

CITY OF MENLO PARK

CALIFORNIA



Comprehensive Annual Financial Report

FOR THE FISCAL YEAR ENDING JUNE 30, 2007

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2007



CITY OF MENLO PARK, CALIFORNIA

PREPARED BY
THE FINANCE DEPARTMENT

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Finance Director

Geoffrey Buchheim
Financial Services Manager

This report is printed on recycled paper.

City of Menlo Park

Menlo Park, California

Comprehensive Annual Financial Report

For the year ended June 30, 2007

City of Menlo Park
For the year ended June 30, 2007

Table of Contents

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

City of Menlo Park
For the year ended June 30, 2007

Table of Contents, Continued

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

City of Menlo Park
For the year ended June 30, 2007

Table of Contents, Continued

	<u>Page</u>
<u>FINANCIAL SECTION, Continued</u>	
Storm Water Management (NPDES) Special Revenue Fund.....	118
Peninsula Partnership Special Revenue Fund.....	119
Supplemental Law Enforcement Special Revenue Fund.....	120
Local Law Enforcement Block Grant Special Revenue Fund.....	121
Construction Impact Fees Special Revenue Fund.....	122
Bayfront Park Maintenance Special Revenue Fund	123
Recreation In-Lieu Special Revenue Fund	124
Sharon Hills Park Special Revenue Fund	125
Vintage Oaks Landscape Special Revenue Fund.....	126
Miscellaneous Trust Special Revenue Fund	127
Library Bond Debt Service Fund.....	128
Recreation GO Bond 2002 Debt Service Fund	129
Library Addition Capital Projects Fund.....	130
Measure T 2002 GO Bond Capital Projects Fund.....	131
Capital Improvement General Capital Projects Fund.....	132
 <i>Enterprise Funds:</i>	
Combining Schedule of Net Assets.....	134
Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets	135
Combining Schedule of Cash Flows	136
 <i>Internal Service Funds:</i>	
Combining Statement of Net Assets.....	138
Combining Statement of Revenues, Expenses and Changes in Net Assets.....	139
Combining Statement of Cash Flows.....	140
 <i>Agency Funds:</i>	
Combining Statement of Net Assets.....	142
Combining Statement of Changes in Net Assets	143

STATISTICAL SECTION (UNAUDITED)

Net Assets by Component – Last Five Fiscal Years	146
Changes in Net Assets – Last Five Fiscal Years	148
Fund Balances-Governmental Funds – Last Ten Fiscal Years	150
Changes in Fund Balances-Governmental Funds – Last Ten Fiscal Years.....	152
General Government Revenues by Source – Last Ten Fiscal Years	154
General Government Taxes Detail – Last Ten Fiscal Years	156

City of Menlo Park
For the year ended June 30, 2007

Table of Contents, Continued

	<u>Page</u>
<u>STATISTICAL SECTION (UNAUDITED), Continued</u>	
Assessed Valuation, Tax Rate and Tax Levies – Last Ten Fiscal Years.....	158
Direct and Overlapping Property Tax Rates – Last Ten Fiscal Years	160
Principal Property Taxpayers – Current Year and Nine Years Prior	162
Property Tax Levies and Collections – Last Ten Fiscal Years	164
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years	165
Direct and Overlapping Debt	166
Legal Debt Service Margin Information – Last Ten Fiscal Years.....	168
Pledged-Revenue Coverage – Community Development Agency	170
Demographic Statistics – Last Ten Calendar Years	171
Principal Employers and Labor Force Overview.....	172
Full-Time Equivalent City Employees by Function – Last Ten Fiscal Years.....	174
Operating Indicators by Demand and Level of Service by Function/Program.....	176
Capital Asset Statistics by Function – Last Ten Fiscal Years.....	178
Capital Assets and Infrastructure Statistics by Activities – Last Ten Fiscal Years	180
Water Sold by Type of Customer – Last Ten Fiscal Years	182
Water Service Rates – Last Ten Fiscal Years	183
Miscellaneous Statistics	184
 Independent Auditors’ Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>.....	 185

INTRODUCTORY SECTION



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

December 4, 2007

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, 2007. 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 are included.

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

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

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

Background

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

The City maintains a healthy balance of residential, commercial, and industrial uses. Residential home prices are among the highest in the area reflecting the desirability of living in the community. Major companies that have facilities in Menlo Park include Sun Microsystems, Tyco Electronics Corporation, E*Trade Financial, SRI International, and OfficeMax. Menlo Park is also home to the Western Region Headquarters of the United States Geological Survey, a major Veterans Administration medical facility, and the U.S. Department of Energy funded 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, public works (engineering, street, park, building and vehicle maintenance), water distribution and maintenance, transportation services, community services (recreation, child care and senior services), community development (planning, zoning and building inspection), code and parking enforcement, library services, housing and general administration (finance, personnel, economic development, management

information systems, legal and record keeping). Fire protection services are provided by the Menlo Park Fire Protection District, an entity separate and distinct from the City.

Economic Condition and Outlook

Menlo Park was a financial beneficiary of a vibrant regional economy that was experiencing significant increases in sales tax revenue and property values at the turn of the 21st century. But the national economic downturn in 2001 resulted in decreases in both realized and forecasted revenues, particularly in the area of sales taxes. Although the downturn stabilized and economic growth has returned at a moderate pace, the near 50% decline in sales tax revenues from the height of the technology boom has severely limited the City's fiscal flexibility. Property values have continued to rise throughout the economic slump, but sales taxes have been slow to improve. The State's own fiscal crisis served to exacerbate municipal financial issues through a re-distribution of property taxes (away from local governments) in 2004/05 and 2005/06 to fund State obligations

Although many of the City's revenues started to recover in the past few years, on-going operating costs continued to accelerate: operations of facilities, maintenance of the City's infrastructure, increased employer retirement system assessments, higher health care premiums, increased workers compensation and unpredictable energy costs continued to place significant fiscal pressure on the General Fund. Because Menlo Park had prudently built up its General Fund reserves over the economic boon of the preceding decade, it was able to weather the revenue challenges in each annual operating budget with a combination of improved efficiencies, modest service reductions, fee increases, some workforce reduction and planned use of the General Fund Reserve. But the City was also forced to defer certain costs, such as maintenance on streets, sidewalks, and other City infrastructure.

In 2005-06, the City launched a unique budget process, entitled "*Your City/Your Decision*," in order to inform the public of the budgetary tradeoffs being faced, to determine the public's fiscal priorities and to establish a budget for 2006-07 that would be sustainable in the *long-term*. As a result of the feedback of this civic engagement process, the Council approved revenue-enhancing and cost cutting strategies for 2006-07. These net cost reductions amounted to over \$1.5 million. In addition, staff was directed to begin the process of gauging community support for a tax measure that would bridge the additional \$1.4 million estimated structural deficit. With support for a utility users tax (UUT), a measure was placed before the voters and approved in November 2006. The new UUT, which assessed a tax of 3.5 percent on gas, electric and water bills and a 2.5 percent tax on cable, phone and all other telecommunications services, was implemented on April 1, 2007. The tax was to bring in annual revenue of \$2.5 million to the City. In the 2006-07 midyear analysis, staff anticipated that the UUT revenues provided in the last three months of 2006-07, along with identified increases in other General Fund Revenues, would be sufficient to alleviate the year's projected

budget deficit. With General Fund revenues on the rebound, the Council approved a reduction in the UUT effective October 1, 2007, to one percent on all utilities.

For the fiscal year ended June 30, 2007, General Fund revenues exceeded the budget by over \$1.7 million. With the housing market remaining strong through most of the year, property tax revenues were \$417,000 (2.9%) over budget. Sales taxes ended the year almost \$170,000 (2.6%) over budget. Other than taxes, the largest variances occurred in the area of earnings on investments, with higher yields on the City's portfolio, and higher average cash balances overall. Charges for services were nearly \$516,000 higher than budgeted with developmental fee revenue exceeding projections by almost \$396,000. General Fund departmental expenditure savings of over \$1.3 million were largely the result of staff vacancies, but savings were minimized through an unbudgeted 5 percent surcharge on personnel costs charged for retiree benefits. In addition, \$335,000 of outstanding commitments in the form of purchase orders and contracts for services which were not expended in the 2006-07 will be carried forward to the subsequent fiscal year. The largest "draw" on General Fund reserves in 2006-07 was the transfers out of over \$2.8 million needed to establish four internal service funds to account for the City's Workers Compensation Insurance, General Liability Insurance, Retiree Medical Benefits and Vehicle Replacement programs.

Fund balances in the City's special revenue funds increased by nearly \$3.3 million in the 2006-07 fiscal year, largely the result of increased development activity. Various impact fees are assessed through the permitting process and accrued in these funds to finance future mitigating projects. In particular, developer fees for traffic, pavement repair, and housing affordability programs increased these fund balances. The City's capital project funds also increased approximately \$1 million, largely in preparation for the bi-annual road pavement project to begin next year.

Fortunately, Menlo Park will continue to have a low rate of population growth, which will minimize the need to expand City services. Modest commercial and light industrial development is anticipated. Further, 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. Plan amendments have expanded the Las Pulgas Community Development project area, established new bonded indebtedness limits and revenue caps, and extended the Agency's deadline for Activities and Plan expiration. Bonds issued in 1988 (\$4,720,000), 1992 (\$25,000,000) and again in 2000 (\$44,000,000) provided funds for various redevelopment projects. The Agency's investment in projects has resulted in demand for housing and considerable investment

in renovations and additions to the existing housing stock. In 2006-07, the Hamilton Park residential development, consisting of a 47 single family homes project (including 20 of which are designated as Below Market Rate homes) and one acre park on lands previously owned by the Agency, was nearly completed. Streetscape projects continue to add new curbs, gutters and driveways in varying locations.

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

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. There was no growth in assessed valuation for the Agency over the prior year due to downward adjustments necessitated by successful appeals processed by the Assessment Appeals Board in 2005-06. Nonetheless, tax increment revenue still experienced a growth of slightly over 3 percent. The growth reflects a smaller amount of property tax refunds paid on these appeals as compared with the prior year. Appeals within the project area were due to office building vacancies in the past few years. However, the retro-active refunds have been completed and commercial activity seems to be improving, so that a return to growth in tax increment is anticipated in short term.

Major Initiatives

FOR THE YEAR: The City Council initiated a number of new projects and emphasized maintaining quality city services. Building on the educational and engagement efforts of the *Your City/Your Decision* budget process of the previous year, departments continued to evaluate all services and their associated costs. As the approved budget strategies were implemented and refined, the focus remained on fiscal and environmental sustainability through systematic, long-term planning.

The **Department of Administrative Services** experienced a year of significant accomplishment and considerable change in 2006-07. Having taken the lead in conducting the prior year's *Your City/Your Decision* budget outreach process, the City Manager's Office followed up on Council's request to explore establishing a utility user tax measure to further address the City's structural budget imbalance. Per Council direction, staff examined certain legal and practical issues of the tax and drafted an ordinance incorporating the features desired by the Council. Passage of the measure was confirmed in late November, and staff acted quickly to establish the initial implementation period (April 1 - June 30, 2007).

Three new Council members were seated after the November elections. A community open house was conducted to allow community members to inform the new Council of

their concerns, and in January, the Council members established an ambitious set of goals for the next two-year period. Recruitment and selection of a new City Manager became an important short-term goal for the Council as the position became vacant in February. The City's Public Works Director served as Interim City Manager for the remainder of the fiscal year.

City Clerk staff selected and implemented a contract for services and software that allows for web streaming of Council, Planning Commission and Transportation Commission meetings held with the Council Chambers. The service package has been successful in providing residents with easy and prompt access to Council's deliberations and decisions. In addition, preparation of meeting minutes is more efficient. Also in the area of using technology to keep the community informed and engaged, the City's website search engine was improved.

A project priority for 2006-07 called for a city-wide Cost Allocation Plan and User Fee Study to maximize recovery of General Fund overhead costs and to accurately determine the true full cost of City services. The cost allocation study, which involved coordination of data from all departments, was completed late in the fiscal year, and the User Fee study will be completed in 2007-08. In conjunction with these studies, Finance staff developed an improved overhead cost allocation methodology by creating internal service funds (ISFs) for the City's Workers' Compensation, General Liability, Retiree Medical Benefits and vehicle replacement programs. Previously these expenses were contained in the Administrative Services Department. The ISFs will provide a formula-driven allocation of these costs to the departments for more accurate and automated cost-of-service data for City programs.

In addition to continuous recruitment and retention endeavors, Human Resources staff successfully negotiated three-year extensions to the City's labor agreements with non-safety employee bargaining units. Further, progress was made on the City's much-anticipated online time card system. The online time card system will serve to reduce annual payroll processing service costs and allow more efficient coding of staff time to City services and projects.

The City's Business Development staff made significant progress in helping to restore substantial, sustainable tax revenue to the City by working with businesses and landowners on several key projects including: facilitating the land acquisition and plan to develop a new General Motors Auto Mall on 22 acres off Bayfront Expressway; helping to facilitate the construction of the new luxury Rosewood Hotel on Sand Hill Road; working with Haven Avenue property owners to further the potential redevelopment of this important, future revenue generating area for the City; and helping create an environment that has resulted in three new buildings now being completed downtown on Santa Cruz Avenue (the first new buildings there in 15 years).

The **Community Development Department** completed land use entitlements for the several mixed-used development projects, a single-family residential development and

an office conversion project. Building permits were processed and inspections conducted for several residential projects, including the development of 47 new single-family residences and a one-acre park on Hamilton Avenue. Permitting and inspection processes continued for the new Safeway grocery store and additional retail and service space on El Camino Real, and the Rosewood Hotel and office project, consisting of a 170,000 square foot hotel and 100,000 square feet of office space on Sand Hill Road.

Significant department accomplishments in the area of comprehensive planning include support of Council discussion on developing a visioning and planning process for the El Camino Real Corridor and the downtown area. Work was also completed on a draft Zoning Ordinance amendment to update commercial and industrial use regulations.

In the areas of redevelopment and housing, the department qualified buyers for the 20 Below Market Rate (BMR) units located at the Hamilton Housing and Park project, completing sales of many of the units utilizing first-time homeowner loans (PAL loans). Housing staff also managed the resale of two BMR units; and developed strategies to facilitate a Habitat for Humanity development of 22 low-income housing units on Terminal Avenue.

The Engineering and Maintenance divisions within **Public Works** started off the year with the completion of several infrastructure projects: re-roofing of the Onetta Harris Community Center, installing a new roof for the Sand Hill Reservoir, and installing in-pavement lighted crosswalks at three locations. In completing the Oak Avenue storm drain project, a new storm drain line was installed to minimize erosion to San Francisquito Creek. Renovation of Parking Plaza 5 downtown was also concluded, incorporating a demonstration of pervious pavement material funded in part through a water quality grant. To maintain the long-term health of the City's Urban Forest, staff this year completed a pilot street tree reforestation project, removing 20 declining trees and replacing them with 20 new trees to ensure maintenance of the tree canopy in the pilot area. A traffic study was completed in the Oak/Oak Knoll area as part of the Safe Routes to School program.

The City awarded a contract to pave Sand Hill Road and accepted a competitive Federal grant in the amount of \$707,000 for this project. A grant of \$175,000 from the Integrated Waste Management Board for the use of recycled rubber in the asphalt will also help fund the project. Also during fiscal year 2006-07, Public Work engineers began designing the largest street resurfacing project in the City's history, a \$4.6 million project to be completed in 2007-08.

Work continued on the design of additional water storage and an emergency well system. Utilizing resources of the Water Fund, staff also took over the water backflow prevention program from San Mateo County to ensure better compliance with State regulations.

In a project managed by Silicon Valley Community Foundation's Peninsula Partnership for Children, Youth and Families, the City's **Community Services Department** and the Ravenswood City School District embarked on an exciting new project that was implemented in the fall 2006. The region's first "full service" or "community" school was created at Menlo Park's Belle Haven Elementary School in a multi-year effort funded from a partnership of several Bay Area foundations and agencies. Community schools combine high-quality classroom instruction with a wide range of support services and enrichment activities, while building strong parental-community participation in children's learning and development. Highlights of the services provided on campus include: a family center with a special parents' room and support services for families; an after-school program managed by the Boys and Girls Club; better integration of services and communication between service providers on campus; and improved teaching quality and teacher retention. The Family Center opened in November 2006 and has served more than 270 families in the community.

Several of the rooms formerly utilized by the childcare programs at the Burgess Recreation Center received much needed repairs and interior facelift this past year. As a result, class offerings have increased approximately 20%. Further, it was determined that the second phase of Measure T projects will include the Burgess Gymnasium and Gymnastics facility.

In fiscal year 2006-07 the **Library Department** received a grant which funded Live Homework Help, a program offering homework assistance via the Internet. The service is available free to students 4th grade to college entry level and adults. It is available in both Spanish and English. The Library also began offering downloadable video programs featuring cooking, travel, health programs and classic. In addition, an online newsletter was launched highlighting additions to the collection and library events and programs.

The Library began work with architects to remodel the children's and circulation areas. These area remodels will allow for improved functionality and a more user-friendly environment.

The **Police Department** provided another year of effective presence of law enforcement personnel throughout the community despite the constraints on departmental personnel. The Department continues to combine the complementary elements of recruitment, training and career development to ensure that it is prepared to meet its mission.

In fiscal year 2006-07, the Department successfully implemented the consolidation of Police Dispatch services with the City of San Carlos. The benefits of this regionalized approach to dispatch services include increased future cost effectiveness through the utilization of full center capacity, cost sharing for technology upgrades, improved staffing distribution and enhanced coverage in the event of an emergency.

FOR THE FUTURE: The financial position of the City has remained strong and sound, even through the economic downturn of 2002-2005. The decisive action of the City Council to meet the challenge of depressed revenues through the *Your City/Your Decision* budget process allowed the City to protect its fiscal reserves and develop a sustainable spending plan for the future. The City continues to focus on appropriate funding strategies for not only current operations and top-ranked priority capital improvement projects, but also to cover long-term on-going expenses. Passage of the Utility Users' Tax ballot measure in November 2006 indicated some willingness by the public to fund a continued high level of services and to resist the deferral of current costs to the future. As such, the City is setting aside funds to cover large infrastructure maintenance projects and retiree medical benefit obligations.

In addition to a sustainable *fiscal* plan, Council has established a goal "Environmental Stewardship", which includes promoting and following sustainable *environmental* practices aimed at reducing greenhouse emissions, protecting the environment and conserving natural resources. An emissions inventory will be useful in prioritizing actions that the City and the community can take to forward this goal.

As the needs of the community change, the priority-setting process promulgated with each fiscal year budget should identify the most appropriate use of available funds. The presence of adequate reserves reflects the foresight of the City Council and community and allows the City to both manage costs in a strategic manner and prepare itself well for the future.

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 prepare 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 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 for accomplishing budgetary control, and 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 \$86.8 million, which earned approximately \$5.4 million with an annualized return net of fees of 4.78 percent. Although cash and investment balances were lower, the amount of investment income earned increased from the prior year due largely to higher average interest rates on City investments.

The City's Cash and Investments footnote disclosures have been changed with the implementation of GASB Statement #40, *Deposit and Investment Risk Disclosures*. The statement requires risk disclosures beyond the custodial credit risks identified in prior year reports to include interest rate and overall credit risks inherent in the portfolio. Because the City's investment policy is to obtain the highest yield available, as long as investments meet the criteria established for safety and liquidity, it is reasonable that these risks should be measured and disclosed.

At June 30, 2007, 44 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 411 days, with 60 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

On July 1, 2002, the City joined with other local governments in the Bay City Joint Powers Insurance Authority (BCJPIA). The BCJPIA maintains pooled coverage programs (self-insured with excess coverage) for its member cities. Actuarial and management estimates are utilized to determine the annual funding required from each member to pay anticipated claims, purchase insurance, and provide for administrative, risk management, litigation management, loss prevention and claims management services. In addition, the City makes use of various risk control techniques, including employee safety training, an employee safety committee to analyze accidents, and a safety and loss control consultant to minimize employee accident and liability claim losses.

Other Information

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

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, 2006. 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

Acknowledgments. The preparation of this report could not be accomplished without the professional, efficient and dedicated service of the entire Finance staff. Their continuing efforts to improve the quality of this report are a direct benefit to all who read and use it. Special thanks go to Geoffrey Buchheim, Financial Services Manager, who bears the primary responsibility for overseeing the fiscal year-end close and coordinating the annual audit process. The City Council's continued leadership in fiscal matters is essential and sincerely appreciated. The long-term financial health of our City is a direct result of their vigilant fiduciary stewardship, commitment, interest and support.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Glen Rojas".

Glen Rojas
City Manager

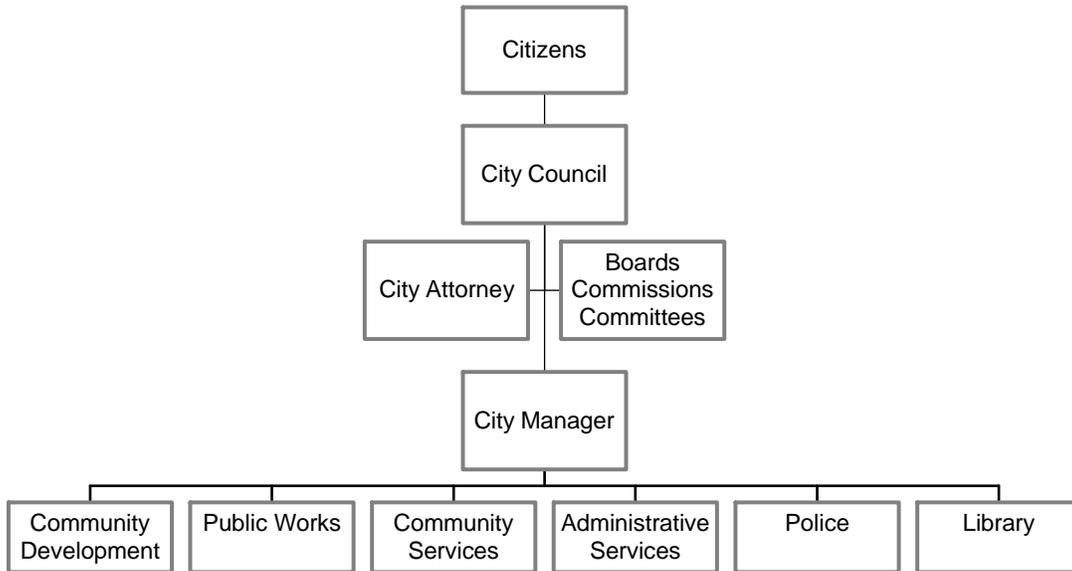
A handwritten signature in cursive script, appearing to read "Carol Augustine".

Carol Augustine
Finance Director

CITY OF MENLO PARK, CALIFORNIA

ORGANIZATIONAL CHART

JUNE 30, 2007



CITY OF MENLO PARK, CALIFORNIA

LIST OF CITY OFFICIALS

JUNE 30, 2007

CITY COUNCIL

Kelly Fergusson, Mayor
Andrew Cohen, Vice Mayor
John Boyle, Councilmember
Richard Cline, Councilmember
Heyward Robinson, Councilmember

ADMINISTRATION AND DEPARTMENT HEADS

City Attorney William McClure
Interim City Manager Kent Steffens
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 Barbara George
Police Chief Bruce Goitia
Library Director Susan Holmer
Developmental Services:
 Director of Community Development Arlinda Heineck
 Director of Public Works, Acting Ruben Nino

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, 2006

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



President

Executive Director

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Menlo Park, California (City), as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2007, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with generally accepted accounting principles in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2007, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying Required Supplementary Information, such as Management's Discussion and Analysis, budgetary comparison information and other information, is not a required part of the basic financial statements but is supplementary information required by generally accepted accounting principles of the United States. 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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Oakland, California 94612

Orange County

9 Corporate Park, Suite 100
Irvine, California 92606

Sacramento

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

San Diego

4858 Mercury, Suite 106
San Diego, California 92111

To the Honorable Mayor and Members of City Council
of the City of Menlo Park
Menlo Park, California
Page 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Introductory Section, Supplementary Information, and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Supplementary Information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Capricci & Carson

Oakland, California
December 5, 2007



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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2007

This management's discussion and analysis (MD&A) of the City of Menlo Park's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2007. 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, 2007 by \$389,147,643. Of this amount, \$75,483,856 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 increased by \$13,942,921 in fiscal year 2006-07. Net assets of governmental activities increased by \$13,151,725, due largely to the accumulation of resources in several of the City's special revenue funds for specific long-term needs. Net assets of the business-type activities increased by \$791,196, reflecting the net operating income of the Menlo Park Municipal Water District.

