</u>	<u>\$ (110,135)</u>
FUND BALANCES:				
Beginning of year, as restated			<u>1,718,582</u>	
End of year			<u>\$ 1,352,027</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, 2006

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ 420,000	\$ 420,000	\$ 412,991	\$ (7,009)
Use of money and property	6,000	6,000	15,974	9,974
Total revenues	426,000	426,000	428,965	2,965
EXPENDITURES:				
Debt service:				
Principal	240,000	240,000	240,000	-
Interest	170,600	170,600	169,012	1,588
Total expenditures	410,600	410,600	409,012	1,588
Net change in fund balances	\$ 15,400	\$ 15,400	19,953	\$ 4,553
FUND BALANCES:				
Beginning of year			611,718	
End of year			\$ 631,671	

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, 2006

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ 1,030,000	\$ 1,030,000	\$ 1,073,031	\$ 43,031
Use of money and property	5,000	5,000	17,425	12,425
Total revenues	1,035,000	1,035,000	1,090,456	55,456
EXPENDITURES:				
Debt service:				
Principal	210,000	210,000	210,000	-
Interest	675,023	675,023	671,023	4,000
Total expenditures	885,023	885,023	881,023	4,000
Net change in fund balances	\$ 149,977	\$ 149,977	209,433	\$ 59,456
FUND BALANCES:				
Beginning of year			675,692	
End of year			\$ 885,125	

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, 2006

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 10,000	\$ 10,000	\$ 14,313	\$ 4,313
Total revenues	<u>10,000</u>	<u>10,000</u>	<u>14,313</u>	<u>4,313</u>
EXPENDITURES:				
Current				
Public works	100,000	167,599	46,856	120,743
Total expenditures	<u>100,000</u>	<u>167,599</u>	<u>46,856</u>	<u>120,743</u>
Net change in fund balances	<u>\$ (90,000)</u>	<u>\$ (157,599)</u>	(32,543)	<u>\$ 125,056</u>
FUND BALANCES:				
Beginning of year			445,111	
End of year			<u>\$ 412,568</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, 2006

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 40,000	\$ 40,000	\$ 170,775	\$ 130,775
Total revenues	<u>40,000</u>	<u>40,000</u>	<u>170,775</u>	<u>130,775</u>
EXPENDITURES:				
Current:				
Public works	181,956	930,065	487,310	442,755
Capital outlay	-	5,150,198	4,114,193	1,036,005
Total expenditures	<u>181,956</u>	<u>6,080,263</u>	<u>4,601,503</u>	<u>1,478,760</u>
Net change in fund balances	<u>\$ (141,956)</u>	<u>\$ (6,040,263)</u>	<u>(4,430,728)</u>	<u>\$ (1,347,985)</u>
FUND BALANCES:				
Beginning of year, as restated			<u>6,426,846</u>	
End of year			<u>\$ 1,996,118</u>	

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, 2006

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other taxes	\$ 47,000	\$ 47,000	\$ 41,961	\$ (5,039)
Charges for services	275,000	275,000	47,753	(227,247)
Total revenues	322,000	322,000	89,714	(232,286)
EXPENDITURES:				
Current:				
Public works	557,085	837,096	315,297	521,799
Capital outlay	1,229,885	3,397,601	3,053,162	344,439
Total expenditures	1,786,970	4,234,697	3,368,459	866,238
REVENUES OVER (UNDER) EXPENDITURES	(1,464,970)	(3,912,697)	(3,278,745)	633,952
OTHER FINANCING SOURCES (USES):				
Transfers in	33,000	(16,298)	(16,298)	-
Total other financing sources (uses)	33,000	(16,298)	(16,298)	-
Net change in fund balances	\$ (1,431,970)	\$ (3,928,995)	(3,295,043)	\$ 633,952
FUND BALANCES:				
Beginning of year, as restated			8,853,178	
End of year			<u>\$ 5,558,135</u>	

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ENTERPRISE FUNDS

FINANCIAL STATEMENTS

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

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

City of Menlo Park
Combining Schedule of Net Assets
Proprietary Funds
June 30, 2006

	Water Operating Fund	Water Capital Improvement Fund	Total Water Funds
ASSETS			
Current assets:			
Cash and investments	\$ 4,298,896	\$ 10,552,797	\$ 14,851,693
Receivables:			
Accounts	253,074	22,085	275,159
Interest	43,507	105,014	148,521
Total current assets	<u>4,595,477</u>	<u>10,679,896</u>	<u>15,275,373</u>
Noncurrent assets:			
Non-depreciable	1,066,454	-	1,066,454
Depreciable, net	6,374,477	-	6,374,477
Total noncurrent assets	<u>7,440,931</u>	<u>-</u>	<u>7,440,931</u>
Total assets	<u>12,036,408</u>	<u>10,679,896</u>	<u>22,716,304</u>
LIABILITIES			
Current liabilities:			
Accounts payable	423,265	18,441	441,706
Accrued payroll	12,169	333	12,502
Deposits	50,794	-	50,794
Compensated absences	19,724	3,480	23,204
Total current liabilities	<u>505,952</u>	<u>22,254</u>	<u>528,206</u>
Noncurrent liabilities:			
Compensated absences	22,243	3,925	26,168
Total noncurrent liabilities	<u>22,243</u>	<u>3,925</u>	<u>26,168</u>
Total liabilities	<u>528,195</u>	<u>26,179</u>	<u>554,374</u>
NET ASSETS			
Invested in capital assets, net of related debt	7,440,931	-	7,440,931
Restricted for:			
Capital projects	-	10,653,717	10,653,717
Unrestricted	4,067,282	-	4,067,282
Total net assets	<u>\$ 11,508,213</u>	<u>\$ 10,653,717</u>	<u>\$ 22,161,930</u>

City of Menlo Park
Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the year ended June 30, 2006

	Water Operating Fund	Water Capital Improvement Fund	Total Water Funds
OPERATING REVENUES:			
Water sales	\$ 2,987,114	\$ 574,980	\$ 3,562,094
Connection fees	5,825	-	5,825
Total operating revenues	2,992,939	574,980	3,567,919
OPERATING EXPENSES:			
Cost of sales and services	2,555,574	7,263	2,562,837
General and administrative	393,047	-	393,047
Depreciation	125,494	-	125,494
Total operating expenses	3,074,115	7,263	3,081,378
OPERATING INCOME (LOSS)	(81,176)	567,717	486,541
NONOPERATING REVENUES (EXPENSES):			
Interest income	155,989	342,784	498,773
Total nonoperating revenues	155,989	342,784	498,773
INCOME (LOSS) BEFORE OPERATING TRANSFERS	74,813	910,501	985,314
OPERATING TRANSFERS:			
Transfers out	(227,700)	-	(227,700)
Total operating transfers	(227,700)	-	(227,700)
Net income (loss)	(152,887)	910,501	757,614
NET ASSETS:			
Beginning of year	11,661,100	9,743,216	21,404,316
End of year	\$ 11,508,213	\$ 10,653,717	\$ 22,161,930

City of Menlo Park
Combining Statement of Net Assets
Agency Funds
June 30, 2006

	Refundable Deposits	Cash Bonds Payable	Payroll Revolving	Total Agency Funds
ASSETS				
Cash and investments	\$ 68,956	\$ 13,271	\$ 134,842	\$ 217,069
Total assets	<u>68,956</u>	<u>13,271</u>	<u>134,842</u>	<u>217,069</u>
LIABILITIES				
Accrued payroll	-	-	134,842	134,842
Deposits	68,956	13,271	-	82,227
Total liabilities	<u>\$ 68,956</u>	<u>\$ 13,271</u>	<u>\$ 134,842</u>	<u>\$ 217,069</u>

City of Menlo Park
Combining Statement of Changes in Net Assets
Agency Funds
For the year ended June 30, 2006

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
<u>Refundable Deposits</u>				
Assets:				
Cash and investments	\$ 60,119	\$ 19,096	\$ (10,259)	\$ 68,956
Liabilities:				
Accounts payable	\$ 9	\$ 5,000	\$ (5,009)	\$ -
Deposits	60,110	20,656	(11,810)	68,956
Total liabilities	\$ 60,119	\$ 25,656	\$ (16,819)	\$ 68,956
<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	\$ 76,613	\$ 2,403,565	\$ (2,345,336)	\$ 134,842
Liabilities:				
Accounts payable	\$ 76,613	\$ 13,962,226	\$ (13,903,997)	\$ 134,842
<u>Total Agency Funds</u>				
Assets:				
Cash and investments	\$ 150,003	\$ 2,422,661	\$ (2,355,595)	\$ 217,069
Liabilities:				
Accounts payable	\$ 76,622	\$ 13,967,226	\$ (13,909,006)	\$ 134,842
Deposits	73,381	20,656	(11,810)	82,227
Total liabilities	\$ 150,003	\$ 13,987,882	\$ (13,920,816)	\$ 217,069

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Statistical Section

This part of the City of Menlo Park's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City of Menlo Park's overall financial health.

CONTENTS

Page

Financial Trends

140-147

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

Revenue Capacity

148-159

These schedules contain information to help the reader assess the City of Menlo Park's most significant local revenue source, the property tax.

