

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2005



CITY OF MENLO PARK, CALIFORNIA

PREPARED BY
THE FINANCE DEPARTMENT

Carol Augustine
Finance Director

Geoffrey Buchheim
Financial Services Manager

**City
of
Menlo Park**

Menlo Park, California

Comprehensive Annual Financial Report

For the year ended June 30, 2005

C&L
Caporicci & Larson
Certified Public Accountants

City of Menlo Park
For the year ended June 30, 2005

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INTRODUCTORY SECTION



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December 7, 2005

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, 2005. 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.

With the financial statements for the year ended June 30, 2003, the City incorporated for the first time the new 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 located in San Mateo County, midway between the cities of San Francisco and San Jose. It is an area that has comparatively high property values and is a vital part of the region commonly referred to as the Silicon Valley. One of its noteworthy neighbors is Stanford University. Because of the number of venture capital firms and the amount of venture capital that is invested through companies located in Menlo Park, it is internationally known as the “Venture Capital” 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 Boise Cascade. Menlo Park is also home to the Western Region Headquarters of the United States Geological Survey, a major Veterans Administration medical facility, and the U.S. Department of Energy funded and University owned and operated Stanford Linear Accelerator Center.

Reporting Entity

The financial reporting entity (the government) includes all the funds 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 four 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 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. Although property values were maintained throughout the economic slump, the State's fiscal crisis served to exacerbate municipal financial issues through a re-distribution of property taxes in 2004/05 and 2005/06. Proposition 1A, approved by voters in November 2004, should prevent similar manipulation of local government revenues by the state in the future.

The operating costs associated with new facilities, along with increased employer retirement system assessments, higher health care premiums, increased workers compensation and unpredictable energy costs will all place significant fiscal pressure on the General Fund over the next several years. The 2004/05 budget allowed a draw on existing reserve funds in order to avoid a substantial deferral of the maintenance costs associated with the City's infrastructure investment.

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. However, 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.

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. The most recent

bond issuance in fiscal year 2000-01 saw the issuance \$44 million of tax allocation bonds to provide funds for various redevelopment projects of the Agency.

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. In fiscal year 2004-05, tax increment revenue increased by four percent. The increase is due to property sales/ turnover. It is reflective of both the statutory increase permitted in property tax assessments and the weakened economy, which continues to suppress business activity in the commercial and industrial areas within the redevelopment project area. The housing market, on the other hand, continues to show considerable resilience.

The Agency's investment in projects has resulted in demand for housing and considerable investment in renovations and additions to the existing housing stock. Key work elements in planning have been advanced on the Agency-owned property for the Park and Housing project on Hamilton Avenue and for the future redevelopment of the under-performing Haven Avenue commercial 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.

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 \$44 million redevelopment agency bond issue a year earlier, 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. The focus in developing the 2004-05 fiscal year budget was to reduce costs to match revenues while striving to maintain service levels.

A 10-year financial forecast prepared early in the fiscal year 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, the **City Manager's Office** evaluated options to return the City's financial plan to one of long-term balance between revenues and expenses. In February, 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. By the end of the fiscal year, a consultant had been chosen to assist in this process of community engagement, and a newly appointed Budget Advisory Committee was involved in outreach efforts.

To solicit an informed judgment from the community with regard to the General Fund budget, the **Department of Administrative Services** began the preparation of a newsletter and budget worksheet. Major programs provided by the City were defined in detail and categorized into services most readily identified by the community. Costs were appropriately allocated, “translating” the General Fund budget into a fair and accurate picture of the resources needed to provide each service. Background information was compiled for each of the major tax-supported services provided by the City. The informational mailer and survey worksheet represented an extensive effort, which will help to educate the community regarding the municipal services offered and their preferences in response. As such, creation of these documents will provide an essential step towards a sustainable budget for Menlo Park’s future.

Since experiencing unprecedented levels of residential remodeling applications and new single-family construction permits in 2003-04, the **Community Development Department** implemented a new plan check by appointment service that allows over-the-counter plan checks and permitting for small projects. This convenience was also added for the submittal of planning applications. Residential permit activity leveled off in 2004-05 to a more usual level, and commercial permitting volume and valuations also declined moderately.

The Engineering and Maintenance divisions within **Public Works** stayed on course in keeping the City’s many capital projects within budget and on schedule. Work proceeded as outlined in the Five-Year Infrastructure Maintenance Program and Five-Year Street Resurfacing Program approved by the Council last year. In addition, various funding strategies were pursued to offset the burden of infrastructure maintenance on the General fund. Towards this goal, a refuse road impact fee was implemented in March. The Transportation division continued its work targeted on neighborhood traffic calming and safety

This year the **Community Services Department** was able to showcase the completion of a number of park renovation projects. In particular, the re-opening of Nealon Park and the Burgess Little League Field (now the Tom Harrison Field) were cause for celebration as familiar facilities again became available after much-needed improvements. Much to the delight of the City’s young teen population, a skate park was also completed at Burgess Park. The 15,000 square foot concrete “moonscaped” facility was funded by the state through parks and recreation Proposition 12 monies. Two off-leash areas for dogs were established at Nealon Park and Willow Oaks Park, also in response to community needs.

Much of the work undertaken in **Housing and Redevelopment** was continued from previous years’ goal setting. Considerable progress was made in terms of implementing the high priority redevelopment area projects funded through the 2001 bond issue, with many projects advancing through the design phase and into construction, such as the Belle Haven Overall Streetscape Project and the Ivy Drive

Plaza, a new community gather place connecting the Child Development Center to the Belle Haven School and library. Key work elements also included planning for the park and housing project on Hamilton Avenue, and further progress with Habitat for Humanity's plans at Terminal Avenue.

The City's **Libraries** continued to emphasize quality services in terms of providing more convenient access to information and databases. With the help of the 1990 Bond Fund, a state of the art Web-powered automated library system was installed throughout the Peninsula Library System, of which the City is a member. Integrating the functions of circulation, cataloging and acquisitions, this installation was nearly complete by the end of the fiscal year, with no interruptions in service.

The **Police Department** was hardest hit by the increasing cost of personnel this last fiscal year. The presence of law enforcement personnel in the community often drives the perception of quality public safety services. But the department persevered in maintaining the service goals established for the period. Through advancement of innovative officer training and community safety programs, Menlo Park became a leader in removing drunk drivers from community roadways, minimizing the crimes of identity theft and internet crimes against children, and preventing juvenile crime through proven juvenile offender diversion programs.

FOR THE FUTURE: A major focus will be continuing to forward the top-ranked priority capital improvement projects in the redevelopment area, and to wrap up several of the projects identified in the Parks and Recreation Master Plan and funded by the first round of Measure T bonds. The long-awaited Police/City Service Center on Willow Road will break ground in early 2006. As the needs of the community change, the priority-setting process promulgated with each fiscal year budget should identify the most appropriate use of these funds. Similarly, restrictions on the General Fund operating budget will benefit from the results of the *Your City/Your Decision* community survey and workshops designed to establish the optimal use of the City's resources with a community-supported budget plan.

Despite budgetary constraints, 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. Even as the economy improves, the fiscal challenges ahead will continue to require creativity in terms of maintaining quality city services in the face of diminished revenues. 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 \$88.1 million, which earned approximately \$2.3 million with an effective yield of 2.72 percent. The amount of investment income earned increased from the prior year due largely to average higher 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 obtainable 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, 2005, 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 \$2.1 million in cash reserves for possible future catastrophic claims. In addition, various risk control techniques, including employee safety training, an employee safety committee to analyze accidents, and a safety and loss control consultant have been utilized to minimize employee accident and liability claim losses.

Other Information

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

Awards. The Government Finance Officers Association of the United States has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended June 30, 2004. 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, 2004. We will submit our 2005 report to the California Society of Municipal Finance Officers as well.

Acknowledgments. The preparation of this report in a timely manner is the result of the exemplary dedicated service of the members of the Finance Department. Special thanks and acknowledgement are due to Geoffrey Buchheim, Financial Services Manager, who bears the primary responsibility for overseeing the fiscal year end close and coordinating the annual audit process.

Finally, the City Council's 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,

A handwritten signature in black ink, appearing to read 'D. Boesch', written over the printed name and title.

David Boesch
City Manager

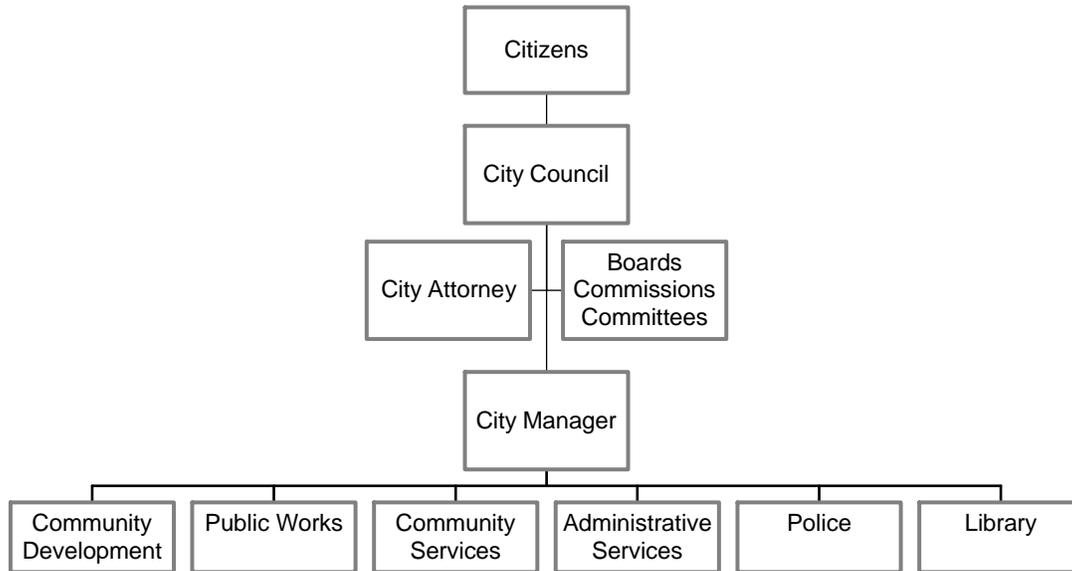
A handwritten signature in black ink, appearing to read 'Carol Augustine', written over the printed name and title.

Carol Augustine
Finance Director

CITY OF MENLO PARK, CALIFORNIA

ORGANIZATIONAL CHART

JUNE 30, 2005



CITY OF MENLO PARK, CALIFORNIA

LIST OF CITY OFFICIALS

JUNE 30, 2005

CITY COUNCIL

Mickie Winkler, Mayor
Nicholas P. Jellins, Mayor Pro Tem
Lee B. Duboc, Councilmember
Andrew Cohen, Councilmember
Kelly Fergusson, 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 Curtis Brown
Police Chief Christopher Boyd
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, 2004

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.



Nancy L. Ziehl

President

Jeffrey R. Emer

Executive Director

California Society of Municipal Finance Officers

Certificate of Award

Outstanding Financial Reporting 2003-04

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, 2005

William A. Thomas

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, 2005, 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, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with generally accepted accounting principles in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2005, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note 1 to the basic financial statements, the City adopted statement of the Governmental Accounting Standards Board No. 40, *Deposit and Investment Risk Disclosures (Amendment of GASB No. 3)*.

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.

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Orange County
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Costa Mesa, California 92626

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

San Diego
4858 Mercury, Suite 105
San Diego, California 92111

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

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

Capricci & Carson

Oakland, California
September 29, 2005



MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2005

This 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, 2005. 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, 2005 by \$385,615,464. Of this amount, \$61,635,251 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 \$7,620,086 in fiscal year 2004-05. Net assets of governmental activities decreased by \$8,317,327, due largely to recording of the City's landfill post-closure liability (\$7.3 million), and decreased program revenue from the prior year. Net assets of the business type activities increased by \$697,241, reflecting the contribution to capital assets associated with water system improvements from the City's governmental funds, in the amount of \$462,525.

Fund Highlights:

Governmental Funds - Fund Balances- As of the close of fiscal year 2004-05, the City's governmental funds reported a combined ending fund balance of \$91,592,858, a decrease of \$5,606,836 from the prior year. The decrease was due to mainly to the expenditure of the appropriate special revenue funds for capital improvement and other long-term projects. Of the total fund balances, \$48,970,558 is categorized as "unreserved, undesignated fund balances" available for appropriation.

General Fund - The undesignated fund balance of the general fund on June 30, 2005 was \$21,357,266. The total fund balance decreased by \$588,211 from the prior year.

Long-Term Debt:

The City's total bonded debt obligations decreased by \$1,770,000 (2%) during fiscal year 2004-05, reflecting the annual payment of the principal balance of outstanding debt. In addition, a prior-period adjustment was made to record the City's estimated liability associated with providing post-closure care for the landfill at Bayfront Park until the year 2025.

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, established at the time of bond funding and with each fiscal year budget process, are carefully adhered to. This year, numerous City park renovation projects, funded by the first round of the Measure T bond funds approved in 2002, have been completed. Construction of two other Measure T projects - the Burgess Pool and Locker Room and the Menlo Children's Center, are expected to be

completed in February 2006. The Community Services Department is charged with maintaining quality services, while transitioning their programs to the new and renovated facilities as they become available for use. As a member of the Peninsula Library System, the City installed a state of the art Web-powered automated library system late in the fiscal year. The Police Department remains focused on training new officers and meeting challenging service goals, while planning for the construction of a new Police/City Service Center in the City's redevelopment area.

The City's Redevelopment Agency (RDA) saw the completion of two large streetscape projects in this fiscal year. Several other capital improvement projects in the RDA are in the later stages of design, for construction in the 2005-06 fiscal year. Two major housing projects are in the final stages of design; these projects will bolster the City's supply inventory of affordable housing in the years to come.

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.

City of Menlo Park's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current Assets	\$ 78,708,292	\$ 76,654,996	\$ 14,875,090	\$ 16,002,196	\$ 93,583,382	\$ 92,657,192
Non-Current Assets	26,229,579	33,994,719	-	-	26,229,579	33,994,719
Capital Assets	361,919,601	358,531,891	7,119,922	5,149,972	369,039,523	363,681,863
Total Assets	466,857,472	469,181,606	21,995,012	21,152,168	488,852,484	490,333,774
Current Liabilities	9,381,799	9,664,295	539,344	418,793	9,921,143	10,083,088
Long-term Liabilities	93,264,525	86,988,836	51,352	26,300	93,315,877	87,015,136
Total Liabilities	102,646,324	96,653,131	590,696	445,093	103,237,020	97,098,224
Investments in Capital						
Net of Related Debt	276,025,463	271,543,602	-	5,149,972	276,025,463	276,693,574
Restricted	40,834,828	40,196,802	7,119,922	74,060	47,954,750	40,270,862
Unrestricted	47,350,857	60,788,071	14,284,394	15,483,043	61,635,251	76,271,114
Total Net Assets	\$ 364,211,148	\$ 372,528,475	\$ 21,404,316	\$ 20,707,075	\$ 385,615,464	\$ 393,235,550

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, Community Development, and Urban Development and Housing. Property and sales taxes, user fees, interest income, franchise fees, and state and federal grants finance these activities.

City of Menlo Park's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program Revenues:						
Charges for Services	\$ 12,386,707	\$ 14,927,549	\$ 3,305,954	\$ 3,754,693	\$ 15,692,661	\$ 18,682,242
Operating Grants and Contributions	1,712,952	2,418,574	-	-	1,712,952	2,418,574
Capital Grants and Contributions	686,540	80,579	462,525	-	1,149,065	80,579
General Revenue:						
Property Taxes	17,755,873	16,878,085	-	-	17,755,873	16,878,085
Sales Taxes	6,057,460	6,580,473	-	-	6,057,460	6,580,473
Motor Vehicle License	2,008,458	1,394,880	-	-	2,008,458	1,394,880
Other Taxes	2,352,535	1,565,592	-	-	2,352,535	1,565,592
Investment Earnings	2,239,123	1,464,350	333,040	130,482	2,572,163	1,594,832
Miscellaneous	77,106	107,531	-	-	77,106	107,531
Total Revenues	<u>45,276,754</u>	<u>45,417,613</u>	<u>4,101,519</u>	<u>3,885,175</u>	<u>49,378,273</u>	<u>49,302,788</u>
Expenses:						
General Government	7,322,997	8,375,348	-	-	7,322,997	8,375,348
Public Safety	9,196,468	8,010,385	-	-	9,196,468	8,010,385
Public Works	9,094,984	9,742,184	-	-	9,094,984	9,742,184
Culture and Recreation	7,547,337	7,971,110	-	-	7,547,337	7,971,110
Community Development	8,721,659	7,780,767	-	-	8,721,659	7,780,767
Interest on Long-term Debt	4,602,336	4,679,811	-	-	4,602,336	4,679,811
Water Operations	-	-	3,187,578	3,555,582	3,187,578	3,555,582
Total Expenses	<u>46,485,781</u>	<u>46,559,605</u>	<u>3,187,578</u>	<u>3,555,582</u>	<u>49,673,359</u>	<u>50,115,187</u>
Increase (Decrease) in Net Assets						
before Transfers	(1,209,027)	(1,141,992)	913,941	329,593	(295,086)	(812,399)
Transfers	<u>216,700</u>	<u>216,700</u>	<u>(216,700)</u>	<u>(216,700)</u>	<u>-</u>	<u>-</u>
Changes in Net Assets	(992,327)	(925,292)	697,241	112,893	(295,086)	(812,399)
Net Assets - Beginning of the Year						
(as restated)	365,203,475	373,453,767	20,707,075	20,594,182	385,910,550	394,047,949
Net Assets - End of the Year	<u>\$ 364,211,148</u>	<u>\$ 372,528,475</u>	<u>\$ 21,404,316</u>	<u>\$ 20,707,075</u>	<u>\$ 385,615,464</u>	<u>393,235,550</u>

Business-type activities—The City charges a fee to customers to cover all or most of the cost of its water distribution services. 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 enterprise funds are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

Fiduciary Funds

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

Notes to the Financial Statements

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

Required Supplementary Information

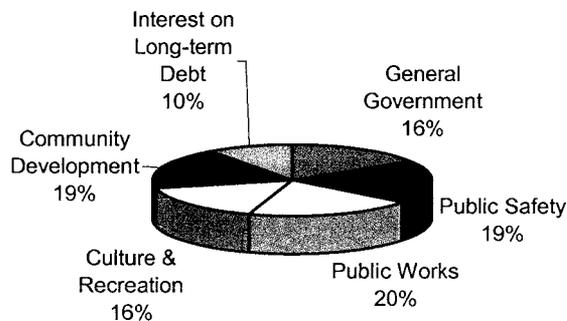
In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information providing a budgetary comparison statement for the general fund and all major funds. It also includes Employees Pension Plan Schedule of Funding.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

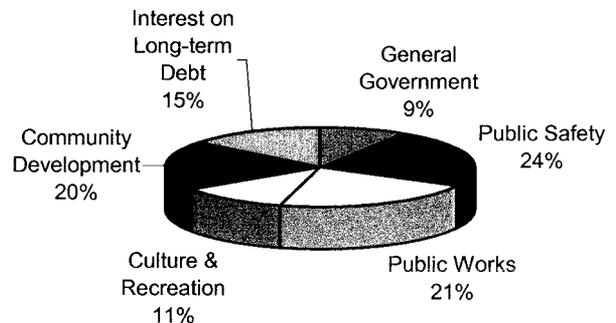
As noted earlier, the City as a whole has net assets of \$385,615,464 at June 30, 2005. Program expenses by function, general revenues by major source, excess and/or deficiency of revenues over expenses before contributions to fund principal, special, and extraordinary items, and total assets are presented in the Statement of Activities and Changes in Net Assets.