Fund Highlights:

Governmental Funds - Fund Balances - As of the close of fiscal year 2006-07, the City's governmental funds reported a combined ending fund balance of \$103,878,741, a \$12,730,094 increase over the prior year. Special revenue funds recorded the majority (\$9,432,444) of this increase. Of the total fund balances, \$62,473,853 is categorized as "unreserved, undesignated fund balances" available for appropriation.

General Fund - The undesignated fund balance of the general fund on June 30, 2007 was \$29,521,304. The total fund balance increased by \$157,495 from the prior year.

Internal Service Funds - Four internal service funds were established to account for certain administrative activities required for operations of various departments and other funds. Previously these activities were accounted for in the General Fund. Net assets in the internal service funds totaled \$1,512,827 as of June 30, 2007.

Long-Term Debt:

The City's total bonded debt obligations decreased by \$333,521 during fiscal year 2006-07, due in most part to the annual payment of principal balances of outstanding debt. No principal payments were scheduled on the City's largest debt issuance, the Community Development Agency's 2006 Tax Allocation Refunding Bonds.

City Highlights:

During the 2006-07 fiscal year, the City continued to incorporate the results of its community outreach project, initiated late in the 2004-05 fiscal year, into the development of a long-term, sustainable budget for the City's General Fund. Various expenditure reductions and fee increases - net cost reduction strategies that were generally preferred by the public - were implemented at the departmental level for a savings of \$1.5 million in the 2006-07 operating budget. In addition, a new Utility User Tax (UUT) proved successful as a November 2006 ballot measure. The UUT was effective April 1, 2007, providing an additional \$641,668 of revenues to the City in the final quarter of 2006-07.

Governmental Fund revenues jumped \$10,095,189 from the previous fiscal year as development projects made their way from the planning process to the permitting phase, resulting in the collection of fees for future mitigation of the recognized developmental impact on traffic, recreational facilities and the City's infrastructure. Investment earnings increased significantly (\$1,692,948, or 48.6 percent) as yields on the investment portfolio and cash balances rose. Tax revenues also grew - 5.7 percent - to \$31,077,662 over the prior year.

Adjusting for the transfer of the Community Development Agency (CDA) property for the Hamilton Park development in the prior year (which was reflected as a \$13.7 million dollar Community Development expense in the Statement of Changes in Net Assets), governmental expenditures were basically flat. However, the classification of governmental funds was affected by the establishment of four internal service funds: administrative expenses that were previously categorized as "General Government" expenses now fall more appropriately in the functional area/department to which they are allocated.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

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

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

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

Notes to the Financial Statements

The notes provide additional information 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 \$389,147,643. 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.

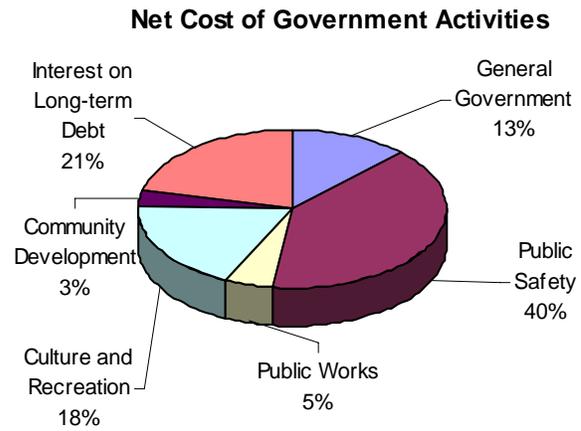
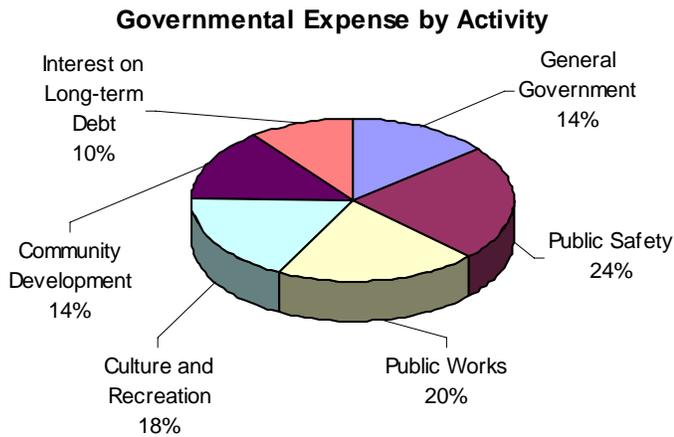
City of Menlo Park's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current Assets	\$ 102,372,595	\$ 82,788,898	\$ 16,260,094	\$ 15,275,373	\$ 118,632,689	\$ 98,064,271
Non-Current Assets	19,172,384	22,033,507	-	-	19,172,384	22,033,507
Capital Assets	348,065,574	350,162,325	7,391,343	7,440,931	355,456,917	357,603,256
Total Assets	469,610,553	454,984,730	23,651,437	22,716,304	493,261,990	477,701,034
Current Liabilities	10,831,022	7,179,280	673,794	528,206	11,504,816	7,707,486
Long-term Liabilities	92,585,013	94,762,657	24,518	26,168	92,609,531	94,788,825
Total Liabilities	103,416,035	101,941,937	698,312	554,374	104,114,347	102,496,311
Investments in Capital						
Net of Related Debt	260,060,574	266,250,790	7,391,343	7,440,931	267,451,917	273,691,721
Restricted	34,360,311	35,499,220	11,851,559	10,653,717	46,211,870	46,152,937
Unrestricted	71,773,633	51,292,783	3,710,223	4,067,282	75,483,856	55,360,065
Total Net Assets	\$ 366,194,518	\$ 353,042,793	\$ 22,953,125	\$ 22,161,930	\$ 389,147,643	\$ 375,204,723

City of Menlo Park's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program Revenues:						
Charges for Services	\$ 20,921,621	\$ 16,193,197	\$ 3,881,115	\$ 3,567,919	\$ 24,802,736	\$ 19,761,116
Operating Grants and Contributions	3,251,025	1,681,506	-	-	3,251,025	1,681,506
Capital Grants and Contributions	520,156	268,468	-	-	520,156	268,468
General Revenue:						
Property Taxes	20,634,276	19,621,262	-	-	20,634,276	19,621,262
Sales Taxes	6,799,561	6,503,635	-	-	6,799,561	6,503,635
Motor Vehicle License	183,559	741,466	-	-	183,559	741,466
Other Taxes	3,460,266	2,518,404	-	-	3,460,266	2,518,404
Investment Earnings	5,175,930	3,482,982	750,700	498,773	5,926,630	3,981,755
Miscellaneous	372,534	212,819	-	-	372,534	212,819
Total Revenues	61,318,928	51,223,739	4,631,815	4,066,692	65,950,743	55,290,431
Expenses:						
General Government	6,857,574	7,761,696	-	-	6,857,574	7,761,696
Public Safety	11,191,323	9,092,996	-	-	11,191,323	9,092,996
Public Works	9,076,990	10,275,029	-	-	9,076,990	10,275,029
Culture and Recreation	8,647,013	7,781,549	-	-	8,647,013	7,781,549
Community Development	7,562,602	23,179,192	-	-	7,562,602	23,179,192
Interest on Long-term Debt	5,070,401	4,529,332	-	-	5,070,401	4,529,332
Water Operations	-	-	3,601,919	3,081,378	3,601,919	3,081,378
Total Expenses	48,405,903	62,619,794	3,601,919	3,081,378	52,007,822	65,701,172
Inc/Dec in Net Assets before Transfers	12,913,025	(11,396,055)	1,029,896	985,314	13,942,921	(10,410,741)
Transfers	238,700	227,700	(238,700)	(227,700)	-	-
Changes in Net Assets	13,151,725	(11,168,355)	791,196	757,614	13,942,921	(10,410,741)
Net Assets - Beginning of the Year	353,042,793	364,211,148	22,161,929	21,404,316	375,204,722	385,615,464
Net Assets - End of the Year	\$ 366,194,518	\$ 353,042,793	\$ 22,953,125	\$ 22,161,930	\$ 389,147,643	\$ 375,204,723

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



BUSINESS TYPE ACTIVITIES

Net assets for business-type activities were \$22,953,125. Total program revenues for business-type activities were \$3,881,115, which consisted solely of Charges for Services related to the water usage and capital surcharge fees. Total expenses for the business-type activities were \$3,601,919 during fiscal year 2007, all related to water operations.

FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS

Major Fund Balances

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

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

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

Fund Balances for Major Funds	June 30 2007	June 30 2006	Increase (Decrease) From 2005-06
General Fund	\$35,658,171	\$35,500,676	\$157,495
CDA Housing Fund	965,423	410,902	554,521
CDA Non-Housing Fund	16,405,964	15,016,940	1,389,024
CDA Debt Service Fund	8,690,632	6,849,552	1,841,080
CDA Capital Projects Fund	7,820,819	7,902,504	(81,685)
Community Development Block Grant	68,013	9,683	58,330
Other Governmental Funds	34,269,719	25,458,390	8,811,329
TOTAL	\$103,878,741	\$91,148,647	\$12,730,094

Note that these 2006-07 statements present the City's Community Development Agency (CDA) funds as four distinct major funds, rather than the combined treatment provided prior to the 2005-06 fiscal year.

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 \$29,521,304, while the total fund balance reached \$35,658,171. As a measure of the General Fund's liquidity, it may be useful to compare both the undesignated fund balance and total fund balance to total fund expenditures. The unreserved fund balance represents 85 percent of total General Fund expenditures including transfers out for the year, while total fund balance represents 102 percent of that same amount.

During the current year, the *total* fund balance of the General Fund had a very slight increase of \$157,495. This represents less than one half of one percent of the General Fund operating budget. Of the total fund balance of \$35,658,171, \$536,867 is reserved for certain commitments and \$5,600,000 is designated for various items such as equipment and infrastructure replacement and fiscal uncertainties leaving \$29,521,304 as the undesignated fund balance.

Although the City's total General Fund balance increased only slightly, the *available* fund increased by \$4,520,055 during the current fiscal year. Key factors (discussed further in General Fund Budgetary Highlights) in the increase were:

- Operating revenues exceeded operating expenditures by \$5,135,628
- Operating transfers out to establish separate internal service funds for the City's Workers' Compensation and General Liability insurance and other activities totaled \$2,865,000
- A \$2,000,000 operating transfer out to the General Fund Capital Improvement Program (CIP) Fund was reinstated in 2006-07 to fund maintenance of the City's infrastructure

Special Revenue Fund Balance

At the end of the 2006-07 year, the total fund balance of the City's twenty-eight varied Special Revenue Funds was \$40,844,742. During the year, the total fund balance for all special revenue funds increased by \$9,432,444. The Community Development Agency (CDA) Special Revenue funds had an increase of \$1,943,545, as a result of the relative pause in capital projects spending as compared to recent years. The majority of Special Revenue fund balance increases came from development-related impact fees, with the Below Market Rate (BMR) Housing Fund increasing almost \$3.2 million, the Building Construction Road Impact Fee Fund increasing over \$1.4 million, and the Recreation In-Lieu Fund increasing almost \$1.6 million during the fiscal year. These funds account for the special-purpose fees that are collected to mitigate the impact of development activities on specific programs and capital needs of the City.

Capital Projects Fund Balance

At June 30, 2007, the total fund balance for the Capital Projects Funds was \$16,794,323. This is the result of a \$924,998 increase in fund balances during the fiscal year. The Capital Improvement General fund experienced an increase of \$1,641,841 to a year-end fund balance of \$7,199,976 due to the budgetary reinstatement of a \$2 million transfer in from the City's General Fund for infrastructure maintenance. Such funding had been sporadic since the decline in General Fund revenues experienced during the economic turn down of 2001-02. The Measure T 2002 GO Bond Capital Improvement fund had a decrease of \$(610,684) in fund balance to an end of year balance of \$1,385,434, the result of the last refinements on two major projects of the previous fiscal year: the Menlo Children's Center and the Burgess Aquatics Center. The CDA's Capital Projects fund decreased only slightly (\$81,685), as fewer capital projects were initiated in 2006-07.

Proprietary Funds

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

The Water Fund accounts for water supplied to the approximately 4,000 customers of the MPMWD. The net assets of the fund at June 30, 2007 were \$22,953,125, an increase of \$791,196. This increase was the result of net income of approximately \$1.2 million in the Water Capital Fund, and a \$168,000 net loss (12.6 percent of revenues) in the Water Operating Fund. In April 2006, the City adopted an 11.9 percent annual increase in water meter and consumption block rates through fiscal year 2009-10, based on increases in the cost of water. At that same time, an increase in capital facilities "hookup" charges was approved for fiscal year 2006-07. A capital surcharge was established in 1990 to fund major water capital projects; the surcharge netted the Water Capital Fund approximately \$668,000 this year.

New to the City in 2006-07 was the use of internal service funds to account for four administrative activities previously included in the City's General Fund: Workers' Compensation Insurance, General Liability Insurance, Retiree Medical Benefits, and the Vehicle Replacement. Separating these programs from the General Fund will allow for better tracking and allocation of the costs associated with these "overhead" activities, and provide a mechanism for funding those costs in the year incurred. The establishment of the Internal Service Funds required the recording of the insurance claims payable (\$2,865,122 - previously reported only on the government-wide financial statements as long-term liabilities) on the fund level. In addition, the new Retiree Medical Benefits Fund prevents further deferral of this long-term liability by allocating the actuarially-determined cost of the benefit to all departments and programs on a current basis.

Fiduciary Operations

As previously stated, the City holds certain assets on behalf of others in separate Fiduciary, or Agency funds. These funds cannot be used to finance City operations. The amount of fiduciary funds held at year end increased by \$173,578, due largely to an increase in refundable deposits on special development projects.

DEBT ADMINISTRATION

As of June 30, 2007, the City had various debt obligations outstanding. These debt obligations were comprised of:

<u>Type</u>	<u>Principal Outstanding</u>
General Obligation Bonds	\$ 15,575,000
Tax Allocation Bonds	72,430,000

During fiscal year 1995-1996, the City issued \$4,630,000 of General Obligation Refunding Bonds, Series 1996 to refund and defease \$4,080,000 of the \$4,665,000 aggregate principal amount of the outstanding City of Menlo Park Library Improvement Project General Obligation Bonds, Series 1990. The proceeds of the 1990 Bonds were used to finance certain improvements to the City's library, including the renovation of existing structures. The balance of the 1996 General Obligation Refunding Bonds at June 30, 2007 was \$3,090,000. The bonds are to be paid from special assessments to property owners within the City.

During fiscal year 2001-2002 the City issued \$13,245,000 of General Obligation Bonds, Series 2002 to finance certain parks and recreation improvements. The balance of the 2002 General Obligation Bonds at June 30, 2007 was \$12,485,000.

In May 2006, the City's Community Development Agency issued Tax Allocation Refunding Bonds in a par amount of \$72,430,000 for the purpose of refunding at lower interest rates outstanding Series 1996 and Series 2000 Tax Allocation Bonds. These bonds had been issued to finance capital projects of benefit to the Las Pulgas Community Development Project Area. The 2006 net bond proceeds together with other available monies pledged toward repayment of the 1996 and 2000 bonds were used to refund all outstanding principal of these bond issues (\$25,515,000 and \$43,215,000, respectively). In order to maximize refunding savings, the Agency utilized a "synthetic" fixed-rate bond structure by issuing variable-rate bonds and then entering into a floating-to-fixed interest rate swap. The first principal payment on the 2006 bonds is due in January 2008.

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

As disclosed in the Notes to Basic Financial Statements, a liability has been recorded to reflect the City's obligation to provide post-closure care of the landfill at Bayfront Park. Although the City has established a revenue stream to fund landfill post-closure care, governmental accounting standards require the calculation and recording of the liability associated with this activity. The liability is included in the reporting of the City's long-term debt, at an estimated \$7,043,171 at June 30, 2007.

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business type activities as of June 30, 2007 amounts to \$355,456,917, net of accumulated depreciation of \$67,002,062. This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the City such as roads, bridges, streets and sidewalks, drainage systems, lighting systems and similar items. The City's investment in capital assets for the current fiscal year decreased by \$2,146,339, as a result of depreciation charges (\$4,668,307) that exceeded capital asset additions during the fiscal year.

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

- (Downtown) Parking Plaza 5 Renovation - \$796,298
- Burgess Pool and Locker Room Final Modifications - \$664,716
- Willow Road Commercial Improvement - \$423,626

Additional information on the City's capital assets can be found in note 5 on pages 54 through 55 of this report.

GENERAL FUND BUDGETARY HIGHLIGHTS

The 2006-07 fiscal year adopted budget for General Fund expenditures including transfers out amounted to \$32,593,501. Note that the adopted budget was increased to include \$434,952 in purchase orders and other commitments from the prior year, for an "original" budget of \$33,028,453. The final (adjusted) budget amount was \$33,929,197, a net increase of \$900,744 from the original budget, due in large part to the following two major budget revisions:

- \$1.4 million decrease in transfers out, which was totally offset by an increase in departmental operating budgets in establishing separate internal service funds for the City's Workers' Compensation and General Liability insurance activities. However, budgeted transfers out of the General Fund had to be increased to cover an estimated \$770,000 of unfunded liabilities in these two new funds.
- \$286,244 increase for public safety salary and benefit costs and \$66,200 in additional equipment and operating costs associated with the mid-year consolidation of Police dispatch services with the City of San Carlos. The additional costs were offset by contractual reimbursement from the City of San Carlos.

General Fund Revenues

- Property tax revenues increased 7.2 percent over the prior year (to \$10,727,003), primarily due a continued increase in assessed property values. Property transfer tax revenue remained high as property sales were healthy through most of the year. The housing market continued to be the sustaining factor in the Bay Area throughout the economic downturn of the past six years. In total, property taxes were 4.0 percent (\$417,003) over budget in 2006-07.
- Sales tax revenues, at just under \$6.8 million, marked a 4.6 percent increase (\$295,926) over the prior year, exceeding the mid-year budget estimate by almost \$170,000. Projecting sales tax revenues has been complicated since the implementation of the "Triple Flip" mechanism designed to secured payment of the State's new debt in 2004-05. This is the second year of recovery from the steep slide of sales taxes from its peak in fiscal year 2000-01.
- A Utility User Tax was implemented on all utility usage as of April 1, 2007. A tax of 3.5 percent was assessed on electric, gas and water utility use, and a 2.5 percent tax was assessed on telecommunication and video/CATV services. For the first quarter of implementation, the new tax yielded over \$640,000.

- A 61.6 percent growth in revenues from use of money and property was mainly the result of an increase from investment earnings, due to higher yields on the City's portfolio and a higher average portfolio balance.. Whereas the annualized return on the portfolio at June 30, 2006 was 4.16 percent, the same return at June 30, 2007 was 4.98 percent, an increased of 19.7 percent in portfolio earnings. The average General Fund and Capital Projects - General Fund investment balance rose from \$36.1 million in fiscal year 2005-06 to \$39.5 million in 2006-07, a 9.4 percent increase in holdings. In addition to these two critical factors, the need to value the portfolio at fair market value as of June 30, 2007 for government financial reporting purposes created a \$258,000 unrealized gain, which alone increased investment revenues 15.4 percent.
- Revenues from charges for services increased \$723,309 (17.1 percent), largely due to the continued increased demand for Community Development and Community Recreation services. Improvement plan checks and subdivision inspection fees increased a combined \$395,908. In addition, recreation fee revenue increased \$148,696. Child care fees, which were increased during the 2006-07 budget process, accounted for \$81,538 of the increase in this revenue category.

Total General Fund revenues, exclusive of transfers in from other funds, rose 13.1 percent (\$4,000,012) over the 2005-06 fiscal year.

General Fund Expenditures

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

- General government expenditures decreased 19.6 percent (slightly over \$1 million) over the prior fiscal year, largely due to the transfer of the costs, through the establishment of separate internal service funds, of the City's Workers Compensation and General Liability Insurance programs. As a result of these separate funds, the costs of these programs are charged directly to the various benefiting departments and services. Previously, these costs were categorized as "General Governmental" expenditures.
- Public safety expenditures rose over \$2.3 million (26.0 percent) from the prior fiscal year. The largest increases were anticipated as the result of higher personnel costs (\$1.7 million). Higher salaries expense, combined with the need for increased overtime usage to cover persistent vacancies within the Police Department created much higher payroll expenses overall. In addition, an increase in the cost of providing retirement benefits to safety personnel, along with direct charges for retiree medical benefits and workers compensation costs (from the new internal service funds previously discussed) pushed up the benefits costs incurred by the department. Cost associated with the mid-year consolidation of dispatch services for the City of San Carlos with Menlo Park's dispatch program (\$384,000) were recouped through contractual revenues.
- Budgetary savings (\$644,873, or 8.7 percent) were largest in the Community Services Department. Almost half of the savings were in personnel costs (\$370,161) due to numerous vacancies within the department, especially in the beginning of the fiscal year.
- General Fund expenditures for capital outlay increased \$80,132 (21.5 percent) from the prior year, but fell short of budget due to planned fixed asset purchases or improvements delayed to the subsequent fiscal year.

Total actual General Fund expenditures, exclusive of transfers out, increased 7.8 percent (\$2,134,588) over the 2005-06 fiscal year.

Operating transfers to other funds increased by almost \$5.3 million over the prior fiscal year. A transfer of \$2,000,000 to the General Capital Improvement Fund to fund infrastructure replacement and repairs was budgeted in 2006-07 - no such transfer was made in the 2005-06 fiscal year. Of greater impact was the need to transfer out the fund balances necessary to establish the new internal service funds, an amount (\$2,263,353) which is reflected in the budget variance recorded for transfers out in 2006-07.

ECONOMIC CONDITION AND OUTLOOK

In 2006-07, the Bay Area as a whole continued to recover from the economic recession which began in 2001. In Menlo Park, total General Fund revenues have finally recovered to exceed the \$32 million level last achieved in fiscal year 2001. Unfortunately, General Fund Expenditures have increased by over \$5 million since that time, despite the incorporation of cost saving strategies in each annual budget process. Going forward, there are indications that the housing market, which has been a major support of the area's economic recovery of recent years, may be losing strength. Tightening credit markets will only exacerbate the longstanding affordability challenges in Menlo Park. Any restraint in the previously strong growth of property values will likely diminish the associated growth property taxes, the City's largest (31 percent) revenue source. Increased costs for fuel in the past year have dampened consumer confidence and related spending, so that even the forecast of slow-to-moderate growth anticipated for 2007-08 may prove to be optimistic.

However, building on the budgetary strategies brought forward from the public outreach process completed in 2005-06, which include revenue enhancements as well as cost containment measures, Menlo Park will continue its focus on long-term fiscal sustainability. Adequate funding of infrastructure, careful planning of the El Camino Real and downtown areas, and optimization of business and residential development opportunities in the redevelopment project area remain as fiscal priorities for the City. As long-term needs are identified, the necessary resources continue to be accrued appropriately. The promotion and municipal application of sustainable environmental practices also reflect the long-term nature of the City's goals.