Debt Capacity

160-164

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

Demographic and Economic Information

165-167

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

Operating Indicators

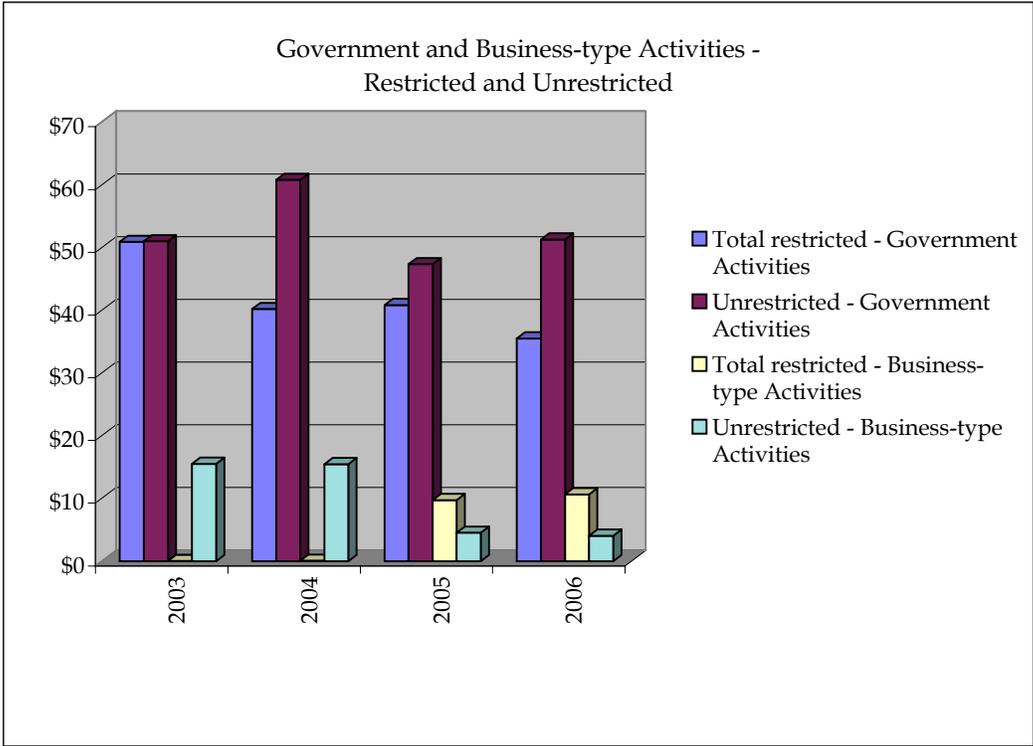
168-177

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

City of Menlo Park
Net Assets by Component
June 30, 2006
Last Four Fiscal Years

	FISCAL YEAR			
	2003	2004	2005	2006
Government activities				
Investment in capital assets, net of related debt	\$ 264,641,246	\$ 271,543,602	\$ 276,025,463	\$ 266,250,790
Restricted for:				
Capital projects	45,576,230	36,959,941	37,452,612	16,297,615
Debt service	1,008,151	1,142,055	1,287,410	8,366,348
Community Development				6,187,396
Special projects	4,313,637	2,094,806	2,094,806	4,647,861
Total restricted - Government Activities	50,898,018	40,196,802	40,834,828	35,499,220
Unrestricted - Government Activities	51,014,831	60,788,071	47,350,857	51,292,783
Total government activities	366,554,095	372,528,475	364,211,148	353,042,793
Business-type activities				
Investment in capital assets, net of related debt	5,031,535	5,149,972	7,119,922	7,440,931
Restricted for:				
Capital projects	31,887	50,413	9,743,217	10,653,717
Debt service				
Special projects		23,647		
Insurance				
Deferred Compensation				
Total restricted - Business-type Activities	31,887	74,060	9,743,217	10,653,717
Unrestricted - Business-type Activities	15,530,760	15,483,043	4,541,177	4,067,282
Total business-type activities	20,594,182	20,707,075	21,404,316	22,161,930
Primary government				
Investment in capital assets, net of related debt	\$ 269,672,781	\$ 276,693,574	\$ 283,145,385	\$ 273,691,721
Unrestricted net assets	66,545,591	76,271,114	51,892,034	55,360,065
Investment in capital assets & unrestricted net assets	336,218,372	352,964,688	335,037,419	329,051,786
Restricted net assets	50,929,905	40,270,862	50,578,045	46,152,937
Total primary government net assests	\$ 387,148,277	\$ 393,235,550	\$ 385,615,464	\$ 375,204,723

(continued)



Notes:

The City of Menlo Park implemented GASB 34 for the fiscal year ended June 30, 2003.

Information prior to the implementation of GASB 34 is not available.

City of Menlo Park
Changes in Net Assets
June 30, 2006
Last Four Fiscal Years

	FISCAL YEAR			
	2003	2004	2005	2006
Expenses				
Governmental Activities:				
General Government	\$ 6,701,141	\$ 8,375,348	\$ 7,322,997	\$ 7,761,696
Public Safety	8,685,740	8,010,385	9,196,468	9,092,996
Public Works	11,231,842	9,742,184	11,040,198	10,275,029
Culture and recreation	7,761,262	7,971,110	7,547,337	7,781,549
Community development	7,098,764	7,780,767	8,721,659	23,179,192 (1)
Interest on long-term debt	4,821,928	4,679,811	4,602,336	4,529,332
Total governmental activities	46,300,677	46,559,605	48,430,995	62,619,794
Business-type Activities				
Water	2,831,383	3,555,582	3,187,578	3,081,378
Total business-type activities	2,831,383	3,555,582	3,187,578	3,081,378
Total primary government expenses	49,132,060	50,115,187	51,618,573	65,701,172
Program Revenues				
Governmental Activities:				
Charges for services				
General Government	4,398,884	5,707,675	4,486,715	4,649,505
Public Safety	1,225,796	526,542	1,240,807	1,086,348
Public Works	1,908,545	2,914,762	3,391,517	3,609,732
Culture and recreation	3,041,867	2,909,707	2,835,631	2,949,807
Community development	2,014,063	2,868,863	2,377,251	3,897,805
Operating Grants and Contributions	1,318,007	2,418,574	1,712,952	1,681,505
Capital Grants and Contributions	1,341,927	80,579	686,540	268,468
Total governmental activities program revenues	15,249,089	17,426,702	16,731,413	18,143,170
Business-type Activities				
Charges for services:	3,421,677	3,754,693	3,305,954	3,567,919
Capital Grants and Contributions:			462,525	
Total business-type activities program revenues	3,421,677	3,754,693	3,768,479	3,567,919
Total primary government program revenues	\$ 18,670,766	\$ 21,181,395	\$ 20,499,892	\$ 21,711,089
Net Revenue (Expenses):				
Governmental Activities	\$ (31,051,588)	\$ (29,132,903)	\$ (31,699,582)	\$ (44,476,624)
Business-type Activities	590,294	199,111	580,901	486,541
Total Net Revenue (Expenses)	\$ (30,461,294)	\$ (28,933,792)	\$ (31,118,681)	\$ (43,990,083)

(continued)

	FISCAL YEAR			
	2003	2004	2005	2006
General Revenues and Other Changes in Net Assets				
Governmental Activities:				
Taxes				
Property taxes	\$ 15,876,102	\$ 16,878,085	\$ 17,755,873	\$ 19,621,262 (2)
Sales taxes	8,005,666	6,580,473	6,057,460	6,503,635
Motor vehicle license	1,850,187	1,394,880	2,008,458	741,467
Other taxes	2,157,463	1,565,592	2,352,535	2,518,404
Total taxes	27,889,418	26,419,030	28,174,326	29,384,768
Investment earnings	2,775,669	1,464,350	2,239,123	3,482,982
Loss of sale of asset	(1,698,248)			
Miscellaneous	278,561	107,531	77,106	212,819
Transfers	216,700	216,700	216,700	227,700
Total Governmental Activities	29,462,100	28,207,611	30,707,255	33,308,269
Business-type Activities				
Investment earnings	454,611	130,482	333,040	498,773
Transfers	(216,700)	(216,700)	(216,700)	(227,700)
Total Business-type Activities	237,911	(86,218)	116,340	271,073
Total primary government, General revenues & other changes in net assets	\$ 29,700,011	\$ 28,121,393	\$ 30,823,595	\$ 33,579,342
Changes in Net Assets				
Governmental Activities	\$ (1,589,488)	\$ (925,292)	\$ (992,327)	\$ (11,168,355)
Business-type Activities	828,205	112,893	697,241	757,614
Changes in Net Assets	\$ (761,283)	\$ (812,399)	\$ (295,086)	\$ (10,410,741)

(1) Includes fiscal year 2005-06 loss on Community Development Agency's transfer of Hamilton Avenue housing and park site to developer.

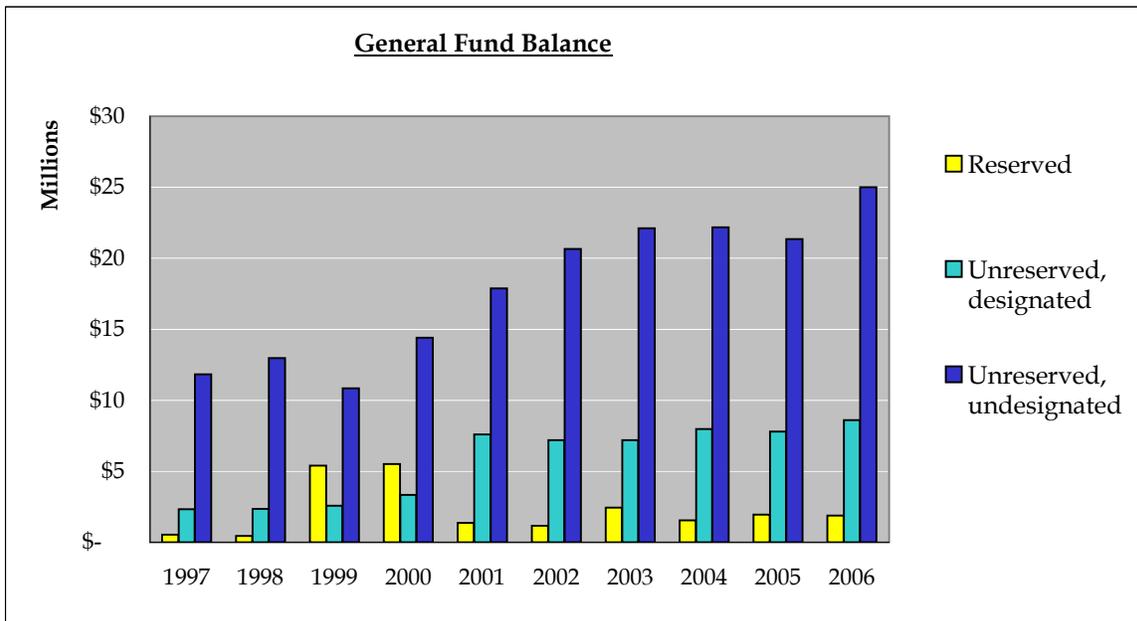
(2) Property tax in lieu of Motor Vehicle License fees reclassified to Property Taxes in fiscal year 2006.

The City of Menlo Park implemented GASB 34 for the fiscal year ended June 30, 2003.

Information prior to the implementation of GASB 34 is not available.