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

Governmental Expense by Activity



**Net Cost of Governmental Activities
(Net of Program Revenues)**



BUSINESS TYPE ACTIVITIES

Net assets for business-type activities were \$21,404,316. Total program revenues for business-type activities were \$3,768,479. The main program revenue was Charges for Services of \$3,305,954, related to the water usage fee. Total expenses for the business-type activities were \$3,187,578 during fiscal year 2005, which is related to water operations.

FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS

Major Fund Balances

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

- Ten percent criterion. An individual fund reports at least 10 percent of any of the following: a) total governmental fund assets, b) total governmental fund liabilities, c) total governmental fund revenues, or d) total governmental fund expenditures.

- Five percent criterion. An individual governmental fund reports at least 5 percent of the total for both governmental and enterprise funds of any one of the items for which it met the 10 percent criterion.

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

Fund Balances for Major Funds	June 30 2005	June 30, 2004	Increase (Decrease) From 2003-04
General Fund	\$31,109,122	\$31,697,333	(\$588,211)
Community Development Block Grant Fund	831	731	100
Community Development Agency Fund	27,657,271	29,837,542	(2,180,271)
Other Governmental Funds	32,825,634	35,664,088	(2,838,454)
Water Fund	21,404,316	20,707,075	697,241
TOTAL	\$112,997,174	\$117,906,769	(\$4,909,595)

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 \$21,357,266, while the total fund balance reached \$31,109,122. As a measure of the General Fund's liquidity, it may be useful to compare both undesignated fund balance and total fund balance to total fund expenditures. The unreserved fund balance represents 98 percent of total General Fund expenditures including transfers out, while total fund balance represents 104 percent of that same amount.

During the current year, the fund balance of the General Fund decreased by \$588,211. This represents 1.9% of the General Fund operating budget. Of the total fund balance of \$31,109,122, \$1,959,224 is reserved for certain commitments and \$7,792,632 is designated for various items such as insurance claims, equipment and infrastructure replacement and fiscal uncertainties leaving \$21,357,266 as the undesignated fund balance.

The available fund balance of the City's General Fund decreased by \$183,702 during the current fiscal year. Key factors in the decline were :

- Operating transfers-out exceeded operating transfers-in by \$1,682,780.
- Operating revenues exceeded operating expenditures by \$1,094,569.
- Reserved fund balance for items such as commitments decreased by \$404,509.

Special Revenue Fund Balance

At the end of the current fiscal year, the total fund balance of all the Special Revenue Funds is \$43,502,739. During the year, the total fund balance for all special revenue funds decreased by \$1,735,983. The Community Development Agency Special Revenue fund had a decrease of \$2,180,271 in fund balance to an end of year balance of \$27,657,271. The Community Development Agency had an increase in revenue of \$795,000, but expenditures were \$2,026,271 over revenues during the fiscal year due to spending on capital improvements such as the Ivy Drive Streetscaping project.

Capital Projects Fund Balance

At June 30, 2005, the total fund balance for the Capital Projects Funds is \$15,693,587. This is the result of a \$3,427,997 decrease in fund balance during the fiscal year. The Measure T 2002 GO Bond Capital Improvement fund had a decrease of \$3,920,668 in fund balance to an end of year balance of \$6,412,618. The decrease is the result of ongoing park improvement projects such as the major improvements to Burgess and Nealon Parks.

Enterprise Funds

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

The Water Fund accounts for water supplied to approximately 4,000 customers. The retained earnings at June 30, 2005 were \$21,404,316, an increase of \$697,241. 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 operating fund balance, to support capital improvement projects, and to find new sources of water.

Fiduciary Operations

The City Council contracts with the State of California Public Employees Retirement System (PERS) for retirement coverage for City employees. As of June 30, 2004, the City had excess assets of \$5,924,659 in the Safety Plan and \$4,585,158 in the Miscellaneous Plan. Deviations from the assumptions made by the Retirement System and enhancements made to the safety employees benefit drive the FY 2006-07 contribution rates as follows:

Miscellaneous employees group	10.037%
Safety employees group	26.810%

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	\$16,500,000
Tax Allocation Bonds	68,730,000

During fiscal year 1995-1996, the City issued \$4,630,000 of General Obligation Refunding Bonds, Series 1996 to refund and defease \$4,080,000 of the \$4,665,000 aggregate principal amount of the outstanding City of Menlo Park Library Improvement Project General Obligation Bonds, Series 1990. The proceeds of the 1990 Bonds were used to finance certain improvements to the City's library, including the renovation of existing structures and the construction of additional facilities. The balance of the 1996 General Obligation Refunding Bonds at June 30, 2005 was \$3,585,000. The bonds are to be paid from special assessments to property owners within the City.

During fiscal year 1995-1996, the City issued \$32,305,000 of Community Development Agency of the City of Menlo Park Las Pulgas Community Development Project Tax Allocation Refunding Bonds, Series 1996 to refund and defease the Agency's outstanding Series 1988 Bonds issued in the original principal amount of \$4,720,000, to refund and defease the outstanding Series 1992 Bonds issued in the original principal amount of \$25,000,000, to fund a reserve account, and to pay costs of issuance

incurred in connection with the issuance, sale and delivery of the 1996 Bonds. The balance of the 1996 Tax Allocation Bonds at June 30, 2005 was \$25,515,000.

During fiscal year 2000-2001, the City issued \$44,000,000 of Community Development Agency of the City of Menlo Park Las Pulgas Community Development Project Tax Allocation Bonds, Series 2000 to finance certain capital projects of benefit to the Las Pulgas Community Development Project. The balance of the 2000 Tax Allocation Bonds at June 30, 2005 was \$43,215,000.

During fiscal year 2001-2002 the City issued \$13,245,000 of General Obligation Bonds, Series 2002 to finance certain parks and recreation improvements. The balance of the 2002 General Obligation Bonds at June 30, 2005 was \$12,915,000.

As disclosed in the Notes to Basic Financial Statements, a prior period adjustment was made 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.

Additional information on the City's long-term debt can be found in note 6 on pages 54 through 58 of this report.

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business type activities as of June 30, 2005, amounts to \$361,919,601, net of accumulated depreciation of \$55,468,475. This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the City such as roads, bridges, streets and sidewalks, drainage systems, lighting systems and similar items. The total changes to the City's investment in capital assets for the current fiscal year was \$3,387,710, net of accumulated depreciation.

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

- Hamilton Avenue streetscape improvements - \$3,494,924
- Ivy Drive plaza - \$1,761,068
- Nealon Park improvements - \$1,427,448
- Market Place Park improvements - \$268,524

Major capital asset additions during the current fiscal included as the following Works In Progress:

- Burgess Park improvements and skate park - \$3,778,337
- Burgess pool and gymnasium improvements - \$1,855,625
- Menlo Park Child Care Center - \$1,525,042
- Belle Haven Community Park - \$1,088,772

Additional information on the City's capital assets can be found in note 5 on pages 51 through 53 of this report.

GENERAL FUND BUDGETARY HIGHLIGHTS

The 2004-05 fiscal year adopted budget for General Fund expenditures including transfers out amounted to \$29,229,090. The final (adjusted) budget amount was \$29,511,663, a net increase of \$282,573.

Increases to the adopted budget include \$217,546 in committed purchase orders from the prior June 30 balance and:

- \$80,000 in Capital outlay for equipment purchases.
- \$53,000 in General Government for services for the 2006-07 budget process.
- \$52,000 in Public Safety to fund the Juvenile Justice Grant project.
- \$50,000 in Public Works for additional parks and field maintenance equipment.

General Fund Revenues

- Secured property tax revenues increased 8.1 percent over the prior year primarily due to an increase in assessed residential property values in the City. The housing market has remained strong throughout the economic downturn of the last four years.
- Sales tax revenues remained flat, marking the first time since fiscal year 2000-01 that the City has not experienced a decline in this area.
- An 87.2 percent increase in revenues from use of money and property was mainly the result of an increase from investment earnings. Yields on investments returned as interest rates began to rise after remaining low throughout the prior fiscal year. Market values for investments rose so that by the end of the fiscal year, a much smaller unrealized loss was recorded.
- Revenues from fines and forfeitures increased 10.1 percent as parking fine collections increased.
- Intergovernmental revenue rose due to the prior year "loan" of Motor Vehicle in Lieu fees to the State. The loan (\$530,000) is to be repaid in 2005-06.
- Revenues from charges for services dropped 12.3 percent from the prior fiscal year. Burgess Pool and other recreational facilities were closed for capital improvements, resulting in lower user fees received for those facilities.

Total General Fund revenues, exclusive of transfers in from other funds, rose 6.1 percent (\$1,570,942) over the 2003-04 fiscal year.

General Fund Expenditures

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

- General government expenditures dropped by 19.9 percent, largely due to a large, one-time settlement payment for a prior year liability insurance claim in the 2003-04 fiscal year. No large claims were paid in 2005.
- Public safety expenditure rose \$1,304,860, or 17.09 percent. Due to labor contracts in place in 2005, salary costs rose and an enhanced retirement package was assumed for public safety employees.
- General Fund expenditures for capital outlay increased \$173,429 (87.2 percent) from the prior year, as over \$200,000 was spent for motor vehicles. Less than \$32,000 was spent for this purpose in 2003-04.

Total General Fund expenditures, exclusive of transfers out, increased less than on half a percent (\$129,026) over the 2003-04 fiscal year.

Operating transfers to other funds increased by 25.3 percent from the prior fiscal year. This reflects a transfer of \$2,000,000 to the General Capital Improvement Fund in 2004-05 to fund infrastructure replacement and repairs. Although no such transfer was made in the prior year, there was a transfer out recorded to the City's internal service fund for insurance in 2003-04, amounting to \$1.4 million.

ECONOMIC CONDITION AND OUTLOOK

During fiscal year 2004-05, the City continued to experience fiscal challenges associated with the national recession of 2001 and the region's subsequent economic slump. Though sales taxes leveled off from three straight years of decline, the loss of sales-tax generators is still of concern. Business development efforts have been stepped up to retain current businesses and to promote new commercial development throughout Menlo Park. In addition, the City is working to form partnerships with private entities and other stakeholders in the community, and looking regionally for more efficient ways to provide quality governmental services.

While City staff explore new ways to provide services, it will also utilize long-term financial planning to securely match revenue streams with its operational liabilities. Appropriate impact and user fees will be needed to offset current liabilities so that the true costs of services today are not deferred to the community's future residents.

In an effort to curb deficit spending without the depletion of the City's prudent level of reserves in the long term, public outreach was launched for the *Your City/Your Decision* community engagement project. *Your City/Your Decision* represents an innovative approach to balancing the General Fund budget by determining public priorities and tolerance for service cuts and/or tax increases. It is an integral part of the City's budget process for 2006-07. The City hopes to achieve a balanced, sustainable, community supported budget that will allow for Menlo Park's continued financial stability in the long term.

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.

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, 2005

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Current assets:			
Cash and investments	\$ 66,554,115	\$ 14,444,394	\$ 80,998,509
Receivables:			
Accounts	776,425	332,228	1,108,653
Interest	451,724	98,468	550,192
Notes	9,338,724	-	9,338,724
Due from other governments	1,399,975	-	1,399,975
Deposits and prepaid items	187,329	-	187,329
Total current assets	<u>78,708,292</u>	<u>14,875,090</u>	<u>93,583,382</u>
Noncurrent assets:			
Restricted cash and investments	26,229,579	-	26,229,579
Capital assets			
Non-depreciable	262,936,060	3,002,488	265,938,548
Depreciable, net	98,983,541	4,117,434	103,100,975
Total capital asset	<u>361,919,601</u>	<u>7,119,922</u>	<u>369,039,523</u>
Total noncurrent assets	<u>388,149,180</u>	<u>7,119,922</u>	<u>395,269,102</u>
Total assets	<u>466,857,472</u>	<u>21,995,012</u>	<u>488,852,484</u>
LIABILITIES			
Current liabilities:			
Accounts payable	3,041,470	464,937	3,506,407
Accrued payroll	1,301,626	23,992	1,325,618
Interest payable	664,138	-	664,138
Deposits	355,940	50,415	406,355
Unearned revenue	720,616	-	720,616
Claims payable due within one year	1,443,009	-	1,443,009
Long-term debt due within one year	1,855,000	-	1,855,000
Total current liabilities	<u>9,381,799</u>	<u>539,344</u>	<u>9,921,143</u>
Noncurrent liabilities:			
Claims payable due in more than one year	774,586	-	774,586
Compensated absences	1,789,939	51,352	1,841,291
Landfill postclosure care	7,325,000	-	7,325,000
Long-term debt due in more than one year	83,375,000	-	83,375,000
Total noncurrent liabilities	<u>93,264,525</u>	<u>51,352</u>	<u>93,315,877</u>
Total liabilities	<u>102,646,324</u>	<u>590,696</u>	<u>103,237,020</u>
NET ASSETS			
Invested in capital assets, net of related debt	276,025,463	-	276,025,463
Restricted for:			
Capital projects	37,452,612	7,119,922	44,572,534
Debt service	1,287,410	-	1,287,410
Special projects	2,094,806	-	2,094,806
Unrestricted	47,350,857	14,284,394	61,635,251
Total net assets	<u>\$ 364,211,148</u>	<u>\$ 21,404,316</u>	<u>\$ 385,615,464</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, 2005

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General Government	\$ 7,322,997	\$ 4,486,715	\$ 45,489	\$ -	\$ 4,532,204
Public Safety	9,196,468	1,240,807	335,959	-	1,576,766
Public Works	9,094,984	1,446,303	264,783	638,127	2,349,213
Culture and recreation	7,547,337	2,835,631	1,066,721	-	3,902,352
Community development	8,721,659	2,377,251	-	48,413	2,425,664
Interest on long-term debt	4,602,336	-	-	-	-
Total governmental activities	46,485,781	12,386,707	1,712,952	686,540	14,786,199
Business-type activities:					
Water	3,187,578	3,305,954	-	462,525	3,768,479
Total business-type activities	3,187,578	3,305,954	-	462,525	3,768,479
Total primary government	\$ 49,673,359	\$ 15,692,661	\$ 1,712,952	\$ 1,149,065	\$ 18,554,678

General Revenues:

Taxes:

Property taxes

Sales taxes

Motor vehicle fee taxes

Other taxes

Total taxes

Investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning of year, as restated (Note 19)

Net assets - end of year

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (2,790,793)	\$ -	\$ (2,790,793)
(7,619,702)	-	(7,619,702)
(6,745,771)	-	(6,745,771)
(3,644,985)	-	(3,644,985)
(6,295,995)	-	(6,295,995)
(4,602,336)	-	(4,602,336)
<u>(31,699,582)</u>	<u>-</u>	<u>(31,699,582)</u>
-	580,901	580,901
-	580,901	580,901
<u>(31,699,582)</u>	<u>580,901</u>	<u>(31,118,681)</u>
17,755,873	-	17,755,873
6,057,460	-	6,057,460
2,008,458	-	2,008,458
2,352,535	-	2,352,535
28,174,326	-	28,174,326
2,239,123	333,040	2,572,163
77,106	-	77,106
216,700	(216,700)	-
<u>30,707,255</u>	<u>116,340</u>	<u>30,823,595</u>
(992,327)	697,241	(295,086)
<u>365,203,475</u>	<u>20,707,075</u>	<u>385,910,550</u>
<u>\$ 364,211,148</u>	<u>\$ 21,404,316</u>	<u>\$ 385,615,464</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 Block Grant Fund - Established in 1981 to account for Federal Housing and Community Development Block Grant funds utilized for single family housing rehabilitation and related administration.