REQUESTS FOR INFORMATION

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

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BASIC FINANCIAL STATEMENTS

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**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

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City of Menlo Park
Statement of Net Assets
June 30, 2007

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 90,180,118	\$ 15,774,445	\$ 105,954,563
Receivables:			
Accounts	1,489,350	311,620	1,800,970
Interest	1,111,794	174,029	1,285,823
Notes	7,930,043	-	7,930,043
Due from other governments	1,459,046	-	1,459,046
Deposits and prepaid items	202,244	-	202,244
Total current assets	102,372,595	16,260,094	118,632,689
Noncurrent assets:			
Restricted cash and investments	17,592,116	-	17,592,116
Deferred Charges	1,580,268	-	1,580,268
Capital assets			
Non-depreciable	238,449,903	1,343,815	239,793,718
Depreciable, net	109,615,671	6,047,528	115,663,199
Total capital asset	348,065,574	7,391,343	355,456,917
Total noncurrent assets	367,237,958	7,391,343	374,629,301
Total assets	469,610,553	23,651,437	493,261,990
LIABILITIES			
Current liabilities:			
Accounts payable	2,780,032	364,331	3,144,363
Accrued payroll	722,888	16,761	739,649
Interest payable	1,709,036	-	1,709,036
Deposits	661,335	269,326	930,661
Unearned revenue	1,456,776	-	1,456,776
Claims payable due within one year	549,295	-	549,295
Compensated absences due within one year	849,079	23,376	872,455
Landfill postclosure care due within one year	129,060	-	129,060
Long-term debt due within one year	1,973,521	-	1,973,521
Total current liabilities	10,831,022	673,794	11,504,816
Noncurrent liabilities:			
Claims payable due in more than one year	2,136,395	-	2,136,395
Compensated absences due in more than one year	898,521	24,518	923,039
Landfill postclosure care due n more than one year	6,914,111	-	6,914,111
Long-term debt due in more than one year	82,635,986	-	82,635,986
Total noncurrent liabilities	92,585,013	24,518	92,609,531
Total liabilities	103,416,035	698,312	104,114,347
NET ASSETS			
Invested in capital assets, net of related debt	260,060,574	7,391,343	267,451,917
Restricted for:			
Capital projects	17,102,064	11,851,559	28,953,623
Debt service	10,581,505	-	10,581,505
Community Development	5,866,768	-	5,866,768
Special projects	809,974	-	809,974
Unrestricted	71,773,633	3,710,223	75,483,856
Total net assets	\$ 366,194,518	\$ 22,953,125	\$ 389,147,643

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, 2007

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General Government	\$ 6,857,574	\$ 3,676,393	\$ 235,837	\$ -	\$ 3,912,230
Public Safety	11,191,323	1,241,847	573,190	-	1,815,037
Public Works	9,076,990	6,541,634	1,443,738	520,156	8,505,528
Culture and recreation	8,647,013	3,291,723	998,260	-	4,289,983
Community development	7,562,602	6,170,024	-	-	6,170,024
Interest on long-term debt	5,070,401	-	-	-	-
Total governmental activities	48,405,903	20,921,621	3,251,025	520,156	24,692,802
Business-type activities:					
Water	3,601,919	3,881,115	-	-	3,881,115
Total business-type activities	3,601,919	3,881,115	-	-	3,881,115
Total primary government	\$ 52,007,822	\$ 24,802,736	\$ 3,251,025	\$ 520,156	\$ 28,573,917

General Revenues:

Taxes:

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

Total taxes

Investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning of year

Net assets - end of year

See accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (2,945,344)	\$ -	\$ (2,945,344)
(9,376,286)	-	(9,376,286)
(571,462)	-	(571,462)
(4,357,030)	-	(4,357,030)
(1,392,578)	-	(1,392,578)
(5,070,401)	-	(5,070,401)
<u>(23,713,101)</u>	<u>-</u>	<u>(23,713,101)</u>
-	279,196	279,196
-	279,196	279,196
<u>(23,713,101)</u>	<u>279,196</u>	<u>(23,433,905)</u>
20,634,276	-	20,634,276
6,799,561	-	6,799,561
183,559	-	183,559
1,375,914	-	1,375,914
1,442,685	-	1,442,685
641,667	-	641,667
31,077,662	-	31,077,662
5,175,930	750,700	5,926,630
372,534	-	372,534
238,700	(238,700)	-
<u>36,864,826</u>	<u>512,000</u>	<u>37,376,826</u>
13,151,725	791,196	13,942,921
<u>353,042,793</u>	<u>22,161,929</u>	<u>375,204,722</u>
<u>\$ 366,194,518</u>	<u>\$ 22,953,125</u>	<u>\$ 389,147,643</u>

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

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

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

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

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

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

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

City of Menlo Park
Balance Sheet
Governmental Funds
June 30, 2007

	Major Funds				
	General Fund	Community Development Agency			Capital Projects
		Housing Special Revenue	Non-Housing Special Revenue	Debt Service	
ASSETS					
Cash and investments	\$ 36,096,894	\$ 981,476	\$ 16,809,438	\$ -	\$ 131,187
Restricted cash and investments	-	-	953	8,739,731	7,597,891
Receivables:					
Accounts	1,194,509	-	40,000	-	-
Interest	524,527	11,314	180,217	-	102,293
Notes	-	5,017,105	-	-	-
Due from other governments	907,779	-	-	-	-
Deposits and prepaid items	202,244	-	-	-	-
Due from other funds	47,608	-	-	-	-
Advances to other funds	-	-	-	-	-
Total assets	\$ 38,973,561	\$ 6,009,895	\$ 17,030,608	\$ 8,739,731	\$ 7,831,371
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 854,388	\$ 17,446	\$ 609,367	\$ 49,099	\$ 9,229
Accrued payroll and related liabilities	655,756	4,452	15,277	-	1,323
Due to other funds	-	-	-	-	-
Deposits	661,335	-	-	-	-
Deferred revenue	1,143,911	4,522,574	-	-	-
Advances from other funds	-	500,000	-	-	-
Total liabilities	3,315,390	5,044,472	624,644	49,099	10,552
Fund Balances:					
Reserved	536,867	1,845,950	27,268	8,690,632	1,462,812
Unreserved:					
Designated, reported in:					
General fund	5,600,000	-	-	-	-
Special revenue funds	-	-	-	-	-
Capital project funds	-	-	-	-	6,358,007
Undesignated, reported in:					
General fund	29,521,304	-	-	-	-
Special revenue funds	-	(880,527)	16,378,696	-	-
Total unreserved	35,121,304	(880,527)	16,378,696	-	6,358,007
Total fund balances	35,658,171	965,423	16,405,964	8,690,632	7,820,819
Total liabilities and fund balances	\$ 38,973,561	\$ 6,009,895	\$ 17,030,608	\$ 8,739,731	\$ 7,831,371

See accompanying Notes to Basic Financial Statements.

<u>Major Fund</u>		
Community Development Block Grant Special Revenue	Non-Major Governmental Funds	Total Governmental Funds
\$ 115,560	\$ 32,313,010	\$ 86,447,565
-	1,253,541	17,592,116
-	216,339	1,450,848
-	257,118	1,075,469
1,803,448	1,109,490	7,930,043
125,292	425,975	1,459,046
-	-	202,244
-	22,387	69,995
500,000	-	500,000
<u>\$ 2,544,300</u>	<u>\$ 35,597,860</u>	<u>\$ 116,727,326</u>
\$ 170,848	\$ 857,831	\$ 2,568,208
1,991	38,187	716,986
-	69,995	69,995
-	-	661,335
2,303,448	362,128	8,332,061
-	-	500,000
<u>2,476,287</u>	<u>1,328,141</u>	<u>12,848,585</u>
1,500	7,627,039	20,192,068
-	-	5,600,000
-	854,633	854,633
-	8,400,180	14,758,187
-	-	29,521,304
66,513	17,387,867	32,952,549
<u>66,513</u>	<u>26,642,680</u>	<u>83,686,673</u>
68,013	34,269,719	103,878,741
<u>\$ 2,544,300</u>	<u>\$ 35,597,860</u>	<u>\$ 116,727,326</u>

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City of Menlo Park
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2007

Total Fund Balances - Total Governmental Funds \$ 103,878,741

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	238,449,903
Depreciable, net	108,998,856

Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in the Governmental Funds Balance Sheet. (1,709,036)

Deferred charges on issuance of debt are recorded as expenditures in the Fund Financial Statements. In the Government-Wide Financial Statements, these costs are capitalized and amortized over the life of the debt. 1,580,268

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. 6,875,285

Landfill postclosure care costs do not require current financial resources and are not reported as a liability in the fund financials statements. (7,043,171)

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:	
Compensated absences payable	(845,198)
Long-term debt	(1,973,521)
Long-term liabilities - due in more than one year:	
Compensated absences payable	(894,450)
Long-term debt	(82,635,986)

Internal service funds are used to charge the costs of risk management, other post employment benefits and vehicle replacement to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Government-Wide Statement of Net Assets. 1,512,827

Net Assets of Governmental Activities \$ 366,194,518

City of Menlo Park
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2007

	Major Funds				
	General Fund	Community Development Agency			
		Housing Special Revenue	Non-Housing Special Revenue	Debt Service	Capital Projects
REVENUES:					
Taxes:					
Secured property taxes	\$ 9,695,474	\$ 1,780,368	\$ 7,121,472	\$ -	\$ -
Unsecured property taxes	332,249	201,086	804,346	-	-
Other property taxes	699,280	-	-	-	-
Sales taxes	6,799,561	-	-	-	-
Other taxes	3,414,917	-	-	-	-
Special assessments	-	-	-	-	-
Licenses and permits	3,279,751	-	-	-	-
Fines and forfeitures	897,568	-	-	-	-
Use of money and property	2,700,614	56,266	709,029	300,954	646,275
Intergovernmental	1,754,834	-	-	-	-
Charges for services	4,948,444	5	377,786	-	23,743
Other	26,393	-	-	-	-
Total revenues	34,549,085	2,037,725	9,012,633	300,954	670,018
EXPENDITURES:					
Current:					
General government	4,158,481	-	-	-	-
Public safety	11,173,107	-	-	-	-
Public works	4,173,702	-	-	-	-
Culture and recreation	7,438,752	-	-	-	-
Rehabilitation loans	-	-	-	-	-
Community development	2,236,356	-	1,186,415	-	122,290
Urban development and housing	-	544,583	2,731,092	-	22,918
Capital outlay	233,059	2,591	-	-	606,495
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	2,948,006	-
Total expenditures	29,413,457	547,174	3,917,507	2,948,006	751,703
REVENUES OVER (UNDER) EXPENDITURES	5,135,628	1,490,551	5,095,126	(2,647,052)	(81,685)
OTHER FINANCING SOURCES (USES):					
Transfers in	516,220	-	-	4,488,132	-
Transfers out	(5,494,353)	(936,030)	(3,706,102)	-	-
Proceeds from sale of assets	-	-	-	-	-
Total other financing sources (uses)	(4,978,133)	(936,030)	(3,706,102)	4,488,132	-
Net change in fund balances	157,495	554,521	1,389,024	1,841,080	(81,685)
FUND BALANCES:					
Beginning of year	35,500,676	410,902	15,016,940	6,849,552	7,902,504
End of year	\$ 35,658,171	\$ 965,423	\$ 16,405,964	\$ 8,690,632	\$ 7,820,819

See accompanying Notes to Basic Financial Statements.

Major Fund		
Community Development Block Grant Special Revenue	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 18,597,314
-	-	1,337,681
-	-	699,280
-	-	6,799,561
-	1,249,330	4,664,247
-	2,537,408	2,537,408
-	377,791	3,657,542
-	-	897,568
38,224	1,090,647	5,542,009
-	995,926	2,750,760
139,484	8,394,970	13,884,432
-	346,141	372,534
177,708	14,992,213	61,740,336
-	1,779,527	5,938,008
-	39,213	11,212,320
-	2,567,585	6,741,287
-	375,183	7,813,935
-	-	-
-	335,055	3,880,116
119,378	21,638	3,439,609
-	2,147,589	2,989,734
-	475,000	475,000
-	820,655	3,768,661
119,378	8,561,445	46,258,670
58,330	6,430,768	15,481,666
-	2,547,592	7,551,944
-	(449,534)	(10,586,019)
-	282,503	282,503
-	2,380,561	(2,751,572)
58,330	8,811,329	12,730,094
9,683	25,458,390	91,148,647
\$ 68,013	\$ 34,269,719	\$ 103,878,741

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, 2007

Net Change in Fund Balances - Total Governmental Funds	\$ 12,730,094
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.	2,989,734
Contribution of capital assets to the internal service funds are eliminated in the Government-Wide Statement of Activities and Changes in Net Assets.	(645,837)
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.	(4,471,299)
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.	(303,661)
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.	(282,503)
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.	(489,334)
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	(103,681)
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	475,000
Deferred charges on issuance of debt are recorded as expenditures in the Fund Financial Statements. In the Government Wide Financial Statements, these costs are capitalized and amortized over the life of the debt.	(65,845)
Discounts on issuance of debt are recorded as expenditures in the Fund Financial Statements. In the Government-Wide Financial Statements, these costs are capitalized and reported as part of long-term debt and amortized over the life of the debt.	(141,479)
Expenses for landfill postclosure costs are expenditures in the Governmental Fund Financial Statements but reduce the liability in the Government-Wide Financial Statements.	177,002
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	(1,094,416)
Internal service funds are used to charge the costs of risk management, other post employment benefits and vehicle replacement to individual funds. The net revenue of the internal service funds is reported with governmental activities.	4,377,950
Change in Net Assets of Governmental Activities	<u>\$ 13,151,725</u>

See accompanying Notes to Basic Financial Statements.

PROPRIETARY FUND FINANCIAL STATEMENTS

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

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

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

City of Menlo Park
Statement of Net Assets
Proprietary Funds
June 30, 2007

	Major Enterprise Fund Water Fund	Governmental Activities Internal Service Funds
ASSETS		
Current assets:		
Cash and investments	\$ 15,774,445	\$ 3,732,553
Receivables:		
Accounts	311,620	38,502
Interest	174,029	36,325
Total current assets	<u>16,260,094</u>	<u>3,807,380</u>
Capital assets:		
Non-depreciable	1,343,815	-
Depreciable, net	6,047,528	616,815
Total capital assets	<u>7,391,343</u>	<u>616,815</u>
Total assets	<u>23,651,437</u>	<u>4,424,195</u>
LIABILITIES		
Current liabilities:		
Accounts payable	364,331	211,824
Accrued payroll	16,761	5,902
Deposits	269,326	-
Claims Payable, due within one year	-	549,295
Compensated absences, due within one year	23,376	3,881
Total current liabilities	<u>673,794</u>	<u>770,902</u>
Noncurrent liabilities:		
Claims Payable, due in more than one year	-	2,136,395
Compensated absences, due in more than one year	24,518	4,071
Total noncurrent liabilities	<u>24,518</u>	<u>2,140,466</u>
Total liabilities	<u>698,312</u>	<u>2,911,368</u>
NET ASSETS		
Invested in capital assets, net of related debt	7,391,343	616,815
Restricted for:		
Capital projects	11,851,559	-
Unrestricted	3,710,223	896,012
Total net assets	<u>\$ 22,953,125</u>	<u>\$ 1,512,827</u>

See accompanying Notes to Basic Financial Statements.

City of Menlo Park
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the year ended June 30, 2007

	Major Enterprise Fund Water Fund	Governmental Activities Internal Service Funds
OPERATING REVENUES:		
Charges for services	\$ 3,865,742	\$ 2,332,356
Connection fees	15,373	-
Total operating revenues	3,881,115	2,332,356
OPERATING EXPENSES:		
Cost of sales and services	2,870,368	-
Personnel Services	-	114,750
General and administrative	563,565	531,939
Insurance	-	1,284,057
Depreciation	167,986	29,022
Total operating expenses	3,601,919	1,959,768
OPERATING INCOME (LOSS)	279,196	372,588
NONOPERATING REVENUES (EXPENSES):		
Interest income	750,700	67,927
Gain (loss) on sale of equipment	-	18,823
Total nonoperating revenues	750,700	86,750
INCOME (LOSS) BEFORE OPERATING TRANSFERS	1,029,896	459,338
OPERATING TRANSFERS:		
Transfers in	-	4,812,775
Transfers out	(238,700)	-
Insurance claims liabilities	-	-
Contributions	-	645,837
Total operating transfers	(238,700)	5,458,612
Net income (loss)	791,196	5,917,950
NET ASSETS:		
Beginning of year	22,161,929	(2,865,122)
End of year	\$ 22,953,125	\$ 3,052,827

See accompanying Notes to Basic Financial Statements.

City of Menlo Park
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2007

	Major Enterprise Fund Water Fund	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers/other funds	\$ 4,024,739	\$ 2,261,957
Cash payment to suppliers	(2,941,926)	(1,857,450)
Cash payments for general and administrative	(528,155)	-
Cash paid to employees	-	(99,710)
Cash receipts (payments) other	-	(2,421)
Net cash provided (used) by operating activities	554,658	302,376
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers from other funds	-	1,588,490
Transfers to other funds	(238,700)	(546,490)
Net cash provided (used) by noncapital financing activities	(238,700)	1,042,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(118,398)	-
Proceeds from disposal of capital assets	-	15,083
Net cash provided (used) by capital and related financing activities	(118,398)	15,083
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	725,191	31,602
Net cash provided (used) by investing activities	725,191	31,602
Net increase (decrease) in cash and cash equivalents	922,751	1,391,061
CASH AND CASH EQUIVALENTS:		
Beginning of year	14,851,694	2,341,492
End of year	\$ 15,774,445	\$ 3,732,553
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 279,196	\$ 372,588
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	167,986	-
Changes in current assets and liabilities:		
Accounts receivable	(36,462)	(34,761)
Accounts payable	(77,374)	73,469
Accrued payroll	4,259	3,537
Insurance claim payable	-	(179,432)
Compensated absences	(1,478)	7,953
Deposits	218,531	30,000
Total adjustments	275,462	(99,234)
Net cash provided (used) by operating activities	\$ 554,658	\$ 273,354

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, 2007

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 390,647
Total assets	<u>\$ 390,647</u>
LIABILITIES	
Accrued payroll	\$ 105,888
Deposits	284,759
Total liabilities	<u>\$ 390,647</u>

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS

City of Menlo Park
Notes to Basic Financial Statements
For the year ended June 30, 2007

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, 2007

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, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements

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

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

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

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

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

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

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

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements, Continued

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

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

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

Proprietary Fund Financial Statements

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

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

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

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Fiduciary Fund Financial Statements

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

C. Use of Restricted and Unrestricted Net Assets

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

D. Cash and Investments

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

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

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

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

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

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

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Capital Assets

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

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

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

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

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

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Long-Term Obligations

In the Government-Wide Financial Statements the long-term obligations are reported as liabilities in the appropriate funds.

The Fund Financial Statements do not present long-term debt but are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

G. Net Assets and Fund Equity

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

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

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

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

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

H. Use of Estimates

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

I. Compensated Absences

City employees have vested interests in varying levels of vacation, sick leave, and compensatory time. If sick leave and vacation is not used by the employee during the term of employment, compensation is payable to the employee at the time of retirement. Such compensation is calculated at the employees' then prevalent rate at the time of retirement or termination. Whereas vacation is compensated at 100% of accumulated hours, sick leave is accrued and compensated only at retirement at 15% of accumulated hours. On termination, only accrued vacation is compensated and not sick leave. The liabilities for compensated absences of the governmental activities are recorded in the Government-Wide financial statements. The liabilities of compensated absences of proprietary funds are recorded as liabilities in the appropriate proprietary fund and in the business-type activities in the Government-Wide financial statements. The liabilities of compensated absences of governmental funds are reported in those funds only if there is an unused reimbursable leave still outstanding following an employee's resignation or retirement as of June 30, 2007.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. *Compensated Absences, Continued*

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

<u>Bargaining Unit</u>	<u>Vacation</u>	<u>Sick Leave</u>
SEIU	336 hours	1,440 hours
AFSCME	336 hours	1,440 hours
POA	424 hours	1,500 hours
PMA	1,348 hours combined	
Administration	1,200 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, 2007

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
- Money Market Funds
- State of California Local Agency Investment Fund

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

GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires that the City's investments be carried at fair market value instead of cost. Accordingly, the City adjusts the carrying value of its investments to reflect their fair value at each fiscal year-end, and the effects of these adjustments are included in income for that fiscal year. Changes in fair value in the fiscal year ended June 30, 2007 from the fiscal year ended, June 30, 2006, amounted to an increase of \$516,641.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

2. CASH AND INVESTMENTS, Continued

B. Deposits

At June 30, 2007, the carrying amount of the City's deposits was a negative \$212,578 and the bank balances were \$419,999. 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, 2007.

	Government-Wide Statement of Net Assets			Fund Financials	
	Governmental Activities	Business-Type Activities	Total	Fiduciary Funds Statement of	
				Net Assets	Total
Cash and investments	\$ 90,180,118	\$ 15,774,445	\$ 105,954,563	\$ 390,647	\$ 106,345,210
Restricted cash and investments	\$ 17,592,116	\$ -	\$ 17,592,116	\$ -	\$ 17,592,116

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

As of June 30, 2007, the City had the following cash and investments and maturities:

Investment Type	Fair Value	Investment Maturities (in years)				
		1 year or less	1-2 years	2-3 years	3-4 years	4-5 years
Deposits	\$ (212,578)	\$ (212,578)	\$ -	\$ -	\$ -	\$ -
Petty cash	4,165	4,165	-	-	-	-
Securities of U.S. Government						
Treasury agencies:						
U.S. treasury T-notes	19,884,050	8,491,050	5,414,200	5,978,800	-	-
U.S. instrumentality	38,161,150	8,901,500	5,990,700	9,410,850	7,936,500	5,921,600
Local Agency Investments Funds	46,539,523	46,539,523	-	-	-	-
Corporate notes	1,968,900	994,300	-	974,600	-	-
Total	\$ 106,345,210	\$ 64,717,960	\$ 11,404,900	\$ 16,364,250	\$ 7,936,500	\$ 5,921,600

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

2. CASH AND INVESTMENTS, Continued

C. Risks Disclosures, Continued

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, 2007, the City’s pooled cash and investments had the following maturities:

<u>Maturity</u>	<u>Percentage of Investment</u>
Less than one year	61%
One to two years	11%
Two to three years	15%
Three to four years	7%
Four to five years	6%

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

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

D. External Investment Pool

The City’s investments with LAIF at June 30, 2007, 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.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

2. CASH AND INVESTMENTS, Continued

D. External Investment Pool, Continued

As of June 30, 2007, the City had \$46,560,707 invested in LAIF, which had invested 3.466% 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, 2007, 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, 2007, the City's investment in LAIF at fair value amounted to \$46,539,523 using a LAIF fair value factor of 0.999545022.

3. RECEIVABLES

A. Accounts Receivable

As of June 30, 2007, accounts receivable consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Taxes:			
Occupancy taxes	\$ 386,987	\$ -	\$ 386,987
Utility taxes	438,681	-	438,681
Total taxes	825,668	-	\$ 825,668
Franchise fees	194,434	-	194,434
Rental income	15,713	-	15,713
General government charges	36,852	-	36,852
Public works charges	78,419	-	78,419
Public safety charges	8,369	-	8,369
Community development fees	52,175	-	52,175
Recreation programs	237,398	-	237,398
Library charges	39,773	-	39,773
Water service fees	-	311,620	311,620
Donations	549	-	549
Total accounts receivable	\$ 1,489,350	\$ 311,620	\$ 1,800,970

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

3. RECEIVABLES, Continued

B. Notes Receivable

As of June 30, 2007, notes receivable consisted of the following:

	Notes Receivable
Major Funds:	
Community Development Block Grant	\$ 1,803,448
Community Development Agency	5,017,105
Total major funds	<u>6,820,553</u>
Other Governmental Funds:	
Below market rate housing	1,060,227
Emergency repair loan (ERL)	49,263
Total special revenue funds	<u>1,109,490</u>
Total notes receivable	<u>\$ 7,930,043</u>

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, 2007, were \$1,803,448. Since the funds have not been legally vested with the City as of June 30, 2007, 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, 2007 was \$6,606.

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, 2007, was \$37,375.

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, 2007, was \$269,819.

The Agency made housing rehabilitation loans to three eligible participants. Loans bear no or very low interest and are not due until the property changes ownership. The outstanding balance at June 30, 2007, was \$161,574.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

3. RECEIVABLES, Continued

B. Notes Receivable, Continued

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, 2007, was \$58,976.

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, 2007, was \$4,482,755.

Total Agency loans at June 30, 2007, amounted to \$5,017,105.

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, 2007, were \$1,060,227.