City of Menlo Park
Fund Balances-Governmental Funds
June 30, 2006
Last Ten Fiscal Years

	FISCAL YEAR			
	1997	1998	1999	2000
General Fund				
Reserved	\$ 532,257	\$ 457,306	\$ 5,388,836	\$ 5,521,954
Unreserved, designated	2,322,481	2,349,207	2,586,763	3,343,547
Unreserved, undesignated	11,825,506	12,965,655	10,846,376	14,405,817
Total General Fund	14,680,244	15,772,168	18,821,975	23,271,318
All Other Governmental Funds				
Reserved	13,437,889	10,360,092	9,072,057	6,541,459
Unreserved Special Revenue Funds	14,538,539	15,767,356	19,774,516	26,410,670
Unreserved Capital Project Funds	7,409,271	8,551,643	7,775,605	5,383,077
Total All Other Governmental Funds	35,385,699	34,679,091	36,622,178	38,335,207
Total Fund Balances	\$ 50,065,943	\$ 50,451,259	\$ 55,444,153	\$ 61,606,524

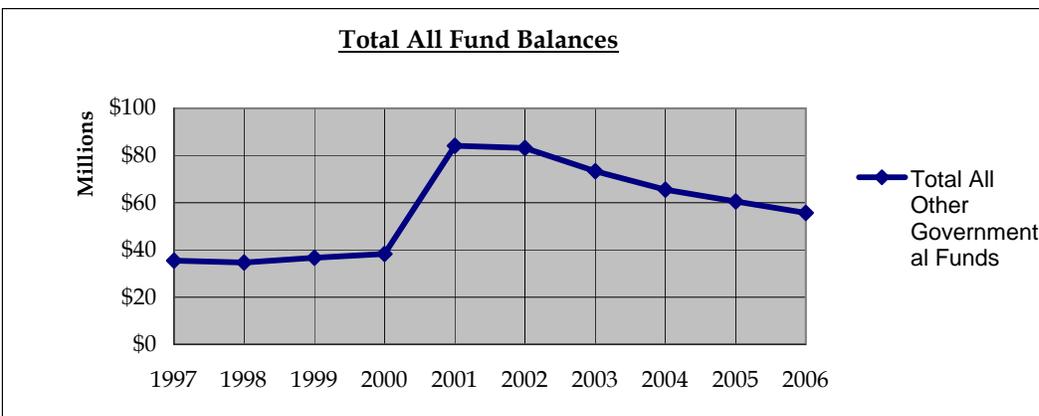
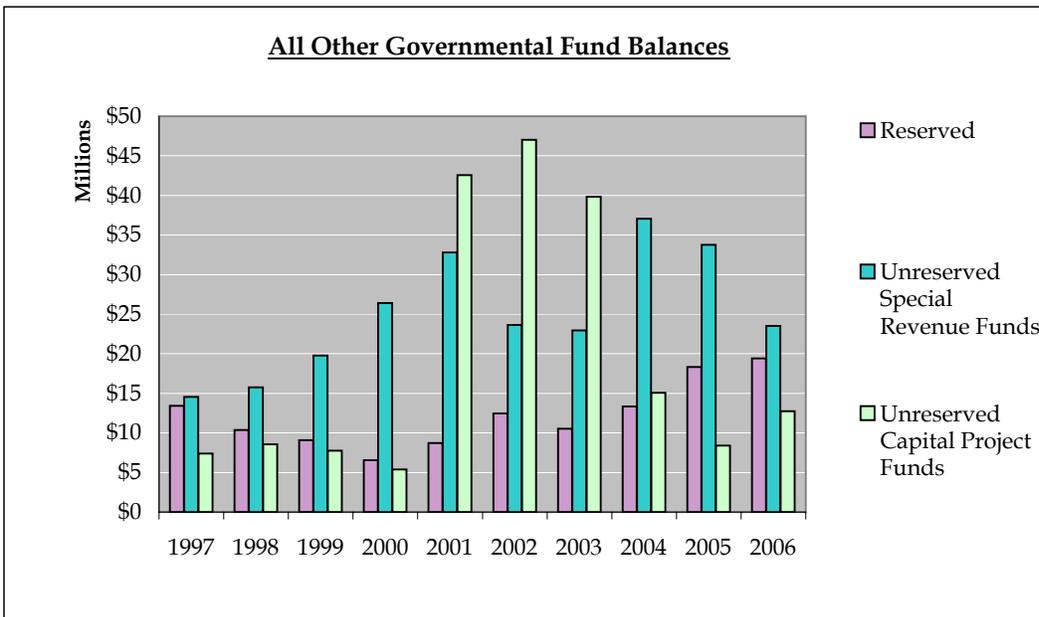


Source: City of Menlo Park

(continued)

FISCAL YEAR

	2001	2002	2003	2004	2005	2006
\$	1,373,028	\$ 1,165,317	\$ 2,449,808	\$ 1,543,774	\$ 1,959,224	\$ 1,887,470
	7,587,079	7,189,192	7,187,292	7,979,994	7,792,632	8,611,957
	17,883,417	20,652,998	22,102,635	22,173,565	21,357,266	25,001,249
	26,843,524	29,007,507	31,739,735	31,697,333	31,109,122	35,500,676
	8,703,793	12,457,917	10,522,945	13,356,811	18,326,048	19,405,226
	32,800,581	23,635,084	22,943,944	37,076,386	33,774,816	23,502,748
	42,549,679	47,035,244	39,832,040	15,069,164	8,382,872	12,739,997
	84,054,053	83,128,246	73,298,929	65,502,361	60,483,736	55,647,972
\$	110,897,577	\$ 112,135,752	\$ 105,038,664	\$ 97,199,694	\$ 91,592,858	\$ 91,148,647



City of Menlo Park
Changes in Fund Balances-Governmental Funds
June 30, 2006
Last Ten Fiscal Years

	FISCAL YEAR					
	1997	1998	1999	2000	2001	2002
Revenues:						
Taxes:						
Secured property taxes	\$ 7,620,518	\$ 8,256,758	\$ 8,831,772	\$ 10,691,113	\$ 11,573,842	\$ 12,626,049
Unsecured property taxes	1,105,701	1,095,960	1,680,720	1,273,399	1,355,236	1,568,876
Other property taxes (1)	643,651	685,694	639,503	1,128,944	660,156	1,612,307
Sales taxes	7,393,767	8,068,732	8,773,462	9,381,470	12,358,973	8,648,641
Franchise and occupancy taxes	2,018,441	2,251,142	2,319,969	2,531,031	2,666,328	2,412,305
Other Taxes	415,002	456,054	481,006	571,522	672,041	566,072
Special assessments	1,072,744	1,092,449	1,466,474	1,493,406	1,379,277	1,399,697
Licenses and permits	2,585,437	2,783,860	2,800,754	2,824,434	3,227,919	2,585,384
Fines and forfeitures	48,178	67,326	195,182	213,482	279,172	207,906
Use of money and property	2,998,668	3,148,117	2,965,786	3,470,883	6,374,995	4,857,451
Intergovernmental (1)	3,969,695	3,989,621	4,712,777	4,626,773	4,743,028	6,084,897
Charges for services	5,527,602	4,944,680	4,909,370	4,528,800	5,465,783	5,015,592
Other Revenues	198,044	91,022	150,143	174,215	84,882	97,678
Total Revenues	35,597,448	36,931,415	39,926,918	42,909,472	50,841,632	47,682,855
Expenditures:						
Current:						
General government	4,080,633	4,534,705	4,838,242	5,101,699	5,652,521	6,083,761
Public safety	6,308,729	6,751,403	6,829,378	7,264,817	7,980,832	8,044,869
Public works	4,003,864	4,710,301	3,786,368	3,862,141	4,099,263	3,993,619
Culture and recreation	4,951,301	5,728,235	6,562,009	6,740,339	6,975,161	7,995,043
Rehabilitation loans	295,223	338,788	448,045	248,660	350,030	595,290
Community development	1,164,716	1,579,955	2,481,451	2,416,633	2,854,841	3,140,511
Urban development and housing	2,129,104	2,084,780	2,424,377	2,815,875	4,687,426	3,757,889
Capital outlay	7,577,982	8,364,376	6,411,406	5,850,623	10,021,368	21,510,780
Debt service:						
Principal	765,000	805,000	835,000	875,000	925,000	970,000
Interest and Fiscal Charges (2)	1,904,118	1,890,116	1,850,873	1,809,243	3,149,759	4,086,960
Total Expenditures	33,180,670	36,787,659	36,467,149	36,985,030	46,696,201	60,178,722
Revenues over (under) Expenditures	\$ 2,416,778	\$ 143,756	\$ 3,459,769	\$ 5,924,442	\$ 4,145,431	\$ (12,495,867)
Other Financing Sources (Uses):						
Transfer in	12,515,176	12,920,547	10,050,240	9,701,618	20,340,955	27,641,868
Transfer out	(12,360,176)	(12,895,547)	(9,845,677)	(9,504,618)	(20,143,955)	(27,444,868)
Proceeds from debt issuance (3)					44,000,000	13,514,033
Proceeds from sale of fixed assets	160,483	141,021	1,521,940	2,908	322,701	23,009
Issuance of Debt						
Payment to escrow agent						
Discount on issuance of debt						
Total other Financing Sources (Uses)	315,483	166,021	1,726,503	199,908	44,519,701	13,734,042
Net Change in Fund Balances	\$ 2,732,261	\$ 309,777	\$ 5,186,272	\$ 6,124,350	\$ 48,665,132	\$ 1,238,175
Debt service as percentage of noncapital expenditures	10.4%	9.5%	8.9%	8.6%	11.1%	13.1%

(continued)

	2003	2004	2005	2006
\$	13,695,509	\$ 14,758,475	\$ 15,771,442	\$ 15,579,561
	1,501,581	1,579,850	1,378,158	1,330,885
	679,012	540,255	606,274	2,710,817
	6,857,224	6,048,940	6,057,460	6,503,635
	2,157,462	2,202,364	2,352,535	2,518,404
	1,148,442	1,138,329	1,169,339	1,243,545
	2,247,423	2,549,037	2,362,435	2,433,635
	2,952,762	2,891,023	2,917,357	3,432,745
	802,636	756,678	832,897	792,005
	3,257,644	1,458,436	2,656,739	3,482,982
	5,130,839	3,682,937	4,176,319	2,691,439
	5,589,680	7,492,661	6,873,012	8,047,145
	172,523	107,530	77,106	212,817
	46,192,737	45,206,515	47,231,073	50,979,615

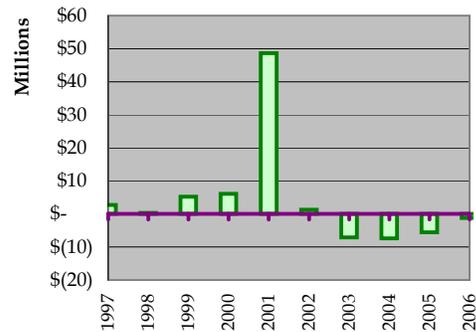
	6,010,975	7,380,500	6,154,281	6,652,130
	8,462,537	7,826,595	9,078,447	8,929,677
	6,136,086	7,213,412	7,218,664	7,750,882
	7,357,338	7,597,970	7,195,048	7,303,573
	434,120	582,200	190,050	400,100
	2,682,788	2,859,800	3,780,494	4,088,283
	3,945,154	4,304,319	4,722,358	4,544,265
	14,105,147	8,928,921	8,346,574	10,260,993
	905,000	1,625,000	1,770,000	1,855,000
	4,538,471	4,691,522	4,614,326	6,224,963
	54,577,616	53,010,239	53,070,242	58,009,866

\$ (8,384,879) \$ (7,803,724) \$ (5,839,169) \$ (7,030,251)

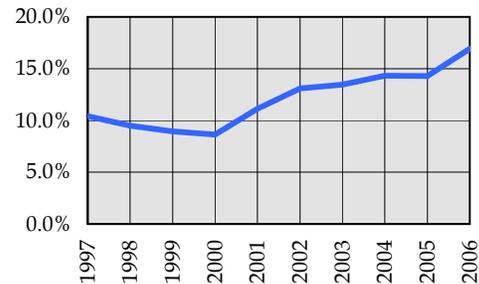
	1,374,574	3,443,703	2,831,593	16,376,591
	(1,157,874)	(3,227,003)	(2,614,893)	(16,148,891)
	1,071,091	196,131	15,633	3,985,446
				72,430,000
				(70,525,172)
				(336,800)
	1,287,791	412,831	232,333	5,781,174
	\$ (7,097,088)	\$ (7,390,893)	\$ (5,606,836)	\$ (1,249,077)

13.4% 14.3% 14.3% 16.9%

Net Change in Fund Balances



Debt Service as a Percentage of Non-Capital Expenditures



Notes:

- (1) Beginning in fiscal year 2005, over 90% of Vehicle License Fee revenue allocated to cities from the State was exchanged for property tax (the "VLF" swap). The reclassification from Inter-governmental to Property Tax revenues was made in fiscal year 2006.
- (2) Interest and Fiscal Charges include cost of issuance and bond insurance.
- (3) Fund balances as of June 30, 2001 and June 30, 2002 include unexpended bond proceeds from Series 2000 Las Pulgas Tax Allocation Bonds and Series 2002 Measure T General Obligation Bonds, respectively.