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

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City of Menlo Park
Balance Sheet
Governmental Funds
June 30, 2005

	Major Funds				Total Governmental Funds
	General Fund	Community Development Block Grant Special Revenue	Community Development Agency Special Revenue	Non-Major Governmental Funds	
ASSETS					
Cash and investments	\$ 31,370,762	\$ -	\$ 8,005,111	\$ 27,178,242	\$ 66,554,115
Restricted cash and investments	-	-	20,257,425	5,972,154	26,229,579
Receivables:					
Accounts	664,980	-	-	111,445	776,425
Interest	292,436	-	53,286	106,002	451,724
Notes	1,413,917	2,172,776	4,839,722	912,309	9,338,724
Due from other governments	662,517	231,910	-	505,548	1,399,975
Deposits and prepaid items	187,329	-	-	-	187,329
Due from other funds	-	-	216,214	14,683	230,897
Advances to other funds	-	500,000	-	-	500,000
Total assets	\$ 34,591,941	\$ 2,904,686	\$ 33,371,758	\$ 34,800,383	\$ 105,668,768
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 867,480	\$ 4,337	\$ 819,360	\$ 1,350,293	\$ 3,041,470
Accrued payroll and related liabilities	1,121,339	5,765	65,385	109,137	1,301,626
Compensated absences	697,090	4,763	27,874	75,139	804,866
Due to other funds	-	216,214	-	14,683	230,897
Deposits	355,940	-	-	-	355,940
Deferred revenue	440,970	2,672,776	4,301,868	425,497	7,841,111
Advances from other funds	-	-	500,000	-	500,000
Total liabilities	3,482,819	2,903,855	5,714,487	1,974,749	14,075,910
Fund Balances:					
Reserved	1,959,224	501,076	4,226,074	13,598,898	20,285,272
Unreserved:					
Designated, reported in:					
General Fund	7,792,632	-	-	-	7,792,632
Special revenue funds	-	-	9,661,524	-	9,661,524
Capital project funds	-	-	-	8,382,872	8,382,872
Undesignated, reported in:					
General Fund	21,357,266	-	-	-	21,357,266
Special revenue funds	-	(500,245)	13,769,673	10,843,864	24,113,292
Total unreserved	29,149,898	(500,245)	23,431,197	19,226,736	71,307,586
Total fund balances	31,109,122	831	27,657,271	32,825,634	91,592,858
Total liabilities and fund balances	\$ 34,591,941	\$ 2,904,686	\$ 33,371,758	\$ 34,800,383	\$ 105,668,768

City of Menlo Park
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2005

Total Fund Balances - Total Governmental Funds \$ 91,592,858

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	262,936,060
Depreciable, net	98,983,541

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.	(664,138)
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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.	7,120,495
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Landfill postclosure care costs do not require current financial resources and are not reported as a liability in the fund financials statements.	(7,325,000)
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Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet.

Long-term liabilities - due within one year:	
Claims and judgments payable	(1,443,009)
Long-term debt	(1,855,000)
Long-term liabilities - due in more than one year:	
Claims and judgments payable	(774,586)
Compensated absences payable	(985,073)
Long-term debt	(83,375,000)

Net Assets of Governmental Activities	\$ 364,211,148
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City of Menlo Park
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2005

	Major Funds				Total Governmental Funds
	General Fund	Community Development Block Grant Special Revenue	Community Development Agency Special Revenue	Non-Major Governmental Funds	
REVENUES:					
Taxes:					
Secured property taxes	\$ 6,206,993	\$ -	\$ 9,564,449	\$ -	\$ 15,771,442
Unsecured property taxes	441,493	-	936,665	-	1,378,158
Other property taxes	606,274	-	-	-	606,274
Sales taxes	6,057,460	-	-	1,169,339	7,226,799
Franchise and occupancy taxes	2,332,272	-	-	20,263	2,352,535
Special assessments	-	-	-	2,362,435	2,362,435
Licenses and permits	2,570,849	-	-	346,508	2,917,357
Fines and forfeitures	832,897	-	-	-	832,897
Use of money and property	1,289,031	-	801,210	566,498	2,656,739
Intergovernmental	3,112,585	(263,087)	5,539	1,321,282	4,176,319
Charges for services	3,829,011	597,429	20	2,446,552	6,873,012
Other	38,928	-	-	38,178	77,106
Total revenues	27,317,793	334,342	11,307,883	8,271,055	47,231,073
EXPENDITURES:					
Current:					
General government	4,735,812	-	-	1,418,469	6,154,281
Public safety	8,939,418	-	-	139,029	9,078,447
Public works	3,541,044	-	-	3,677,620	7,218,664
Culture and recreation	6,838,579	-	-	356,469	7,195,048
Rehabilitation loans	-	190,050	-	-	190,050
Community development	1,811,657	-	1,506,007	462,830	3,780,494
Urban development and housing	-	143,429	4,555,950	22,979	4,722,358
Capital outlay	372,347	763	2,179,368	5,794,096	8,346,574
Debt service:					
Principal	-	-	1,340,000	430,000	1,770,000
Interest	-	-	3,752,829	861,497	4,614,326
Total expenditures	26,238,857	334,242	13,334,154	13,162,989	53,070,242
REVENUES OVER (UNDER) EXPENDITURES	1,078,936	100	(2,026,271)	(4,891,934)	(5,839,169)
OTHER FINANCING SOURCES (USES):					
Transfers in	513,220	-	-	2,318,373	2,831,593
Transfers out	(2,196,000)	-	(154,000)	(264,893)	(2,614,893)
Proceeds from sale of capital assets	15,633	-	-	-	15,633
Total other financing sources (uses)	(1,667,147)	-	(154,000)	2,053,480	232,333
Net change in fund balances	(588,211)	100	(2,180,271)	(2,838,454)	(5,606,836)
FUND BALANCES:					
Beginning of year	31,697,333	731	29,837,542	35,664,088	97,199,694
End of year	\$ 31,109,122	\$ 831	\$ 27,657,271	\$ 32,825,634	\$ 91,592,858

See accompanying Notes to Basic Financial Statements.

City of Menlo Park

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets For the year ended June 30, 2005

Net Change in Fund Balances - Total Governmental Funds \$ (5,606,836)

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

Governmental Funds reported acquisition of capital assets as expenditures in various functions and in capital outlay. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets was allocated over their estimated useful lives as depreciation expense. This was the amount of capital assets recorded in the current period. 9,216,486

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. (3,867,909)

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. (1,945,234)

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. (15,633)

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. (9,085)

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 57,635
Change in claims liability (603,741)

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: 1,770,000

Interest expense on long-term debt was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they did not require the use of current financial resources. Therefore, interest expense was not reported as expenditures in Governmental Funds. The following amount represented the change in accrued interest from prior year. 11,990

Change in Net Assets of Governmental Activities \$ (992,327)

PROPRIETARY FUND FINANCIAL STATEMENTS

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

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

City of Menlo Park
Statement of Net Assets
Proprietary Funds
June 30, 2005

	<u>Major Fund</u> <u>Water</u>
ASSETS	
Current assets:	
Cash and investments	\$ 14,444,394
Receivables:	
Accounts	332,228
Interest	98,468
Total current assets	<u>14,875,090</u>
Noncurrent assets:	
Non-depreciable	3,002,488
Depreciable, net	4,117,434
Total noncurrent assets	<u>7,119,922</u>
Total assets	<u>21,995,012</u>
LIABILITIES	
Current liabilities:	
Accounts payable	464,937
Accrued payroll	23,992
Deposits	50,415
Total current liabilities	<u>539,344</u>
Noncurrent liabilities:	
Compensated absences	51,352
Total noncurrent liabilities	<u>51,352</u>
Total liabilities	<u>590,696</u>
NET ASSETS	
Invested in capital assets, net of related debt	
Restricted for:	
Capital projects	7,119,922
Special projects	-
Unrestricted	14,284,394
Total net assets	<u>\$ 21,404,316</u>

City of Menlo Park
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the year ended June 30, 2005

	<u>Major Fund</u> <u>Water</u>
OPERATING REVENUES:	
Water sales	\$ 3,300,682
Connection fees	5,035
Total operating revenues	<u>3,305,717</u>
OPERATING EXPENSES:	
Cost of sales and services	2,651,192
General and administrative	415,785
Depreciation	120,601
Total operating expenses	<u>3,187,578</u>
OPERATING INCOME (LOSS)	<u>118,139</u>
NONOPERATING REVENUES (EXPENSES):	
Interest income	333,040
Sale of property	237
Contributions	462,525
Total nonoperating revenues	<u>795,802</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	913,941
OPERATING TRANSFERS:	
Transfers out	(216,700)
Total operating transfers	<u>(216,700)</u>
Net income (loss)	697,241
NET ASSETS:	
Beginning of year	<u>20,707,075</u>
End of year	<u>\$ 21,404,316</u>

City of Menlo Park
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2005

	Major Fund
	Water
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers/other funds	\$ 3,280,408
Cash payment to suppliers	(2,514,723)
Cash payments for general and administrative	(409,718)
Net cash provided (used) by operating activities	355,967
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfers out	(216,700)
Contributions	462,525
Net cash provided (used) by noncapital financing activities	245,825
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets	(2,090,314)
Net cash provided (used) by capital and related financing activities	(2,090,314)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment income	320,370
Net cash provided (used) by investing activities	320,370
Net increase (decrease) in cash and cash equivalents	(1,168,152)
CASH AND CASH EQUIVALENTS:	
Beginning of year	15,612,546
End of year	\$ 14,444,394
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ 118,139
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	120,601
Changes in current assets and liabilities:	
Accounts receivable	(28,376)
Accounts payable	136,469
Accrued payroll	60
Compensated absences	6,007
Deposits	3,067
Total adjustments	237,828
Net cash provided (used) by operating activities	\$ 355,967

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, 2005

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 150,003
Total assets	<u>\$ 150,003</u>
LIABILITIES	
Accounts payable	\$ 40,872
Accrued payroll	35,750
Deposits	<u>73,381</u>
Total liabilities	<u>\$ 150,003</u>

NOTES TO BASIC FINANCIAL STATEMENTS

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City of Menlo Park
Notes to Basic Financial Statements
For the year ended June 30, 2005

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, 2005

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, 2005

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 all major funds that met the applicable criteria.

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

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

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

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

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.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

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

Fiduciary Fund Financial Statements

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

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.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Cash and Investments, Continued

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

E. Capital Assets

Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated 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, 2005

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 current compensated absences of the governmental fund types are recorded in individual funds and the total compensated absences are recorded as non-current liabilities in the Government-Wide financial statements. The liabilities of compensated absences of proprietary funds are recorded as non-current liabilities in the appropriate proprietary fund.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. *Compensated Absences, Continued*

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

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

J. *Property Taxes*

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

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

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, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. Implementation of New GASB Pronouncements

In 2005, the City adopted a new accounting standard in order to conform to the following Governmental Accounting Standards Board Statements:

- Statement No. 40, *Deposit and Investment Disclosures (Amendment of GASB No. 3)* – The Statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. The Statement requires certain disclosures of investments to address the different risk factors.

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.

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
- Passbook Savings Accounts
- 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.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

2. CASH AND INVESTMENTS, Continued

A. Authorized Investments, Continued

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, 2005 from the fiscal year ended, June 30, 2004, amounted to a decrease of \$571,022.

B. Deposits

At June 30, 2005, the carrying amount of the City's deposits was \$52,040 and the bank balances were \$490,651. 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).

C. Risks Disclosures

The following is a summary of pooled cash and investments, including cash and investments with fiscal agent at June 30, 2005.

	Government-Wide Statement of Net Assets			Fund Financials	
	Governmental Activities	Business-Type Activities	Total	Fiduciary Funds	
				Statement of Net Assets	Total
Cash and investments	\$ 66,554,115	\$ 14,444,394	\$ 80,998,509	\$ 150,003	\$ 81,148,512
Restricted cash and investments	\$ 26,229,579	\$ -	\$ 26,229,579	\$ -	\$ 26,229,579

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.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

2. CASH AND INVESTMENTS, Continued

C. Risks Disclosures, Continued

As of June 30, 2005, 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
Deposits	\$ 52,040	\$ 52,040	\$ -	\$ -	\$ -
Petty Cash	2,151	2,151	-	-	-
Securities of U.S. Government Treasury Agencies:					
U.S. treasury T-Notes	9,861,900	7,904,900	1,957,000	-	-
U.S. Instrumentality	42,615,493	21,794,200	17,826,693	1,990,700	1,003,900
Local Agency Investments Funds	24,617,088	24,617,088	-	-	-
Commercial Papter	982,940	982,940	-	-	-
Corporate Notes	3,016,900	1,997,000	1,019,900	-	-
Total	\$ 81,148,512	\$ 57,350,319	\$ 20,803,593	\$ 1,990,700	\$ 1,003,900

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, 2005, the City's pooled cash and investments had the following maturities:

<u>Maturity</u>	<u>Percentage of Investment</u>
Less than one year	73%
One to two years	24%
Two to three years	2%
Three to four years	1%
Four to five years	0%

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.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

2. CASH AND INVESTMENTS, Continued

D. External Investment Pool

The City's investments with LAIF at June 30, 2005, 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, 2005, the City had \$45,383,120 invested in LAIF, which had invested 2.4028% 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, 2005, 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, 2005, the City's investment in LAIF at fair value amounted to \$45,383,120 using a LAIF fair value factor of 0.997747553.

3. RECEIVABLES

A. Accounts Receivables

As of June 30, 2005, accounts receivable consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Taxes:			
Occupancy taxes	\$ 315,711	\$ -	\$ 315,711
Total taxes	315,711	-	315,711
Franchise fees	140,453	-	140,453
Rental income	12,231	-	12,231
General government charges	32,650	-	32,650
Public works charges	72,710	-	72,710
Public safety charges	5,200	-	5,200
Community development fees	141,471	-	141,471
Recreation programs	170	-	170
Library fees	39,682	-	39,682
Water service fees	-	332,228	332,228
Donations	6,728	-	6,728
Sales of assets	9,419	-	9,419
Total accounts receivable	\$ 776,425	\$ 332,228	\$ 1,108,653

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

3. RECEIVABLES, Continued

B. Notes Receivables

As of June 30, 2005, notes receivable consisted of the following:

	Notes Receivable
Major Funds:	
General Fund:	
City Manager housing	\$ 1,413,917
Community Development Block Grant	2,172,776
Community Development Agency	4,839,722
Total general fund	<u>8,426,415</u>
Other Governmental Funds:	
Below market rate housing	880,375
Emergency repair loan (ERL)	31,934
Total special revenue funds	<u>912,309</u>
Total notes receivable	<u><u>\$ 9,338,724</u></u>

City Manager Housing

A note was entered into on June 13, 2001, between the City Manager and the City to assist in the purchase of residential real estate property. This note is secured by a First Deed of Trust on the property. Another note was entered into on March 18, 2003, between the City Manager and the City to assist in the purchase of another residential real estate property. The note is secured by a Third Deed of Trust. The outstanding balance of the loans at June 30, 2005, was \$1,413,917.

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, 2005, were \$2,172,776. Since the funds have not been legally vested with the City as of June 30, 2005, 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, 2005 was \$30,364.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

3. RECEIVABLES, Continued

B. Notes receivable, Continued

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, 2005, was \$45,500.

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, 2005, was \$259,422.

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, 2005, was \$164,756.

On March 21, 2002, the Agency made a loan for Peace Officer Homebuyer Assistance Program (POMA) to one eligible participant in the amount of \$84,000. The loan bears an interest rate of 5.48%. The loan amount (principal and interest) is forgiven at an increasing graduated rate with every bi-weekly pay period until the loan is entirely forgiven at the end of the 10 years. The outstanding balance as of June 30, 2005, was \$73,427.

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, 2005, was \$4,266,253.

Total Agency loans at June 30, 2005, amounted to \$4,839,722.

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, 2005, were \$880,375.