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, 2007, were \$49,263.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

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, 2007, deferred revenues in the Government-Wide Financial Statements were as follows:

	Governmental Activities
Rental income	\$ 3,773
Recreation summer programs	386,651
Utility users tax	3,000
Police donations	389
Permits and inspection fees	734,646
Library donations	6,142
Planning deferred	662
Percent for art deferred	8,647
Garbage service fees	312,866
Total	\$ 1,456,776

B. Fund Financial Statements

At June 30, 2007, 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 Agency	Community Development Block Grant	Non-Major Funds	
Rental income	\$ 3,773	\$ -	\$ -	\$ -	\$ 3,773
Recreation Summer Programs	386,651	-	-	-	386,651
Utility users tax	3,000	-	-	-	3,000
Permits and inspection fees	734,646	-	-	-	734,646
Planning deferred	662	-	-	-	662
Library donations	6,142	-	-	-	6,142
Percent for art deferred	8,647	-	-	-	8,647
Police donations	389	-	-	-	389
Garbage service fees	-	-	-	312,866	312,866
Menlo Gateway loan	-	4,482,755	-	-	4,482,755
CDBG loans	-	-	2,303,448	-	2,303,448
Advance to CDA fund	-	-	500,000	-	500,000
Emergency repair loans	-	-	-	49,263	49,263
Mid Peninsula loans	-	39,819	-	-	39,819
Total	\$ 1,143,910	\$ 4,522,574	\$ 2,803,448	\$ 362,129	8,832,061

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

5. CAPITAL ASSETS

A. Government-Wide Financial Statements

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

	Balance June 30, 2006	Additions	Retirements	Reclassification	Balance June 30, 2007
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 205,232,510	\$ -	\$ (283,277)	\$ -	\$ 204,949,233
Land improvements	32,900,109	-	-	-	32,900,109
Construction in progress	968,145	528,860	(120,592)	(775,852)	600,561
Total capital assets, not being depreciated	239,100,764	528,860	(403,869)	(775,852)	238,449,903
Capital assets, being depreciated:					
Buildings	46,658,887	274,898	-	-	46,933,785
Equipment	6,201,377	412,486	(701,158)	-	5,912,705
Other improvements	12,081,605	636,248	-	-	12,717,853
Infrastructure	103,885,147	1,137,242	(265,012)	775,852	105,533,229
Total capital assets, being depreciated	168,827,016	2,460,874	(966,170)	775,852	171,097,572
Less accumulated depreciation for:					
Buildings	(10,922,660)	(936,003)	-	-	(11,858,663)
Equipment	(5,109,251)	(399,781)	696,474	-	(4,812,558)
Other improvements	(1,086,136)	(613,954)	-	-	(1,700,090)
Infrastructure	(40,647,408)	(2,550,583)	87,401	-	(43,110,590)
Total accumulated depreciation	(57,765,455)	(4,500,321)	783,875	-	(61,481,901)
Total capital assets, being depreciated, net	111,061,561	(2,039,447)	(182,295)	775,852	109,615,671
Governmental activities capital assets, net	\$ 350,162,325	\$ (1,510,587)	\$ (586,164)	\$ -	\$ 348,065,574

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

General government	\$ 585,394
Public safety	180,211
Public works	2,691,594
Culture and recreation	1,030,852
Community development	12,270
Total depreciation expense - governmental departments	\$ 4,500,321

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

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, 2006	Additions	Retirements	Adjustments/ Transfers	Balance June 30, 2007
Business-Type Activities:					
Capital assets, not being depreciated:					
Land	\$ 1,066,454	\$ -	\$ -	\$ -	\$ 1,066,454
Construction in progress	183,225	94,136	-	-	277,361
Total capital assets, not being depreciated	<u>1,249,679</u>	<u>94,136</u>	<u>-</u>	<u>-</u>	<u>1,343,815</u>
Capital assets, being depreciated:					
Buildings	4,141,695	24,262	-	-	4,165,957
Equipment	589,093	-	-	-	589,093
Infrastructure	6,812,639	-	-	-	6,812,639
Total capital assets, being depreciated	<u>11,543,427</u>	<u>24,262</u>	<u>-</u>	<u>-</u>	<u>11,567,689</u>
Less accumulated depreciation for:					
Buildings	(1,047,588)	(83,189)	-	-	(1,130,777)
Equipment	(578,565)	(2,444)	-	-	(581,009)
Infrastructure	(3,726,022)	(82,353)	-	-	(3,808,375)
Total accumulated depreciation	<u>(5,352,175)</u>	<u>(167,986)</u>	<u>-</u>	<u>-</u>	<u>(5,520,161)</u>
Total capital assets, being depreciated, net	<u>6,191,252</u>	<u>(143,724)</u>	<u>-</u>	<u>-</u>	<u>6,047,528</u>
Business-Type activities capital assets, net	<u><u>\$ 7,440,931</u></u>	<u><u>\$ (49,588)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,391,343</u></u>

Depreciation expense for all proprietary funds was \$167,986 for the year ended June 30, 2007, 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, 2007

6. LONG-TERM DEBT

A. Long-Term Obligations

Summary of changes in long-term debt transactions for the year ended June 30, 2007 was as follows:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007	Due within one year	Due in more than one year
Governmental Activities:						
1996 General Obligation Refunding Bonds	\$ 3,345,000	\$ -	\$ (255,000)	\$ 3,090,000	\$ 270,000	\$ 2,820,000
2002 General Obligation Bonds	12,705,000	-	(220,000)	12,485,000	235,000	12,250,000
2006 Las Pulgas Project Tax Allocation Bonds	72,430,000	-	-	72,430,000	1,610,000	70,820,000
Deferred amount on refunding of the 2006 Las Pulgas Project Tax Allocation Bonds	(3,200,172)	-	128,007	(3,072,165)	(128,007)	(2,944,158)
Discount on 2006 Las Pulgas Project Tax Allocation Bonds	(336,800)	-	13,472	(323,328)	(13,472)	(309,856)
Total governmental activities	\$ 84,943,028	\$ -	\$ (333,521)	\$ 84,609,507	\$ 1,973,521	\$ 82,635,986

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, 2007

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, 2007, were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 270,000	\$ 146,048	\$ 416,048
2009	285,000	133,068	418,068
2010	300,000	119,025	419,025
2011	320,000	103,750	423,750
2012	340,000	87,250	427,250
2013-2015	1,575,000	163,375	1,738,375
Total	\$ 3,090,000	\$ 752,516	\$ 3,842,516

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, 2007

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, 2007, were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 235,000	\$ 645,079	\$ 880,079
2009	250,000	631,135	881,135
2010	260,000	616,473	876,473
2011	280,000	600,948	880,948
2012	295,000	584,417	879,417
2013-2017	1,730,000	2,640,314	4,370,314
2018-2022	2,180,000	20,909,185	23,089,185
2023-2027	2,800,000	1,561,412	4,361,412
2028-2032	3,615,000	721,301	4,336,301
2033	840,000	22,260	862,260
Total	\$ 12,485,000	\$ 28,932,524	\$ 41,417,524

2006 Las Pulgas Project Tax Allocation Bonds

In May 2006, the Community Development Agency of the City of Menlo Park issued Tax Allocation Refunding Bonds in a par amount of \$72,430,000 for the purpose of refunding at lower interest rates the Agency's outstanding Series 1996 and Series 2000 Tax Allocation Bonds. As such, the Series 2006 is the only outstanding bond issuance funding redevelopment activities of benefit to the Agency's Las Pulgas Community Development Project Area. The bonds are repayable from the Community Development Agency tax revenues, including a portion of its housing set-aside tax increment revenues. In addition, pass-through payments to other local taxing agencies were subordinated to payment of debt service on the Bonds. Principal payments are due annually on January 1, commencing in 2008.

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

6. LONG-TERM DEBT, Continued

A. Long-term Obligations, Continued

2006 Las Pulgas Project Tax Allocation Bonds, Continued

Terms:

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

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

Fair Value: At June 30, 2007, the swap had a negative fair value of (\$579,259). Because the coupons on the Agency's variable rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the LIBOR swap yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swaps. Valuations based on other models or different assumptions may yield different results.

Credit Risk: As of June 30, 2007, the Agency was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the Agency would be exposed to credit risk in the amount of the derivative's fair value.

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

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

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

6. LONG-TERM DEBT, Continued

A. Long-term Obligations, Continued

2006 Las Pulgas Project Tax Allocation Bonds, Continued

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

The annual debt service requirements to mature the Series 2006 Community Development Agency Tax Allocation Refunding Bonds outstanding at June 30, 2007 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 1,610,000	\$ 2,747,994	4,357,994
2009	1,680,000	2,686,711	4,366,711
2010	1,745,000	2,623,172	4,368,172
2011	1,810,000	2,556,966	4,366,966
2012	1,880,000	2,488,295	4,368,295
2013-2017	11,060,000	11,315,036	22,375,036
2018-2022	15,720,000	8,841,728	24,561,728
2023-2027	18,940,000	5,622,328	24,562,328
2028-2031	17,985,000	1,738,411	19,723,411
Total	<u>\$ 72,430,000</u>	<u>\$ 40,620,641</u>	<u>\$ 113,050,641</u>

The issuance of the 2006 Las Pulgas Tax Allocation Bonds included a discount of \$336,800. This amount was recorded as expenditures in the fund financial statements but was capitalized in the government-wide financials statements and recorded as a reduction of long-term debt. The discount will be amortized over the life of the debt. The amortization recorded in fiscal year 2007 was \$13,427.

In connection with the issuance of the 2006 Las Pulgas Tax Allocation Bonds, the City recorded a deferral on refunding of debt which is reported as part of long-term debt. This deferral was in connection with interest payments made to the escrow agent for future payments of interest. The total amount deferred was \$3,200,172 which will be amortized over the life of the bond. The amortization recorded in fiscal year 2007 was \$128,007.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

6. LONG-TERM DEBT, Continued

B. Prior Years' Defeased Obligations

1996 and 2000 Tax Allocation Bonds

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

The balance of the defeased bonds outstanding as of June 30, 2007, was \$67,265,000.

7. COMPENSATED ABSENCES

As of fiscal year 2007, compensated absences were not included as a liability in the Fund Financial Statements. Compensated absences at June 30, 2007 were as follows:

	Balance			Balance		
	July 1, 2006	Additions	Deletions	June 30, 2007	Due within one year	Due in more than one year
Governmental Activities:	\$ 1,635,968	\$ 1,032,164	\$ (920,532)	\$ 1,747,600	\$ 849,079	\$ 898,521
Business-Type Activities:	49,372	21,194	(22,672)	47,894	23,376	24,518
Total compensated absences	<u>\$ 1,685,340</u>	<u>\$ 1,053,358</u>	<u>\$ (943,204)</u>	<u>\$ 1,795,494</u>	<u>\$ 872,455</u>	<u>\$ 923,039</u>

8. RISK MANAGEMENT

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

8. RISK MANAGEMENT, Continued

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

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

The City's Liability program has a per claim deductible of \$250,000 and a policy limit of \$20,000,000. The Employment Practices program has a per claim deductible of \$75,000 and a policy limit of \$1,000,000. The Property and Fire program has a per claim deductible of \$10,000 and a policy limit of replacement value.

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

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

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

Changes in the balances of the City's claims liabilities during the years ended June 30, 2007, 2006, and 2005 were as follows:

	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claim Payments for Current and Prior Years	End of Year Liability
2004-2005	\$ 1,613,854	\$ 1,445,898	\$ (842,157)	\$ 2,217,595
2005-2006	2,217,595	1,073,397	(425,870)	2,865,122
2006-2007	2,865,122	280,164	(459,596)	2,685,690

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

9. INTERFUND TRANSACTIONS

Interfund receivables and payables at June 30, 2007, 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, 2007 is as follows:

	Due from other funds		Total
	Governmental Funds		
	General Fund	Non-Major Governmental Funds	
Due to other funds:			
Governmental Funds:			
Non-Major Funds	\$ 47,608	\$ 22,387	69,995
Total	\$ 47,608	\$ 22,387	\$ 69,995

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, 2007 is as follows:

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

9. INTERFUND TRANSACTIONS, Continued

Interfund Transfers

Interfund transfers for the year ended June 30, 2007, were as follows:

		Transfers In				
		Governmental Activities				
		Major Funds		Non-Major	Internal	
		General	CDA	Governmental	Service	
		Fund	Debt Service	Funds	Funds	Total
Transfers Out	Governmental Activities:					
	Major funds:					
	General Fund	\$ -	\$ -	\$ 2,221,578	\$ 3,272,775	\$ 5,494,353
	CDA- Housing	38,500	897,530	-	-	936,030
	CDA- Non Housing	115,500	3,590,602	-	-	3,706,102
	Non-Major Governmental Fund:	178,520	-	271,014	-	449,534
	Business-type Activities:					
	Water	183,700	-	55,000	-	238,700
Total	<u>\$ 516,220</u>	<u>\$ 4,488,132</u>	<u>\$ 2,547,592</u>	<u>\$ 3,272,775</u>	<u>\$ 10,824,719</u>	

The most significant transfers were from the Community Development Agency non- Housing fund to the to the Community development Agency Debt Service Fund which were provided to make debt service payment and to transfer restricted cash. Other significant transfers were \$2,000,000 from the General Fund to the General Capital Improvement Project fund for infrastructure improvements and transfers from the General Fund to the Internal Service Funds to establish the new funds.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

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, 2007:

	General Fund	Community Development Agency			Capital Projects	Community Development Block Grant Special Revenue	Non-Major Funds	Total
		Housing Special Revenue	Non-Housing Special Revenue	Debt Service				
Reserved:								
Encumbrances and reappropriations	\$ 334,623	\$ 141,932	\$ 27,268	\$ -	\$ 1,462,812	\$ 1,500	\$ 1,254,166	\$ 3,222,301
Deposits and prepaid items	202,244	-	-	-	-	-	-	202,244
Advances to other funds	-	-	-	-	-	-	-	-
Housing loans	-	1,704,018	-	-	-	-	4,482,000	6,186,018
Debt service	-	-	-	8,690,632	-	-	1,890,873	10,581,505
Notes receivable	-	-	-	-	-	-	-	-
Total reserved	536,867	1,845,950	27,268	8,690,632	1,462,812	1,500	7,627,039	20,192,068
Unreserved, designated:								
Insurance	-	-	-	-	-	-	-	-
Equipment replacement	-	-	-	-	-	-	-	-
Operational reserve	500,000	-	-	-	-	-	-	500,000
Vacation and sick leave	100,000	-	-	-	-	-	-	100,000
Infrastructure replacement	2,000,000	-	-	-	-	-	-	2,000,000
Fiscal uncertainties	1,000,000	-	-	-	-	-	-	1,000,000
PERS safety investment	2,000,000	-	-	-	-	-	-	2,000,000
Street impact fees	-	-	-	-	-	-	-	-
Special programs and services:								
Special revenue funds	-	-	-	-	-	-	854,633	854,633
Capital improvements reported in:								
Capital project funds	-	-	-	-	6,358,007	-	8,400,180	14,758,187
Total unreserved, designated	5,600,000	-	-	-	6,358,007	-	9,254,813	21,212,820
Unreserved, undesignated reported in:								
General Fund	29,521,304	-	-	-	-	-	-	29,521,304
Special revenue funds	-	(880,527)	16,378,696	-	-	66,513	17,387,867	32,952,549
Total unreserved, undesignated	29,521,304	(880,527)	16,378,696	-	-	66,513	17,387,867	62,473,853
Total	\$ 35,658,171	\$ 965,423	\$ 16,405,964	\$ 8,690,632	\$ 7,820,819	\$ 68,013	\$ 34,269,719	\$ 103,878,741

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

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

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

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

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

10. CLASSIFICATION OF NET ASSETS, Continued

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

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

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

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

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

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

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

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

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

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

11. OTHER FUND DISCLOSURES

Expenditures over Appropriations

The following funds had an excess of expenditures over appropriations,

Major Funds:	
Community Development Agency	
Debt Service Fund	\$ 9,072
Non-Major:	
Special Revenue Funds:	
Below Market Rate Housing	11,283
Literacy Grants	16,835
Solid Waste Service	69,113
Bay Area Air Quality Management	4,671
Miscellaneous Trust	55,163

The General Fund excess expenditures were in Transfers Out and due to the establishment of the City's Internal Service Funds. The Community Development Agency Debt Service excess of expenditures was due to additional swap fees on the 2006 Refunding Bonds.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

11. OTHER FUND DISCLOSURES, Continued

The Highway Users Tax was a transfer of new construction impact fees to the new Construction Impact Fees fund established during 2006-2007.

The Below Market Rate Housing made additional commission payments for below market rate housing units.

The Literacy Grants had additional staff time charged to these funds for extra programs related to the Literacy Grants.

Solid Waste Service fund had unanticipated solid waste collection charges.

The Bay Area Air Quality Management fund incurred additional shuttle services charges.

The Miscellaneous Trust Funds paid for additional environmental impact report studies. These studies are related to construction projects and paid for by deposits held for these projects. Since these studies are funded by deposits, no annual appropriation of funds is anticipated or established.

12. PUBLIC EMPLOYEE RETIREMENT SYSTEM

Plan Description

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

Funding Policy

Participants are required to contribute 7% for miscellaneous and 9% for safety employees of their annual covered salary. The City is required to contribute at an actuarially determined rate; the current rate is 11.508% for miscellaneous employees, and 26.360% for safety employees, of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

12. PUBLIC EMPLOYEE RETIREMENT SYSTEM, Continued

Annual Pension Cost

For 2007, the City's annual pension cost of \$2,655,478 for PERS was equal to the City's required and actual contribution. The required contribution was determined as part of the June 30, 2006, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions were as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Valuation date	June 30, 2006	June 30, 2006
Actuarial cost method	Entry age Normal Cost Method	Entry age Normal Cost Method
Amortization method	level percent of payroll	level percent of payroll
Average remaining period	12 years as of the valuation date	15 years as of the valuation date
Asset valuation method	3 year smoothed market	3 year smoothed market
Actuarial assumptions:		
Investment rate of return	7.75% (net of administrative expenses)	7.75% (net of administrative expenses)
Projected salary increases	3.25% to 14.45% depending on age, service, and type of employment	3.25% to 14.45% depending on age, service, and type of employment
Inflation	3.00%	3.00%
Payroll growth	3.25%	3.25%
Individual salary growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and annual production growth of 0.25%	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and annual production growth of 0.25%

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

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2005	\$ 1,735,805	100%	\$ -
June 30, 2006	2,477,974	100%	-
June 30, 2007	2,655,478	100%	-

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

13. OTHER POST-EMPLOYMENT BENEFITS

In accordance with Resolution No. 4135, "Resolution of the City Council of the City of Menlo Park electing to be subject to the Public Employees' Medical and Hospital Care Act", adopted by the City Council on September 5, 1989, with an effective date of October 1, 1989, the City offers retirees the continuation of group health insurance. The City's contribution for each active employee or retiree for fiscal year 2007 is \$80.80 per month. As of September 7, 1989, approximately eighty-three former employees were eligible for this benefit. For the fiscal year ended June 30, 2007, 70 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.

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. The same conversion benefit is available to AFSCME middle management and miscellaneous employees who have a minimum of five (5) years of continuous service with the City.

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.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

13. OTHER POST-EMPLOYMENT BENEFITS, Continued

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

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 \$80.80, 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, 2007 was \$257,063 which includes an administrative cost of 0.44% of premium. Effective January 1, 2007, the PERS Health Benefits Program premiums increased by an average of 12%.

The PERS Health Benefits Program offers HMOs, Health Maintenance Organizations, and Indemnity/PPO, Indemnity/Preferred Provider Organization. The groups covered include the retirees, people who actually retire, either service, disability or industrial disability, under the City's retirement system with PERS, and surviving spouses and other dependents. If a retiree with family coverage dies, dependents will be eligible for health benefit coverage with the employer contribution as long as they were enrolled as dependents at the time of the retiree's death, qualify for a monthly survivor allowance from PERS, and continue to qualify as family members. The premium cost less the City contribution of \$80.80 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 \$80.80 per active or retired enrollee in the PERS Health Benefits Program, the administrative cost of 0.44% of premium, and the sick leave/general leave conversion benefit. These expenditures are recorded in the General Fund.

14. LANDFILL POST-CLOSURE CARE

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

14. LANDFILL POST-CLOSURE CARE, Continued

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

The City's outstanding future post-closure care costs were estimated at \$7,043,171 at June 30, 2007. This estimate is based upon the present value of future cash flows associated with the landfill site's post-closure costs, discounted using the City's projected return on investment. The amount of fund balance within the Landfill Special Revenue Fund is not sufficient to cover such a liability, though the revenue stream provided by the solid waste collection surcharge and all post-closure costs will be accounted for in this fund. The City has recorded the post-closure cost liability and prior period adjustment as part of governmental activities in the government-wide financial statements.

The City will fund on-going post-closure costs with a combination of revenues from the surcharge and interest earnings. However, if these revenues are inadequate or additional post-closure care requirements are determined (due to changes in technology, applicable laws or regulations, for example), these costs may need to be covered by additional garbage surcharges or from future tax revenue. The following is the activity for landfill post closure care for fiscal year 2007:

	Balance July 1, 2006	Deletions	Balance June 30, 2007	Due within one year	Due in more than one year
Governmental Activities	\$ 7,220,173	\$ (177,002)	\$ 7,043,171	\$ 129,060	\$ 6,914,111

15. COMMUNITY DEVELOPMENT AGENCY OF THE CITY OF MENLO PARK

The Community Development Agency of the City of Menlo Park (Agency) was established in 1981 with the adoption of the Las Pulgas Community Development Plan (1981 Plan). Since 1981, the Agency has implemented numerous programs to improve housing in the project area. Revenue from tax increments in fiscal year 2007 was \$9,907,272.

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.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

16. CONTINGENCIES

The City participates in a number of Federal, State, and County programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grantor program regulations, the City may be required to reimburse the grantor government. As of June 30, 2007, 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.

17. LITIGATION

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

18. NONPROFIT ORGANIZATION DEBT WITH NO CITY COMMITMENT

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

19. COMMITMENTS

The City had various commitments totaling \$3,667,425 as of June 30, 2007. Five of these commitments were for large construction projects: the Police Substation/City Hall Annex for \$1,310,772, the Emergency Water Tank Replacement program for \$501,542, the Terminal Avenue Site Remediation for \$126,545, the Burgess Pool and Gymnasium for \$257,873, and the La Entrada School Recreational Facilities for \$151,870. The remaining commitments, totaling \$1,318,823, were for less significant activities. All commitments are evidenced by contractual agreements with contractors.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

20. JOINT VENTURES

General

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

San Francisquito Creek

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

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

In the fiscal year ended June 30, 2007, each member entity contributed \$68,500 to cover Authority administrative costs for the year.

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

San Francisquito Creek Joint Powers Authority
701 Laurel Street
Menlo Park, CA 94025

South Bayside Waste Management Authority

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

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2007

20. JOINT VENTURES, Continued

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

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

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

21. PRIOR PERIOD ADJUSTMENT

In fiscal year 2007, the City created internal service funds to account for claims payable at a fund level. The adjustment represent the claims payable balance as of July 1, 2006, which was reported on the government-wide financial statements. There was no effect on the government-wide financial statements.