**City of Menlo Park
 General Government Revenues by Source(*)
 June 30, 2006
 Last Ten Fiscal Years**

Fiscal year	Total Taxes	Special Assessment	Licenses and Permits	Fines and Forfeitures	Use of Money & Property	Inter- governmental
1997	19,197,080	1,072,744	2,585,437	48,178	2,998,668	3,969,695
1998	20,814,340	1,092,449	2,783,860	67,326	3,148,117	3,989,621
1999	22,726,432	1,466,474	2,800,754	195,182	2,965,786	4,712,777
2000	25,577,479	1,493,406	2,824,434	213,482	3,470,883	4,626,773
2001	29,060,083	1,379,277	3,227,919	279,172	6,374,995	5,595,442
2002	26,484,663	1,399,697	2,585,384	207,906	4,857,451	7,034,484
2003	26,039,230	2,247,423	2,952,762	802,636	3,257,644	5,130,839
2004	26,268,213	2,549,037	2,891,023	756,678	1,458,436	3,682,937
2005	27,335,208	2,362,435	2,917,357	832,897	2,656,739	4,176,319
2006	29,886,847	(**) 2,433,635	3,432,745	792,005	3,482,982	2,691,439

(continued)

Charges for Services	Other Revenues	Total
5,527,602	198,044	35,597,448
4,944,680	91,022	36,931,415
4,909,370	150,143	39,926,918
4,528,800	174,215	42,909,472
5,465,783	84,882	51,467,553
5,015,592	97,678	47,682,855
5,589,680	172,523	46,192,737
7,492,661	107,530	45,206,515
6,873,012	77,106	47,231,073
8,047,145	212,817	50,979,615 (**)

Notes:

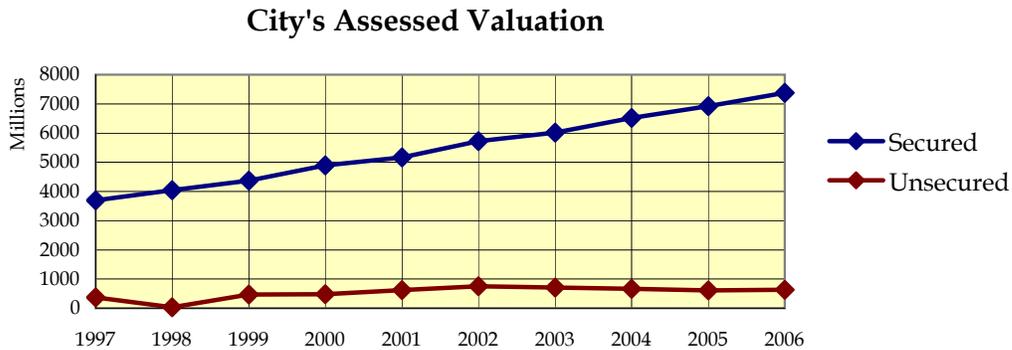
(*) General governmental revenues by source consist of the following City funds:
General, Special Revenue, Debt Service, Capital Projects and Expendable Trusts.

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

Source: City of Menlo Park

**City of Menlo Park
Assessed Valuation, Tax Rate and Tax Levies
June 30, 2006
Last Ten Fiscal Years**

Fiscal Year Ended June 30	City's Assessed Valuation				Taxable Assessed Value	City Direct Tax Rate (1)
	Secured	Unsecured	Less Exemptions			
1997	\$ 3,696,518,669	371,465,050	(120,547,557)		3,947,436,162	0.237%
1998	4,040,701,105	37,441,724	(124,921,477)		3,953,221,352	0.254%
1999	4,370,233,773	473,386,503	(118,386,685)		4,725,233,591	0.236%
2000	4,892,868,466	480,357,512	(123,900,248)		5,249,325,730	0.249%
2001	5,162,506,368	626,394,269	(156,522,221)		5,632,378,416	0.241%
2002	5,720,685,023	756,199,198	(130,297,047)		6,346,587,174	0.249%
2003	6,020,761,962	706,399,938	(152,591,386)		6,574,570,514	0.241%
2004	6,521,857,488	669,542,451	(163,717,503)		7,027,682,436	0.240%
2005	6,920,718,474	605,826,607	(168,363,050)		7,358,182,031	0.241%
2006	7,377,433,642	628,446,311	(185,070,530)		7,820,809,423	0.251%

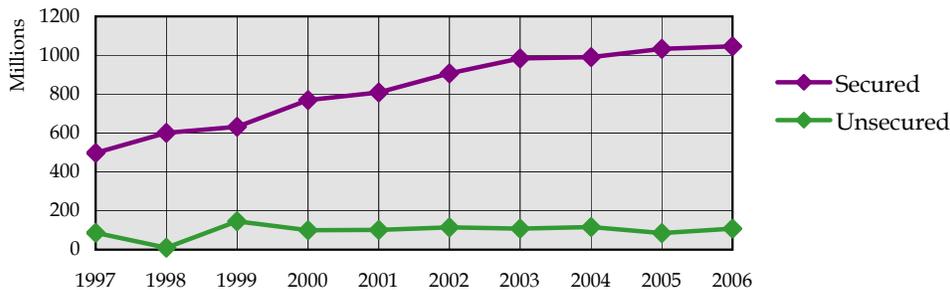


(continued)

Redevelopment Agency-Assessed Valuation

Secured	Unsecured	Less Exemptions	Taxable Assessed Value	RDA Direct Tax Rate ⁽²⁾
\$ 496,927,443	87,285,793	(16,021,243)	568,191,993	1.649%
600,554,299	9,084,940	(17,766,046)	591,873,193	1.696%
631,644,028	146,131,164	(17,117,363)	760,657,829	1.466%
769,089,955	99,212,126	(18,018,728)	850,283,353	1.540%
807,980,015	100,842,817	(16,993,593)	891,829,239	1.524%
906,620,804	114,689,237	(23,664,340)	997,645,701	1.584%
983,421,696	108,187,998	(34,601,756)	1,057,007,938	1.502%
990,597,114	115,986,467	(36,858,240)	1,069,725,341	1.578%
1,033,304,174	84,847,220	(37,739,518)	1,080,411,876	1.643%
1,046,349,313	108,767,684	(42,711,030)	1,112,405,967	1.764%

Redevelopment Agency-Assessed Valuation



Notes:

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

(1) represents total property tax recognized divided by city taxable assessed value

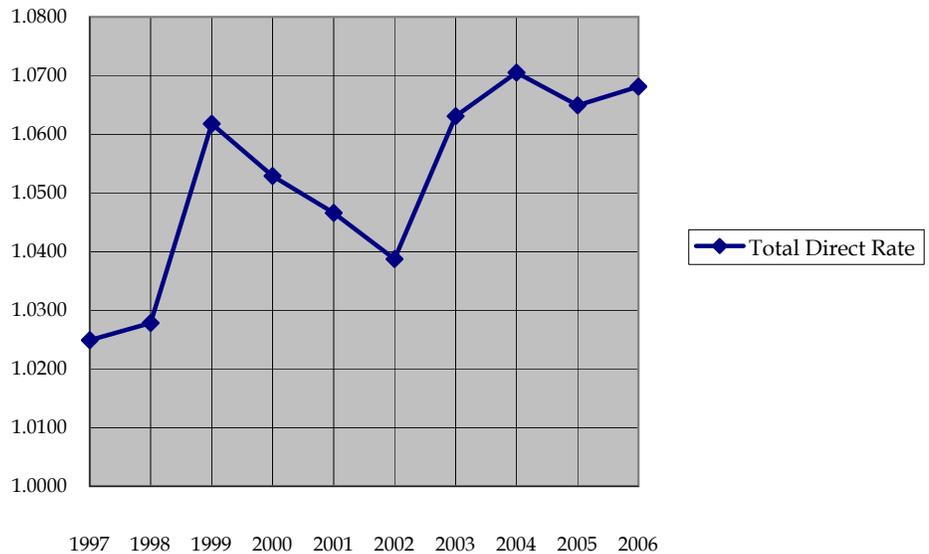
(2) represent total property tax recognized divided by RDA taxable assessed value

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City of Menlo Park
Direct and Overlapping Property Tax Rates
June 30, 2006
Last Ten Fiscal Years

(Per \$1,000 Assessed Valuation)

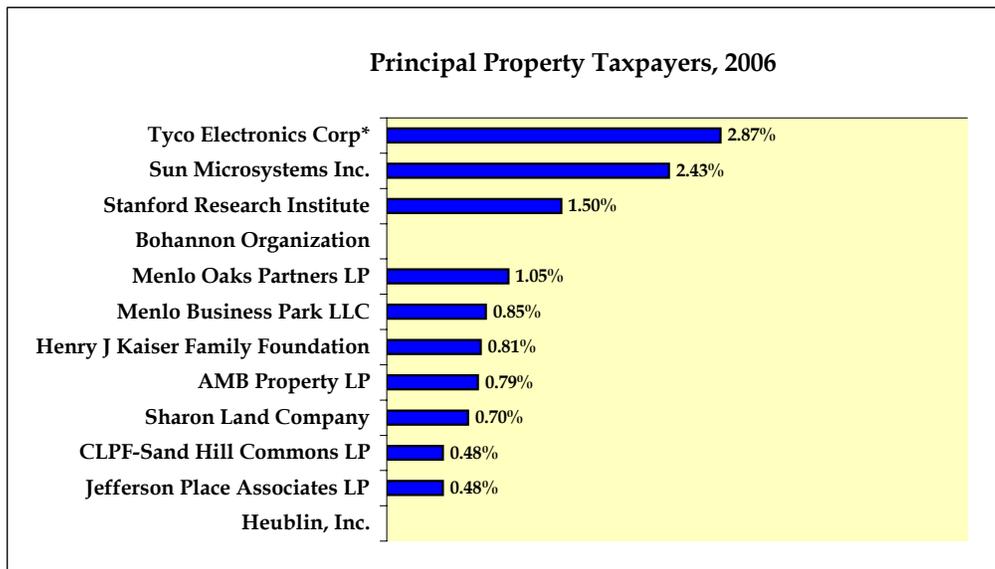
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
City Direct Rates:										
City basic rate	\$ 0.0024	\$ 0.0025	\$ 0.0024	\$ 0.0025	\$ 0.0024	\$ 0.0025	\$ 0.0024	\$ 0.0024	\$ 0.0024	\$ 0.0025
Redevelopment Agency	0.0165	0.0170	0.0147	0.0154	0.0152	0.0158	0.0150	0.0158	0.0164	0.0176
Total City Direct Rates:	0.0189	0.0195	0.0170	0.0179	0.0177	0.0183	0.0174	0.0182	0.0188	0.0201
Overlapping Rates:										
San Mateo County	0.9811	0.9805	0.9830	0.9821	0.9823	0.9817	0.9826	0.9818	0.9812	0.9799
Menlo Park Elementary	0.0157	0.0124	0.0445	0.0346	0.0303	0.0245	0.0220	0.0232	0.0233	0.0209
San Mateo Junior College	-	-	-	-	-	-	0.0079	0.0065	0.0065	0.0065
Menlo Park Debt Service	0.0092	0.0090	0.0082	0.0076	0.0071	0.0063	0.0062	0.0060	0.0056	0.0052
Menlo Park Parks & Rec Bond	-	-	-	-	-	-	0.0140	0.0110	0.0131	0.0132
Sequoia High School	-	0.0064	0.0091	0.0107	0.0092	0.0079	0.0130	0.0238	0.0164	0.0223
Total Direct Rate	1.0249	1.0278	1.0618	1.0529	1.0466	1.0387	1.0631	1.0705	1.0649	1.0681