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, 2005, were \$31,934.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

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, 2005, deferred revenues in the Government-Wide Financial Statements were as follows:

	Governmental Activities
Rental income	\$ 9,135
Recreation summer programs	193,614
Childcare fees	98,516
Computer lab donations	400
Police donations	13,534
Planning deferred	662
Art deferred	8,647
Friends of library deferred	2,545
Garbage service fees	393,563
Total	\$ 720,616

B. Fund Financial Statements

At June 30, 2005, the following deferred revenues were recorded in the Fund Financial Statements because either the revenues had not been earned or the funds were not available to finance expenditures of the current period:

Governmental Funds:

	General Fund	Special Revenue Funds			Total
		Community Development Block Grant	Community Development Agency	Non-Major Funds	
Rental income	\$ 9,135	\$ -	\$ -	\$ -	\$ 9,135
Recreation Summer Programs	193,614	-	-	-	193,614
Childcare fees	98,516	-	-	-	98,516
Donation for Computer Lab	400	-	-	-	400
Planning Deferred	662	-	-	-	662
City Manager Home Loan Interest	113,917	-	-	-	113,917
Percent for Art Deferred	8,647	-	-	-	8,647
Police Donations	13,534	-	-	-	13,534
Friends of Library Deferred	2,545	-	-	-	2,545
Garbage Service Fees	-	-	-	393,563	393,563
Menlo Gateway Loan	-	-	4,266,253	-	4,266,253
CDBG loans	-	2,172,776	-	-	2,172,776
Advance to CDA fund	-	500,000	-	-	500,000
Emergency Repair Loans	-	-	-	31,934	31,934
Mid Peninsula loans	-	-	35,615	-	35,615
Total	\$ 440,970	\$ 2,672,776	\$ 4,301,868	\$ 425,497	\$ 7,841,111

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

5. CAPITAL ASSETS

A. Government-Wide Financial Statements

At June 30, 2005, the City's capital assets consisted of the following:

	Government Activities	Business-Type Activities	Total
Non-depreciable assets:			
Land	\$ 221,534,267	\$ 1,066,454	\$ 222,600,721
Land improvements	32,900,109	-	32,900,109
Construction in progress	8,501,684	1,936,034	10,437,718
Total non-depreciable assets, net	<u>262,936,060</u>	<u>3,002,488</u>	<u>265,938,548</u>
Depreciable assets:			
Buildings	39,974,278	3,945,489	43,919,767
Equipment	6,035,756	585,643	6,621,399
Other improvements	5,509,784	-	5,509,784
Infrastructure	102,932,198	4,874,739	107,806,937
	154,452,016	9,405,871	163,857,887
Less accumulated depreciation	<u>(55,468,475)</u>	<u>(5,288,437)</u>	<u>(60,756,912)</u>
Total depreciable assets, net	<u>98,983,541</u>	<u>4,117,434</u>	<u>103,100,975</u>
Total capital assets	<u>\$ 361,919,601</u>	<u>\$ 7,119,922</u>	<u>\$ 369,039,523</u>

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

5. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

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

	Balance June 30, 2004	Reclassification/ Additions	Retirements	Adjustments	Balance June 30, 2005
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 221,534,267	\$ 194,619	\$ -	\$ -	\$ 221,728,886
Land improvements	32,705,490	5,418,995	-	-	38,124,485
Construction in progress	9,060,550	-	(1,320,380)	(4,657,481)	3,082,689
Total capital assets, not being depreciated	<u>263,300,307</u>	<u>5,613,614</u>	<u>(1,320,380)</u>	<u>(4,657,481)</u>	<u>262,936,060</u>
Capital assets, being depreciated:					
Buildings	39,706,068	164,654	-	103,556	39,974,278
Equipment	5,919,103	310,631	(193,978)	-	6,035,756
Other improvements	3,797,004	1,063,806	(8,868)	657,842	5,509,784
Infrastructure	97,849,119	2,063,781	(459,976)	3,479,274	102,932,198
Total capital assets, being depreciated	<u>147,271,294</u>	<u>3,602,872</u>	<u>(662,822)</u>	<u>4,240,672</u>	<u>154,452,016</u>
Less accumulated depreciation for:					
Buildings	(9,265,035)	(858,140)	-	-	(10,123,175)
Equipment	(4,734,654)	(464,663)	193,978	-	(5,005,339)
Other improvements	(1,449,279)	(125,952)	8,868	-	(1,566,363)
Infrastructure	(36,590,742)	(2,419,154)	236,298	-	(38,773,598)
Total accumulated depreciation	<u>(52,039,710)</u>	<u>(3,867,909)</u>	<u>439,144</u>	<u>-</u>	<u>(55,468,475)</u>
Total capital assets, being depreciated, net	<u>95,231,584</u>	<u>(265,037)</u>	<u>(223,678)</u>	<u>4,240,672</u>	<u>98,983,541</u>
Governmental activities capital assets, net	<u>\$ 358,531,891</u>	<u>\$ 5,348,577</u>	<u>\$ (1,544,058)</u>	<u>\$ (416,809)</u>	<u>\$ 361,919,601</u>

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

General government	\$ 622,610
Public safety	164,104
Public works	2,586,323
Culture and recreation	466,115
Community development	<u>28,757</u>
Total depreciation expense - governmental departments	<u>\$ 3,867,909</u>

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

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, 2004	Additions	Retirements	Adjustments/ Transfers	Balance June 30, 2005
Business-Type Activities:					
Capital assets, not being depreciated:					
Land	\$ 1,066,454	\$ -	\$ -	\$ -	\$ 1,066,454
Construction in progress	262,292	1,673,741	-	-	1,936,033
Total capital assets, not being depreciated	<u>1,328,746</u>	<u>1,673,741</u>	<u>-</u>	<u>-</u>	<u>3,002,487</u>
Capital assets, being depreciated:					
Buildings	3,945,489	-	-	-	3,945,489
Equipment	585,643	-	-	-	585,643
Infrastructure	4,457,930	-	-	416,809	4,874,739
Total capital assets, being depreciated	<u>8,989,062</u>	<u>-</u>	<u>-</u>	<u>416,809</u>	<u>9,405,871</u>
Less accumulated depreciation for:					
Buildings	(889,768)	(78,910)	-	-	(968,678)
Equipment	(566,672)	(7,668)	-	-	(574,340)
Infrastructure	(3,711,396)	(34,023)	-	-	(3,745,419)
Total accumulated depreciation	<u>(5,167,836)</u>	<u>(120,601)</u>	<u>-</u>	<u>-</u>	<u>(5,288,437)</u>
Total capital assets, being depreciated, net	<u>3,821,226</u>	<u>(120,601)</u>	<u>-</u>	<u>416,809</u>	<u>4,117,434</u>
Business-Type activities capital assets, net	<u>\$ 5,149,972</u>	<u>\$ 1,553,140</u>	<u>\$ -</u>	<u>\$ 416,809</u>	<u>\$ 7,119,921</u>

Depreciation expense for all proprietary funds was \$120,601 for the year ended June 30, 2005, 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, 2005

6. LONG-TERM DEBT

A. Long-Term Obligations

Summary of changes in long-term debt transactions for the year ended June 30, 2005 was as follows:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005	Due within one year	Due in more than one year
Governmental Activities:						
1996 General Obligation Refunding Bonds	\$ 3,815,000	\$ -	\$ (230,000)	\$ 3,585,000	\$ 240,000	\$ 3,345,000
1996 Las Pulgas Project Refunding Bonds	26,450,000	-	(935,000)	25,515,000	605,000	24,910,000
2000 Las Pulgas Project Tax Allocation Bonds	43,620,000	-	(405,000)	43,215,000	800,000	42,415,000
2002 General Obligation Bonds	13,115,000	-	(200,000)	12,915,000	210,000	12,705,000
Total governmental activities	\$ 87,000,000	\$ -	\$ (1,770,000)	\$ 85,230,000	\$ 1,855,000	\$ 83,375,000

1996 General Obligation Refunding Bonds

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

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

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

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, 2005, were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 240,000	\$ 169,013	\$ 409,013
2007	255,000	157,995	412,995
2008	270,000	146,048	416,048
2009	285,000	133,087	418,087
2010-2014	1,700,000	431,025	2,131,025
2015-2016	835,000	42,375	877,375
Total	\$ 3,585,000	\$ 1,079,543	\$ 4,664,543

1996 Las Pulgas Project Refunding Bonds

Las Pulgas Project Refunding Bonds outstanding at June 30, 2005, amounted to \$25,515,000. The bonds bear interest at rates between 3.75% and 5.375%, with interest payments made semi-annually on June 1 and December 1. The bonds mature annually from 1996 to 2022 on June 1 in amounts ranging from \$60,000 to \$2,235,000.

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

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

6. LONG-TERM DEBT, Continued

A. Long-term Obligations, Continued

1996 Las Pulgas Project Refunding Bonds, Continued

The annual debt service requirements to maturity for the 1996 Las Pulgas Project Refunding Bonds outstanding at June 30, 2005, were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 605,000	\$ 1,359,599	\$ 1,964,599
2007	1,025,000	1,329,651	2,354,651
2008	1,085,000	1,277,889	2,362,889
2009	1,140,000	1,222,011	2,362,011
2010-2014	6,650,000	5,142,113	11,792,113
2015-2019	8,635,000	3,154,588	11,789,588
2020-2022	6,375,000	697,138	7,072,138
Total	\$ 25,515,000	\$ 14,182,989	\$ 39,697,989

2000 Las Pulgas Project Tax Allocation Bonds

Las Pulgas Community Development Project Tax Allocation Bonds, Series 2000 outstanding at June 30, 2005, amounted to \$43,215,000. The bonds bear interest at rates between 4.10% and 5.55%, with interest payments made semi-annually on June 1 and December 1. The bonds mature annually from 2004 to 2030 on June 1 in amounts ranging from \$380,000 to \$4,820,000.

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

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

6. LONG-TERM DEBT, Continued

A. Long-term Obligations, Continued

2000 Las Pulgas Project Tax Allocation Bonds, Continued

The annual debt service requirements to maturity for the 2000 Las Pulgas Project Tax Allocation Bonds outstanding at June 30, 2005, were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 800,000	\$ 2,331,075	\$ 3,131,075
2007	440,000	2,297,075	2,737,075
2008	455,000	2,278,155	2,733,155
2009	475,000	2,258,363	2,733,363
2010-2014	2,735,000	10,943,922	13,678,922
2015-2019	3,505,000	10,198,638	13,703,638
2020-2024	9,415,000	9,014,670	18,429,670
2025-2029	20,570,000	4,883,545	25,453,545
2030	4,820,000	267,510	5,087,510
Total	\$ 43,215,000	\$ 44,472,953	\$ 87,687,953

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, 2005

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, 2005, were as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$ 210,000	\$ 676,560	\$ 886,560
2007	220,000	664,485	884,485
2008	235,000	651,835	886,835
2009	250,000	631,135	881,135
2010-2014	1,475,000	2,917,481	4,392,481
2015-2019	1,900,000	2,485,540	4,385,540
2020-2024	2,405,000	1,965,051	4,370,051
2025-2039	3,100,000	1,251,754	4,351,754
2030-2033	3,120,000	341,320	3,461,320
Total	\$ 12,915,000	\$ 11,585,161	\$ 24,500,161

B. Prior Years' Defeased Obligations

1988 and 1992 Tax Allocation Bonds

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

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

The balance of the defeased bonds outstanding as of June 30, 2005, was \$23,660,000.

7. COMPENSATED ABSENCES

Compensated absences at June 30, 2005 were as follows:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Governmental Activities:	\$ 1,796,049	\$ 823,555	\$ (829,665)	\$ 1,789,939
Business-Type Activities:	45,345	36,962	(30,955)	51,352
Total compensated absences	\$ 1,841,394	\$ 860,517	\$ (860,620)	\$ 1,841,291

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

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 17 member cities. Each member chooses its self-insured liability retention levels. Each member has a vote in approving the pool's self-insured retention level, in setting the coverage limits, in establishing the level of pool reserves and in approving the premium allocation methodology used for setting the premiums for each member.

Complete financial statement for the BCJPIA may be obtained from 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 \$15,000,000. 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 \$25,000,000.

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.

	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claim Payments for Current and Prior Years	End of Year Liability
1995-1996	\$ 274,306	\$ 620,603	\$ (325,355)	\$ 569,554
1996-1997	569,554	588,907	(411,191)	747,270
1997-1998	747,270	755,001	(477,414)	1,024,857
1998-1999	1,024,857	811,041	(577,723)	1,258,175
1999-2000	1,258,175	813,829	(870,628)	1,201,376
2000-2001	1,201,376	1,129,222	(822,279)	1,508,319
2001-2002	1,508,319	1,017,717	(907,282)	1,618,754
2002-2003	1,618,754	461,060	(612,016)	1,467,798
2003-2004	1,467,798	969,496	(823,440)	1,613,854
2004-2005	1,613,854	1,445,898	(842,157)	2,217,595

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

9. INTERFUND TRANSACTIONS

Interfund receivables and payables at June 30, 2005, 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, 2005 is as follows:

		Due from other funds		
		Community Development Agency Special Revenue	Non-Major Governmental Funds	Total
		<u> </u>	<u> </u>	<u> </u>
Due to other funds	Governmental Activities:			
	Major Funds:			
	Community Development			
	Block Grant Special Revenue	\$ 216,214	\$ -	\$ 216,214
	Non-Major Governmental Funds	-	14,683	14,683
	Total	<u>\$ 216,214</u>	<u>14,683</u>	<u>\$ 230,897</u>

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, 2005 is as follows:

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

9. INTERFUND TRANSACTIONS, Continued

Interfund Transfers

Interfund transfers for the year ended June 30, 2005, were as follows:

		Transfers In		
		Governmental Activities		Total
		Major Fund	Non-Major	
		General	Governmental	
		Fund	Funds	Total
Transfers Out	Governmental Activities:			
	Major funds:			
	General Fund	\$ -	\$ 2,196,000	\$ 2,196,000
	Community Development Agency	154,000		154,000
	Non-Major Governmental Funds	175,520	89,373	264,893
	Business-Type Activities:			-
Water	183,700	33,000	216,700	
	Total	<u>\$ 513,220</u>	<u>\$ 2,318,373</u>	<u>\$ 2,831,593</u>

The most significant transfers were from the General Fund to the Non-major Governmental Funds which were provided to fund operations (Sidewalk Assessment Fund and literacy Grant Fund) and to support infrastructure improvements (General Capital Improvement Fund).

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

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, 2005:

	General Fund	Community Development Block Grant Special Revenue	Community Development Agency Special Revenue	Non-Major Governmental Funds	Total
Reserved:					
Encumbrances	\$ 471,895	\$ 1,076	\$ 2,521,489	\$ 7,829,488	\$ 10,823,948
Deposits and prepaid items	187,329	-	-	-	187,329
Advances to other funds	-	500,000	-	-	500,000
Housing loans	-	-	1,704,585	982,000	2,686,585
Debt service	-	-	-	1,287,410	1,287,410
Notes receivable	1,300,000	-	-	-	1,300,000
Total reserved	<u>1,959,224</u>	<u>501,076</u>	<u>4,226,074</u>	<u>10,098,898</u>	<u>16,785,272</u>
Unreserved, Designated:					
Insurance	2,106,483	-	-	-	2,106,483
Equipment replacement	86,149	-	-	-	86,149
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
PEERS safety investment	2,000,000	-	-	-	2,000,000
Special programs and services reported in special revenue funds	-	-	9,661,524	-	9,661,524
Capital improvements reported in:					
Special revenue funds	-	-	-	8,382,872	8,382,872
Capital project funds	-	-	-	-	-
Total unreserved, designated	<u>7,792,632</u>	<u>-</u>	<u>9,661,524</u>	<u>8,382,872</u>	<u>25,837,028</u>
Unreserved, undesignated reported in:					
General Fund	21,357,266	-	-	-	21,357,266
Special revenue funds	-	(500,245)	13,769,673	14,343,864	27,613,292
Total unreserved, undesignated	<u>21,357,266</u>	<u>(500,245)</u>	<u>13,769,673</u>	<u>14,343,864</u>	<u>48,970,558</u>
Total	<u>\$ 31,109,122</u>	<u>\$ 831</u>	<u>\$ 27,657,271</u>	<u>\$ 32,825,634</u>	<u>\$ 91,592,858</u>

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.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

10. CLASSIFICATION OF NET ASSETS, Continued

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.

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. PUBLIC EMPLOYEE RETIREMENT SYSTEM

Plan Description

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

Funding Policy

Participants are required to contribute 7% for miscellaneous and 9% for safety employees of their annual covered salary. The City is required to contribute at an actuarially determined rate; the current rate is 6.243% for miscellaneous employees, and 21.595% 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, 2005

11. PUBLIC EMPLOYEE RETIREMENT SYSTEM, Continued

Annual Pension Cost

For 2005, the City's annual pension cost of \$1,735,805 for PERS was equal to the City's required and actual contribution. The required contribution was determined as part of the June 30, 2002, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 3.75% to 14.20% for miscellaneous employees and from 4.27% to 11.59% for safety employees depending on age, service, and type of employment, and (c) 3.75% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.5%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. PERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis. The average remaining amortization period at June 30, 2002, was 21 years for miscellaneous employees and 22 years for safety employees for prior and current service unfunded liability.

THREE-YEAR TREND INFORMATION FOR PERS

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2003	\$ -	100%	\$ -
June 30, 2004	239,473	100%	-
June 30, 2005	1,735,805	100%	-

12. OTHER POST-EMPLOYMENT BENEFITS

In accordance with Resolution No. 4135, "Resolution of the City Council of the City of Menlo Park electing to be subject to the Public Employees' Medical and Hospital Care Act", adopted by the City Council on September 5, 1989, with an effective date of October 1, 1989, the City offers retirees the continuation of group health insurance. The City's contribution for each active employee or retiree for fiscal year 2005 is \$48.40 per month. As of September 7, 1989, approximately eighty-three former employees were eligible for this benefit. For the fiscal year ended June 30, 2005, 63 former employees or annuitants were enrolled in the PERS Health Benefits Program.

The benefits provided by the group health insurance through the Public Employees' Retirement System Health Benefits Program are the same for retirees as those offered to active employees. These benefits include hospital, doctor and prescription drug charges. Retirees may choose single, employee and one dependent or family coverage. A City employee is eligible to retire at age 50 or over with a minimum of five years 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.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

12. OTHER POST-EMPLOYMENT BENEFITS, Continued

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.

The health insurance premium, less the City contribution of \$48.40, 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, 2005 was \$192,003 which includes an administrative cost of .425% of premium. Effective January 1, 2005, the PERS Health Benefits Program premiums increased by an average of 12.2%.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

12. OTHER POST-EMPLOYMENT BENEFITS, Continued

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 by 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 \$48.40 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 \$48.40 per active or retired enrollee in the PERS Health Benefits Program, the administrative cost of .425% of premium, and the sick leave/general leave conversion benefit. These expenditures are recorded in the General Fund.