	Net Assets as Previously Reported	Prior Period Adjustment Claims Payable	Net Assets as Restated
Internal Service Funds:			
Workers' Compensation Insurance	\$ -	\$ (2,600,282)	\$ (2,600,282)
General Liability Insurance	-	(264,840)	(264,840)

REQUIRED SUPPLEMENTARY INFORMATION

City of Menlo Park
Required Supplementary Information
For the year ended June 30, 2007

BUDGETARY PRINCIPLES

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

1. City Council identifies the priority projects/programs for the budget at a study session with public input. The City Council annually adopts the budget for the ensuing fiscal year generally prior to July 1.
2. The City Manager is authorized to transfer budgetary amounts within a single fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.
3. Legally adopted budgets and formal budgetary integration is employed as a management control device during the year for the general fund, special revenue funds, debt service funds, and capital projects funds. Proprietary funds and Agency funds are not budgeted.
4. Budgets for the general, special revenue and capital projects funds are adopted on a basis consistent with GAAP.
5. Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller, returned to the taxpayers through revised tax rates or revised fee schedules, or an excess in one year may be offset against a deficit in the following year. For the fiscal year ended June 30, 2007, 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, 2007

Budgetary Comparison Schedule, General Fund

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Secured property taxes	\$ 9,080,000	\$ 9,258,000	\$ 9,695,474	\$ 437,474
Unsecured property taxes	400,000	400,000	332,249	(67,751)
Other property taxes	555,000	652,000	699,280	47,280
Sales taxes	6,120,000	6,630,000	6,799,561	169,561
Other taxes	2,537,000	3,264,000	3,414,917	150,917
Licenses and permits	3,020,500	3,180,502	3,279,751	99,249
Fines and forfeitures	830,000	841,500	897,568	56,068
Use of money and property	2,140,000	2,185,000	2,700,614	515,614
Intergovernmental	1,140,572	1,794,465	1,754,834	(39,631)
Charges for services	4,438,555	4,562,843	4,948,444	385,601
Other	10,500	10,500	26,393	15,893
Total revenues	30,272,127	32,778,810	34,549,085	1,770,275
EXPENDITURES:				
Current:				
General government	4,505,461	4,362,338	4,158,481	203,857
Public safety	10,078,669	11,194,519	11,173,107	21,412
Public works	4,064,993	4,318,671	4,173,702	144,969
Culture and recreation	7,811,346	8,083,625	7,438,752	644,873
Community development	2,406,653	2,396,358	2,236,356	160,002
Capital outlay	300,331	342,686	233,059	109,627
Total expenditures	29,167,453	30,698,197	29,413,457	1,284,740
REVENUES OVER (UNDER) EXPENDITURES	1,104,674	2,080,613	5,135,628	3,055,015
OTHER FINANCING SOURCES (USES):				
Transfers in	516,220	516,220	516,220	-
Transfers out	(3,861,000)	(3,231,000)	(5,494,353)	(2,263,353)
Total other financing sources (uses)	(3,344,780)	(2,714,780)	(4,978,133)	(2,263,353)
Net change in fund balances	\$ (2,240,106)	\$ (634,167)	157,495	\$ 791,662
FUND BALANCES:				
Beginning of year			35,500,676	
End of year			<u>\$ 35,658,171</u>	

City of Menlo Park
Required Supplementary Information, Continued
For the year ended June 30, 2007

Budgetary Comparison Schedule, Community Development Agency Housing Special Revenue Fund

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
REVENUES:				
Taxes:				
Secured property taxes	\$ 1,950,000	\$ 1,875,000	\$ 1,780,368	\$ (94,632)
Unsecured property taxes	185,000	200,000	201,086	1,086
Use of money and property	54,200	69,200	56,266	(12,934)
Charges for services	42,000	42,000	5	(41,995)
Total revenues	2,231,200	2,186,200	2,037,725	(148,475)
EXPENDITURES:				
Current:				
Rehabilitation loans	200,000	200,000	-	200,000
Urban development and housing	1,235,406	1,205,645	544,583	661,062
Capital outlay	812,399	774,230	2,591	771,639
Total expenditures	2,247,805	2,179,875	547,174	1,632,701
REVENUES OVER (UNDER) EXPENDITURES	(16,605)	6,325	1,490,551	1,484,226
OTHER FINANCING SOURCES (USES):				
Transfers out	(743,550)	(936,030)	(936,030)	-
Total other financing sources (uses)	(743,550)	(936,030)	(936,030)	-
Net change in fund balances	\$ (760,155)	\$ (929,705)	554,521	\$ 1,484,226
FUND BALANCES:				
Beginning of year			410,902	
End of year			\$ 965,423	

City of Menlo Park
Required Supplementary Information, Continued
For the year ended June 30, 2007

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

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
REVENUES:				
Taxes:				
Secured property taxes	\$ 8,000,000	\$ 7,525,000	\$ 7,121,472	\$ (403,528)
Unsecured property taxes	700,000	800,000	804,346	4,346
Use of money and property	322,000	560,000	709,029	149,029
Charges for services	5,000	5,000	377,786	372,786
Total revenues	9,027,000	8,890,000	9,012,633	122,633
EXPENDITURES:				
Current:				
Community development	1,182,020	1,253,935	1,186,415	67,520
Urban development and housing	3,851,961	3,827,355	2,731,092	1,096,263
Capital outlay	1,800	1,800	-	1,800
Total expenditures	5,035,781	5,083,090	3,917,507	1,165,583
REVENUES OVER (UNDER) EXPENDITURES	3,991,219	3,806,910	5,095,126	1,288,216
OTHER FINANCING SOURCES (USES):				
Transfers out	(2,349,384)	(3,706,104)	(3,706,102)	2
Total other financing sources (uses)	(2,349,384)	(3,706,104)	(3,706,102)	2
Net change in fund balances	\$ 1,641,835	\$ 100,806	1,389,024	\$ 1,288,218
FUND BALANCES:				
Beginning of year			15,016,940	
End of year			\$ 16,405,964	

City of Menlo Park
Required Supplementary Information, Continued
For the year ended June 30, 2007

Budgetary Comparison Schedule, Community Development Block Grant Special Revenue Fund

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 38,224	\$ 38,224
Charges for services	450,000	450,000	139,484	(310,516)
Total revenues	450,000	450,000	177,708	(272,292)
EXPENDITURES:				
Current:				
Rehabilitation loans	278,036	278,036	-	278,036
Urban development and housing	172,869	174,697	119,378	55,319
Capital outlay	1,300	1,300	-	1,300
Total expenditures	452,205	454,033	119,378	334,655
REVENUES OVER (UNDER) EXPENDITURES	\$ (2,205)	\$ (4,033)	58,330	\$ 62,363
FUND BALANCES:				
Beginning of year			9,683	
End of year			\$ 68,013	

City of Menlo Park
Required Supplementary Information, Continued
For the year ended June 30, 2007

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
2004	\$ 44,038,509	\$ 48,623,667	\$ 4,585,158	90.6%	\$ 12,491,817	36.7%
2005	47,827,629	51,962,557	4,134,928	92.0%	12,438,965	33.2%
2006	52,004,618	55,717,648	3,713,030	93.3%	12,190,823	30.5%

Safety Employees

As of the actuarial valuation date of June 30, 2003, the City's safety plan became part of a CalPERS Risk Pool for employers with less than 100 active plan members. As part of a cost-sharing multiple-employer defined benefit plan, disclosure of the schedule of funding progress is not required.

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SUPPLEMENTARY INFORMATION

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MAJOR GOVERNMENTAL FUNDS BUDGETARY SCHEDULES

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Community Development Agency - Debt Service Major Fund For the year ended June 30, 2007

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 300,954	\$ 300,954
Total revenues	-	-	300,954	300,954
EXPENDITURES:				
Debt service:				
Interest and fiscal charges	2,938,934	2,938,934	2,948,006	(9,072)
Total expenditures	2,938,934	2,938,934	2,948,006	(9,072)
REVENUES OVER (UNDER) EXPENDITURES	(2,938,934)	(2,938,934)	(2,647,052)	291,882
OTHER FINANCING SOURCES (USES):				
Transfers in	2,938,934	4,488,134	4,488,132	(2)
Total other financing sources (uses)	2,938,934	4,488,134	4,488,132	(2)
Net change in fund balances	\$ -	\$ 1,549,200	1,841,080	\$ 291,880
FUND BALANCES:				
Beginning of year			6,849,552	
End of year			\$ 8,690,632	

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Community Development Agency - Capital Projects Major Fund For the year ended June 30, 2007

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
REVENUES:				
Use of money and property	\$ 310,000	\$ 520,000	\$ 646,275	\$ 126,275
Charges for services	-	23,700	23,743	43
Total revenues	310,000	543,700	670,018	126,318
EXPENDITURES:				
Current:				
Community development	994,001	308,760	122,290	186,470
Urban development and housing	17,736	21,790	22,918	(1,128)
Capital outlay	4,621,737	2,622,248	606,495	2,015,753
Total expenditures	5,633,474	2,952,798	751,703	2,201,095
REVENUES OVER (UNDER) EXPENDITURES	(5,323,474)	(2,409,098)	(81,685)	2,327,413
Net change in fund balances	\$ (5,323,474)	\$ (2,409,098)	(81,685)	\$ 2,327,413
FUND BALANCES:				
Beginning of year			7,902,504	
End of year			\$ 7,820,819	

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NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds:

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

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

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

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

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

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

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

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

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

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

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds, Continued:

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

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

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

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

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.

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

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

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

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

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

Debt Service Fund:

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

Capital Projects Funds:

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

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

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

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City of Menlo Park
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2007

	Special Revenue				
	Highway Users Tax	Federal Revenue Sharing	Landscape/ Tree Assessment	Sidewalk Assessment	Bayfront Park Landfill
ASSETS					
Cash and investments	\$ 2,193,031	\$ 61,536	\$ 89,712	\$ 504,983	\$ 790,272
Restricted cash and investments	-	-	-	-	-
Receivables:					
Accounts	-	-	-	-	87,110
Interest	24,017	675	-	-	8,659
Notes	-	49,263	-	-	-
Due from other governments	885	-	24,713	-	-
Due from other funds	-	-	-	-	-
Total assets	\$ 2,217,933	\$ 111,474	\$ 114,425	\$ 504,983	\$ 886,041
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 267,309	\$ -	\$ 16,013	\$ 14	\$ 7,682
Accrued payroll and related liabilities	1,714	-	2,758	655	126
Due to other funds	-	-	-	-	-
Deferred revenue	-	49,263	-	-	19,401
Total liabilities	269,023	49,263	18,771	669	27,209
Fund Balances:					
Reserved:					
Encumbrances and reappropriations	33,199	2	27,545	15,343	4,199
Housing loans	-	-	-	-	-
Debt service	-	-	-	-	-
Total reserved	33,199	2	27,545	15,343	4,199
Unreserved:					
Designated:					
Special programs and services	-	-	-	-	854,633
Capital improvements	-	-	-	-	-
Total designated	-	-	-	-	854,633
Undesignated	1,915,711	62,209	68,109	488,971	-
Total fund balances	1,948,910	62,211	95,654	504,314	858,832
Total liabilities and fund balances	\$ 2,217,933	\$ 111,474	\$ 114,425	\$ 504,983	\$ 886,041

Special Revenue

Below Market Rate Housing	County Transportation Tax	Public Library	Literacy Grants	Narcotic Seizure	Traffic Impact Fees	Downtown Parking Permits	Storm Drainage Fees
\$ 6,720,885	\$ 1,667,119	\$ 138,436	\$ 25,416	\$ 14,205	\$ 796,253	\$ 2,033,429	\$ 180,796
-	-	-	-	-	-	-	-
-	2,198	-	-	-	-	-	-
73,701	18,424	-	-	-	8,732	22,299	1,982
1,060,227	-	-	-	-	-	-	-
-	83,859	-	-	-	-	-	-
-	-	-	22,387	-	-	-	-
<u>\$ 7,854,813</u>	<u>\$ 1,771,600</u>	<u>\$ 138,436</u>	<u>\$ 47,803</u>	<u>\$ 14,205</u>	<u>\$ 804,985</u>	<u>\$ 2,055,728</u>	<u>\$ 182,778</u>
\$ -	\$ 94,514	\$ -	\$ 1,913	\$ -	\$ 50,844	\$ 212	\$ -
-	8,123	-	3,059	-	2,282	3,552	-
-	-	-	22,387	-	-	-	-
-	-	-	-	-	-	-	-
-	102,637	-	27,359	-	53,126	3,764	-
178	39,286	-	51	-	50,785	57,340	5
4,482,000	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>4,482,178</u>	<u>39,286</u>	<u>-</u>	<u>51</u>	<u>-</u>	<u>50,785</u>	<u>57,340</u>	<u>5</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3,372,635	1,629,677	138,436	20,393	14,205	701,074	1,994,624	182,773
7,854,813	1,668,963	138,436	20,444	14,205	751,859	2,051,964	182,778
<u>\$ 7,854,813</u>	<u>\$ 1,771,600</u>	<u>\$ 138,436</u>	<u>\$ 47,803</u>	<u>\$ 14,205</u>	<u>\$ 804,985</u>	<u>\$ 2,055,728</u>	<u>\$ 182,778</u>

(Continued)

City of Menlo Park
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2007

	Special Revenue				
	Solid Waste Service	Bay Area Air Quality Management	Storm Water Management	Peninsula Partnership Grant	Supplemental Law Enforcement Service
ASSETS					
Cash and investments	\$ 584,559	\$ 30,606	\$ 444,322	\$ -	\$ 157,410
Restricted cash and investments	-	-	-	-	-
Receivables:					
Accounts	-	41,750	-	73,290	-
Interest	6,437	336	-	-	1,759
Notes	-	-	-	-	-
Due from other governments	58,922	-	201,088	-	-
Due from other funds	-	-	-	-	-
Total assets	\$ 649,918	\$ 72,692	\$ 645,410	\$ 73,290	\$ 159,169
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 145,171	\$ 26,852	\$ 26,398	\$ 190	\$ 23,101
Accrued payroll and related liabilities	4,151	-	3,070	1,194	-
Due to other funds	-	-	-	47,608	-
Deferred revenue	293,464	-	-	-	-
Total liabilities	442,786	26,852	29,468	48,992	23,101
Fund Balances:					
Reserved:					
Encumbrances and reappropriations	30,603	36,489	25,000	-	60,294
Housing loans	-	-	-	-	-
Debt service	-	-	-	-	-
Total reserved	30,603	36,489	25,000	-	60,294
Unreserved:					
Designated:					
Special programs and services	-	-	-	-	-
Capital improvements	-	-	-	-	-
Total designated	-	-	-	-	-
Undesignated	176,529	9,351	590,942	24,298	75,774
Total fund balances	207,132	45,840	615,942	24,298	136,068
Total liabilities and fund balances	\$ 649,918	\$ 72,692	\$ 645,410	\$ 73,290	\$ 159,169

Special Revenue							Debt Service
Local Law Enforcement Block Grant	Construction Impact Fees	Bayfront Park Maintenance	Recreation In-Lieu	Sharon Hills Park	Vintage Oaks Landscape	Miscellaneous Trust	Library Bond
\$ -	\$ 1,410,213	\$ 1,436,888	\$ 1,860,635	\$ 135,149	\$ 154,255	\$ 1,332,365	\$ 669,464
-	-	-	-	-	-	-	64
-	-	-	-	-	-	-	-
-	-	15,399	20,404	1,482	1,692	6,534	7,341
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	13,446
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 1,410,213</u>	<u>\$ 1,452,287</u>	<u>\$ 1,881,039</u>	<u>\$ 136,631</u>	<u>\$ 155,947</u>	<u>\$ 1,338,899</u>	<u>\$ 690,315</u>
\$ -	\$ -	\$ 20,688	\$ -	\$ -	\$ 1,264	\$ 129,627	\$ -
-	-	304	-	-	-	454	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	20,992	-	-	1,264	130,081	-
-	-	37	49	4	4	300,429	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	690,315
-	-	37	49	4	4	300,429	690,315
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	1,410,213	1,431,258	1,880,990	136,627	154,679	908,389	-
-	1,410,213	1,431,295	1,881,039	136,631	154,683	1,208,818	690,315
<u>\$ -</u>	<u>\$ 1,410,213</u>	<u>\$ 1,452,287</u>	<u>\$ 1,881,039</u>	<u>\$ 136,631</u>	<u>\$ 155,947</u>	<u>\$ 1,338,899</u>	<u>\$ 690,315</u>

(Continued)

City of Menlo Park
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2007

	Debt Service	Capital Projects			Total Non-Major Governmental Funds
	Recreation GO Bond 2002	Library Addition	Measure T 2002 GO Bond	Capital Improvement General	
ASSETS					
Cash and investments	\$ 1,147,413	\$ 389,104	\$ 117,341	\$ 7,227,213	\$ 32,313,010
Restricted cash and investments	-	-	1,253,477	-	1,253,541
Receivables:					
Accounts	-	-	-	11,991	216,339
Interest	12,583	4,267	20,395	-	257,118
Notes	-	-	-	-	1,109,490
Due from other governments	43,062	-	-	-	425,975
Due from other funds	-	-	-	-	22,387
Total assets	\$ 1,203,058	\$ 393,371	\$ 1,391,213	\$ 7,239,204	\$ 35,597,860
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 2,500	\$ 4,180	\$ 5,014	\$ 34,345	\$ 857,831
Accrued payroll and related liabilities	-	1,097	765	4,883	38,187
Due to other funds	-	-	-	-	69,995
Deferred revenue	-	-	-	-	362,128
Total liabilities	2,500	5,277	5,779	39,228	1,328,141
Fund Balances:					
Reserved:					
Encumbrances and reappropriations	-	32,878	458,795	81,651	1,254,166
Housing loans	-	-	-	-	4,482,000
Debt service	1,200,558	-	-	-	1,890,873
Total reserved	1,200,558	32,878	458,795	81,651	7,627,039
Unreserved:					
Designated:					
Special programs and services	-	-	-	-	854,633
Capital improvements	-	355,216	926,639	7,118,325	8,400,180
Total designated	-	355,216	926,639	7,118,325	9,254,813
Undesignated	-	-	-	-	17,387,867
Total fund balances	1,200,558	388,094	1,385,434	7,199,976	34,269,719
Total liabilities and fund balances	\$ 1,203,058	\$ 393,371	\$ 1,391,213	\$ 7,239,204	\$ 35,597,860

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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, 2007

	Special Revenue				
	Highway Users Tax	Federal Revenue Sharing	Landscape/ Tree Assessment	Sidewalk Assessment	Bayfront Park Landfill
REVENUES:					
Other taxes	\$ 534,699	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	367,842	251,061	-
Licenses and permits	-	-	-	-	-
Use of money and property	104,378	3,474	-	-	131,270
Intergovernmental	232,275	-	25,965	-	-
Charges for services	-	15,761	1,382	-	332,268
Other	-	-	-	-	-
Total revenues	871,352	19,235	395,189	251,061	463,538
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	185,951	-	420,428	52,868	187,258
Culture and recreation	-	-	-	-	-
Community development	-	-	-	-	-
Urban development and housing	-	9,555	-	-	-
Capital outlay	257,198	-	168,423	116,992	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	443,149	9,555	588,851	169,860	187,258
REVENUES OVER (UNDER) EXPENDITURES	428,203	9,680	(193,662)	81,201	276,280
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	156,000	-	-
Transfers out	(271,014)	-	(93,500)	-	-
Proceeds from sale of fixed assets	-	-	-	-	-
Total other financing sources (uses)	(271,014)	-	62,500	-	-
Net change in fund balances	157,189	9,680	(131,162)	81,201	276,280
FUND BALANCES:					
Beginning of year	1,791,721	52,531	226,816	423,113	582,552
End of year	\$ 1,948,910	\$ 62,211	\$ 95,654	\$ 504,314	\$ 858,832

Special Revenue

Below Market Rate Housing	County Transportation Tax	Public Library	Literacy Grants	Narcotic Seizure	Traffic Impact Fees	Downtown Parking Permits	Storm Drainage Fees
\$ -	\$ 669,280	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	377,791	-
253,801	77,115	-	-	-	25,820	89,950	3,426
-	117,316	17,752	42,187	-	-	-	-
2,668,211	38,976	-	-	5,433	439,924	30,860	165,271
-	-	-	90,436	-	-	250,000	-
2,922,012	902,687	17,752	132,623	5,433	465,744	748,601	168,697
-	219	-	-	-	-	-	-
-	-	-	-	-	-	5,237	-
-	559,638	-	-	-	146,990	98,041	-
-	-	59	183,604	-	-	-	-
-	-	-	-	-	-	-	-
12,083	-	-	-	-	-	-	-
-	261,927	-	-	-	44,186	46,743	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
12,083	821,784	59	183,604	-	191,176	150,021	-
2,909,929	80,903	17,693	(50,981)	5,433	274,568	598,580	168,697
-	-	-	55,000	-	-	-	-
-	-	-	-	-	-	-	-
282,503	-	-	-	-	-	-	-
282,503	-	-	55,000	-	-	-	-
3,192,432	80,903	17,693	4,019	5,433	274,568	598,580	168,697
4,662,381	1,588,060	120,743	16,425	8,772	477,291	1,453,384	14,081
\$ 7,854,813	\$ 1,668,963	\$ 138,436	\$ 20,444	\$ 14,205	\$ 751,859	\$ 2,051,964	\$ 182,778

(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, 2007

	Special Revenue				Supplemental Law Enforcement Services
	Solid Waste Service	Bay Area Air Quality Management	Storm Water Management (NPDES)	Peninsula Partnership	
REVENUES:					
Other taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	310,988	-	-
Licenses and permits	-	-	-	-	-
Use of money and property	22,701	1,775	-	-	7,443
Intergovernmental	8,224	97,362	248,000	106,108	100,737
Charges for services	1,798,098	366	351	-	-
Other	-	-	-	-	-
Total revenues	1,829,023	99,503	559,339	106,108	108,180
EXPENDITURES:					
Current:					
General government	1,779,308	-	-	-	-
Public safety	-	-	-	-	33,976
Public works	227,443	101,524	397,376	-	-
Culture and recreation	-	-	-	113,500	-
Community development	-	-	-	-	-
Urban development and housing	-	-	-	-	-
Capital outlay	1,217	-	-	-	51,752
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	2,007,968	101,524	397,376	113,500	85,728
REVENUES OVER (UNDER) EXPENDITURES	(178,945)	(2,021)	161,963	(7,392)	22,452
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	(61,300)	-	(23,020)	-	-
Proceeds from sale of fixed assets	-	-	-	-	-
Total other financing sources (uses)	(61,300)	-	(23,020)	-	-
Net change in fund balances	(240,245)	(2,021)	138,943	(7,392)	22,452
FUND BALANCES:					
Beginning of year	447,377	47,861	476,999	31,690	113,616
End of year	\$ 207,132	\$ 45,840	\$ 615,942	\$ 24,298	\$ 136,068

Special Revenue							Debt Service
Local Law Enforcement Block Grant	Construction Impact Fee	Bayfront Park Maintenance	Recreation In-Lieu	Sharon Hills Park	Vintage Oaks Landscape	Miscellaneous Trust	Library Bond
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	447,032
-	-	-	-	-	-	-	-
-	-	69,955	66,482	6,905	7,598	28,856	24,607
-	-	-	-	-	-	-	-
-	1,139,199	-	1,524,040	-	-	234,830	-
-	-	-	-	-	-	5,705	-
-	1,139,199	69,955	1,590,522	6,905	7,598	269,391	471,639
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	162,764	-	13,000	14,304	-	-
-	-	-	-	-	-	78,020	-
-	-	-	-	-	-	335,055	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	255,000
-	-	-	-	-	-	-	157,995
-	-	162,764	-	13,000	14,304	413,075	412,995
-	1,139,199	(92,809)	1,590,522	(6,095)	(6,706)	(143,684)	58,644
-	271,014	32,578	-	-	-	-	-
-	-	-	-	-	-	(700)	-
-	-	-	-	-	-	-	-
-	271,014	32,578	-	-	-	(700)	-
-	1,410,213	(60,231)	1,590,522	(6,095)	(6,706)	(144,384)	58,644
-	-	1,491,526	290,517	142,726	161,389	1,353,202	631,671
\$ -	\$ 1,410,213	\$ 1,431,295	\$ 1,881,039	\$ 136,631	\$ 154,683	\$ 1,208,818	\$ 690,315