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

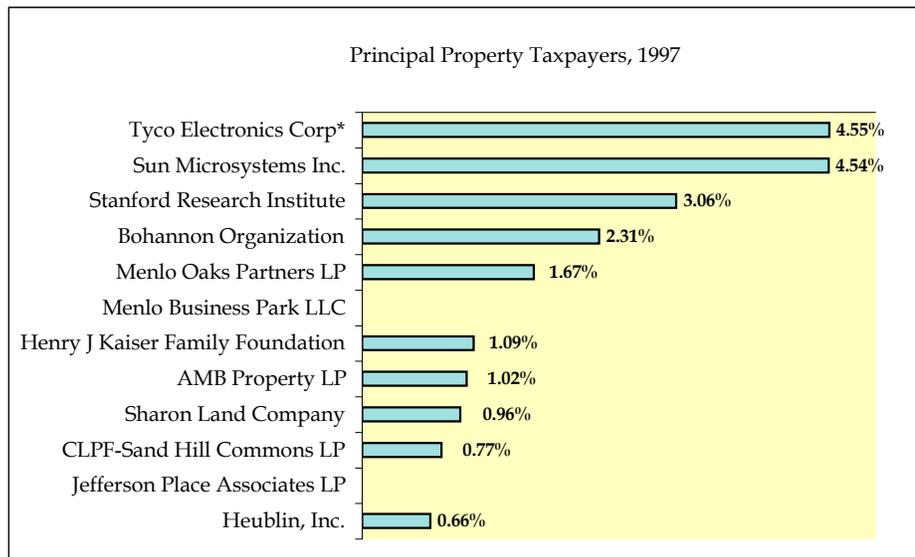
City of Menlo Park
Principal Property Taxpayers
June 30, 2006
Current Year and Nine Years Prior

<u>Taxpayer</u>	2006	
	<u>Taxable Assessed Value</u>	<u>Ratio to Total City's Assessed Valuation, 2006</u>
Tyco Electronics Corp*	\$ 224,734,080	2.87%
Sun Microsystems Inc.	190,000,000	2.43%
Stanford Research Institute	117,641,874	1.50%
Bohannon Organization		
Menlo Oaks Partners LP	81,850,747	1.05%
Menlo Business Park LLC	66,672,224	0.85%
Henry J Kaiser Family Foundation	63,292,031	0.81%
AMB Property LP	61,411,902	0.79%
Sharon Land Company	54,793,120	0.70%
CLPF-Sand Hill Commons LP	37,851,573	0.48%
Jefferson Place Associates LP	37,800,000	0.48%
Heublin, Inc.		
Total	936,047,551	11.97%
City of Menlo Park Total Assessed Value	\$ 7,821,834,324	



(Continued)

1997		
	Full Market Valuation	Ratio to Total City's Assessed Valuation, 1997
\$	179,800,755	4.55%
	179,570,594	4.54%
	120,884,809	3.06%
	91,141,103	2.31%
	66,010,644	1.67%
	42,933,234	1.09%
	40,211,714	1.02%
	37,748,768	0.96%
	30,464,808	0.77%
	26,227,138	0.66%
	814,993,567	20.63%
\$	3,951,291,748	

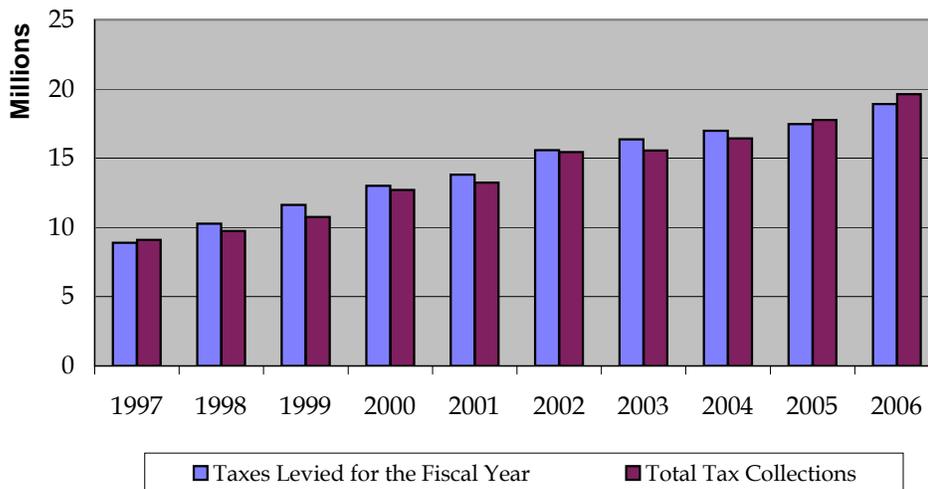


* Tyco Electronics Corp was named Raychem Corporation in 1997

Source: San Mateo County Tax Roll

City of Menlo Park
Property Tax Levies and Collections
June 30, 2006
Last Ten Fiscal Years

Fiscal Year	Taxes Levied for the Fiscal Year	Total Tax Collections	Percentage of Levy
1997	\$ 8,887,672	\$ 9,090,589	102.28%
1998	10,276,766	9,744,463	94.82%
1999	11,632,610	10,762,184	92.52%
2000	13,003,352	12,697,552	97.65%
2001	13,804,204	13,241,338	95.92%
2002	15,587,032	15,448,991	99.11%
2003	16,363,962	15,545,560	95.00%
2004	16,969,603	16,418,473	96.75%
2005	17,467,955	17,755,873	101.65%
2006	18,913,707	19,621,262	103.74%

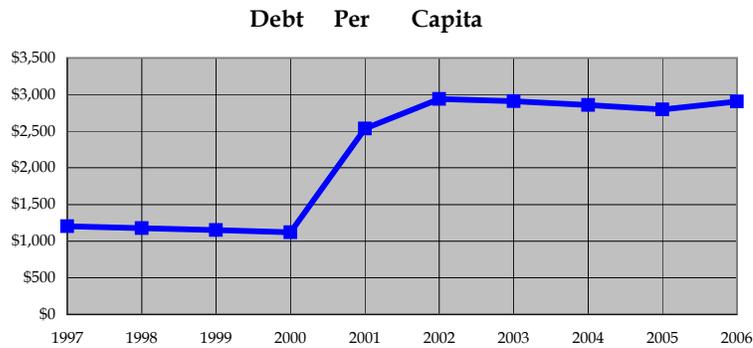


Source: San Mateo County

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City of Menlo Park
Ratios of Outstanding Debt by Type
June 30, 2006
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds ¹	Tax Allocation Bonds ³	Total Primary Government	Percentage of Personal Income	Debt Per Capita
1997	\$ 5,085,000	\$ 31,610,000	\$ 36,695,000	2.26%	\$ 1,204
1998	4,935,000	30,955,000	35,890,000	2.21%	1,178
1999	4,780,000	30,275,000	35,055,000	2.16%	1,151
2000	4,615,000	29,565,000 ⁴	34,180,000	2.10%	1,122
2001	4,435,000 ²	72,820,000	77,255,002	4.75%	2,536
2002	17,485,000	72,045,000	89,530,000	5.51%	2,939
2003	17,275,000	71,350,000	88,625,000	5.45%	2,909
2004	16,930,000	70,070,000	87,000,000	5.35%	2,856
2005	16,500,000	68,730,000	85,230,000	5.24%	2,798
2006	16,050,000	72,430,000	88,480,000	5.44%	2,904



Notes:

Details can be found in the Notes to the Financial Statements

¹ General Obligation Bonds consist of 1990,1996 & 2002 General Obligation Bonds

² The City issued \$13,245,000 of the 2002 General Obligation bonds

³ Tax Allocation Bonds consist of 1996 & 2000 Las Pulgas Project Tax Allocation Bonds

⁴ The City issued \$44 million of the 2000 Las Pulgas Project Tax Allocation Bonds

City of Menlo Park
Direct and Overlapping Debt
June 30, 2006

2005-2006 City Assessed Valuation	\$ 7,863,676,124
Redevelopment Incremental Valuation:	1,019,462,009
Total Assessed Valuation	\$ 8,883,138,133

	Outstanding Debt 6/30/2006	Percentage Applicable (1)	Estimated Share of Overlapping Debt
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:			
San Mateo Community College District	\$ 332,729,800	6.615%	\$ 22,010,076
Sequoia Union High School District	197,590,000	16.341%	32,288,182
Las Lomas School District	22,774,944	35.461%	8,076,223
Menlo Park City School District	18,840,000	63.333%	11,931,937
Ravenswood School District	14,320,000	37.052%	5,305,846
Redwood City School District	60,425,327	2.192%	1,324,523
City of Menlo Park	16,050,000	100%	16,050,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 96,986,786
OVERLAPPING GENERAL FUND DEBT:			
San Mateo County General Fund Obligations	\$409,824,816	6.615%	\$ 27,109,912
San Mateo County Board of Education Certificates of Participation	14,000,000	6.615%	926,100
San Mateo Community College District Certificates of Participation	30,885,000	6.615%	2,043,043
Midpeninsula Regional Park District Certificates of Participation	111,690,193	5.553%	6,202,156
San Mateo County Mosquito Abatement District Certificates of	1,275,000	9.180%	117,045
TOTAL OVERLAPPING GENERAL FUND DEBT			\$ 36,398,256
COMBINED TOTAL DEBT (2)			\$ 133,385,043

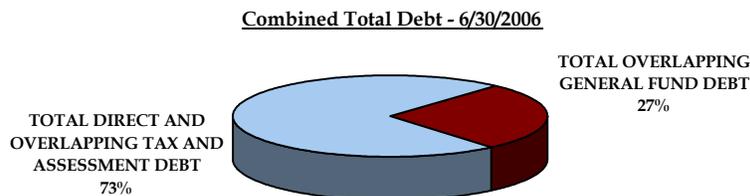
- (1) Percentage of overlapping agency's assessed valuation located within boundaries of the city.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2005-06 Assessed Valuation:

Direct Debt (\$16,050,000)	0.20%
Total Direct and Overlapping Tax and Assessment Debt	1.23%

Ratios to Adjust Assessed Valuation:

Combined Total Debt -----	1.95%
---------------------------	-------



Source: California Municipal Statistics, Inc.