13. 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 percent surcharge on solid waste collection fees, increasing at a rate of 0.2 percent per year, in order to cover these costs.

During fiscal year 2005 the City reviewed its future post-closure care costs and as a result recognized a liability of \$7,325,000 for post-closure care. 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 funds for the 2005-06 fiscal year (3.5 percent). 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. (Refer to note 19, Prior Period Adjustment)

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

13. 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.

14. 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 2004-2005 was \$10,501,114.

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.

15. 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, 2005, 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.

16. LITIGATION

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

17. 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.

18. COMMITMENTS

The City had various commitments totaling \$7,598,605 of June 30, 2005. Five of these commitments were for large construction projects; the Burgess Pool and Gymnasium for \$4,645,518, the Menlo Child Care Center for \$1,896,140, the Burgess Park for \$257,499, the Water Main Replacement Project for \$177,145, and the Redevelopment Agency Streetscape Overall Improvement for \$140,184. The remaining commitments, totaling \$482,118, were for less significant activities. All commitments are evidenced by contractual agreements with contractors.

19. PRIOR PERIOD ADJUSTMENT

Cities are required by GASB Statement No. 18 "Accounting for Municipal Solid Waste Landfill Closure and Post-closure Care Costs", to report the liability associated with the closure and post-closure costs of municipal landfills, and to report a portion of these costs each year based on the capacity used as of each balance sheet date. The City's Marsh Road Landfill was officially closed in 1995. The City is obligated to continue post-closure maintenance and monitoring for 30 years, or until 2025. As the estimated liability of \$7,325,000 for these costs was not expensed over the life of the landfill, the entire amount has been recorded as a prior period adjustment for the fiscal year ended June 30, 2005 in the City's governmental activities in the government-wide financial statements. (Refer to note 13, Landfill Post-Closure Care.)

	Net Assets as Previously Reported	Prior Period Adjustment Landfill Postclosure Care	Net Assets as Restated
Governmental Activities:			
Net assets	\$ 372,528,475	\$ (7,325,000)	\$ 365,203,475

REQUIRED SUPPLEMENTARY INFORMATION

City of Menlo Park
Required Supplementary Information
For the year ended June 30, 2005

1. BUDGETARY PRINCIPLES

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

1. City Council identifies the priority projects/programs for the budget at a study session with public input. The City Council annually adopts the budget for the ensuing fiscal year generally prior to July 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, 2005, 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, 2005

1. BUDGETARY PRINCIPLES, Continued

Budgetary Comparison Schedule, General Fund

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
REVENUES:				
Taxes:				
Secured property taxes	\$ 5,304,000	\$ 5,304,000	\$ 5,824,931	\$ 520,931
Unsecured property taxes	500,000	500,000	441,493	(58,507)
Other property taxes	612,000	612,000	988,336	376,336
Sales taxes	5,815,000	5,815,000	6,057,460	242,460
Franchise and occupancy taxes	2,190,000	2,190,000	2,332,272	142,272
Licenses and permits	2,733,600	2,733,600	2,570,849	(162,751)
Fines and forfeitures	914,025	914,025	832,897	(81,128)
Use of money and property	1,168,200	1,168,200	1,289,031	120,831
Intergovernmental	2,745,588	2,795,422	3,112,585	317,163
Charges for services	3,763,312	3,780,312	3,829,011	48,699
Other	11,500	11,500	38,928	27,428
Total revenues	25,757,225	25,824,059	27,317,793	1,493,734
EXPENDITURES:				
Current:				
General government	5,038,924	5,092,267	4,735,812	356,455
Public safety	9,287,048	9,339,931	8,939,418	400,513
Public works	3,742,107	3,792,762	3,541,044	251,718
Culture and recreation	7,003,692	7,018,916	6,838,579	180,337
Community development	1,946,932	1,984,289	1,811,657	172,632
Capital outlay	386,914	466,922	372,347	94,575
Total expenditures	27,405,617	27,695,086	26,238,857	1,456,229
REVENUES OVER (UNDER) EXPENDITURES	(1,648,392)	(1,871,027)	1,078,936	2,949,963
OTHER FINANCING SOURCES (USES):				
Transfers in	1,963,220	1,963,220	1,963,220	-
Transfers out	(3,647,500)	(3,647,500)	(3,646,000)	1,500
Proceeds from sale of fixed assets	-	-	15,633	15,633
Total other financing sources (uses)	(1,684,280)	(1,684,280)	(1,667,147)	17,133
Net change in fund balances	\$ (3,332,672)	\$ (3,555,307)	(588,211)	\$ 2,967,096
FUND BALANCES:				
Beginning of year			31,697,333	
End of year			<u>\$ 31,109,122</u>	

City of Menlo Park
Required Supplementary Information, Continued
For the year ended June 30, 2005

1. BUDGETARY PRINCIPLES, Continued

Budgetary Comparison Schedule, Community Development Block Grant Special Revenue Fund

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ (243,100)	\$ (243,100)	\$ (263,087)	\$ (19,987)
Charges for services	660,000	660,000	597,429	(62,571)
Total revenues	416,900	416,900	334,342	(82,558)
EXPENDITURES:				
Current:				
Rehabilitation loans	255,517	255,517	190,050	65,467
Urban development and housing	161,226	163,726	143,429	20,297
Capital outlay	570	1,333	763	570
Total expenditures	417,313	420,576	334,242	86,334
REVENUES OVER (UNDER) EXPENDITURES	\$ (413)	\$ (3,676)	100	\$ 3,776
FUND BALANCES:				
Beginning of year			731	
End of year			\$ 831	

City of Menlo Park
Required Supplementary Information, Continued
For the year ended June 30, 2005

1. BUDGETARY PRINCIPLES, Continued

Budgetary Comparison Schedule, Community Development Agency Special Revenue Fund

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Secured property taxes	\$ 9,020,000	\$ 9,020,000	\$ 9,564,449	\$ 544,449
Unsecured property taxes	1,080,000	1,080,000	936,665	(143,335)
Use of money and property	449,200	449,200	801,210	352,010
Intergovernmental	-	-	5,539	5,539
Charges for services	47,000	47,000	20	(46,980)
Total revenues	10,596,200	10,596,200	11,307,883	711,683
EXPENDITURES:				
Current:				
Rehabilitation loans	200,000	200,000	-	200,000
Community development	1,934,485	2,232,402	1,506,007	726,395
Urban development and housing	6,165,850	6,271,078	4,555,950	1,715,128
Capital outlay	4,440,441	8,535,210	2,179,368	6,355,842
Debt service:				
Principal	1,340,000	1,340,000	1,340,000	-
Interest	3,752,830	3,752,830	3,752,829	1
Total expenditures	17,833,606	22,331,520	13,334,154	8,997,366
REVENUES OVER (UNDER) EXPENDITURES	(7,237,406)	(11,735,320)	(2,026,271)	9,709,049
OTHER FINANCING SOURCES (USES):				
Transfers out	(153,999)	(153,999)	(154,000)	(1)
Total other financing sources (uses)	(153,999)	(153,999)	(154,000)	(1)
Net change in fund balances	\$ (7,391,405)	\$ (11,889,319)	(2,180,271)	\$ 9,709,048
FUND BALANCES:				
Beginning of year, as restated			29,837,542	
End of year			<u>\$ 27,657,271</u>	

City of Menlo Park
Required Supplementary Information, Continued
For the year ended June 30, 2005

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

SCHEDULE OF FUNDING PROGRESS

Miscellaneous Employees

Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Unfunded (Overfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded (Overfunded) Liability as a Percentage of Covered Payroll
June 30, 2002	\$ 40,927,659	\$ 37,073,300	\$ (3,854,359)	110.4%	\$ 12,030,408	(32.0)%
June 30, 2002	41,741,622	44,337,289	2,595,667	94.1%	12,502,729	20.8%
June 30, 2003	44,038,509	48,623,667	4,585,158	90.6%	12,491,817	36.7%

Safety Employees

Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Unfunded (Overfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded (Overfunded) Liability as a Percentage of Covered Payroll
June 30, 2002	\$ 28,753,761	\$ 31,101,041	\$ 2,347,280	92.5%	\$ 4,190,894	56.0%
CalPERS Risk Pool Information (see note below)						
June 30, 2003	1,045,895,860	1,248,172,736	202,276,876	83.8%	154,384,703	131.0%
June 30, 2004	1,026,500,742	1,252,474,736	225,973,994	82.0%	154,903,754	145.9%

As of the actuarial valuation date of June 30, 2003 and 2004, the City's safety plan became part of a CalPERS Risk Pool for employers with less than 100 active plan members. The schedule of funding progress for safety employees presented above is for the whole pool and not that of the City individually.

SUPPLEMENTARY INFORMATION

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NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds:

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

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

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

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

Bayfront Park Landfill Fund - Established to receive and expend increased solid waste surcharges 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.

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds, Continued:

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

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

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

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

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

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

Bayfront Park Maintenance Fund - Utilized to account for 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.

NON-MAJOR GOVERNMENTAL FUNDS

Capital Projects Funds:

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

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

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.

City of Menlo Park
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2005

	Special Revenue				
	Highway Users Tax	Federal Revenue Sharing	Landscape/ Tree Assessment	Sidewalk Assessment	Bayfront Park Landfill
ASSETS					
Cash and investments	\$ 1,092,630	\$ 73,005	\$ 426,054	\$ 338,719	\$ 320,157
Restricted cash and investments	-	-	-	-	-
Receivables:					
Accounts	-	-	-	-	55,659
Interest	7,416	496	-	-	2,155
Notes	-	31,934	-	-	-
Due from other governments	57,660	-	11,853	4,610	2,264
Due from other funds	-	-	-	-	-
Total assets	\$ 1,157,706	\$ 105,435	\$ 437,907	\$ 343,329	\$ 380,235
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 133,990	\$ -	\$ 6,921	\$ -	\$ 6,512
Accrued payroll and related liabilities	11,628	-	10,726	2,520	606
Compensated absences	6,235	-	8,314	808	875
Due to other funds	-	-	-	-	-
Deferred revenue	-	31,934	-	-	22,039
Total liabilities	151,853	31,934	25,961	3,328	30,032
Fund Balances:					
Reserved:					
Encumbrances	57,729	-	46,404	1,816	5,461
Advances to other funds	-	-	-	-	-
Housing loans	-	-	-	-	-
Debt service	-	-	-	-	-
Total reserved	57,729	-	46,404	1,816	5,461
Unreserved:					
Designated:					
Special programs and services	-	-	-	-	-
Capital improvements	-	-	-	-	-
Total designated	-	-	-	-	-
Undesignated	948,124	73,501	365,542	338,185	344,742
Total fund balances	1,005,853	73,501	411,946	340,001	350,203
Total liabilities and fund balances	\$ 1,157,706	\$ 105,435	\$ 437,907	\$ 343,329	\$ 380,235

Special Revenue

Below Market Rate Housing	County Transportation Tax	Public Library	Literacy Grants	Narcotic Seizure	Traffic Impact Fees	Downtown Parking Permits	Storm Drainage Fees
\$ 3,773,753	\$ 1,490,060	\$ 94,276	\$ 45,901	\$ 10,025	\$ 522,354	\$ 1,636,228	\$ 79
-	-	-	-	-	-	-	-
-	7,669	-	3,000	-	-	-	-
25,674	10,137	-	-	-	3,545	11,106	1
880,375	-	-	-	-	-	-	-
-	140,627	-	-	-	-	-	-
-	-	14,683	-	-	-	-	-
<u>\$ 4,679,802</u>	<u>\$ 1,648,493</u>	<u>\$ 108,959</u>	<u>\$ 48,901</u>	<u>\$ 10,025</u>	<u>\$ 525,899</u>	<u>\$ 1,647,334</u>	<u>\$ 80</u>
-	-	-	-	-	-	-	-
-	23,642	-	169	-	157	1,650	-
-	12,123	-	7,641	-	4,565	3,322	-
-	9,501	-	5,836	-	1,585	1,180	-
-	-	-	14,683	-	-	-	-
-	-	-	-	-	-	-	-
-	45,266	-	28,329	-	6,307	6,152	-
-	-	-	-	-	-	-	-
-	47,377	-	-	-	-	7,801	-
-	-	-	-	-	-	-	-
4,482,000	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>4,482,000</u>	<u>47,377</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,801</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
197,802	1,555,850	108,959	20,572	10,025	519,592	1,633,381	80
4,679,802	1,603,227	108,959	20,572	10,025	519,592	1,641,182	80
<u>\$ 4,679,802</u>	<u>\$ 1,648,493</u>	<u>\$ 108,959</u>	<u>\$ 48,901</u>	<u>\$ 10,025</u>	<u>\$ 525,899</u>	<u>\$ 1,647,334</u>	<u>\$ 80</u>

(Continued)

City of Menlo Park
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2005

	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	\$ 939,686	\$ 50,712	\$ 568,410	\$ 55,279	\$ 124,881
Restricted cash and investments	-	-	-	-	-
Receivables:					
Accounts	-	16,511	-	-	-
Interest	6,396	353	-	-	892
Notes	-	-	-	-	-
Due from other governments	38,167	-	5,085	24,600	-
Due from other funds	-	-	-	-	-
Total assets	\$ 984,249	\$ 67,576	\$ 573,495	\$ 79,879	\$ 125,773
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 108,121	\$ 20,337	\$ 4,802	\$ 1,606	\$ 14,261
Accrued payroll and related liabilities	8,168	316	7,105	15,435	-
Compensated absences	3,275	-	2,452	2,626	-
Due to other funds	-	-	-	-	-
Deferred revenue	371,524	-	-	-	-
Total liabilities	491,088	20,653	14,359	19,667	14,261
Fund Balances:					
Reserved:					
Encumbrances	6,629	-	12,601	15,039	103,715
Advances to other funds	-	-	-	-	-
Housing loans	-	-	-	-	-
Debt service	-	-	-	-	-
Total reserved	6,629	-	12,601	15,039	103,715
Unreserved:					
Designated:					
Special programs and services	-	-	-	-	-
Capital improvements	-	-	-	-	-
Total designated	-	-	-	-	-
Undesignated	486,532	46,923	546,535	45,173	7,797
Total fund balances	493,161	46,923	559,136	60,212	111,512
Total liabilities and fund balances	\$ 984,249	\$ 67,576	\$ 573,495	\$ 79,879	\$ 125,773

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	
\$ 7,023	\$ 1,633,997	\$ 111,005	\$ 159,474	\$ 169,901	\$ 1,720,185	\$ 603,157	\$ 661,321	
-	-	-	-	-	-	64	-	
-	12,230	-	-	-	-	-	-	
48	11,135	753	1,082	1,153	6,979	4,094	4,489	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	4,403	11,882	
-	-	-	-	-	-	-	-	
<u>\$ 7,071</u>	<u>\$ 1,657,362</u>	<u>\$ 111,758</u>	<u>\$ 160,556</u>	<u>\$ 171,054</u>	<u>\$ 1,727,164</u>	<u>\$ 611,718</u>	<u>\$ 677,692</u>	
\$ -	\$ 10,167	\$ -	\$ -	\$ 1,054	\$ 7,797	\$ -	\$ 2,000	
4,858	650	-	-	-	785	-	-	
-	530	-	-	-	374	-	-	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
<u>4,858</u>	<u>11,347</u>	<u>-</u>	<u>-</u>	<u>1,054</u>	<u>8,956</u>	<u>-</u>	<u>2,000</u>	
2,130	18,026	-	11,500	-	182,545	-	-	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	611,718	675,692	
<u>2,130</u>	<u>18,026</u>	<u>-</u>	<u>11,500</u>	<u>-</u>	<u>182,545</u>	<u>611,718</u>	<u>675,692</u>	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
83	1,627,989	111,758	149,056	170,000	1,535,663	-	-	
2,213	1,646,015	111,758	160,556	170,000	1,718,208	611,718	675,692	
<u>\$ 7,071</u>	<u>\$ 1,657,362</u>	<u>\$ 111,758</u>	<u>\$ 160,556</u>	<u>\$ 171,054</u>	<u>\$ 1,727,164</u>	<u>\$ 611,718</u>	<u>\$ 677,692</u>	

(Continued)

City of Menlo Park
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2005

	Capital Projects			Total Non-Major Governmental Funds
	Library Addition	Measure T 2002 GO Bond	Capital Improvement General	
ASSETS				
Cash and investments	\$ 458,884	\$ 1,022,181	\$ 9,068,905	\$ 27,178,242
Restricted cash and investments	-	5,972,090	-	5,972,154
Receivables:				
Accounts	-	-	16,376	111,445
Interest	3,115	4,983	-	106,002
Notes	-	-	-	912,309
Due from other governments	-	204,397	-	505,548
Due from other funds	-	-	-	14,683
Total assets	\$ 461,999	\$ 7,203,651	\$ 9,085,281	\$ 34,800,383
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 16,888	\$ 764,614	\$ 225,605	\$ 1,350,293
Accrued payroll and related liabilities	-	12,191	6,498	109,137
Compensated absences	-	14,228	17,320	75,139
Due to other funds	-	-	-	14,683
Deferred revenue	-	-	-	425,497
Total liabilities	16,888	791,033	249,423	1,974,749
Fund Balances:				
Reserved:				
Encumbrances	67,599	5,369,663	1,873,453	7,829,488
Advances to other funds	-	-	-	-
Housing loans	-	-	-	4,482,000
Debt service	-	-	-	1,287,410
Total reserved	67,599	5,369,663	1,873,453	13,598,898
Unreserved:				
Designated:				
Special programs and services	-	-	-	-
Capital improvements	377,512	1,042,955	6,962,405	8,382,872
Total designated	377,512	1,042,955	6,962,405	8,382,872
Undesignated	-	-	-	10,843,864
Total fund balances	445,111	6,412,618	8,835,858	32,825,634
Total liabilities and fund balances	\$ 461,999	\$ 7,203,651	\$ 9,085,281	\$ 34,800,383