(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, 2007

	Debt Service		Capital Projects		Total Non-Major Governmental Funds
	Recreation GO Bond 2002	Library Addition	Measure T 2002 GO Bond	Capital Improvement General	
REVENUES:					
Other taxes	\$ -	\$ -	\$ -	\$ 45,351	\$ 1,249,330
Special assessments	1,160,485	-	-	-	2,537,408
Licenses and permits	-	-	-	-	377,791
Use of money and property	37,608	19,520	107,963	-	1,090,647
Intergovernmental	-	-	-	-	995,926
Charges for services	-	-	-	-	8,394,970
Other	-	-	-	-	346,141
Total revenues	1,198,093	19,520	107,963	45,351	14,992,213
EXPENDITURES:					
Current:					
General government	-	-	-	-	1,779,527
Public safety	-	-	-	-	39,213
Public works	-	-	-	-	2,567,585
Culture and recreation	-	-	-	-	375,183
Community development	-	-	-	-	335,055
Urban development and housing	-	-	-	-	21,638
Capital outlay	-	43,994	718,647	436,510	2,147,589
Debt service:					
Principal	220,000	-	-	-	475,000
Interest	662,660	-	-	-	820,655
Total expenditures	882,660	43,994	718,647	436,510	8,561,445
REVENUES OVER (UNDER) EXPENDITURES	315,433	(24,474)	(610,684)	(391,159)	6,430,768
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	2,033,000	2,547,592
Transfers out	-	-	-	-	(449,534)
Proceeds from sale of fixed assets	-	-	-	-	282,503
Total other financing sources (uses)	-	-	-	2,033,000	2,380,561
Net change in fund balances	315,433	(24,474)	(610,684)	1,641,841	8,811,329
FUND BALANCES:					
Beginning of year	885,125	412,568	1,996,118	5,558,135	25,458,390
End of year	\$ 1,200,558	\$ 388,094	\$ 1,385,434	\$ 7,199,976	\$ 34,269,719

(Concluded)

City of Menlo Park

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

Highway Users Tax Special Revenue Fund

For the year ended June 30, 2007

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other Taxes	\$ 601,000	\$ 601,000	\$ 534,699	\$ (66,301)
Use of money and property	32,000	91,000	104,378	13,378
Intergovernmental	-	-	232,275	232,275
Charges for services	400,000	-	-	-
Total revenues	<u>1,033,000</u>	<u>692,000</u>	<u>871,352</u>	<u>179,352</u>
EXPENDITURES:				
Current:				
Public works	416,232	314,062	185,951	128,111
Capital outlay	1,104,018	1,264,600	257,198	1,007,402
Total expenditures	<u>1,520,250</u>	<u>1,578,662</u>	<u>443,149</u>	<u>1,135,513</u>
REVENUES OVER (UNDER) EXPENDITURES	(487,250)	(886,662)	428,203	(1,314,865)
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	(271,014)	(271,014)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(271,014)</u>	<u>(271,014)</u>
Net change in fund balances	<u>\$ (487,250)</u>	<u>\$ (886,662)</u>	157,189	<u>\$ 1,043,851</u>
FUND BALANCES:				
Beginning of year			<u>1,791,721</u>	
End of year			<u>\$ 1,948,910</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, 2007

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 1,800	\$ 3,500	\$ 3,474	\$ (26)
Charges for services	8,050	8,050	15,761	7,711
Total revenues	9,850	11,550	19,235	7,685
EXPENDITURES:				
Current:				
Urban development and housing	25,000	25,000	9,555	15,445
Total expenditures	25,000	25,000	9,555	15,445
Net change in fund balances	\$ (15,150)	\$ (13,450)	9,680	\$ 23,130
FUND BALANCES:				
Beginning of year			52,531	
End of year			\$ 62,211	

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, 2007

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Special assessments	\$ 468,000	\$ 468,000	\$ 367,842	\$ (100,158)
Intergovernmental	-	25,000	25,965	965
Charges for services	-	-	1,382	1,382
Total revenues	468,000	493,000	395,189	(97,811)
EXPENDITURES:				
Current:				
Public works	767,794	788,476	420,428	368,048
Capital outlay	8,000	8,000	168,423	(160,423)
Total expenditures	775,794	796,476	588,851	207,625
REVENUES OVER (UNDER) EXPENDITURES	(307,794)	(303,476)	(193,662)	(109,814)
OTHER FINANCING SOURCES (USES):				
Transfers in	156,000	156,000	156,000	-
Transfers out	(93,500)	(93,500)	(93,500)	-
Total other financing sources (uses)	(93,500)	(93,500)	(93,500)	-
Net change in fund balances	\$ (401,294)	\$ (396,976)	(131,162)	\$ 265,814
FUND BALANCES:				
Beginning of year			226,816	
End of year			\$ 95,654	

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, 2007

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ 173,000	\$ 173,000	\$ 251,061	\$ 78,061
Total revenues	<u>173,000</u>	<u>173,000</u>	<u>251,061</u>	<u>78,061</u>
EXPENDITURES:				
Current:				
Public works	212,967	220,467	52,868	167,599
Capital outlay	<u>180,340</u>	<u>179,740</u>	<u>116,992</u>	<u>62,748</u>
Total expenditures	<u>393,307</u>	<u>400,207</u>	<u>169,860</u>	<u>230,347</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(220,307)</u>	<u>(227,207)</u>	<u>81,201</u>	<u>(152,286)</u>
Net change in fund balances	<u>\$ (220,307)</u>	<u>\$ (227,207)</u>	<u>81,201</u>	<u>\$ 308,408</u>
FUND BALANCES:				
Beginning of year			<u>423,113</u>	
End of year			<u>\$ 504,314</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, 2007

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 62,000	\$ 120,000	\$ 131,270	\$ 11,270
Charges for services	320,000	320,000	332,268	12,268
Total revenues	382,000	440,000	463,538	23,538
EXPENDITURES:				
Current:				
Public Works	214,318	214,773	187,258	27,515
Capital outlay	25,000	25,000	-	25,000
Total expenditures	239,318	239,773	187,258	52,515
Net change in fund balances	\$ 142,682	\$ 200,227	276,280	76,053
FUND BALANCES:				
Beginning of year			582,552	
End of year			\$ 858,832	

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, 2007

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Use of money and property	\$ 110,000	\$ 110,000	\$ 253,801	\$ 143,801
Charges for services	3,000,096	3,000,096	2,668,211	(331,885)
Total revenues	3,110,096	3,110,096	2,922,012	(188,084)
EXPENDITURES:				
Current:				
Urban development and housing	2,800,800	800	12,083	(11,283)
Total expenditures	2,800,800	800	12,083	(11,283)
REVENUES OVER (UNDER) EXPENDITURES	309,296	3,109,296	2,909,929	199,367
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of fixed assets	283,640	283,640	282,503	(1,137)
Total other financing sources (uses)	283,640	283,640	282,503	(1,137)
Net change in fund balances	\$ 592,936	\$ 3,392,936	3,192,432	\$ (200,504)
FUND BALANCES:				
Beginning of year			4,662,381	
End of year			<u>\$ 7,854,813</u>	

City of Menlo Park

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

County Transportation Tax Special Revenue Fund

For the year ended June 30, 2007

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Other Taxes	\$ 520,000	\$ 680,000	\$ 669,280	\$ (10,720)
Use of money and property	30,000	66,000	77,115	11,115
Intergovernmental	71,623	71,623	117,316	45,693
Charges for services	29,030	29,030	38,976	9,946
Total revenues	650,653	846,653	902,687	56,034
EXPENDITURES:				
Current:				
General government	1,043	1,043	219	824
Public works	1,155,899	1,180,564	559,638	620,926
Capital outlay	347,429	367,029	261,927	105,102
Total expenditures	1,504,371	1,548,636	821,784	726,852
Net change in fund balances	\$ (853,718)	\$ (701,983)	80,903	\$ 782,886
FUND BALANCES:				
Beginning of year			1,588,060	
End of year			\$ 1,668,963	

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, 2007

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 32,000	\$ 17,570	\$ 17,752	\$ 182
Total revenues	<u>32,000</u>	<u>17,570</u>	<u>17,752</u>	<u>182</u>
EXPENDITURES:				
Current:				
Culture and recreation	16,959	17,018	59	16,959
Total expenditures	<u>16,959</u>	<u>17,018</u>	<u>59</u>	<u>16,959</u>
Net change in fund balances	<u>\$ 15,041</u>	<u>\$ 552</u>	17,693	<u>\$ 17,141</u>
FUND BALANCES:				
Beginning of year			<u>120,743</u>	
End of year			<u>\$ 138,436</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, 2007

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 47,000	\$ 47,000	\$ 42,187	\$ (4,813)
Other	42,000	42,000	90,436	48,436
Total revenues	89,000	89,000	132,623	43,623
EXPENDITURES:				
Current:				
Culture and recreation	162,336	166,769	183,604	(16,835)
Total expenditures	162,336	166,769	183,604	(16,835)
REVENUES OVER (UNDER) EXPENDITURES	(73,336)	(77,769)	(50,981)	26,788
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	\$ (18,336)	\$ (22,769)	4,019	\$ 26,788
FUND BALANCES:				
Beginning of year			16,425	
End of year			\$ 20,444	

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, 2007

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for current services	\$ -	\$ -	\$ 5,433	\$ 5,433
Total revenues	-	-	5,433	5,433
EXPENDITURES:				
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	-	-	5,433	5,433
Net change in fund balances	\$ -	\$ -	5,433	\$ 5,433
FUND BALANCES:				
Beginning of year			8,772	
End of year			\$ 14,205	

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, 2007

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 32,000	\$ 22,000	\$ 25,820	\$ 3,820
Charges for services	500,000	500,000	439,924	(60,076)
Total revenues	532,000	522,000	465,744	(56,256)
EXPENDITURES:				
Current:				
Public works	261,824	271,563	146,990	124,573
Capital outlay	900	66,901	44,186	22,715
Total expenditures	262,724	338,464	191,176	147,288
Net change in fund balances	\$ 269,276	\$ 183,536	274,568	\$ 91,032
FUND BALANCES:				
Beginning of year			477,291	
End of year			\$ 751,859	

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, 2007

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses and permits	\$ 432,000	\$ 432,000	\$ 377,791	\$ (54,209)
Use of money and property	30,000	77,000	89,950	12,950
Charges for services	-	30,860	30,860	-
Other	-	250,000	250,000	-
Total revenues	462,000	789,860	748,601	(41,259)
EXPENDITURES:				
Current:				
Public safety	12,786	12,786	5,237	7,549
Public works	119,970	128,479	98,041	30,438
Capital outlay	615,755	646,615	46,743	599,872
Total expenditures	748,511	787,880	150,021	637,859
Net change in fund balances	\$ (286,511)	\$ 1,980	598,580	\$ 596,600
FUND BALANCES:				
Beginning of year			1,453,384	
End of year			<u>\$ 2,051,964</u>	

City of Menlo Park

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

Storm Drainage Fees Special Revenue Fund

For the year ended June 30, 2007

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Use of money and property	\$ 150	\$ 800	\$ 3,426	\$ 2,626
Charges for services	-	-	165,271	165,271
Total revenues	<u>150</u>	<u>800</u>	<u>168,697</u>	<u>167,897</u>
EXPENDITURES:				
Current:				
Public works	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 150</u>	<u>\$ 800</u>	168,697	<u>\$ 167,897</u>
FUND BALANCES:				
Beginning of year			<u>14,081</u>	
End of year			<u>\$ 182,778</u>	

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, 2007

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Use of money and property	\$ 12,000	\$ 20,000	\$ 22,701	\$ 2,701
Intergovernmental	8,224	8,224	8,224	-
Charges for services	1,880,000	1,880,000	1,798,098	(81,902)
Total revenues	1,900,224	1,908,224	1,829,023	(79,201)
EXPENDITURES:				
Current:				
General government	1,606,314	1,605,164	1,779,308	(174,144)
Public works	288,890	306,191	227,443	78,748
Capital outlay	27,500	27,500	1,217	26,283
Total expenditures	1,922,704	1,938,855	2,007,968	(69,113)
REVENUES OVER (UNDER) EXPENDITURES	(22,480)	(30,631)	(178,945)	(10,088)
OTHER FINANCING SOURCES (USES):				
Transfers out	(61,300)	(61,300)	(61,300)	-
Total other financing sources (uses)	(61,300)	(61,300)	(61,300)	-
Net change in fund balances	\$ (83,780)	\$ (91,931)	(240,245)	\$ (148,314)
FUND BALANCES:				
Beginning of year			447,377	
End of year			\$ 207,132	

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, 2007

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 300	\$ 300	\$ 1,775	\$ 1,475
Intergovernmental	96,560	96,560	97,362	802
Charges for services	293	293	366	73
Total revenues	97,153	97,153	99,503	2,350
EXPENDITURES:				
Current:				
Public works	96,853	96,853	101,524	(4,671)
Total expenditures	96,853	96,853	101,524	(4,671)
Net change in fund balances	\$ 300	\$ 300	(2,021)	\$ (2,321)
FUND BALANCES:				
Beginning of year			47,861	
End of year			\$ 45,840	

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, 2007

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ 317,800	\$ 317,800	\$ 310,988	\$ (6,812)
Intergovernmental	-	-	248,000	248,000
Charges for services	-	-	351	351
Total revenues	317,800	317,800	559,339	241,539
EXPENDITURES:				
Current:				
Public works	414,497	574,327	397,376	176,951
Capital outlay	25,000	124,031	-	124,031
Total expenditures	439,497	698,358	397,376	300,982
REVENUES OVER (UNDER) EXPENDITURES	(121,697)	(380,558)	161,963	542,521
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	\$ (144,717)	\$ (403,578)	138,943	\$ 542,521
FUND BALANCES:				
Beginning of year			476,999	
End of year			\$ 615,942	

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, 2007

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 264,490	\$ 264,490	\$ 106,108	\$ (158,382)
Total revenues	<u>264,490</u>	<u>264,490</u>	<u>106,108</u>	<u>(158,382)</u>
EXPENDITURES:				
Current:				
Culture and recreation	<u>283,968</u>	<u>288,184</u>	<u>113,500</u>	<u>174,684</u>
Total expenditures	<u>283,968</u>	<u>288,184</u>	<u>113,500</u>	<u>174,684</u>
Net change in fund balances	<u>\$ (19,478)</u>	<u>\$ (23,694)</u>	<u>(7,392)</u>	<u>\$ 16,302</u>
FUND BALANCES:				
Beginning of year			<u>31,690</u>	
End of year			<u>\$ 24,298</u>	

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Supplemental Law Enforcement Services Special Revenue Fund For the year ended June 30, 2007

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 3,000	\$ 3,000	\$ 7,443	\$ 4,443
Intergovernmental	100,000	100,000	100,737	737
Total revenues	103,000	103,000	108,180	5,180
EXPENDITURES:				
Current:				
Public safety	84,400	85,079	33,976	51,103
Capital outlay	35,000	35,000	51,752	(16,752)
Total expenditures	119,400	120,079	85,728	34,351
Net change in fund balances	\$ (16,400)	\$ (17,079)	22,452	\$ 39,531
FUND BALANCES:				
Beginning of year			113,616	
End of year			\$ 136,068	

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, 2007

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 100	\$ -	\$ -	\$ -
Total revenues	<u>100</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>100</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 100</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCES:				
Beginning of year			-	
End of year			<u>\$ -</u>	

City of Menlo Park

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

Construction Impact Fees Special Revenue Fund

For the year ended June 30, 2007

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ -	\$ 400,000	\$ 1,139,199	\$ 739,199
Total revenues	-	400,000	1,139,199	739,199
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	271,014	271,014
Total other financing sources (uses)	-	-	271,014	271,014
Net change in fund balances	\$ -	\$ 400,000	1,410,213	\$ 1,010,213
FUND BALANCES:				
Beginning of year			-	
End of year			\$ 1,410,213	

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, 2007

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 42,000	\$ 60,000	\$ 69,955	\$ 9,955
Total revenues	42,000	60,000	69,955	9,955
EXPENDITURES:				
Current:				
Public works	415,213	197,094	162,764	34,330
Capital outlay	5,000	3,500	-	3,500
Total expenditures	420,213	200,594	162,764	37,830
REVENUES OVER (UNDER) EXPENDITURES	(378,213)	(140,594)	(92,809)	(27,875)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	32,578	32,578
Total other financing sources (uses)	-	-	32,578	32,578
Net change in fund balances	\$ (378,213)	\$ (140,594)	(60,231)	\$ 80,363
FUND BALANCES:				
Beginning of year			1,491,526	
End of year			<u>\$ 1,431,295</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, 2007

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 9,000	\$ 48,500	\$ 66,482	\$ 17,982
Charges for services	1,344,000	1,524,000	1,524,040	40
Total revenues	1,353,000	1,572,500	1,590,522	18,022
Net change in fund balances	\$ 1,353,000	\$ 1,572,500	1,590,522	\$ 18,022
FUND BALANCES:				
Beginning of year			290,517	
End of year			\$ 1,881,039	

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, 2007

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 4,500	\$ 6,300	\$ 6,905	\$ 605
Total revenues	4,500	6,300	6,905	605
EXPENDITURES:				
Current:				
Public works	13,000	13,000	13,000	-
Total expenditures	13,000	13,000	13,000	-
Net change in fund balances	\$ (8,500)	\$ (6,700)	(6,095)	\$ 605
FUND BALANCES:				
Beginning of year			142,726	
End of year			\$ 136,631	

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, 2007

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 4,500	\$ 6,600	\$ 7,598	\$ 998
Total revenues	4,500	6,600	7,598	998
EXPENDITURES:				
Current:				
Public works	15,240	15,240	14,304	936
Total expenditures	15,240	15,240	14,304	936
Net change in fund balances	\$ (10,740)	\$ (8,640)	(6,706)	\$ 1,934
FUND BALANCES:				
Beginning of year			161,389	
End of year			\$ 154,683	

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, 2007

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 28,250	\$ 24,750	\$ 28,856	\$ 4,106
Charges for services	-	-	234,830	234,830
Other	2,000	2,000	5,705	3,705
Total revenues	30,250	26,750	269,391	242,641
EXPENDITURES:				
Current:				
Public works	70	70	-	70
Culture and recreation	97,663	97,663	78,020	19,643
Community development	259,679	259,679	335,055	(75,376)
Capital outlay	500	500	-	500
Total expenditures	357,912	357,912	413,075	(55,163)
REVENUES OVER (UNDER) EXPENDITURES	(327,662)	(331,162)	(143,684)	187,478
OTHER FINANCING SOURCES (USES):				
Transfers out	(700)	(700)	(700)	-
Total other financing sources (uses)	(700)	(700)	(700)	-
Net change in fund balances	\$ (328,362)	\$ (331,862)	(144,384)	\$ 187,478
FUND BALANCES:				
Beginning of year			1,353,202	
End of year			\$ 1,208,818	

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, 2007

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ 440,000	\$ 440,000	\$ 447,032	\$ 7,032
Use of money and property	10,000	18,000	24,607	6,607
Total revenues	450,000	458,000	471,639	13,639
EXPENDITURES:				
Debt service:				
Principal	255,000	255,000	255,000	-
Interest	159,500	159,500	157,995	1,505
Total expenditures	414,500	414,500	412,995	1,505
Net change in fund balances	\$ 35,500	\$ 43,500	58,644	\$ 15,144
FUND BALANCES:				
Beginning of year			631,671	
End of year			\$ 690,315	

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, 2007

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ 1,095,000	\$ 1,095,000	\$ 1,160,485	\$ 65,485
Use of money and property	9,000	23,000	37,608	14,608
Total revenues	1,104,000	1,118,000	1,198,093	80,093
EXPENDITURES:				
Debt service:				
Principal	220,000	220,000	220,000	-
Interest	662,660	662,660	662,660	-
Total expenditures	882,660	882,660	882,660	-
Net change in fund balances	\$ 221,340	\$ 235,340	315,433	\$ 80,093
FUND BALANCES:				
Beginning of year			885,125	
End of year			<u>\$ 1,200,558</u>	

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, 2007

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 19,520	\$ 19,520
Total revenues	-	-	19,520	19,520
EXPENDITURES:				
Current				
Public works	373,916	376,223	-	376,223
Total expenditures	373,916	376,223	-	376,223
Net change in fund balances	\$ (373,916)	\$ (376,223)	(24,474)	\$ 351,749
FUND BALANCES:				
Beginning of year			412,568	
End of year			\$ 388,094	

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, 2007

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 5,000	\$ 85,000	\$ 107,963	\$ 22,963
Total revenues	<u>5,000</u>	<u>85,000</u>	<u>107,963</u>	<u>22,963</u>
EXPENDITURES:				
Current:				
Public works	367,227	367,707	-	367,707
Capital outlay	<u>1,091,389</u>	<u>1,091,389</u>	<u>718,647</u>	<u>372,742</u>
Total expenditures	<u>1,458,616</u>	<u>1,459,096</u>	<u>718,647</u>	<u>740,449</u>
Net change in fund balances	<u><u>\$ (1,453,616)</u></u>	<u><u>\$ (1,374,096)</u></u>	<u>(610,684)</u>	<u><u>\$ (717,486)</u></u>
FUND BALANCES:				
Beginning of year			<u>1,996,118</u>	
End of year			<u><u>\$ 1,385,434</u></u>	

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Capital Improvement General Capital Projects Fund For the year ended June 30, 2007

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Other taxes	\$ 47,000	\$ 47,000	\$ 45,351	\$ (1,649)
Total revenues	47,000	47,000	45,351	(1,649)
EXPENDITURES:				
Current:				
Public works	685,230	701,030	-	701,030
Capital outlay	705,655	705,655	436,510	269,145
Total expenditures	1,390,885	1,406,685	436,510	970,175
REVENUES OVER (UNDER) EXPENDITURES	(1,343,885)	(1,359,685)	(391,159)	968,526
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	\$ 689,115	\$ 673,315	1,641,841	\$ 968,526
FUND BALANCES:				
Beginning of year			5,558,135	
End of year			<u>\$ 7,199,976</u>	

ENTERPRISE FUNDS

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

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

City of Menlo Park
Combining Schedule of Net Assets
Enterprise Funds
June 30, 2007

	Water Operating Fund	Water Capital Improvement Fund	Total Water Funds
ASSETS			
Current assets:			
Cash and investments	\$ 4,070,905	\$ 11,703,540	\$ 15,774,445
Receivables:			
Accounts	262,290	49,330	311,620
Interest	47,260	126,769	174,029
Total current assets	<u>4,380,455</u>	<u>11,879,639</u>	<u>16,260,094</u>
Capital assets:			
Non-depreciable	1,343,815	-	1,343,815
Depreciable, net	6,047,528	-	6,047,528
Total capital assets	<u>7,391,343</u>	<u>-</u>	<u>7,391,343</u>
Total assets	<u>11,771,798</u>	<u>11,879,639</u>	<u>23,651,437</u>
LIABILITIES			
Current liabilities:			
Accounts payable	352,036	12,295	364,331
Accrued payroll	15,470	1,291	16,761
Deposits	269,326	-	269,326
Compensated absences	16,302	7,074	23,376
Total current liabilities	<u>653,134</u>	<u>20,660</u>	<u>673,794</u>
Noncurrent liabilities:			
Compensated absences	17,098	7,420	24,518
Total noncurrent liabilities	<u>17,098</u>	<u>7,420</u>	<u>24,518</u>
Total liabilities	<u>670,232</u>	<u>28,080</u>	<u>698,312</u>
NET ASSETS			
Invested in capital assets, net of related debt	7,391,343	-	7,391,343
Restricted for:			
Capital projects	-	11,851,559	11,851,559
Unrestricted	3,710,223	-	3,710,223
Total net assets	<u>\$ 11,101,566</u>	<u>\$ 11,851,559</u>	<u>\$ 22,953,125</u>

City of Menlo Park

Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets

Enterprise Funds

For the year ended June 30, 2007

	Water Operating Fund	Water Capital Improvement Fund	Total Water Funds
OPERATING REVENUES:			
Water sales	\$ 3,197,597	\$ 668,145	\$ 3,865,742
Connection fees	15,373	-	15,373
Total operating revenues	3,212,970	668,145	3,881,115
OPERATING EXPENSES:			
Cost of sales and services	2,856,899	13,469	2,870,368
General and administrative	563,565	-	563,565
Depreciation	167,986	-	167,986
Total operating expenses	3,588,450	13,469	3,601,919
OPERATING INCOME (LOSS)	(375,480)	654,676	279,196
NONOPERATING REVENUES (EXPENSES):			
Interest income	207,533	543,167	750,700
Total nonoperating revenues	207,533	543,167	750,700
INCOME (LOSS) BEFORE OPERATING TRANSFERS	(167,947)	1,197,843	1,029,896
OPERATING TRANSFERS:			
Transfers out	(238,700)	-	(238,700)
Total operating transfers	(238,700)	-	(238,700)
Net income (loss)	(406,647)	1,197,843	791,196
NET ASSETS:			
Beginning of year	11,508,213	10,653,716	22,161,929
End of year	\$ 11,101,566	\$ 11,851,559	\$ 22,953,125