City of Menlo Park
Legal Debt Service Margin Information
June 30, 2006
Last Ten Fiscal Years

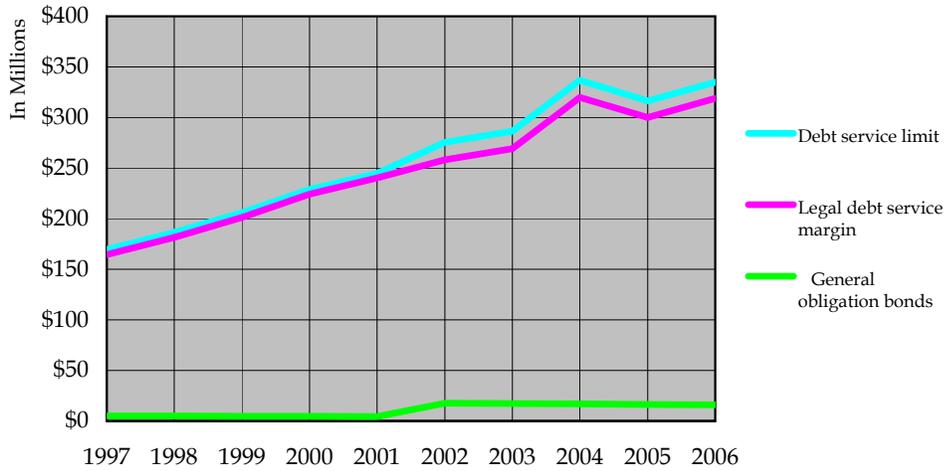
	Fiscal year				
	1997	1998	1999	2000	2001
Assessed valuation	4,522,761,860	4,971,288,877	5,494,790,689	6,103,474,567	6,525,466,839
Conversion percentage	25%	25%	25%	25%	25%
Adjusted assessed valuation	1,130,690,465	1,242,822,219	1,373,697,672	1,525,868,642	1,631,366,710
Debt service limit percentage	15%	15%	15%	15%	15%
Debt service limit	169,603,570	186,423,333	206,054,651	228,880,296	244,705,006
Total net debt applicable to limit:					
General obligation bonds	5,085,000	4,935,000	4,780,000	4,615,000	4,435,000
Legal debt service margin	164,518,570	181,488,333	201,274,651	224,265,296	240,270,006
Total debt applicable to the limit					
as a percentage of debt limit	3.0%	2.6%	2.3%	2.0%	1.8%

(continued)

2002	2003	2004	2005	2006
7,349,582,506	7,636,849,442	8,983,924,444	8,439,815,620	8,934,356,839
25%	25%	25%	25%	25%
1,837,395,627	1,909,212,361	2,245,981,111	2,109,953,905	2,233,589,210
15%	15%	15%	15%	15%
275,609,344	286,381,854	336,897,167	316,493,086	335,038,381
17,485,000	17,275,000	16,930,000	16,500,000	16,050,000
258,124,344	269,106,854	319,967,167	299,993,086	318,988,381

6.3% 6.0% 5.0% 5.2% 4.8%

Legal Debt Service Limit

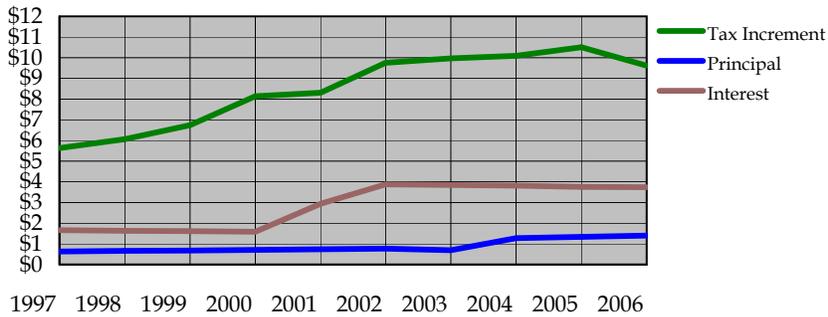


Source: City of Menlo Park

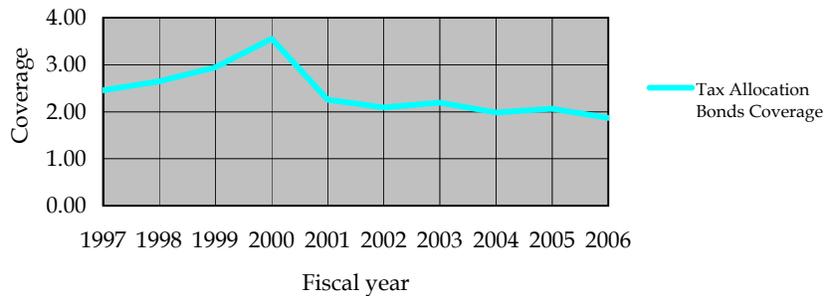
City of Menlo Park
Pledge-Revenue Coverage-Community Development Agency
June 30, 2006
Last Ten Fiscal Years

Fiscal Year	Tax Increment	Debt Service		Tax Allocation Bonds Coverage
		Principal	Interest	
1997	5,636,581	635,000	1,661,910	2.45
1998	6,065,591	655,000	1,635,068	2.65
1999	6,744,113	680,000	1,608,214	2.95
2000	8,139,480	710,000	1,579,314	3.56
2001	8,301,618	745,000	2,933,680	2.26
2002	9,747,852	775,000	3,878,739	2.09
2003	9,961,806	695,000	3,843,476	2.19
2004	10,086,004	1,280,000	3,811,159	1.98
2005	10,501,114	1,340,000	3,752,829	2.06
2006	9,613,455	1,405,000	3,738,815	1.87

Tax Allocation and Debt Service



Tax Allocation Bonds Coverage



Note:
Details regarding the city's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest or depreciation expenses.

City of Menlo Park
Demographic & Economic Statistics
June 30, 2006
Last Ten Calendar Years

Calendar Year	City Population	Median Household Income ¹	Per Capita Personal Income ²	County Unemployment Rate ³
1997	30,554	\$ 50,468	\$ 39,957	2.7%
1998	30,554	50,468	44,223	2.5%
1999	31,246	84,609	50,368	2.0%
2000	31,529	84,609	58,904	2.9%
2001	30,785	84,609	55,700	3.8%
2002	31,262	84,609	52,391	5.7%
2003	30,798	84,609	52,103	5.9%
2004	30,671	84,609	54,807	5.0%
2005	30,648	132,300	53,341	4.3%
2006	30,750	132,300	53,341	3.8%

Source: ¹ California State Department of Finance, Menlo Park Chamber of Commerce

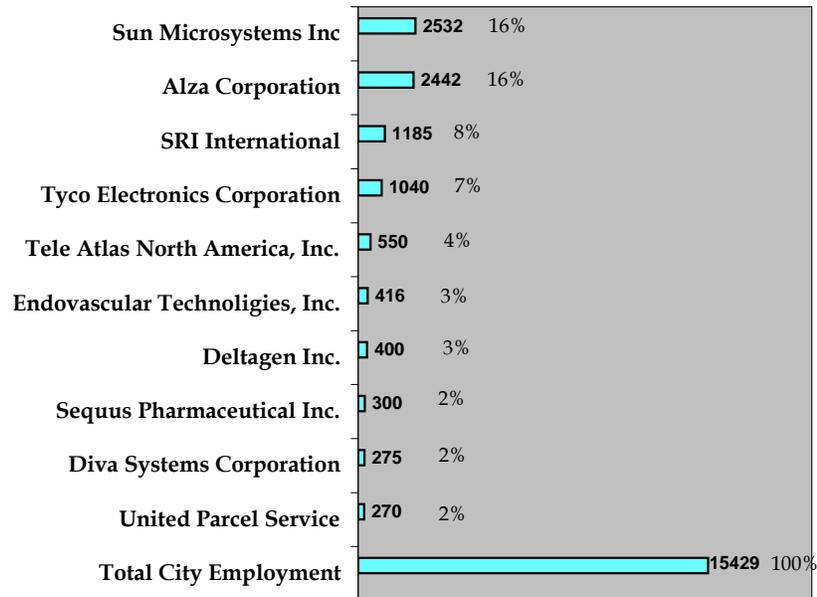
² US Department of Commerce, Bureau of Economic Analysis

³ California Employment Development Department Labor Market

**City of Menlo Park
Principal Employers and Labor Force Overview
June 30, 2006**

Principal Employers, year 2005 ⁽¹⁾	Number of Employees	Percentage of Total City Employment
Sun Microsystems Inc	2,532	16%
Alza Corporation	2,442	16%
SRI International	1,185	8%
Tyco Electronics Corporation	1,040	7%
Tele Atlas North America, Inc.	550	4%
Endovascular Technoligies, Inc.	416	3%
Deltagen Inc.	400	3%
Sequus Pharmaceutical Inc.	300	2%
Diva Systems Corporation	275	2%
United Parcel Service	270	2%
Total	9,410	61%
Total City Employment	15,429	100%