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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, 2005

	Special Revenue				
	Highway Users Tax	Federal Revenue Sharing	Landscape/ Tree Assessment	Sidewalk Assessment	Bayfront Park Landfill
REVENUES:					
Taxes:					
Other property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	606,867	-	-	-	-
Franchise and occupancy taxes	-	-	-	-	-
Special assessments		-	441,959	171,873	-
Licenses and permits		-	-	-	-
Use of money and property	15,708	1,707	-	-	6,100
Intergovernmental	6,787	-	-	-	-
Charges for services		10,631	-	-	301,668
Other		-	-	-	-
Total revenues	629,362	12,338	441,959	171,873	307,768
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	224,655	-	441,375	43,586	114,256
Culture and recreation	-	-	-	-	-
Community development	-	-	-	-	-
Urban development and housing	-	14,063	-	-	-
Capital outlay	235,971	-	2,638	127,373	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	460,626	14,063	444,013	170,959	114,256
REVENUES OVER (UNDER) EXPENDITURES	168,736	(1,725)	(2,054)	914	193,512
OTHER FINANCING SOURCES (USES):					
Transfers in	89,373	-	-	141,000	-
Transfers out	(89,373)	-	(93,500)	-	-
Proceeds from sale of fixed assets	-	-	-	-	-
Total other financing sources (uses)	-	-	(93,500)	141,000	-
Net change in fund balances	168,736	(1,725)	(95,554)	141,914	193,512
FUND BALANCES:					
Beginning of year	837,117	75,226	507,500	198,087	156,691
End of year	\$ 1,005,853	\$ 73,501	\$ 411,946	\$ 340,001	\$ 350,203

Special Revenue

Below Market Rate Housing	County Transportation Tax	Public Library	Literacy Grants	Narcotic Seizure	Traffic Impact Fees	Downtown Parking Permits	Storm Drainage Fees
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	562,472	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	346,508	-
94,541	29,136	-	-	-	11,687	32,427	1
-	195,033	12,230	41,604	-	-	-	-
108	(33,639)	-	-	6,772	76,256	-	3,105
-	-	-	35,851	-	-	-	-
94,649	753,002	12,230	77,455	6,772	87,943	378,935	3,106
-	301	-	-	-	-	-	-
-	28,392	-	-	3,357	-	51,381	-
-	558,788	-	-	-	103,520	64,518	3,097
-	-	1	144,787	-	-	-	-
-	45,431	-	-	-	32,320	-	-
8,916	-	-	-	-	-	-	-
-	38,197	-	-	-	48,441	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
8,916	671,109	1	144,787	3,357	184,281	115,899	3,097
85,733	81,893	12,229	(67,332)	3,415	(96,338)	263,036	9
-	-	-	55,000	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	55,000	-	-	-	-
85,733	81,893	12,229	(12,332)	3,415	(96,338)	263,036	9
4,594,069	1,521,334	96,730	32,904	6,610	615,930	1,378,146	71
\$ 4,679,802	\$ 1,603,227	\$ 108,959	\$ 20,572	\$ 10,025	\$ 519,592	\$ 1,641,182	\$ 80

(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, 2005

	Special Revenue				
	Solid Waste Service	Bay Area Air Quality Management	Storm Water Management (NPDES)	Peninsula Partnership	Supplemental Law Enforcement Services
REVENUES:					
Taxes:					
Other property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-
Franchise and occupancy taxes	-	-	-	-	-
Special assessments	-	-	320,441	-	-
Licenses and permits	-	-	-	-	-
Use of money and property	17,846	404	-	-	2,970
Intergovernmental	9,539	72,500	-	197,619	100,301
Charges for services	1,372,371	-	-	-	-
Other	-	-	-	-	-
Total revenues	1,399,756	72,904	320,441	197,619	103,271
EXPENDITURES:					
Current:					
General government	1,356,556	-	-	-	-
Public safety	-	-	-	-	45,249
Public works	133,687	69,663	370,103	-	-
Culture and recreation	-	-	-	172,400	-
Community development	-	-	-	-	-
Urban development and housing	-	-	-	-	-
Capital outlay	-	-	188	5,865	60,830
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	1,490,243	69,663	370,291	178,265	106,079
REVENUES OVER (UNDER) EXPENDITURES	(90,487)	3,241	(49,850)	19,354	(2,808)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	(58,300)	-	(23,020)	-	-
Proceeds from sale of fixed assets	-	-	-	-	-
Total other financing sources (uses)	(58,300)	-	(23,020)	-	-
Net change in fund balances	(148,787)	3,241	(72,870)	19,354	(2,808)
FUND BALANCES:					
Beginning of year	641,948	43,682	632,006	40,858	114,320
End of year	\$ 493,161	\$ 46,923	\$ 559,136	\$ 60,212	\$ 111,512

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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	419,024	1,009,138
-	-	-	-	-	-	-	-
223	111,006	1,812	3,461	3,778	22,458	9,833	3,807
-	-	-	-	-	-	-	-
-	-	52,800	-	-	337,672	-	-
-	-	-	-	-	2,327	-	-
223	111,006	54,612	3,461	3,778	362,457	428,857	1,012,945
-	-	-	-	-	-	-	-
9,475	-	-	-	-	1,175	-	-
-	161,352	-	11,500	11,109	19,024	-	-
-	-	-	-	-	34,331	450	4,500
-	-	-	-	-	385,079	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	262	-	-
-	-	-	-	-	-	230,000	200,000
-	-	-	-	-	-	179,237	682,260
9,475	161,352	-	11,500	11,109	439,871	409,687	886,760
(9,252)	(50,346)	54,612	(8,039)	(7,331)	(77,414)	19,170	126,185
-	-	-	-	-	-	-	-
-	-	-	-	-	(700)	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	(700)	-	-
(9,252)	(50,346)	54,612	(8,039)	(7,331)	(78,114)	19,170	126,185
11,465	1,696,361	57,146	168,595	177,331	1,796,322	592,548	549,507
\$ 2,213	\$ 1,646,015	\$ 111,758	\$ 160,556	\$ 170,000	\$ 1,718,208	\$ 611,718	\$ 675,692

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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, 2005

	Capital Projects			Total Non-Major Governmental Funds
	Library Addition	Measure T 2002 GO Bond	Capital Improvement General	
REVENUES:				
Taxes:				
Other property taxes	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	1,169,339
Franchise and occupancy taxes	-	-	20,263	20,263
Special assessments	-	-	-	2,362,435
Licenses and permits	-	-	-	346,508
Use of money and property	11,158	186,435	-	566,498
Intergovernmental	-	685,669	-	1,321,282
Charges for services	-	2,486	316,322	2,446,552
Other	-	-	-	38,178
Total revenues	11,158	874,590	336,585	8,271,055
EXPENDITURES:				
Current:				
General government	-	-	61,612	1,418,469
Public safety	-	-	-	139,029
Public works	77,105	724,863	545,419	3,677,620
Culture and recreation	-	-	-	356,469
Community development	-	-	-	462,830
Urban development and housing	-	-	-	22,979
Capital outlay	-	4,070,395	1,203,936	5,794,096
Debt service:				
Principal	-	-	-	430,000
Interest	-	-	-	861,497
Total expenditures	77,105	4,795,258	1,810,967	13,162,989
REVENUES OVER (UNDER) EXPENDITURES	(65,947)	(3,920,668)	(1,474,382)	(4,891,934)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	2,033,000	2,318,373
Transfers out	-	-	-	(264,893)
Proceeds from sale of fixed assets	-	-	-	-
Total other financing sources (uses)	-	-	2,033,000	2,053,480
Net change in fund balances	(65,947)	(3,920,668)	558,618	(2,838,454)
FUND BALANCES:				
Beginning of year	511,058	10,333,286	8,277,240	35,664,088
End of year	\$ 445,111	\$ 6,412,618	\$ 8,835,858	\$ 32,825,634

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, 2005

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Sales taxes	\$ 635,906	\$ 635,906	\$ 606,867	\$ (29,039)
Use of money and property	4,500	4,500	15,708	11,208
Intergovernmental	-	-	6,787	6,787
Charges for services	-	-	-	-
Total revenues	<u>640,406</u>	<u>640,406</u>	<u>629,362</u>	<u>(11,044)</u>
EXPENDITURES:				
Current:				
Public works	258,519	269,994	224,655	45,339
Capital outlay	9,667	304,667	235,971	68,696
Total expenditures	<u>268,186</u>	<u>574,661</u>	<u>460,626</u>	<u>114,035</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of fixed assets	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 372,220</u>	<u>\$ 65,745</u>	168,736	<u>\$ 102,991</u>
FUND BALANCES:				
Beginning of year			837,117	
End of year			<u>\$ 1,005,853</u>	

City of Menlo Park

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

Federal Revenue Sharing Special Revenue Fund

For the year ended June 30, 2005

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 2,060	\$ 2,060	\$ 1,707	\$ (353)
Charges for services	26,690	26,690	10,631	(16,059)
Total revenues	28,750	28,750	12,338	(16,412)
EXPENDITURES:				
Current:				
Urban development and housing	28,750	28,750	14,063	14,687
Total expenditures	28,750	28,750	14,063	14,687
Net change in fund balances	\$ -	\$ -	(1,725)	\$ (1,725)
FUND BALANCES:				
Beginning of year			75,226	
End of year			\$ 73,501	

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, 2005

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ 441,000	\$ 441,000	\$ 441,959	\$ 959
Total revenues	441,000	441,000	441,959	959
EXPENDITURES:				
Current:				
Public works	673,390	801,516	441,375	360,141
Capital outlay	5,000	5,000	2,638	2,362
Total expenditures	678,390	806,516	444,013	362,503
REVENUES OVER (UNDER) EXPENDITURES	(237,390)	(365,516)	(2,054)	(361,544)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	(93,500)	(93,500)
Total other financing sources (uses)	-	-	(93,500)	(93,500)
Net change in fund balances	\$ (237,390)	\$ (365,516)	(95,554)	\$ 269,962
FUND BALANCES:				
Beginning of year			507,500	
End of year			\$ 411,946	

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, 2005

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ 173,000	\$ 173,000	\$ 171,873	\$ (1,127)
Total revenues	173,000	173,000	171,873	(1,127)
EXPENDITURES:				
Current:				
Public works	285,091	285,091	43,586	241,505
Capital outlay	-	129,935	127,373	2,562
Total expenditures	285,091	415,026	170,959	244,067
REVENUES OVER (UNDER) EXPENDITURES	(112,091)	(242,026)	914	(245,194)
OTHER FINANCING SOURCES (USES):				
Transfers in	141,000	141,000	141,000	-
Transfers out	-	-	-	-
Total other financing sources (uses)	141,000	141,000	141,000	-
Net change in fund balances	\$ 28,909	\$ (101,026)	141,914	\$ 242,940
FUND BALANCES:				
Beginning of year			198,087	
End of year			<u>\$ 340,001</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, 2005

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ -	\$ -	\$ -	\$ -
Use of money and property	1,600	1,600	6,100	4,500
Charges for services	290,580	290,580	301,668	11,088
Total revenues	292,180	292,180	307,768	15,588
EXPENDITURES:				
Current:				
Public Works	216,251	218,608	114,256	104,352
Capital outlay	25,000	25,000	-	25,000
Total expenditures	241,251	243,608	114,256	129,352
Net change in fund balances	\$ 50,929	\$ 48,573	193,512	144,940
FUND BALANCES:				
Beginning of year			156,691	
End of year			\$ 350,203	

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, 2005

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other property taxes	\$ -	\$ -	\$ -	\$ -
Use of money and property	36,000	36,000	94,541	58,541
Charges for services	96	96	108	12
Total revenues	36,096	36,096	94,649	58,553
EXPENDITURES:				
Current:				
Urban development and housing	2,800,000	2,803,061	8,916	2,794,145
Capital outlay	-	-	-	-
Total expenditures	2,800,000	2,803,061	8,916	2,794,145
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of fixed assets	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	\$ (2,763,904)	\$ (2,766,965)	85,733	\$ 2,852,698
FUND BALANCES:				
Beginning of year			4,594,069	
End of year			\$ 4,679,802	

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, 2005

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Sales taxes	\$ 450,000	\$ 450,000	\$ 562,472	\$ 112,472
Use of money and property	5,000	5,000	29,136	24,136
Intergovernmental	383,542	383,542	195,033	(188,509)
Charges for services	-	-	(33,639)	(33,639)
Total revenues	838,542	838,542	753,002	(85,540)
EXPENDITURES:				
Current:				
General government	980	980	301	679
Public safety	200	200	28,392	(28,192)
Public works	601,845	772,757	558,788	213,969
Community development	71,044	77,544	45,431	32,113
Capital outlay	295,609	299,995	38,197	261,798
Total expenditures	969,678	1,151,476	671,109	480,367
Net change in fund balances	\$ (131,136)	\$ (312,934)	81,893	\$ 394,827
FUND BALANCES:				
Beginning of year			1,521,334	
End of year			\$ 1,603,227	

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, 2005

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 13,000	\$ 13,000	\$ 12,230	\$ (770)
Total revenues	<u>13,000</u>	<u>13,000</u>	<u>12,230</u>	<u>(770)</u>
EXPENDITURES:				
Current:				
Culture and recreation	-	1,010	1	1,009
Total expenditures	<u>-</u>	<u>1,010</u>	<u>1</u>	<u>1,009</u>
Net change in fund balances	<u>\$ 13,000</u>	<u>\$ 11,990</u>	12,229	<u>\$ 239</u>
FUND BALANCES:				
Beginning of year			<u>96,730</u>	
End of year			<u>\$ 108,959</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, 2005

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 54,000	\$ 54,000	\$ 41,604	\$ (12,396)
Other	55,000	55,000	35,851	(19,149)
Total revenues	109,000	109,000	77,455	(31,545)
EXPENDITURES:				
Current:				
Culture and recreation	206,397	207,147	144,787	62,360
Capital outlay	100	100	-	100
Total expenditures	206,497	207,247	144,787	62,460
REVENUES OVER (UNDER) EXPENDITURES	(97,497)	(98,247)	(67,332)	(94,005)
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	\$ (42,497)	\$ (43,247)	(12,332)	\$ 30,915
FUND BALANCES:				
Beginning of year			32,904	
End of year			\$ 20,572	

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, 2005

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for current services	\$ -	\$ -	\$ 6,772	\$ 6,772
Total revenues	<u>-</u>	<u>-</u>	<u>6,772</u>	<u>6,772</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	3,415	<u>\$ 3,415</u>
FUND BALANCES:				
Beginning of year			<u>6,610</u>	
End of year			<u>\$ 10,025</u>	

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, 2005

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 1,500	\$ 1,500	\$ 11,687	\$ 10,187
Intergovernmental	-	-	-	-
Charges for services	-	-	76,256	76,256
Total revenues	1,500	1,500	87,943	86,443
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Public works	214,756	214,756	103,520	111,236
Community development	53,415	55,542	32,320	23,222
Capital outlay	50,957	211,131	48,441	162,690
Total expenditures	319,128	481,429	184,281	297,148
Net change in fund balances	\$ (317,628)	\$ (479,929)	(96,338)	\$ 383,591
FUND BALANCES:				
Beginning of year			615,930	
End of year			\$ 519,592	

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, 2005

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses and permits	\$ 353,493	\$ 353,493	\$ 346,508	\$ (6,985)
Use of money and property	24,000	24,000	32,427	8,427
Total revenues	377,493	377,493	378,935	1,442
EXPENDITURES:				
Current:				
Public safety	59,600	59,600	51,381	8,219
Public works	158,202	164,502	64,518	99,984
Capital outlay	549,722	586,221	-	586,221
Total expenditures	767,524	810,323	115,899	694,424
Net change in fund balances	\$ (390,031)	\$ (432,830)	263,036	\$ 695,866
FUND BALANCES:				
Beginning of year			1,378,146	
End of year			\$ 1,641,182	

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, 2005

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 1	\$ 1
Charges for services	-	-	3,105	3,105
Total revenues	-	-	3,106	3,106
EXPENDITURES:				
Current:				
Public works	-	-	3,097	(3,097)
Total expenditures	-	-	3,097	(3,097)
Net change in fund balances	\$ -	\$ -	9	\$ 9
FUND BALANCES:				
Beginning of year			71	
End of year			\$ 80	

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, 2005

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ -	\$ -	\$ -	\$ -
Use of money and property	9,000	9,000	17,846	8,846
Intergovernmental	8,547	8,547	9,539	992
Charges for services	1,393,700	1,393,700	1,372,371	(21,329)
Total revenues	1,411,247	1,411,247	1,399,756	(11,491)
EXPENDITURES:				
Current:				
General government	1,356,067	1,357,367	1,356,556	811
Public works	139,694	148,306	133,687	14,619
Capital outlay	27,500	27,500	-	27,500
Total expenditures	1,523,261	1,533,173	1,490,243	42,930
REVENUES OVER (UNDER) EXPENDITURES	(112,014)	(121,926)	(90,487)	(54,421)
OTHER FINANCING SOURCES (USES):				
Transfers out	(58,300)	(58,300)	(58,300)	-
Total other financing sources (uses)	(58,300)	(58,300)	(58,300)	-
Net change in fund balances	\$ (170,314)	\$ (180,226)	(148,787)	\$ 31,439
FUND BALANCES:				
Beginning of year			641,948	
End of year			\$ 493,161	