City of Menlo Park
Combining Schedule of Cash Flows
Enterprise Funds
For the year ended June 30, 2007

	Water Operating Fund	Water Capital Improvement Fund	Total Water Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers/other funds	\$ 3,383,779	\$ 640,960	4,024,739
Cash payment to suppliers	(2,938,530)	(3,396)	(2,941,926)
Cash payments for general and administrative	(519,922)	(8,233)	(528,155)
Net cash provided (used) by operating activities	(74,673)	629,331	554,658
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers out	(238,700)		(238,700)
Net cash provided (used) by noncapital financing activities	(238,700)	-	(238,700)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(118,398)	-	(118,398)
Net cash provided (used) by capital and related financing activities	(118,398)	-	(118,398)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income	203,780	521,411	725,191
Net cash provided (used) by investing activities	203,780	521,411	725,191
Net increase (decrease) in cash and cash equivalents	(227,991)	1,150,742	922,751
CASH AND CASH EQUIVALENTS:			
Beginning of year	4,298,896	10,552,798	14,851,694
End of year	\$ 4,070,905	\$ 11,703,540	\$ 15,774,445
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (375,480)	\$ 654,676	\$ 279,196
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	167,986	-	167,986
Changes in current assets and liabilities:			-
Accounts receivable	(9,216)	(27,246)	(36,462)
Accounts payable	(71,228)	(6,146)	(77,374)
Accrued payroll	3,301	958	4,259
Compensated absences	(8,567)	7,089	(1,478)
Deposits	218,531	-	218,531
Total adjustments	300,807	(25,345)	275,462
Net cash provided (used) by operating activities	\$ (74,673)	\$ 629,331	\$ 554,658

INTERNAL SERVICE FUNDS

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

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

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

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

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

City of Menlo Park
Combining Statement of Net Assets
Internal Service Funds
June 30, 2007

	Workers' Compensation Insurance	General Liability Insurance	Other Post Employment Benefits	Vehicle Replacement	Total
ASSETS					
Current assets:					
Cash, cash equivalents and investments	\$ 2,775,746	\$ 359,686	\$ 455,277	\$ 141,844	\$ 3,732,553
Receivables:					
Accounts	-	17,539	17,222	3,741	38,502
Interest	24,462	5,315	4,993	1,555	36,325
Total current assets	<u>2,800,208</u>	<u>382,540</u>	<u>477,492</u>	<u>147,140</u>	<u>3,807,380</u>
Capital assets:					
Depreciable, net	-	-	-	616,815	616,815
Total capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>616,815</u>	<u>616,815</u>
Total assets	<u>2,800,208</u>	<u>382,540</u>	<u>477,492</u>	<u>763,955</u>	<u>4,424,195</u>
LIABILITIES AND NET ASSETS					
Liabilities:					
Current Liabilities:					
Accounts payable	68,132	132,692	-	11,000	211,824
Accrued payroll	1,795	512	3,595	-	5,902
Claims payable, due within one year	486,816	62,479	-	-	549,295
Compensated absences payable, due within one year	2,621	1,260	-	-	3,881
Total current liabilities	<u>559,364</u>	<u>196,943</u>	<u>3,595</u>	<u>11,000</u>	<u>770,902</u>
Claims payable, due in more than one year	1,829,036	307,359	-	-	2,136,395
Compensated absences payable, due in more than one year	2,749	1,322	-	-	4,071
Total liabilities	<u>2,391,149</u>	<u>505,624</u>	<u>3,595</u>	<u>11,000</u>	<u>2,911,368</u>
Net Assets:					
Invested in capital assets, net of related debt	-	-	-	616,815	616,815
Unrestricted	409,059	(123,084)	473,897	136,140	896,012
Total net assets	<u>\$ 409,059</u>	<u>\$ (123,084)</u>	<u>\$ 473,897</u>	<u>\$ 752,955</u>	<u>\$ 1,512,827</u>

City of Menlo Park

Combining Statement of Revenues, Expenses and Changes in Net Assets

Internal Service Funds

For the year ended June 30, 2007

	Workers' Compensation Insurance	General Liability Insurance	Other Post Employment Benefits	Vehicle Replacement	Total
OPERATING REVENUES:					
Charges for services	\$ 900,000	\$ 717,539	\$ 714,817	\$ -	\$ 2,332,356
Total operating revenues	900,000	717,539	714,817	-	2,332,356
OPERATING EXPENSES:					
Personnel services	82,997	31,753	-	-	114,750
General and administrative	27,120	211,735	-	293,084	531,939
Insurance	417,648	615,494	250,915	-	1,284,057
Depreciation	-	-	-	29,022	29,022
Total operating expenses	527,765	858,982	250,915	322,106	1,959,768
OPERATING INCOME (LOSS)	372,235	(141,443)	463,902	(322,106)	372,588
NONOPERATING REVENUES (EXPENSES):					
Interest and investment earnings	37,009	18,357	9,995	2,566	67,927
Gain (loss) on sale of equipment	-	-	-	18,823	18,823
Total nonoperating revenues (expenses)	37,008	18,357	9,995	21,389	86,750
INCOME (LOSS) BEFORE TRANSFERS	409,243	(123,086)	473,897	(300,717)	459,338
TRANSFERS:					
Transfers in	2,600,098	1,804,842	-	407,835	4,812,775
Transfers out	-	(1,540,000)	-	-	(1,540,000)
Contributions	-	-	-	645,837	645,837
Total transfers	2,600,098	264,842	-	1,053,672	3,918,612
NET INCOME (LOSS)	3,009,341	141,756	473,897	752,955	4,377,950
NET ASSETS:					
Beginning of the year, as restated	(2,600,282)	(264,840)	-	-	(2,865,122)
End of the year	\$ 409,059	\$ (123,084)	\$ 473,897	\$ 752,955	\$ 1,512,827

City of Menlo Park
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2007

	Workers' Compensation Insurance	General Liability Insurance	Other Post Employment Benefits	Vehicle Replacement	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers, including cash deposits	\$ 900,000	\$ 700,000	\$ 661,957	\$ -	\$ 2,261,957
Cash paid to suppliers	(753,561)	(596,091)	(211,682)	(296,116)	(1,857,450)
Cash paid to employees	(71,684)	(28,026)	-	-	(99,710)
Cash receipts (payments) other	(3,806)	1,385	-	-	(2,421)
Net cash provided (used) by operating activities	70,949	77,268	450,275	(296,116)	302,376
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers from other funds	546,490	770,000	-	272,000	1,588,490
Transfers to other funds	-	(546,490)	-	-	(546,490)
Net cash provided (used) by noncapital financing activities	546,490	223,510	-	272,000	1,042,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from disposal of equipment	-	-	-	15,083	15,083
Net cash provided (used) by capital and related financing activities	-	-	-	15,083	15,083
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment earnings received (paid)	12,546	13,043	5,002	1,011	31,602
Net cash provided (used) by investing activities	12,546	13,043	5,002	1,011	31,602
Net increase (decrease) in cash and cash equivalents	629,985	313,821	455,277	(8,022)	1,391,061
Cash and cash equivalents at beginning of year	605,761	1,585,865	-	149,866	2,341,492
Cash and cash equivalents at end of year	<u>\$ 1,235,746</u>	<u>\$ 1,899,686</u>	<u>\$ 455,277</u>	<u>\$ 141,844</u>	<u>\$ 3,732,553</u>

City of Menlo Park
Combining Statement of Cash Flows, Continued
Internal Service Funds
For the year ended June 30, 2007

	<u>Workers'</u> <u>Compensation</u> <u>Insurance</u>	<u>General</u> <u>Liability</u> <u>Insurance</u>	<u>Other Post</u> <u>Employment</u> <u>Benefits</u>	<u>Employee</u> <u>Benefits</u>	<u>Total</u>
RECONCILIATION OF OPERATING					
INCOME (LOSS) TO NET CASH PROVIDED					
(USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ 372,235	\$ (141,443)	\$ 463,902	\$ (322,106)	\$ 372,588
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Accounts receivable	-	(17,539)	(17,222)	-	(34,761)
Deposits	-	30,000	-	-	30,000
Accounts payable	(22,160)	98,661	-	(3,032)	73,469
Payroll liabilities	(67)	9	3,595	-	3,537
Insurance claim payable	(284,430)	104,998	-	-	(179,432)
Compensated absence payable	5,371	2,582	-	-	7,953
Total adjustments	<u>(301,286)</u>	<u>218,711</u>	<u>(13,627)</u>	<u>(3,032)</u>	<u>(99,234)</u>
Net cash provided (used) by operating activities	<u>\$ 70,949</u>	<u>\$ 77,268</u>	<u>\$ 450,275</u>	<u>\$ (325,138)</u>	<u>\$ 273,354</u>

City of Menlo Park
Combining Statement of Net Assets
Agency Funds
June 30, 2007

	Refundable Deposits	Cash Bonds Payable	Payroll Revolving	Total Agency Funds
ASSETS				
Cash and investments	\$ 271,488	\$ 13,271	\$ 105,888	\$ 390,647
Total assets	<u>271,488</u>	<u>13,271</u>	<u>105,888</u>	<u>390,647</u>
LIABILITIES				
Accounts payable	-	-	105,888	105,888
Deposits	271,488	13,271	-	284,759
Total liabilities	<u>\$ 271,488</u>	<u>\$ 13,271</u>	<u>\$ 105,888</u>	<u>\$ 390,647</u>

City of Menlo Park
Combining Statement of Changes in Net Assets
Agency Funds
For the year ended June 30, 2007

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
<u>Refundable Deposits</u>				
Assets:				
Cash and investments	\$ 68,956	\$ 232,082	\$ (29,550)	\$ 271,488
Liabilities:				
Accounts payable	\$ -	\$ (11,000)	\$ 11,000	\$ -
Deposits	68,956	(29,550)	232,082	271,488
Total liabilities	\$ 68,956	\$ (40,550)	\$ 243,082	\$ 271,488
 <u>Cash Bonds Payable</u>				
Assets:				
Cash and investments	\$ 13,271	\$ -	\$ -	\$ 13,271
Liabilities:				
Deposits	\$ 13,271	\$ -	\$ -	\$ 13,271
 <u>Payroll Revolving</u>				
Assets:				
Cash and investments	\$ 134,841	\$ 2,391,319	\$ (2,420,272)	\$ 105,888
Liabilities:				
Accounts payable	\$ 134,841	\$ (14,255,089)	\$ 14,226,136	\$ 105,888
 <u>Total Agency Funds</u>				
Assets:				
Cash and investments	\$ 217,068	\$ 2,623,401	\$ (2,449,822)	\$ 390,647
Liabilities:				
Accounts payable	\$ 134,841	\$ (14,266,089)	\$ 14,237,136	\$ 105,888
Deposits	82,227	(29,550)	232,082	284,759
Total liabilities	\$ 217,068	\$ (14,295,639)	\$ 14,469,218	\$ 390,647

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Statistical Section

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

CONTENTS

Financial Trends 146

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

Revenue Capacity 156

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

Debt Capacity 165

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

Demographic and Economic Information 171

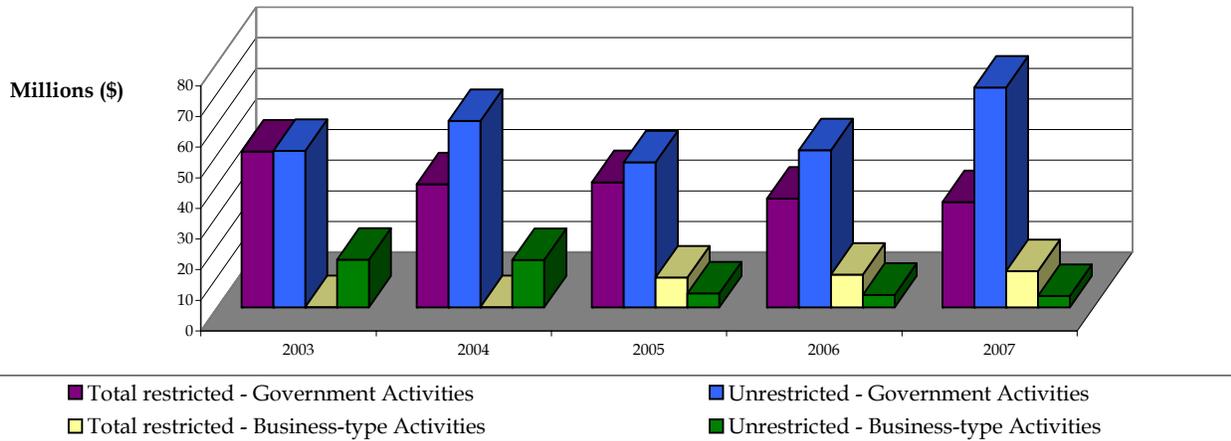
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City of Menlo Park's financial activities take place.

Operating Indicators 176

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

City of Menlo Park
Net Assets by Component
June 30, 2007
Last Five Fiscal Years

	FISCAL YEAR				
	2003	2004	2005	2006	2007
Government activities					
Investment in capital assets, net of related debt	\$ 264,641,246	\$ 271,543,602	\$ 276,025,463	\$ 266,250,790	\$ 260,060,574
Restricted for:					
Capital projects	45,576,230	36,959,941	37,452,612	16,297,615	17,102,064
Debt service	1,008,151	1,142,055	1,287,410	8,366,348	10,581,505
Community Development				6,187,396	5,866,768
Special projects	4,313,637	2,094,806	2,094,806	4,647,861	809,974
Total restricted - Government Activities	50,898,018	40,196,802	40,834,828	35,499,220	34,360,311
Unrestricted - Government Activities	51,014,831	60,788,071	47,350,857	51,292,783	71,773,633
Total government activities	\$ 366,554,095	\$ 372,528,475	\$ 364,211,148	\$ 353,042,793	\$ 366,194,518
Business-type activities					
Investment in capital assets, net of related debt	\$ 5,031,535	\$ 5,149,972	\$ 7,119,922	\$ 7,440,931	\$ 7,391,343
Restricted for:					
Capital projects	31,887	50,413	9,743,217	10,653,717	11,851,559
Debt service					
Special projects		23,647			
Total restricted - Business-type Activities	31,887	74,060	9,743,217	10,653,717	11,851,559
Unrestricted - Business-type Activities	15,530,760	15,483,043	4,541,177	4,067,282	3,710,223
Total business-type activities	\$ 20,594,182	\$ 20,707,075	\$ 21,404,316	\$ 22,161,930	\$ 22,953,125
Primary government					
Investment in capital assets, net of related debt	\$ 269,672,781	\$ 276,693,574	\$ 283,145,385	\$ 273,691,721	\$ 267,451,917
Unrestricted net assets	66,545,591	76,271,114	51,892,034	55,360,065	75,483,856
Investment in capital assets & unrestricted net assets	336,218,372	352,964,688	335,037,419	329,051,786	342,935,773
Restricted net assets	50,929,905	40,270,862	50,578,045	46,152,937	46,211,870
Total primary government net assets	\$ 387,148,277	\$ 393,235,550	\$ 385,615,464	\$ 375,204,723	\$ 389,147,643



Source: City's Comprehensive Annual Financial Reports

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

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City of Menlo Park
Changes in Net Assets
June 30, 2007
Last Five Fiscal Years

	FISCAL YEAR				
	2003	2004	2005	2006	2007
Expenses					
Governmental Activities:					
General Government	\$ 6,701,141	\$ 8,375,348	\$ 7,322,997	\$ 7,761,696	\$ 6,857,574
Public Safety	8,685,740	8,010,385	9,196,468	9,092,996	11,191,323
Public Works	11,231,842	9,742,184	11,040,198	10,275,029	9,723,201
Culture and recreation	7,761,262	7,971,110	7,547,337	7,781,549	8,647,013
Community development	7,098,764	7,780,767	8,721,659	23,179,192 ⁽¹⁾	6,916,391
Interest on long-term debt	4,821,928	4,679,811	4,602,336	4,529,332	5,070,401
Total governmental activities	46,300,677	46,559,605	48,430,995	62,619,794	48,405,903
Business-type Activities					
Water	2,831,383	3,555,582	3,187,578	3,081,378	3,601,919
Total business-type activities	2,831,383	3,555,582	3,187,578	3,081,378	3,601,919
Total primary government expenses	\$ 49,132,060	\$ 50,115,187	\$ 51,618,573	\$ 65,701,172	\$ 52,007,822
Program Revenues					
Governmental Activities:					
Charges for services					
General Government	\$ 4,398,884	\$ 5,707,675	\$ 4,486,715	\$ 4,649,505	\$ 3,676,393
Public Safety	1,225,796	526,542	1,240,807	1,086,348	1,241,847
Public Works	1,908,545	2,914,762	3,391,517	3,609,732	6,541,634
Culture and recreation	3,041,867	2,909,707	2,835,631	2,949,807	3,291,723
Community development	2,014,063	2,868,863	2,377,251	3,897,805	6,170,024
Operating Grants and Contributions	1,318,007	2,418,574	1,712,952	1,681,505	3,251,025
Capital Grants and Contributions	1,341,927	80,579	686,540	268,468	520,156
Total governmental activities program revenues	15,249,089	17,426,702	16,731,413	18,143,170	24,692,802
Business-type Activities					
Charges for services	3,421,677	3,754,693	3,305,954	3,567,919	3,881,115
Capital Grants and Contributions			462,525		
Total business-type activities program revenues	3,421,677	3,754,693	3,768,479	3,567,919	3,881,115
Total primary government program revenues	\$ 18,670,766	\$ 21,181,395	\$ 20,499,892	\$ 21,711,089	\$ 28,573,917
Net Revenue (Expenses):					
Governmental Activities	\$ (31,051,588)	\$ (29,132,903)	\$ (31,699,582)	\$ (44,476,624)	\$ (23,713,101)
Business-type Activities	590,294	199,111	580,901	486,541	279,196
Total Net Revenue (Expenses)	\$ (30,461,294)	\$ (28,933,792)	\$ (31,118,681)	\$ (43,990,083)	\$ (23,433,905)

Source: City's Comprehensive Annual Financial Reports

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

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

⁽¹⁾ Includes fiscal year 2005-06 transfer of Hamilton Avenue housing and park site from the Community Development to developer.

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

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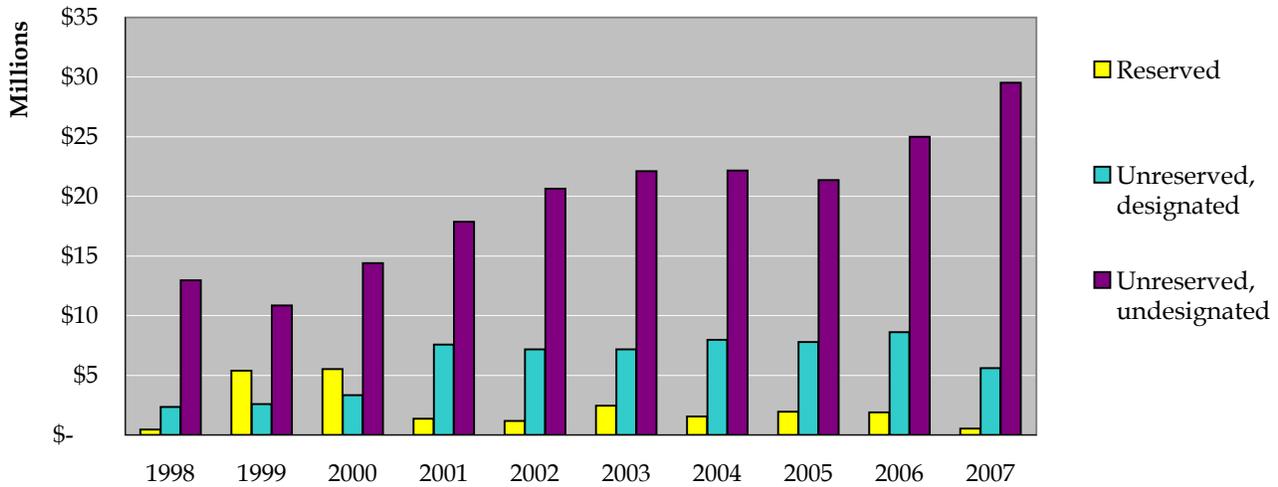
FISCAL YEAR

	2003	2004	2005	2006	2007
General Revenues and Other Changes in Net Assets					
Governmental Activities:					
Taxes					
Property taxes	\$ 15,876,102	\$ 16,878,085	\$ 17,755,873	\$ 19,621,262 ⁽²⁾	\$ 20,634,276
Sales taxes	8,005,666	6,580,473	6,057,460	6,503,635	6,799,561
Motor vehicle license fees	1,850,187	1,394,880	2,008,458	741,467	183,559
Other taxes	2,157,463	1,565,592	2,352,535	2,518,404	3,460,266
Total taxes	27,889,418	26,419,030	28,174,326	29,384,768	31,077,662
Investment earnings	2,775,669	1,464,350	2,239,123	3,482,982	5,175,930
Loss of sale of asset	(1,698,248)				
Miscellaneous	278,561	107,531	77,106	212,819	372,534
Transfers	216,700	216,700	216,700	227,700	238,700
Total Governmental Activities	29,462,100	28,207,611	30,707,255	33,308,269	36,864,826
Business-type Activities					
Investment earnings	454,611	130,482	333,040	498,773	750,700
Transfers	(216,700)	(216,700)	(216,700)	(227,700)	(238,700)
Total Business-type Activities	237,911	(86,218)	116,340	271,073	512,000
Total primary government, General revenues & other changes in net assets	\$ 29,700,011	\$ 28,121,393	\$ 30,823,595	\$ 33,579,342	\$ 37,376,826
Changes in Net Assets					
Governmental Activities	\$ (1,589,488)	\$ (925,292)	\$ (992,327)	\$ (11,168,355)	\$ 13,151,725
Business-type Activities	828,205	112,893	697,241	757,614	791,196
Changes in Net Assets	\$ (761,283)	\$ (812,399)	\$ (295,086)	\$ (10,410,741)	\$ 13,942,921

City of Menlo Park
Fund Balances-Governmental Funds
June 30, 2007
Last Ten Fiscal Years

	FISCAL YEAR			
	1998	1999	2000	2001
General Fund				
Reserved	\$ 457,306	\$ 5,388,836	\$ 5,521,954	\$ 1,373,028
Unreserved, designated	2,349,207	2,586,763	3,343,547	7,587,079
Unreserved, undesignated	12,965,655	10,846,376	14,405,817	17,883,417
Total General Fund	15,772,168	18,821,975	23,271,318	26,843,524
All Other Governmental Funds				
Reserved	10,360,092	9,072,057	6,541,459	8,703,793
Unreserved Special Revenue Funds	15,767,356	19,774,516	26,410,670	32,800,581
Unreserved Capital Project Funds	8,551,643	7,775,605	5,383,077	42,549,679
Total All Other Governmental Funds	34,679,091	36,622,178	38,335,207	84,054,053
Total Fund Balances	\$ 50,451,259	\$ 55,444,153	\$ 61,606,524	\$ 110,897,577