Principal Employers, year 2005

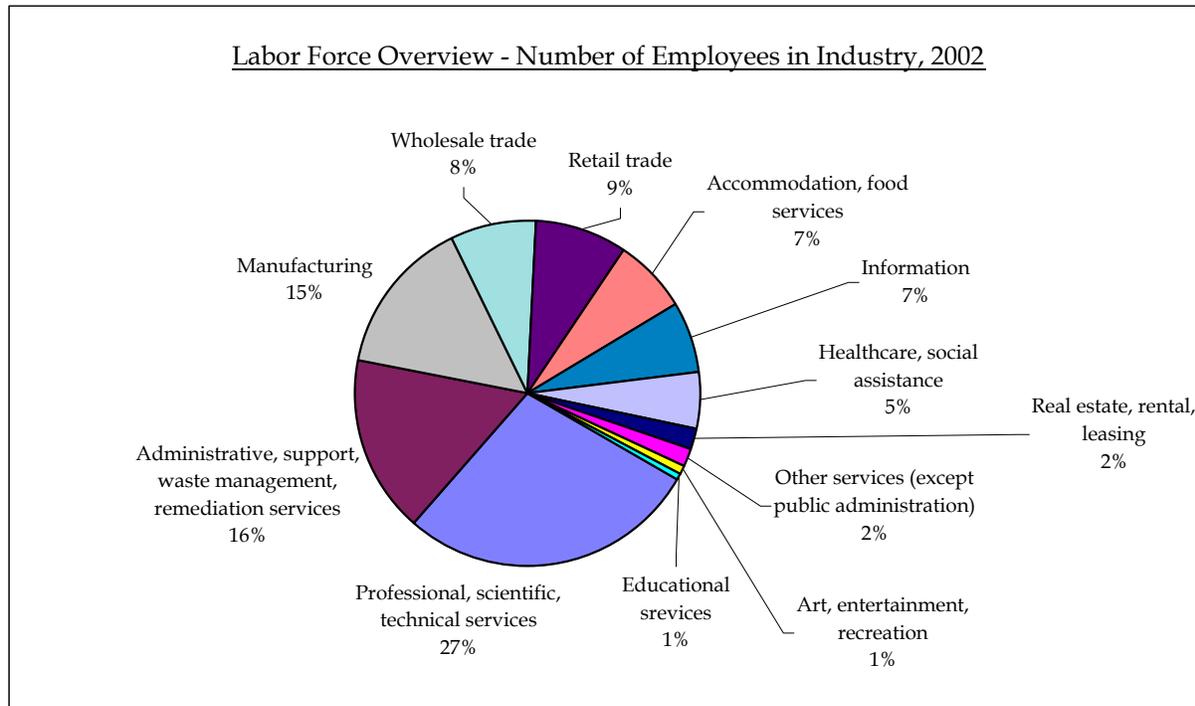


(1) Source: Menlo Park Chamber of Commerce

(continued)

Labor Force Overview, year 2002⁽²⁾

Industry	Number of Employees	Number of Establishments	Annual Payroll (\$1,000)
Professional, scientific, technical services	6530	299	\$706,953
Administrative, support, waste management, remediation	3873	56	160,896
Manufacturing	3425	51	183,114
Wholesale trade	1863	54	33,760
Retail trade	1987	143	62,841
Accommodation, food services	1647	110	29,344
Information	1546	53	103,413
Healthcare, social assistance	1198	114	47,641
Real estate, rental, leasing	437	87	23,670
Other services (except public administration)	406	69	N/A
Art, entertainment, recreation	198	21	6,148
Educational services	133	21	6,909



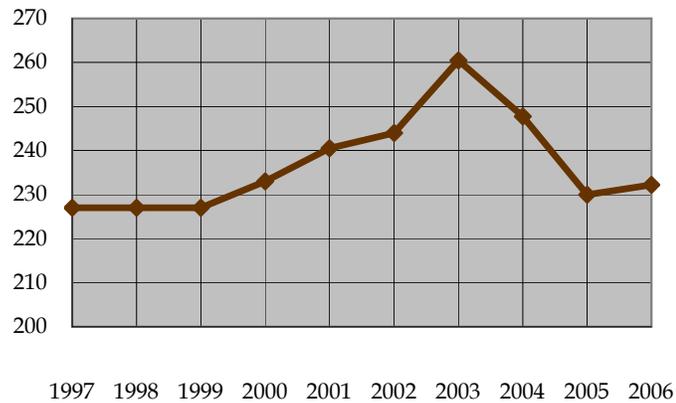
(2) Source: <http://www.city-data.com/business/econ-Menlo-Park-California.html>

**City of Menlo Park
Full-Time Equivalent City Employees by Function
Last Ten Fiscal Years**

Number of Full-Time Equivalent City Employees as of June 30

<u>Function</u>	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General government										
Administrative Services	22.50	22.50	22.50	22.50	22.00	22.50	23.50	24.50	21.50	21.50
Public Safety	71.00	71.00	71.00	74.00	75.00	76.00	75.50	71.50	70.50	70.50
Public Works	52.75	52.75	52.75	54.75	55.75	55.75	60.75	56.75	53.25	54.25
Culture and recreation										
Community Services	50.00	50.00	50.00	50.00	53.50	55.50	64.25	61.50	52.50	52.75
Library	13.25	13.25	13.25	14.25	14.25	14.25	17.00	16.00	15.75	15.75
Community Development	17.50	17.50	17.50	17.50	20.00	20.00	19.50	17.50	16.50	17.50
Total	227.00	227.00	227.00	233.00	240.50	244.00	260.50	247.75	230.00	232.25

Number of Full-Time Equivalent City Employees



Source: City of Menlo Park

City of Menlo Park
Operating Indicators by Demand and Level of Service by Function/Program
June 30, 2006
Last Ten Fiscal Years

FUNCTION/PROGRAM	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Public Safety										
Incidents	-	-	-	37,355	36,132	35,907	38,856	34,676	31,977	30,597
Calls for service	-	-	-	20,175	20,282	19,658	18,299	18,516	18,467	19,806
Officer initiated incidents	-	-	-	17,180	15,850	16,249	20,557	16,160	13,510	10,791
Public Works										
Water:										
Daily average introduced into sytem (1000 gallons)	3,556.7	3,646.0	3,556.7	3,556.7	3,556.7	3,556.7	3,556.7	3,556.7	3,556.7	3,556.7
Water lines (miles)	45	47	45	45	45	45	45	45	45	45
Transportation:										
Shuttle passengers	-	-	-	-	-	-	-	63,387	71,963	53,978
Engineering:										
Enroachment permits issued	207	230	281	290	319	305	294	257	266	275
Culture and Recreation										
Parks and recreation:										
provided:	6,261	8,091	6,644	11,223	10,327	10,239	9,863	9,762	9,649	9,571
Number of recreational activities participants:	5,219	6,235	5,958	20,476	65,039	43,480	22,108	17,157	17,229	30,159
Note: Differences in department programming from year to year result in substantial variances in some totals.										
Library:										
Books volumns held	112,973	120,208	120,506	122,566	136,103	140,942	134,047	134,294	136,590	143,351
Video/DVD held	2,440	2,776	3,657	4,385	5,799	7,500	8,749	10,048	11,650	12,569
Books volumns added	5,469	10,498	7,788	8,334	11,332	11,480	13,850	9,394	9,153	4,992
Total circulation	417,548	430,182	440,642	389,533	457,658	513,560	577,170	575,023	602,548	545,764
Community Development:										
Building Permits Issued:										
Residential - Count:	-	798	887	668	734	679	707	970	761	824
Residential -Value (\$1000s):	-	40,305	36,173	27,635	41,732	34,417	34,163	56,527	44,819	55,404
Commercial - Count:	-	195	238	220	206	145	153	210	161	155
Commercial -Value (\$1000s):	-	54,204	50,996	46,005	68,413	64,675	73,280	25,199	24,425	44,428
Accessory -Total count:	-	127	110	136	179	132	136	94	84	107
Accessory -Value (\$1000s):	-	1,975	1,459	2,341	2,559	2,134	2,866	1,820	4,552	1,062
Building inspection conducted:	-	-	-	-	5,624	11,377	10,713	10,215	10,159	10,522
Housing and Redevelopment:										
Below-market-rate units sold	5	6	11	0	0	0	2	1	0	0
Below-market-rate units resold	0	0	0	1	2	0	0	1	0	0
Housing rehabilitation, number of new loans	-	13	16	9	12	13	7	9	3	5
Housing rehab. loan totals (\$)	-	306,790	414,376	231,850	333,866	571,650	310,450	582,200	190,000	400,100

(-) indicates that data is not available for this fiscal year

Source: City of Menlo Park

City of Menlo Park
Capital Asset Statistics by Function
June 30, 2006
Last Ten Fiscal Years

<u>Function</u>	Fiscal Year				
	1997	1998	1999	2000	2001
General government					
Civic Center-Administration	1	1	1	1	1
Public Safety					
Police stations	1	1	1	1	1
Public Works:					
Streets (miles)	100	100	100	100	100
Streetlights	1718	1718	1718	1718	1718
Traffic signals	23	23	23	23	23
Parks and Recreation:					
Child care centers	2	2	2	4	4
Recreation center	1	1	1	1	1
Library	1	1	2	2	2
Parks	11	11	11	11	11
Community center	1	1	1	1	1
Senior centers	2	2	2	2	2
Teen center	1	1	1	1	1
Gymnasium	1	1	1	1	1
Pools*	3	3	3	3	3
Medical clinic	1	1	1	1	1
Gate houses	1	1	1	1	1
Water:					
Daily average introduced into system (1,000 gallons)	3,557	3,646	3,557	3,557	3,557
Capacity per day	2.85	2.85	2.85	2.85	2.85
Water storage (millions of gallons)	2.00	2.00	2.00	2.00	2.00
Water lines (miles)	45	45	45	45	45

*Burgess pools were closed for constructions in December 2004 and re-opened in May 2005

(continued)

2002	2003	2004	2005	2006
1	1	1	1	1
1	1	1	2	2
100	100	100	100	100
1718	1718	1718	1718	1718
23	23	23	23	23
4	4	4	4	4
1	1	1	1	1
2	2	2	2	2
13	13	13	13	13
1	1	1	1	1
2	2	2	2	2
1	1	1	1	1
1	1	1	1	1
3	3	4	4	5
1	1	1	1	1
1	1	1	1	1
3,557	3,557	3,557	3,363	3,363
2.85	2.85	2.85	2.85	2.85
2.00	2.00	2.00	2.00	2.00
45	45	45	45	45

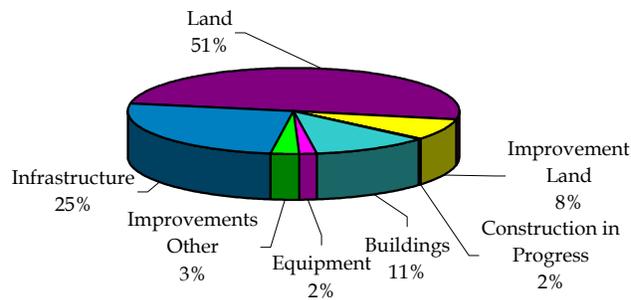
Source: City of Menlo Park

City of Menlo Park
 Capital Asset and Infrastructure Statistics by Activities
 June 30, 2006
 Last Ten Fiscal Years

Non-Depreciable

	Fiscal Year	Land		Construction in Progress
		<u>Land</u>	<u>Improvement</u>	
Governmental Activities				
	1997	8,185,105	1,871,865	2,945,712
	1998	8,932,453	1,871,865	6,287,063
	1999 *	8,490,309	-	8,125,019
	2000	8,490,309	-	1,416,078
	2001	8,490,309	-	7,141,856
	2002	8,490,309	-	25,626,382
	2003	221,534,267	32,705,490	1,717,984
	2004	221,534,267	32,705,490	9,060,550
	2005	221,534,267	32,900,109	8,501,684
	2006	205,232,510	32,900,109	968,145
Business-type Activities				
	1997	338,157	-	1,738,659
	1998	338,157	-	-
	1999 **	33,675	-	-
	2000	403,675	-	-
	2001	403,675	-	-
	2002	403,675	-	-
	2003	1,066,454	-	-
	2004	1,066,454	-	262,293
	2005	1,066,454	-	1,936,034
	2006	1,066,454	-	183,225