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, 2005

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 404	\$ 404
Intergovernmental	58,413	58,413	72,500	14,087
Total revenues	58,413	58,413	72,904	14,491
EXPENDITURES:				
Current:				
Public works	76,130	76,130	69,663	6,467
Total expenditures	76,130	76,130	69,663	6,467
Net change in fund balances	\$ (17,717)	\$ (17,717)	3,241	\$ 8,024
FUND BALANCES:				
Beginning of year			43,682	
End of year			\$ 46,923	

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, 2005

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ 315,000	\$ 315,000	\$ 320,441	\$ 5,441
Total revenues	315,000	315,000	320,441	5,441
EXPENDITURES:				
Current:				
Public works	372,054	382,085	370,103	11,982
Capital outlay	25,000	25,000	188	24,812
Total expenditures	397,054	407,085	370,291	36,794
REVENUES OVER (UNDER) EXPENDITURES	(82,054)	(92,085)	(49,850)	(31,353)
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	\$ (105,074)	\$ (115,105)	(72,870)	\$ 42,235
FUND BALANCES:				
Beginning of year			632,006	
End of year			<u>\$ 559,136</u>	

City of Menlo Park

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

Peninsula Partnership Special Revenue Fund

For the year ended June 30, 2005

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Intergovernmental	\$ 210,280	\$ 210,280	\$ 197,619	\$ (12,661)
Charges for services	-	-	-	-
Total revenues	210,280	210,280	197,619	(12,661)
EXPENDITURES:				
Current:				
Culture and recreation	216,183	216,183	172,400	43,783
Capital Outlay	2,000	2,000	-	2,000
Total expenditures	218,183	218,183	172,400	45,783
Net change in fund balances	\$ (7,903)	\$ (7,903)	25,219	\$ 33,122
FUND BALANCES:				
Beginning of year			40,858	
End of year			\$ 66,077	

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, 2005

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ 2,500	\$ 2,970	\$ 470
Intergovernmental	-	100,000	100,301	301
Total revenues	-	102,500	103,271	771
EXPENDITURES:				
Current:				
Public safety	-	120,406	45,249	75,157
Capital outlay	-	89,388	60,830	28,558
Total expenditures	-	209,794	106,079	103,715
Net change in fund balances	\$ -	\$ (107,294)	(2,808)	\$ 104,486
FUND BALANCES:				
Beginning of year			114,320	
End of year			\$ 111,512	

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, 2005

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 223	\$ 223
Intergovernmental	-	-	-	-
Total revenues	-	-	223	223
EXPENDITURES:				
Current:				
Public safety	-	11,605	9,475	2,130
Total expenditures	-	11,605	9,475	2,130
REVENUES OVER (UNDER) EXPENDITURES	-	(11,605)	(9,252)	(1,907)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	\$ -	\$ (11,605)	(9,252)	\$ 2,353
FUND BALANCES:				
Beginning of year			11,465	
End of year			\$ 2,213	

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, 2005

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 79,000	\$ 79,000	\$ 111,006	\$ 32,006
Total revenues	<u>79,000</u>	<u>79,000</u>	<u>111,006</u>	<u>32,006</u>
EXPENDITURES:				
Current:				
Public works	474,488	494,359	161,352	333,007
Capital outlay	2,500	2,500	-	2,500
Total expenditures	<u>476,988</u>	<u>496,859</u>	<u>161,352</u>	<u>335,507</u>
Net change in fund balances	<u>\$ (397,988)</u>	<u>\$ (417,859)</u>	<u>(50,346)</u>	<u>\$ 367,513</u>
FUND BALANCES:				
Beginning of year			<u>1,696,361</u>	
End of year			<u>\$ 1,646,015</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, 2005

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 1,000	\$ 1,000	\$ 1,812	\$ 812
Charges for services	40,000	40,000	52,800	12,800
Total revenues	41,000	41,000	54,612	13,612
Net change in fund balances	\$ 41,000	\$ 41,000	54,612	\$ 13,612
FUND BALANCES:				
Beginning of year			57,146	
End of year			\$ 111,758	

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, 2005

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 3,600	\$ 3,600	\$ 3,461	\$ (139)
Total revenues	3,600	3,600	3,461	(139)
EXPENDITURES:				
Current:				
Public works	11,500	23,000	11,500	11,500
Total expenditures	11,500	23,000	11,500	11,500
Net change in fund balances	\$ (7,900)	\$ (19,400)	(8,039)	\$ 11,361
FUND BALANCES:				
Beginning of year			168,595	
End of year			\$ 160,556	

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, 2005

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 3,000	\$ 3,000	\$ 3,778	\$ 778
Total revenues	<u>3,000</u>	<u>3,000</u>	<u>3,778</u>	<u>778</u>
EXPENDITURES:				
Current:				
Public works	23,400	23,400	11,109	12,291
Total expenditures	<u>23,400</u>	<u>23,400</u>	<u>11,109</u>	<u>12,291</u>
Net change in fund balances	<u>\$ (20,400)</u>	<u>\$ (20,400)</u>	<u>(7,331)</u>	<u>\$ 13,069</u>
FUND BALANCES:				
Beginning of year			<u>177,331</u>	
End of year			<u>\$ 170,000</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, 2005

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 11,250	\$ 17,750	\$ 22,458	\$ 4,708
Intergovernmental	-	-	-	-
Charges for services	-	-	337,672	337,672
Other	-	-	2,327	2,327
Total revenues	11,250	17,750	362,457	344,707
EXPENDITURES:				
Current:				
General government	-	-	-	-
Public works	18,750	25,250	19,024	6,226
Public safety	-	-	1,175	(1,175)
Culture and recreation	58,742	58,742	34,331	24,411
Community development	-	28,396	385,079	(356,683)
Capital outlay	500	500	262	238
Total expenditures	77,992	112,888	439,871	(326,983)
REVENUES OVER (UNDER) EXPENDITURES	(66,742)	(95,138)	(77,414)	671,690
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	(700)	(700)
Total other financing sources (uses)	-	-	(700)	(700)
Net change in fund balances	\$ (66,742)	\$ (95,138)	(78,114)	\$ 17,024
FUND BALANCES:				
Beginning of year			1,796,322	
End of year			\$ 1,718,208	

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, 2005

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ 400,000	\$ 400,000	\$ 419,024	\$ 19,024
Use of money and property	3,000	3,000	9,833	6,833
Total revenues	403,000	403,000	428,857	25,857
EXPENDITURES:				
Current:				
Culture and recreation	1,500	1,500	450	1,050
Debt service:				
Principal	230,000	230,000	230,000	-
Interest	179,240	179,240	179,237	3
Total expenditures	410,740	410,740	409,687	1,053
Net change in fund balances	\$ (7,740)	\$ (7,740)	19,170	\$ 26,910
FUND BALANCES:				
Beginning of year			592,548	
End of year			\$ 611,718	

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, 2005

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ 917,375	\$ 917,375	\$ 1,009,138	\$ 91,763
Use of money and property	3,000	3,000	3,807	807
Total revenues	920,375	920,375	1,012,945	92,570
EXPENDITURES:				
Current:				
Culture and recreation	4,500	4,500	4,500	-
Debt service:				
Principal	200,000	200,000	200,000	-
Interest	682,260	682,260	682,260	-
Total expenditures	886,760	886,760	886,760	-
Net change in fund balances	\$ 33,615	\$ 33,615	126,185	\$ 92,570
FUND BALANCES:				
Beginning of year			549,507	
End of year			\$ 675,692	

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, 2005

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 8,000	\$ 8,000	\$ 11,158	\$ 3,158
Total revenues	8,000	8,000	11,158	3,158
EXPENDITURES:				
Current				
Public works	154,000	202,351	77,105	125,246
Capital outlay	-	-	-	-
Total expenditures	154,000	202,351	77,105	125,246
Net change in fund balances	\$ (146,000)	\$ (194,351)	(65,947)	\$ 128,404
FUND BALANCES:				
Beginning of year			511,058	
End of year			\$ 445,111	

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, 2005

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 45,000	\$ 45,000	\$ 186,435	\$ 141,435
Intergovernmental	-	-	685,669	685,669
Charges for services	-	-	2,486	2,486
Total revenues	45,000	45,000	874,590	829,590
EXPENDITURES:				
Current:				
Public works	1,270,110	1,623,949	724,863	899,086
Capital outlay	5,995,666	9,371,081	4,070,395	5,300,686
Total expenditures	7,265,776	10,995,030	4,795,258	6,199,772
Net change in fund balances	\$ (7,220,776)	\$ (10,950,030)	(3,920,668)	\$ (5,370,182)
FUND BALANCES:				
Beginning of year			10,333,286	
End of year			\$ 6,412,618	

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, 2005

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Franchise and occupancy taxes	\$ -	\$ -	\$ 20,263	\$ 20,263
Charges for services	275,000	275,000	316,322	41,322
Total revenues	275,000	275,000	336,585	61,585
EXPENDITURES:				
Current:				
General Government	107,000	107,000	61,612	45,388
Public works	787,873	1,125,837	545,419	580,418
Capital outlay	2,180,776	3,116,863	1,203,936	1,912,927
Total expenditures	3,075,649	4,349,701	1,810,967	2,538,734
REVENUES OVER (UNDER) EXPENDITURES	(2,800,649)	(4,074,701)	(1,474,382)	(2,477,149)
OTHER FINANCING SOURCES (USES):				
Transfers in	2,033,000	2,033,000	2,033,000	-
Total other financing sources (uses)	2,033,000	2,033,000	2,033,000	-
Net change in fund balances	\$ (767,649)	\$ (2,041,701)	558,618	\$ 2,600,319
FUND BALANCES:				
Beginning of year			8,277,240	
End of year			<u>\$ 8,835,858</u>	

City of Menlo Park
Combining Statement of Net Assets
Agency Funds
June 30, 2005

	Refundable Deposits	Cash Bonds Payable	Payroll Revolving	Total Agency Funds
ASSETS				
Cash and investments	\$ 60,119	\$ 13,271	\$ 76,613	\$ 150,003
Total assets	\$ 60,119	\$ 13,271	\$ 76,613	\$ 150,003
LIABILITIES				
Accounts payable	\$ 9	\$ -	\$ 40,863	\$ 40,872
Accrued payroll	-	-	35,750	35,750
Deposits	60,110	13,271	-	73,381
Total liabilities	\$ 60,119	\$ 13,271	\$ 76,613	\$ 150,003

City of Menlo Park
Combining Statement of Changes in Net Assets
Agency Funds
For the year ended June 30, 2005

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
<u>Refundable Deposits</u>				
Assets:				
Cash and investments	\$ 51,902	\$ 23,310	\$ (15,093)	\$ 60,119
Liabilities:				
Accounts payable	\$ 4,332	\$ 4,270	\$ (8,593)	\$ 8
Deposits	47,570	23,310	(10,770)	60,110
Total liabilities	\$ 51,902	\$ 27,580	\$ (19,363)	\$ 60,119
 <u>Cash Bonds Payable</u>				
Assets:				
Cash and investments	\$ 13,271	\$ 5,000	\$ (5,000)	\$ 13,271
Liabilities:				
Deposits	\$ 13,271	\$ 5,000	\$ (5,000)	\$ 13,271
 <u>Payroll Revolving</u>				
Assets:				
Cash and investments	\$ 89,897	\$ 2,018,287	\$ (2,031,571)	\$ 76,613
Liabilities:				
Accounts payable	\$ 89,897	\$ 12,981,157	\$ (12,994,442)	\$ 76,613
 <u>Total Agency Funds</u>				
Assets:				
Cash and investments	\$ 155,070	\$ 2,046,597	\$ (2,051,664)	\$ 150,003
Liabilities:				
Accounts payable	\$ 94,229	\$ 12,985,427	\$ (13,003,035)	\$ 76,621
Deposits	60,841	28,310	(15,770)	73,381
Total liabilities	\$ 155,070	\$ 13,013,737	\$ (13,018,804)	\$ 150,003

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**STATISTICAL SECTION
(Unaudited)**

City of Menlo Park
General Government Expenditures by Function *
June 30, 2005
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	General Government	Public Safety	Public Works	Culture and Recreation	Rehabilitation Loans
1995-1996	\$ 3,891,180	\$ 5,828,805	\$ 3,293,360	\$ 4,711,696	\$ 444,315
1996-1997	4,080,633	6,308,729	4,003,864	4,951,301	295,223
1997-1998	4,534,705	6,751,403	4,710,301	5,728,235	338,788
1998-1999	4,838,242	6,829,378	4,631,434	6,562,009	448,045
1999-2000**	5,101,699	7,264,817	3,862,141	6,740,339	248,660
2000-2001	5,652,521	7,980,832	4,099,263	6,975,161	350,030
2001-2002	6,083,761	8,044,869	3,993,619	7,995,043	595,290
2002-2003	6,010,975	8,462,537	6,136,086	7,357,338	434,120
2003-2004	7,380,500	7,826,595	7,213,412	7,597,970	582,200
2004-2005	6,154,285	9,078,445	7,218,665	7,195,045	190,050

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

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

Source: City of Menlo Park

Community Development	Urban Development and Housing	Capital Outlay	Debt Service		Total
			Principal Retirement	Interest and Fiscal Charges	
\$ 1,124,552	\$ 2,557,865	\$ 3,842,408	\$ 440,000	\$ 2,112,090	\$ 28,246,271
1,164,716	2,129,104	7,577,982	765,000	1,904,118	33,180,670
1,579,955	2,084,780	8,364,376	805,000	1,890,116	36,787,659
1,636,385	2,424,377	6,411,406	835,000	1,850,873	36,467,149
2,416,633	2,815,875	5,850,623	875,000	1,809,243	36,985,030
2,854,841	4,687,426	10,021,368	925,000	3,149,759	46,696,201
3,140,511	3,757,889	21,510,780	970,000	4,086,960	60,178,722
2,682,788	3,945,154	14,105,147	905,000	4,538,471	54,577,616
2,859,800	4,304,319	8,928,921	1,625,000	4,691,522	53,010,239
3,780,495	4,722,359	8,346,576	1,770,000	4,614,326	53,070,246

City of Menlo Park
General Government Revenues by Source *
June 30, 2005
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Special Assessment</u>	<u>Licenses and Permits</u>	<u>Fines and Forfeitures</u>	<u>Use of Money and Property</u>
1995-1996	\$ 17,085,902	\$ 1,107,907	\$ 1,786,935	\$ 70,792	\$ 2,954,925
1996-1997	19,197,080	1,072,744	2,585,437	48,178	2,998,668
1997-1998	20,814,340	1,092,449	2,783,860	67,326	3,148,117
1998-1999	22,726,432	1,466,474	2,800,754	195,182	2,965,786
1999-2000	25,577,479	1,493,406	2,824,434	213,482	3,470,883
2000-2001	29,286,576	1,379,277	3,227,919	279,172	6,374,995
2001-2002	27,434,250	1,399,697	2,585,384	207,906	4,857,451
2002-2003	26,039,230	2,247,423	2,952,762	802,636	3,257,644
2003-2004	26,268,213	2,549,037	2,891,023	756,678	1,458,436
2004-2005	26,728,338	2,362,454	2,917,357	832,897	2,656,745

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

Source: City of Menlo Park

Inter- governmental	Charges for Services	Other Revenues	Reimbursed Construction Costs	Total
\$ 3,855,437	\$ 4,807,465	\$ 264,655	\$ -	\$ 31,934,018
3,969,695	5,527,602	198,044	-	35,597,448
3,989,621	4,944,680	91,022	-	36,931,415
4,712,777	4,909,370	150,143	-	39,926,918
4,626,773	4,528,800	174,215	-	42,909,472
5,368,949	5,465,783	84,882	-	51,467,553
6,084,897	5,015,592	97,678	-	47,682,855
5,130,839	5,589,680	172,523	-	46,192,737
3,682,937	7,492,661	107,530	-	45,206,515
4,783,182	6,872,993	77,106	-	47,231,072

City of Menlo Park
General Government Taxes Detail
June 30, 2005
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>Secured</u>	<u>Unsecured</u>	<u>Redemptions</u>	<u>Transfer Tax</u>	<u>Other</u>	<u>Sales Tax</u>	<u>Franchise and Occupancy Taxes</u>	<u>Total</u>
1995-1996	\$ 6,191,279	\$ 1,145,784	\$ 1,375	\$ 171,049	\$ 275,697	\$ 7,467,757	\$ 1,832,961	\$ 17,085,902
1996-1997	7,620,518	1,105,701	-	279,281	364,370	7,808,769	2,018,441	19,197,080
1997-1998	8,256,758	1,095,960	488	293,461	391,745	8,524,786	2,251,142	20,814,340
1998-1999	8,831,772	1,680,720	7,241	382,570	249,692	9,254,468	2,319,969	22,726,432
1999-2000	10,691,113	1,273,399	2,737	393,167	733,040	9,952,992	2,531,031	25,577,479
2000-2001	11,573,842	1,355,236	653	347,243	312,260	13,031,014	2,666,328	29,286,576
2001-2002	12,626,049	1,568,876	14,282	358,241	1,239,784	9,214,713	2,412,305	27,434,250
2002-2003	13,695,509	1,501,581	468	330,542	348,002	8,005,666	2,157,462	26,039,230
2003-2004	14,758,475	1,579,850	3,455	463,562	73,238	7,187,269	2,202,364	26,268,213
2004-2005	15,389,379	1,378,157	518	541,765	446,052	6,619,932	2,352,535	26,728,338