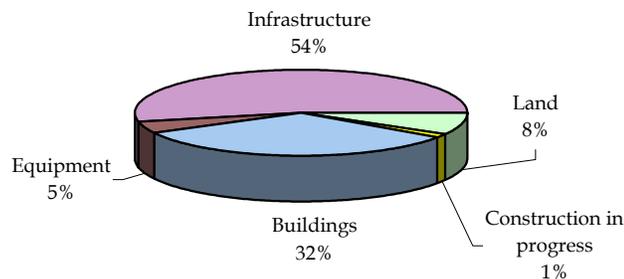
Governmental Capital Assets, 2006



(continued)

<u>Depreciable</u>						
<u>Buildings</u>	<u>Equipment</u>	<u>Other Improvements</u>	<u>Infrastructure</u>		<u>Less: Accumulated Depreciation</u>	<u>Total</u>
16,327,563	4,986,382	6,086,893	-	-	-	40,403,520
17,831,878	5,372,801	7,440,728	-	-	-	47,736,788
18,176,271	5,906,965	9,298,063	-	-	-	49,996,627
27,318,871	6,774,902	10,550,018	-	-	-	54,550,178
29,095,692	7,435,257	11,754,006	-	-	-	63,917,120
29,185,487	7,803,067	13,767,101	-	-	-	84,872,346
39,689,374	5,798,154	3,328,493	97,117,678	(48,625,194)		353,266,246
39,706,068	5,919,103	3,797,004	97,849,119	(52,039,710)		358,531,891
39,974,278	6,035,756	5,509,784	102,932,198	(55,468,475)		361,919,601
46,658,887	6,201,377	12,081,605	103,885,147	(57,765,455)		350,162,325
265,828	617,609	-	4,233,686	(2,307,852)		4,886,087
265,828	590,972	-	6,195,797	(2,450,145)		4,940,609
-	463,139	-	7,449,681	(2,385,255)		5,561,240
-	463,139	-	7,588,267	(2,591,707)		5,863,374
-	463,139	-	8,988,163	(2,804,053)		7,050,924
-	605,104	-	9,459,197	(3,047,256)		7,420,720
-	585,643	-	8,423,306	(5,043,868)		5,031,535
3,945,489	585,643	-	4,457,930	(5,167,837)		5,149,972
3,945,489	585,643	-	4,874,739	(5,288,437)		7,119,922
4,141,695	589,093	-	6,812,639	(5,352,175)		7,440,931

Business-type Capital Assets, 2006



Note: City started implementing the GASB Statement No. 34 in FY 2002-03.

Prior to FY 2002-03, capital assets of the governmental funds were not depreciated and infrastructure was not reported

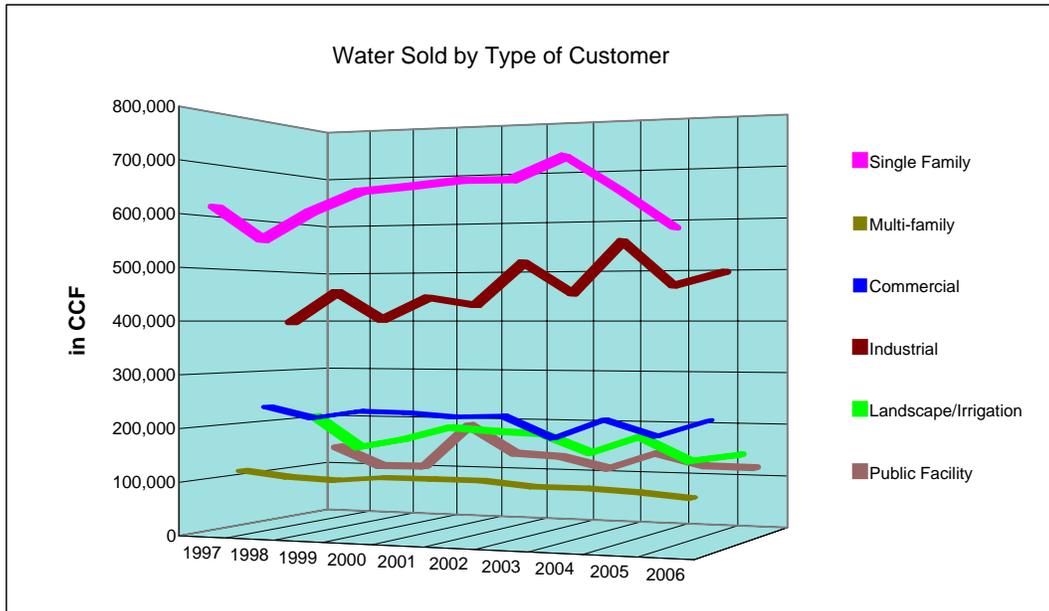
* In 1999, Land and Improvements held for resale was retired

** In 1999, the Fremont School Enterprise Fund was closed as of 6/30/99 and Fund's fixed assets were transferred to the General Fixed Assets Account Group (Government activities)

Source: Comprehensive Annual Financial Reports - City of Menlo Park, CA

**City of Menlo Park
Water Sold by Type of Customer
June 30, 2006
Last Ten Fiscal Years**

Type of Customer	Fiscal Year							
	1997	1998	1999	2000	2001	2002	2003	2004
Single Family	613,714	550,491	600,113	635,480	642,238	650,434	649,272	687,498
Multi-family	113,789	104,084	100,497	108,582	108,747	108,870	100,851	101,149
Commercial	232,305	211,806	226,467	225,362	218,946	222,508	182,992	219,354
Industrial	397,412	457,549	402,715	445,505	430,755	511,933	452,007	549,563
Landscape/Irrigation	205,257	144,186	162,193	187,900	182,525	179,607	144,931	177,958
Public Facility	137,110	100,604	101,917	187,734	133,406	129,221	107,918	141,001
Total	1,699,587	1,568,720	1,593,902	1,790,563	1,716,617	1,802,573	1,637,971	1,876,523
Total direct rate* per 1,000 gallons	\$ 6.15	6.15	6.15	6.15	6.15	6.15	6.15	6.15



(continued)

2005	2006
626,255	560,166
97,178	89,682
190,834	221,551
466,153	491,050
134,150	148,601
118,424	117,785
1,632,994	1,628,835
6.15	6.15

*Monthly charge \$5 plus additional first 5 units charge and surcharge \$1.15, 748 gallons/unit

Source: California Water Service Company

CCF: cubic cubic feet

**City of Menlo Park
Water Service Rates
June 30, 2006
Last Ten Fiscal Years**

Monthly base rate by meter size	Fiscal Year							
	1997	1998	1999	2000	2001	2002	2003	2004
5/8"	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00
3/4"	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
1"	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
1-1/2"	16.50	16.50	16.50	16.50	16.50	16.50	16.50	16.50
2"	26.50	26.50	26.50	26.50	26.50	26.50	26.50	26.50
3"	48.50	48.50	48.50	48.50	48.50	48.50	48.50	48.50
4"	75.00	75.00	75.00	75.00	75.00	75.00	75.00	75.00
6"	166.50	166.50	166.50	166.50	166.50	166.50	166.50	166.50
8"	369.50	369.50	369.50	369.50	369.50	369.50	369.50	369.50
10"	820.00	820.00	820.00	820.00	820.00	820.00	820.00	820.00
Additional charge (*):								
First 5 units	\$ 0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80
Next 6-10 units	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Next 11-25 units	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20
All units over 25	1.60	1.60	1.60	1.60	1.60	1.60	1.60	1.60
Capital Facility Surcharge (per unit)								
	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35

Notes:

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

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

(continued)

	2005		2006
\$	5.00	\$	5.00
	5.00		5.00
	8.00		8.00
	16.50		16.50
	26.50		26.50
	48.50		48.50
	75.00		75.00
	166.50		166.50
	369.50		369.50
	820.00		820.00
	0.80		0.80
	1.00		1.00
	1.20		1.20
	1.60		1.60
	0.35		0.35

City of Menlo Park
Miscellaneous Statistics
June 30, 2006

Date of Incorporation	November 23, 1927	Latitude, Longitude	37.45 N, 122.18 W
Form of Government	Council / Manager	Elevation	60 feet
City Council Members	5	Land Area	Approx 19 miles ²
City Commissions	9	Sunny Days a year	265
		Average Annual Rainfall	15.3"
Population (2000):		Schools:	
Population	30,785	Public elementary schools, K-8	8
People per square miles	3040.1	Private elementary schools, K-8	9
Mean travel time to work	24.6 minutes	Public high schools, 9-12 grades	2
Males	14,920 (48.5%)	Private high schools, 9-12 grades	2
Females	15,865 (51.5%)	Theological seminary	1
One race	96.8%	Four-year college	1
White, non-hispanic	56.8%	Local attractions, culture & recreation:	
Black or African American	7.0%	Allied Arts Guild	
American Indian & Alaskan Native	0.4%	United States Geological Survey	
Asian	7.1%	Sunset Publishing Corporation	
Native Hawaiian & other Pacific Islander	1.3%	Worships	13
Other race	8.6%	Radio station (KCEA-FM, 89.1)	1
Two or more races	3.2%	Local newspaper (the Almanac)	1
Hispanic or Latino	15.6%	Movie theater (the Guild)	1
Household Population	29,833	Utilities and other services:	
Average household size	2.41	Primary Water Supplier	1
Average family size	3.12	Menlo Park Municipal Water District	
Median resident age	37.4	Sewer	1
Population 25+ & older	22,454	West Bay Sanitary District	
High School graduates, age 25+	89.0%	Main Lines Sewer System (miles)	200
Bachelor's degree or higher, age 25+	61.7%	Refuse Removal & Recycling Service	1
Graduate or professional degree	30.7%	Allied Waste Services	
Speak a language other than English at home	27.2%	Gas & Electric Service	1
Economic characteristics:		Pacific Gas & Electric	
In labor force age 16+	15,853 (64%)	Telephone Service	1
Median Household Income (2000)	\$84,609	At & T / SBC	
Median family income (1999)	\$105,550	Cable/Satellite Television Services	4
Per capital income (1999)	\$53,341	Comcast	
Family below poverty level	4.2%	Matrix Cablevision	
Individual below poverty level	6.9%	DIRECTV	
Unemployed (County data Aug. 2006)	3.8%	Dish Network	
Housing characteristics:		Police protection (stations)	2
Houses	12,738	Menlo Park Fire District (stations)	7
Home ownership Rate	57.0%	U. S. Post Offices (branches)	2
Renter occupied	43.0%		
Available Housing-Vacant	2.6%		
Housing units with mortgage	4,469		
Housing without mortgage	1,645		
Median House Value	\$778,500		
Median Selling Price of Home (2004)	\$975,000		
Median Selling Price of Condominium (2004)	\$670,000		
Average Overnight Rate, Double Occupancy	\$147		
Accommodations, 6 Hotels and Motels (rooms)	290		

Sources: Department of Commerce, Bureau of the Census

City of Menlo Park

Menlo Park Chamber of Commerce, Community Profile

American FactFinder, Internet, 2000 data