Source: City of Menlo Park and San Mateo County

City of Menlo Park
Property Tax Levies and Collections
June 30, 2005
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>Estimated Taxes Levied</u>	<u>Total Tax Collections</u>	<u>Delinquent Collections</u>	<u>Current Tax Collections</u>
1995-1996	\$ 8,124,610	\$ 7,612,759	\$ -	\$ 7,612,759
1996-1997	8,887,672	9,090,589	-	9,090,589
1997-1998	10,276,766	9,744,463	-	9,744,463
1998-1999	11,632,610	10,762,184	-	10,762,184
1999-2000	13,003,352	12,697,552	-	12,697,552
2000-2001	13,804,204	13,241,338	-	13,241,338
2001-2002	15,587,032	15,434,709	-	15,434,709
2002-2003	16,363,962	15,545,092	-	15,545,092
2003-2004	16,969,603	16,411,563	-	16,411,563
2004-2005	17,467,955	17,213,588	-	17,213,588

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

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

Source: San Mateo County

City of Menlo Park
Assessed Valuation, Tax Rate and Tax Levies
June 30, 2005
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Land Development	State Assessed		Secured		
		Improvements	Personal Property	Land Value	Improvements	Personal Property
1995-1996	\$ 3,912,916	\$ 144,813	\$ 106,175	\$ 1,299,000,693	\$ 2,139,191,268	\$ 107,584,423
1996-1997	3,639,791	124,508	91,287	1,348,713,869	2,228,762,710	119,042,090
1997-1998	3,623,151	316,438	181,152	1,480,057,209	2,369,822,699	190,821,197
1998-1999	4,956,018	387,849	222,030	1,613,667,336	2,550,942,830	205,623,607
1999-2000	2,078,149	264,986	151,696	1,815,087,154	2,820,381,931	257,399,381
2000-2001	770,807	244,959	140,232	1,990,570,199	2,973,214,646	198,721,523
2001-2002	4,836,844	268,184	153,528	2,261,244,888	3,249,584,012	209,856,123
2002-2003	4,777,290	258,202	147,814	2,393,968,299	3,389,779,535	237,014,128
2003-2004	420,858	294,871	168,802	2,691,815,120	3,626,549,176	203,493,192
2004-2005	518,185	367,942	210,635	2,913,970,712	3,803,928,087	202,819,675

Note:

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

Source: City of Menlo Park

Unsecured			Total Before Exemptions		
Land		Personal	Land		Personal
Value	Improvements	Property	Value	Improvements	Property
\$ 1,896,930	\$ 101,855,292	\$ 269,504,036	\$ 1,304,810,539	\$ 2,241,191,373	\$ 377,194,634
1,897,415	116,432,846	253,134,789	1,354,251,075	2,345,320,064	372,268,166
2,312,520	107,675,869	264,453,335	1,485,992,880	2,477,815,006	455,455,684
1,245,228	142,194,309	329,946,966	1,619,868,582	2,693,524,988	535,792,603
1,892,868	188,747,068	289,717,576	1,819,058,171	3,009,393,985	547,268,653
2,013,214	252,623,758	371,757,297	1,993,354,220	3,226,083,363	570,619,052
4,169,073	289,398,376	462,631,749	2,270,250,805	3,539,250,572	672,641,400
8,056,133	314,752,983	383,590,822	2,406,801,722	3,704,790,720	620,752,764
7,868,741	313,945,483	347,728,227	2,700,104,719	3,940,789,530	551,390,221
7,739,096	341,166,912	256,920,599	2,922,227,993	4,145,462,941	459,950,909

(continued)

City of Menlo Park
Assessed Valuation, Tax Rate and Tax Levies, Continued
June 30, 2005
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>Grand Total</u>	<u>HOPTR *</u>	<u>BIPTR **</u>	<u>Other</u>	<u>Net Subject To Tax</u>
1995-1996	\$ 3,923,196,546	\$44,042,600	\$ -	\$ 75,267,754	\$3,803,886,192
1996-1997	4,071,839,305	44,087,400	-	76,460,157	3,951,291,748
1997-1998	4,419,263,570	44,576,865	-	80,344,612	4,294,342,093
1998-1999	4,849,186,173	44,970,800	-	73,415,885	4,730,799,488
1999-2000	5,375,720,809	44,724,400	-	79,175,848	5,251,820,561
2000-2001	5,790,056,635	43,953,000	-	112,569,221	5,633,534,414
2001-2002	6,482,142,777	45,138,800	-	85,158,247	6,351,845,730
2002-2003	6,732,345,206	42,530,600	-	110,060,786	6,579,753,820
2003-2004	7,192,284,470	42,238,000	-	121,479,503	7,028,566,967
2004-2005	7,527,641,843	41,636,000	-	126,727,050	7,359,278,793

* Homeowner Property Tax Relief

** Business Inventory Property Tax Relief

Source: San Mateo County

City of Menlo Park

Ratio of Net General Bonded Debt to

Total Assessed Value and Net Bonded Debt Per Capita

June 30, 2005 - Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Population	Total Assessed Value	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1994-1995	30,465	\$ 3,365,181,630	\$ 4,760,000	0.1414%	\$ 156.24
1995-1996	30,465	3,435,297,283	5,215,000	0.1518%	171.18
1996-1997	30,554	3,516,445,929	5,085,000	0.1446%	166.43
1997-1998	30,554	3,754,294,880	4,935,000	0.1314%	161.52
1998-1999	31,246	4,104,093,393	4,780,000	0.1165%	152.98
1999-2000	31,529	4,537,308,861	4,615,000	0.1017%	146.37
2000-2001	30,785	4,878,145,495	4,435,000	0.0909%	144.06
2001-2002	31,262	5,491,688,060	17,485,000	0.3184%	559.31
2002-2003	31,262	5,658,095,304	17,275,000	0.3053%	552.59
2003-2004	31,262	6,093,800,596	16,930,000	0.2778%	541.55
2004-2005	31,262	6,413,388,072	16,500,000	0.2573%	527.80

Source: San Mateo County and State Controller's Office

City of Menlo Park
Computation of Legal Debt Margin
June 30, 2005
(Unaudited)

Total assessed value of all real and personal property	\$ 6,413,388,072
Legal debt limit - 3.75% of total assessed valuation	240,502,053
Amount of bonded debt outstanding	<u>16,500,000</u>
Margin between legal and outstanding bonded debt	<u>\$ 224,002,053</u>

Source: San Mateo County

City of Menlo Park

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

June 30, 2005 - Last Ten Fiscal Years

(Unaudited)

<u>Fiscal Year</u>	<u>Total Bonded Debt Service Expenditures *</u>	<u>Total General Expenditures</u>	<u>Ratio Percentage</u>
1995-1996	\$ 421,946	\$ 28,246,271	1.494%
1996-1997	372,208	33,180,670	1.122%
1997-1998	405,048	36,787,659	1.101%
1998-1999	397,659	36,467,149	1.090%
1999-2000	394,929	36,985,030	1.068%
2000-2001	396,079	46,696,201	0.848%
2001-2002	400,771	60,178,722	0.666%
2002-2003	904,995	54,577,616	1.658%
2003-2004	1,225,363	53,010,239	2.312%
2004-2005	1,291,498	53,070,246	2.434%

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

Source: City of Menlo Park

City of Menlo Park
Special Assessment Collections *
June 30, 2005
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>64-1</u>	<u>66-1</u>	<u>67-1</u>	<u>67-2</u>	<u>67-3</u>	<u>68-1</u>	<u>69-1</u>	<u>73-1</u>	<u>Total</u>
1995-1996	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1996-1997	-	-	-	-	-	-	-	-	-
1997-1998	-	-	-	-	-	-	-	-	-
1998-1999	-	-	-	-	-	-	-	-	-
1999-2000	-	-	-	-	-	-	-	-	-
2000-2001	-	-	-	-	-	-	-	-	-
2001-2002	-	-	-	-	-	-	-	-	-
2002-2003	-	-	-	-	-	-	-	-	-
2003-2004	-	-	-	-	-	-	-	-	-
2004-2005	-	-	-	-	-	-	-	-	-

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

Source: City of Menlo Park

City of Menlo Park

Property Tax Rates * - All Direct and Overlapping Governments

June 30, 2005

Last Ten Fiscal Years

(Unaudited)

<u>Fiscal Year</u>	<u>San Mateo County</u>	<u>Menlo Park Elementary</u>	<u>San Mateo Junior College</u>	<u>Sequoia High School</u>	<u>Menlo Park Debt Service</u>	<u>Total</u>
1995-1996	1.0000	-	-	-	0.0107	1.0107
1996-1997	1.0000	0.0157	-	-	0.0092	1.0249
1997-1998	1.0000	0.0124	-	0.0064	0.0090	1.0278
1998-1999	1.0000	0.0445	-	0.0091	0.0082	1.0618
1999-2000	1.0000	0.0346	-	0.0107	0.0076	1.0618
2000-2001	1.0000	0.0303	-	0.0092	0.0071	1.0529
2001-2002	1.0000	0.0245	-	0.0079	0.0063	1.0387
2002-2003	1.0000	0.0220	0.0079	0.0130	0.0202	1.0631
2003-2004	1.0000	0.0232	0.0065	0.0238	0.0179	1.0714
2004-2005	1.0000	0.0233	0.0065	0.0164	0.0187	1.0649

* Per \$1,000 Assessed Valuation.

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

City of Menlo Park
Direct and Overlapping Bonded Debt
June 30, 2005
(Unaudited)

2004-2005 Assessed Valuation:	\$ 7,400,914,793
Redevelopment Incremental Valuation:	<u>(987,526,721)</u>
Adjusted Assessed Valuation	<u>\$ 6,413,388,072</u>

DIRECT AND OVERLAPPING TAX ASSESSMENT DEBT:

	<u>% Applicable</u>	<u>Debt 6/30/03</u>
Direct:		
City of Menlo Park	100.000%	<u>\$ 16,500,000</u>
Total Direct		<u>16,500,000</u>
Overlapping:		
San Mateo Community College District	6.663%	10,732,810
Sequoia Union High School District	16.613%	25,505,939
Las Lomas School District	36.397%	8,083,774
Menlo Park City School District	64.778%	12,230,086
Ravenswood School District	40.652%	4,969,707
Redwood City School District	2.408%	<u>1,485,769</u>
Total Overlapping		<u>63,008,085</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		<u>79,508,085</u>

DIRECT AND OVERLAPPING LEASE OBLIGATION DEBT:

San Mateo County General Fund Obligations	6.663%	27,757,052
San Mateo County Board of Education Certificates of Participation	6.663%	305,499
Redwood City School District Certificates of Participation	6.663%	2,057,868
Midpeninsula Regional Park District Certificates of Participation	5.334%	6,099,439
San Mateo County Mosquito Abatement District Certificates of Participation	9.222%	<u>137,869</u>
TOTAL DIRECT AND OVERLAPPING LEASE OBLIGATIONS DEBT		<u>36,357,727</u>
COMBINED TOTAL DEBT		<u>\$ 115,865,812 (1)</u>

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

Ratios to 2002-03 Assessed Valuation:

Direct Debt (\$16,930,000)	0.22%
Total Direct and Overlapping Tax Assessment Debt	1.07%

Ratios to Adjusted Assessed Valuation:

Combined Total Debt	1.81%
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STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/03: \$0

Source: California Municipal Statistics, Inc.

City of Menlo Park
Demographic Statistics
June 30, 2005
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>Population</u>	<u>Population Percent Change</u>
1995-1996	30,465	1.83%
1996-1997	30,554	0.29%
1997-1998	30,554	0.00%
1998-1999	31,246	2.26%
1999-2000	31,529	0.91%
2000-2001	30,785	-2.36%
2001-2002	31,262	1.55%
2002-2003	31,262	0.00%
2003-2004	31,262	0.00%
2004-2005	31,262	0.00%

Source: State Controller's Office

City of Menlo Park

Property Value, Construction, Bank and Savings and Loan Deposits

June 30, 2005

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Commercial					
	New Construction*		Improvements*		Total	
	Number of Permits	Value	Number of Permits	Value	Number of Permits	Value
1995-1996	50	\$ 4,871,700	272	\$ 26,040,338	322	\$ 30,912,038
1996-1997	74	15,151,250	234	22,616,335	308	37,767,585
1997-1998	84	4,689,870	210	51,137,810	294	55,827,680
1998-1999	91	6,120,500	219	45,413,250	310	51,533,750
1999-2000	123	18,624,904	219	32,161,750	310	51,533,750
2000-2001	137	10,276,353	218	60,248,913	342	50,786,654
2001-2002	88	23,809,281	154	42,301,367	355	66,110,648
2002-2003	83	2,454,729	171	72,396,531	254	74,851,260
2003-2004	62	2,279,228	218	24,397,778	280	26,677,006
2004-2005	59	11,329,642	162	17,311,145	221	28,640,787

Residential Construction

New Construction*		Improvements*		Total	
Number of Permits	Value	Number of Permits	Value	Number of Permits	Value
25	\$ 6,737,000	701	\$ 11,234,828	726	\$ 17,971,828
125	31,454,500	739	13,258,304	864	44,712,804
81	25,452,000	696	14,720,621	777	40,172,621
62	16,423,000	795	19,375,620	857	35,798,620
32	11,347,927	676	18,523,870	708	29,871,797
46	16,954,306	641	24,341,262	687	41,295,568
27	14,150,331	622	19,953,766	687	34,104,097
21	11,547,619	662	22,365,995	649	33,913,614
38	24,912,996	869	30,448,177	907	55,361,173
26	16,627,829	710	28,005,943	736	44,633,772

(continued)

City of Menlo Park

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

June 30, 2005

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Improvements		Total	
	Bank Deposit **	Savings and Loan Deposit **	Property Value Taxable	Property Value Non-Taxable
1994-1995	\$ 643,189,000	\$ 308,674,000	\$ 3,696,175,730	\$ 126,682,230
1995-1996	650,685,000	409,265,000	3,803,886,192	119,310,354
1996-1997	677,080,000	384,805,000	3,951,291,748	120,547,557
1997-1998	873,888,000	246,262,000	4,294,342,093	124,921,477
1998-1999	1,065,280,000	237,482,000	4,730,799,488	118,386,685
1999-2000	2,018,559,000	285,908,000	5,251,820,561	123,900,248
2000-2001	1,812,084,000	299,730,000	5,633,534,414	156,522,221
2001-2002	1,405,559,000	347,453,000	6,351,845,730	130,297,047
2002-2003	1,548,977,000	349,214,000	6,579,753,820	152,591,386
2003-2004	1,694,709,000	368,718,000	7,028,566,967	163,717,503
2004-2005	N/A	N/A	7,359,278,793	168,363,050

Sources:

* City of Menlo Park

** The Findley Reports

(concluded)

City of Menlo Park

Principal Taxpayers

June 30, 2005

(Unaudited)

<u>Company</u>	<u>Type of Business</u>	<u>2003-04 Full Market Valuation</u>	<u>Ratio to Total City's Assessed Valuation</u>
Sun Microsystems	Research and Development	\$ 383,591,524	5.21%
Tyco Electronics Corporation	Warehouses / Light Industry	211,771,958	2.88%
Stanford Research Institute	Professional Buildings (Medical)	141,612,177	1.92%
Menlo Oaks Partner	Vacant Land	77,129,798	1.05%
AMB Property LP	Warehouse	76,452,399	1.04%
Menlo Business Park	Office	73,896,134	1.00%
Henry Kaiser Foundation	Office	57,192,756	0.78%
Sharon Land Company	Office	50,595,125	0.69%
Jefferson Place Associates	Office	39,900,000	0.54%
Sand Hill Commons Investors	Office	35,723,135	0.49%
Total		<u>1,147,865,006</u>	<u>15.60%</u>
Total Assessed Value		<u>\$ 7,359,278,793</u>	

Source: San Mateo County Tax Roll

City of Menlo Park
Miscellaneous Statistics
June 30, 2005

(Unaudited)

Date of Incorporation	November 23, 1927
Form of Government	Council / Manager
Area	Approximately 19 square miles
Population	31,262
Number of street lights *	2256
Number of housing units***	12,714
Police Protection:	
Number of Stations	1
Number of police officers (including supervisory personnel)	50
Water Service:	
Name of Supplier	San Francisco Water
Daily Average Introduced into System (gallons)	3,362,975
Capacity per day (millions of gallons)	2.85
Water storage (millions of gallons)	5.50
Water lines (miles)	45

<u>Classification</u>	<u>July / Aug 2004</u>	<u>Sept / Oct 2004</u>	<u>Nov / Dec 2004</u>	<u>Jan / Feb 2005</u>	<u>Mar / Apr 2005</u>	<u>May / June 2005</u>	<u>Total</u>
Single Family	156,879	139,511	77,034	65,164	70,946	116,721	626,255
Multi Family	21,128	20,947	13,564	11,767	12,738	17,034	97,178
Commercial	48,141	44,173	24,382	18,749	21,809	33,580	190,834
Industrial	110,609	88,127	53,572	52,691	56,269	104,885	466,153
Landscape / Irrigation	54,324	34,855	8,550	4,101	5,377	26,943	134,150
Public Facility	38,760	33,808	13,385	8,125	8,462	15,884	118,424
Total **	429,841	361,421	190,487	160,597	175,601	315,047	1,632,994

* Not including the lights attached to traffic signals.

** In cubic cubic feet (CCF)

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