General Fund Balance



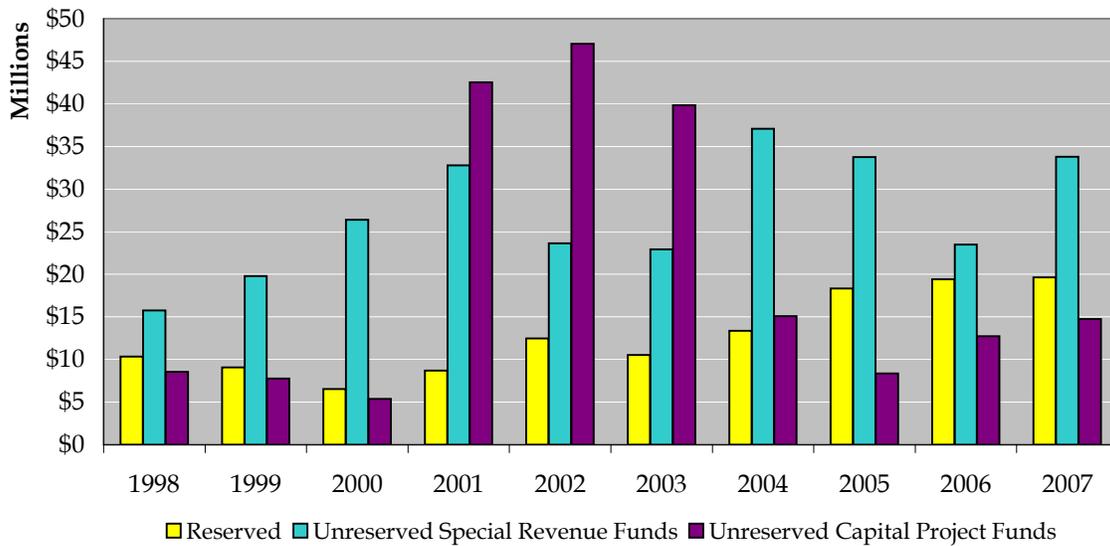
Source: City of Menlo Park

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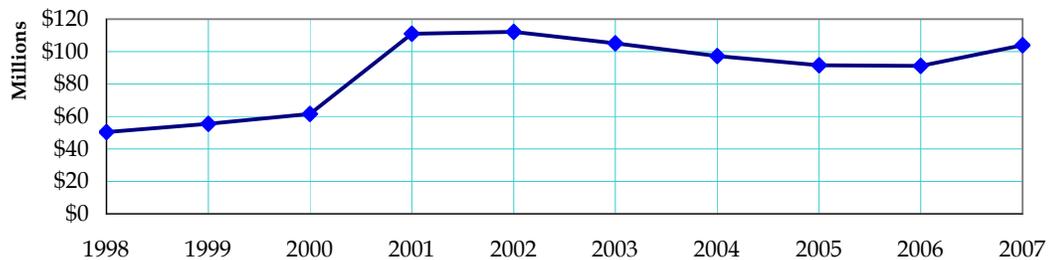
FISCAL YEAR

	2002	2003	2004	2005	2006	2007
\$	1,165,317	\$ 2,449,808	\$ 1,543,774	\$ 1,959,224	\$ 1,887,470	\$ 536,867
	7,189,192	7,187,292	7,979,994	7,792,632	8,611,957	5,600,000
	20,652,998	22,102,635	22,173,565	21,357,266	25,001,249	29,521,304
	29,007,507	31,739,735	31,697,333	31,109,122	35,500,676	35,658,171
	12,457,917	10,522,945	13,356,811	18,326,048	19,405,226	19,655,201
	23,635,084	22,943,944	37,076,386	33,774,816	23,502,748	33,807,182
	47,035,244	39,832,040	15,069,164	8,382,872	12,739,997	14,758,187
	83,128,246	73,298,929	65,502,361	60,483,736	55,647,972	68,220,570
\$	112,135,752	\$ 105,038,664	\$ 97,199,694	\$ 91,592,858	\$ 91,148,647	\$ 103,878,741

All Other Governmental Fund Balances



Total All Fund Balances



City of Menlo Park
Changes in Fund Balances-Governmental Funds
June 30, 2007
Last Ten Fiscal Years

	FISCAL YEAR					
	1998	1999	2000	2001	2002	2003
Revenues:						
Taxes:						
Secured property taxes	\$ 8,256,758	\$ 8,831,772	\$ 10,691,113	\$ 11,573,842	\$ 12,626,049	\$ 13,695,509
Unsecured property taxes	1,095,960	1,680,720	1,273,399	1,355,236	1,568,876	1,501,581
Other property taxes ⁽¹⁾	685,694	639,503	1,128,944	660,156	1,612,307	679,012
Sales taxes	8,068,732	8,773,462	9,381,470	12,358,973	8,648,641	6,857,224
Other Taxes ⁽²⁾	2,707,196	2,800,975	3,102,553	3,338,369	2,978,377	3,305,904
Special assessments	1,092,449	1,466,474	1,493,406	1,379,277	1,399,697	2,247,423
Licenses and permits	2,783,860	2,800,754	2,824,434	3,227,919	2,585,384	2,952,762
Fines and forfeitures	67,326	195,182	213,482	279,172	207,906	802,636
Use of money and property	3,148,117	2,965,786	3,470,883	6,374,995	4,857,451	3,257,644
Intergovernmental ⁽¹⁾	3,989,621	4,712,777	4,626,773	4,743,028	6,084,897	5,130,839
Charges for services	4,944,680	4,909,370	4,528,800	5,465,783	5,015,592	5,589,680
Other Revenues	91,022	150,143	174,215	84,882	97,678	172,523
Total Revenues	36,931,415	39,926,918	42,909,472	50,841,632	47,682,855	46,192,737
Expenditures:						
Current:						
General Government	4,534,705	4,838,242	5,101,699	5,652,521	6,083,761	6,010,975
Public Safety	6,751,403	6,829,378	7,264,817	7,980,832	8,044,869	8,462,537
Public Works	4,710,301	3,786,368	3,862,141	4,099,263	3,993,619	6,136,086
Culture and Recreation	5,728,235	6,562,009	6,740,339	6,975,161	7,995,043	7,357,338
Rehabilitation Loans	338,788	448,045	248,660	350,030	595,290	434,120
Community Development	1,579,955	2,481,451	2,416,633	2,854,841	3,140,511	2,682,788
Urban Development and Housing	2,084,780	2,424,377	2,815,875	4,687,426	3,757,889	3,945,154
Capital outlay	8,364,376	6,411,406	5,850,623	10,021,368	21,510,780	14,105,147
Debt service:						
Principal ⁽³⁾	805,000	835,000	875,000	925,000	970,000	905,000
Interest and Fiscal Charges ⁽⁴⁾	1,890,116	1,850,873	1,809,243	3,149,759	4,086,960	4,538,471
Total Expenditures	\$ 36,787,659	\$ 36,467,149	\$ 36,985,030	\$ 46,696,201	\$ 60,178,722	\$ 54,577,616
Revenues over (under) Expenditures	\$ 143,756	\$ 3,459,769	\$ 5,924,442	\$ 4,145,431	\$ (12,495,867)	\$ (8,384,879)
Other Financing Sources (Uses):						
Transfer in	12,920,547	10,050,240	9,701,618	20,340,955	27,641,868	1,374,574
Transfer out	(12,895,547)	(9,845,677)	(9,504,618)	(20,143,955)	(27,444,868)	(1,157,874)
Proceeds from debt issuance ⁽⁵⁾				44,000,000	13,514,033	
Proceeds from sale of fixed/capital assets	141,021	1,521,940	2,908	322,701	23,009	1,071,091
Issuance of Debt						
Payment to escrow agent						
Discount on issuance of debt						
Total other Financing Sources (Uses)	166,021	1,726,503	199,908	44,519,701	13,734,042	1,287,791
Net Change in Fund Balances	\$ 309,777	\$ 5,186,272	\$ 6,124,350	\$ 48,665,132	\$ 1,238,175	\$ (7,097,088)
Debt service as percentage of noncapital expenditures	9.5%	8.9%	8.6%	11.1%	13.1%	13.4%

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FISCAL YEAR

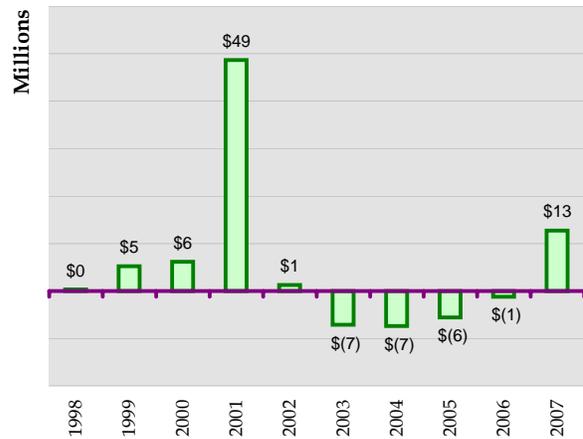
	2004	2005	2006	2007
\$	14,758,475	\$ 15,771,442	\$ 17,573,221	\$ 18,597,314
	1,579,850	1,378,158	1,330,885	1,337,681
	540,255	606,274	717,157	699,280
	6,048,940	6,057,460	6,503,635	6,799,561
	3,340,693	3,521,874	3,761,949	4,664,247
	2,549,037	2,362,435	2,433,635	2,537,408
	2,891,023	2,917,357	3,432,745	3,657,542
	756,678	832,897	792,005	897,568
	1,458,436	2,656,739	3,482,982	5,542,009
	3,682,937	4,176,319	2,691,439	2,750,760
	7,492,661	6,873,012	8,047,145	13,884,432
	107,530	77,106	212,817	372,534
	<u>45,206,515</u>	<u>47,231,073</u>	<u>50,979,615</u>	<u>61,740,336</u>

	7,380,500	6,154,281	6,652,130	5,938,008
	7,826,595	9,078,447	8,929,677	11,212,320
	7,213,412	7,218,664	7,750,882	7,387,498
	7,597,970	7,195,048	7,303,573	7,813,935
	582,200	190,050	400,100	
	2,859,800	3,780,494	4,088,283	3,233,905
	4,304,319	4,722,358	4,544,265	3,439,609
	8,928,921	8,346,574	10,260,993	2,989,734
	1,625,000	1,770,000	1,855,000	475,000
	4,691,522	4,614,326	6,224,963	3,768,661
\$	<u>53,010,239</u>	<u>53,070,242</u>	<u>58,009,866</u>	<u>46,258,670</u>
\$	<u>(7,803,724)</u>	<u>(5,839,169)</u>	<u>(7,030,251)</u>	<u>15,481,666</u>

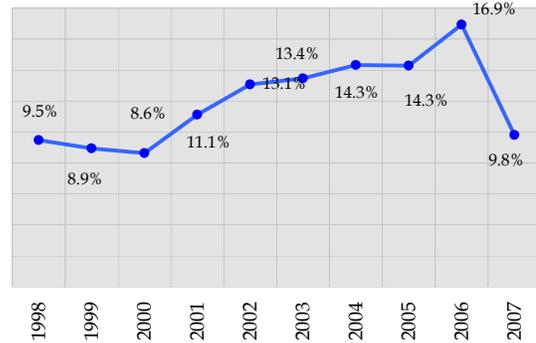
	3,443,703	2,831,593	16,376,591	7,551,944
	(3,227,003)	(2,614,893)	(16,148,891)	(10,586,019)
	196,131	15,633	3,985,446	282,503
			72,430,000	
			(70,525,172)	
			(336,800)	
	<u>412,831</u>	<u>232,333</u>	<u>5,781,174</u>	<u>(2,751,572)</u>
\$	<u>(7,390,893)</u>	<u>(5,606,836)</u>	<u>(1,249,077)</u>	<u>12,730,094</u>

14.3% **14.3%** **16.9%** **9.8%**

Net Change in Fund Balances



**Debt Service
as a Percentage of Non-Capital Expenditures**



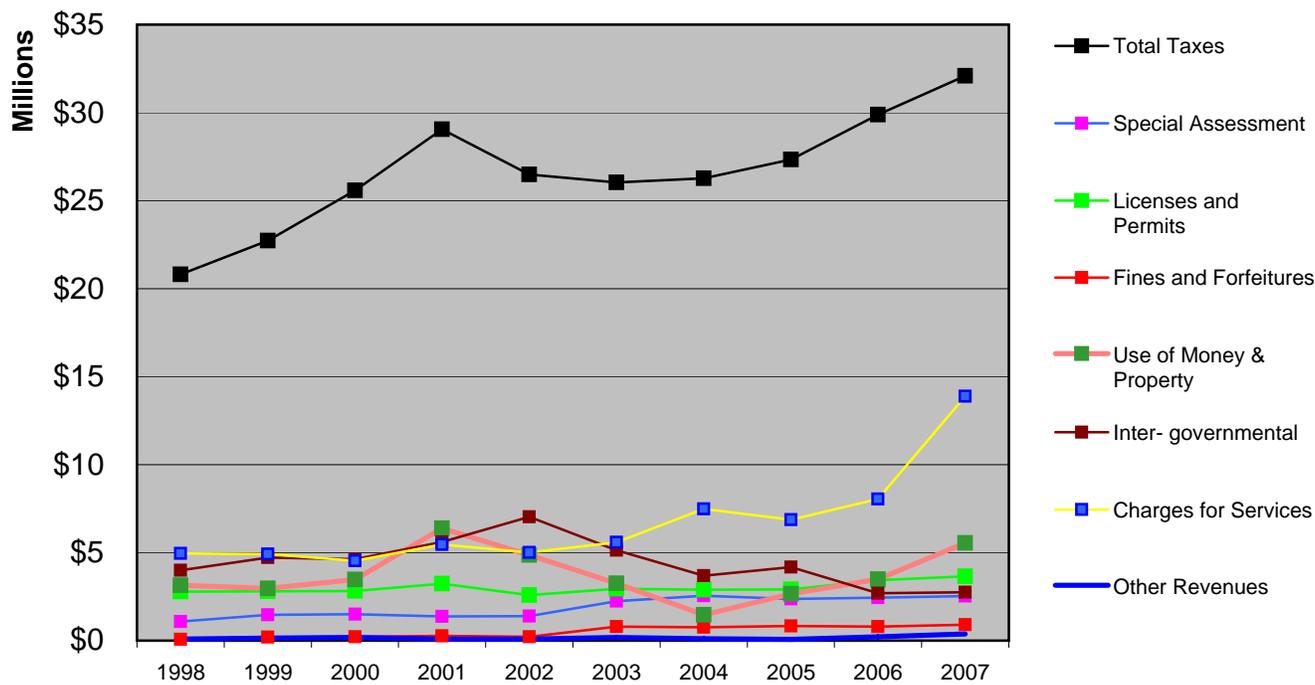
Notes:

- (1) Beginning in fiscal year 2005, over 90% of Vehicle License Fee revenue allocated to cities from the State was exchanged for property tax (the "VLF" swap). The reclassification from Inter-governmental to Secured Property Tax revenues was made in fiscal year 2006.
- (2) Other Taxes include Franchise & Occupancy, Utility Users, Highway Users and County Transportation taxes.
- (3) No principal payment due on the 2006 Las Pulgas Tax Allocation Refunding Bonds until January 1, 2008.
- (4) Interest and Fiscal Charges include cost of issuance and bond insurance.
- (5) Fund balances as of June 30, 2001 and June 30, 2002 include unexpended bond proceeds from Series 2000 Las Pulgas Tax Allocation Bonds and Series 2002 Measure T General Obligation Bonds, respectively.

City of Menlo Park
General Government Revenues by Source⁽¹⁾
June 30, 2007
Last Ten Fiscal Years

Fiscal year	Total Taxes	Special Assessment	Licenses and Permits	Fines and Forfeitures	Use of Money & Property	Inter-governmental
1998	\$ 20,814,340	\$ 1,092,449	\$ 2,783,860	\$ 67,326	\$ 3,148,117	\$ 3,989,621
1999	22,726,432	1,466,474	2,800,754	195,182	2,965,786	4,712,777
2000	25,577,479	1,493,406	2,824,434	213,482	3,470,883	4,626,773
2001	29,060,083	1,379,277	3,227,919	279,172	6,374,995	5,595,442
2002	26,484,663	1,399,697	2,585,384	207,906	4,857,451	7,034,484
2003	26,039,230	2,247,423	2,952,762	802,636	3,257,644	5,130,839
2004	26,268,213	2,549,037	2,891,023	756,678	1,458,436	3,682,937
2005	27,335,208	2,362,435	2,917,357	832,897	2,656,739	4,176,319
2006	29,886,847 ⁽²⁾	2,433,635	3,432,745	792,005	3,482,982	2,691,439
2007	32,098,083	2,537,408	3,657,542	897,568	5,542,009	2,750,760

**Tax Revenues by Source - Governmental Funds,
As of Fiscal Year Ended June 30th**



Source: City of Menlo Park

(Continued)

Charges for Services	Other Revenues	Total
\$ 4,944,680	\$ 91,022	\$ 36,931,415
4,909,370	150,143	39,926,918
4,528,800	174,215	42,909,472
5,465,783	84,882	51,467,553
5,015,592	97,678	47,682,855
5,589,680	172,523	46,192,737
7,492,661	107,530	45,206,515
6,873,012	77,106	47,231,073
8,047,145	212,817	50,979,615 ⁽²⁾
<u>13,884,432</u>	<u>372,534</u>	<u>61,740,336</u>

Notes:

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

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

City of Menlo Park
General Government Taxes Detail
June 30, 2007
Last Ten Fiscal Years

Fiscal Year	Property Taxes					Total Property Taxes
	Secured	Unsecured	Transfer Tax	Other		
1998	\$ 8,256,758	\$ 1,095,960	\$ 293,461	\$ 392,233		\$ 10,038,412
1999	8,831,772	1,680,720	382,570	256,933		11,151,995
2000	10,691,113	1,273,399	393,167	735,777		13,093,456
2001	11,573,842	1,355,236	347,243	312,913		13,589,234
2002	12,626,049	1,568,876	358,241	1,254,066 ⁽¹⁾		15,807,232 ⁽¹⁾
2003	13,695,509	1,501,581	330,542	348,470		15,876,102
2004	14,758,475	1,579,850	463,562	80,148		16,882,035
2005	15,771,442	1,378,158	541,765	64,509		17,755,874
2006	17,573,221	1,330,885	579,473	137,684		19,621,263
2007	18,597,314	1,337,681	588,158	111,122		20,634,275

Notes:

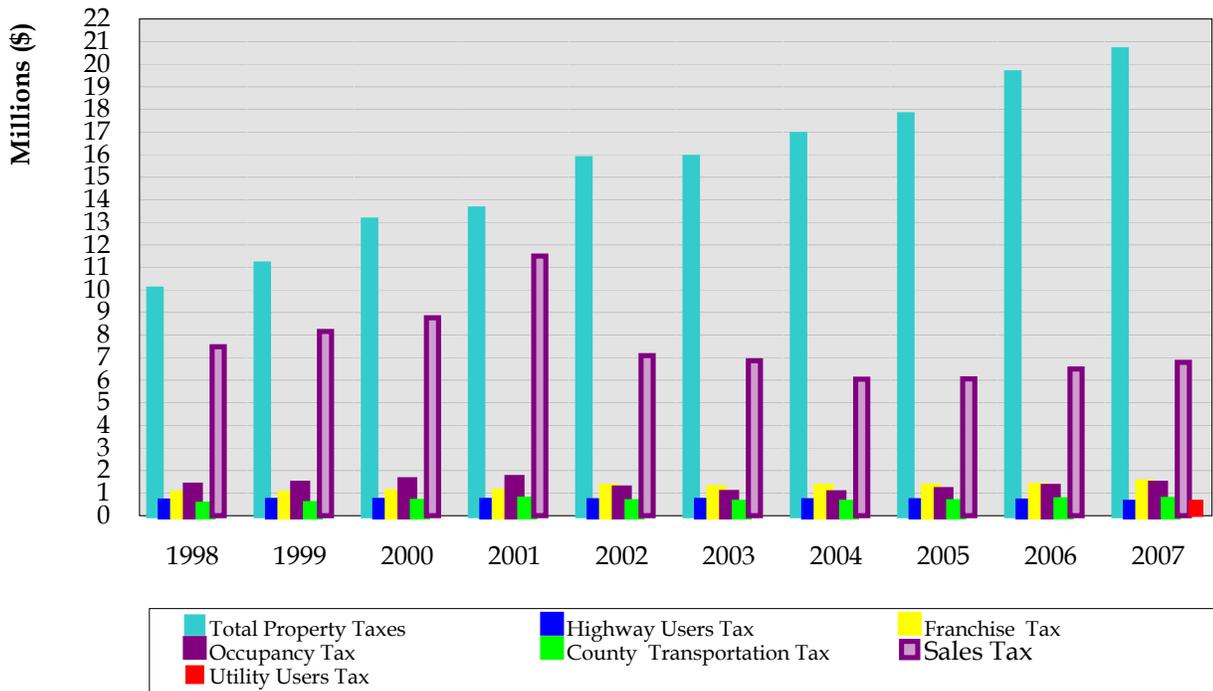
⁽¹⁾ VLF "Swap" by State required reclassification of previous intergovernmental revenue to other property taxes in fiscal year 2006.

⁽²⁾ City started implementing Utility Users Tax in April 2007

(Continued)

Sales Tax	Highway Users Tax	County Transportation Tax	Franchise Tax	Occupancy Tax	Utility Users Tax	Total Taxes
\$ 7,480,867	\$ 587,865	\$ 456,054	\$ 948,170	\$ 1,302,972	\$ -	\$ 20,814,340
8,153,465	619,997	481,006	941,285	1,378,685	-	22,726,432
8,762,810	618,660	571,522	996,028	1,535,003	-	25,577,479
11,506,559	625,921	672,041	1,033,722	1,632,606	-	29,060,083
7,087,519	611,535	566,072	1,246,837	1,165,467	-	26,484,663
6,857,224	613,959	534,483	1,184,284	973,178	-	26,039,230
6,048,940	606,797	531,532	1,243,569	958,795	-	26,271,668
6,057,460	606,867	562,472	1,250,605	1,101,930	-	27,335,208
6,503,635	595,607	647,938	1,280,707	1,237,697	-	29,886,847
6,799,561	534,699	669,280	1,442,686	1,375,914	641,668 ⁽²⁾	32,098,083

General Governmental Taxes



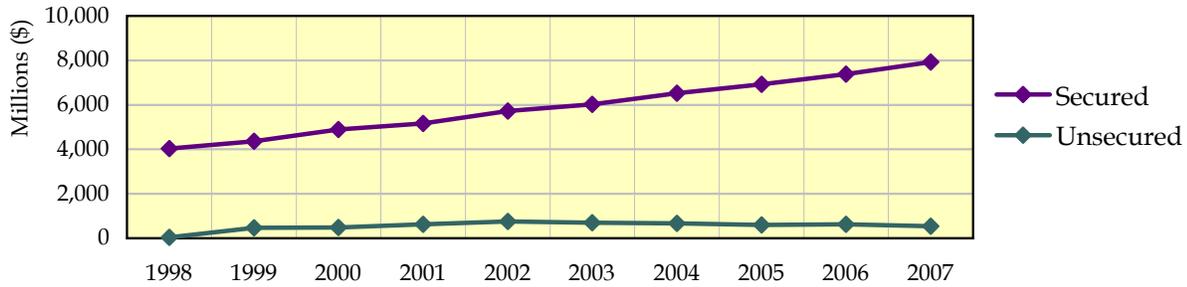
Source: City of Menlo Park and San Mateo County

City of Menlo Park
Assessed Valuation, Tax Rate and Tax Levies
June 30, 2007
Last Ten Fiscal Years

City's Assessed Valuation

Fiscal Year Ended June 30	Secured	Unsecured	Less Exemptions	Taxable Assessed Value	City Direct Tax Rate ⁽¹⁾
1998	\$ 4,040,701,105	\$ 37,441,724	\$ (124,921,477)	\$ 3,953,221,352	0.254%
1999	4,370,233,773	473,386,503	(118,386,685)	4,725,233,591	0.236%
2000	4,892,868,466	480,357,512	(123,900,248)	5,249,325,730	0.249%
2001	5,162,506,368	626,394,269	(156,522,221)	5,632,378,416	0.241%
2002	5,720,685,023	756,199,198	(130,297,047)	6,346,587,174	0.249%
2003	6,020,761,962	706,399,938	(152,591,386)	6,574,570,514	0.241%
2004	6,521,857,488	669,542,451	(163,717,503)	7,027,682,436	0.240%
2005	6,920,718,474	605,826,607	(168,363,050)	7,358,182,031	0.241%
2006	7,377,433,642	628,446,311	(185,070,530)	7,820,809,423	0.251%
2007	7,919,201,296	544,875,879	(189,778,409)	8,274,298,766	0.249%

City's Assessed Valuation



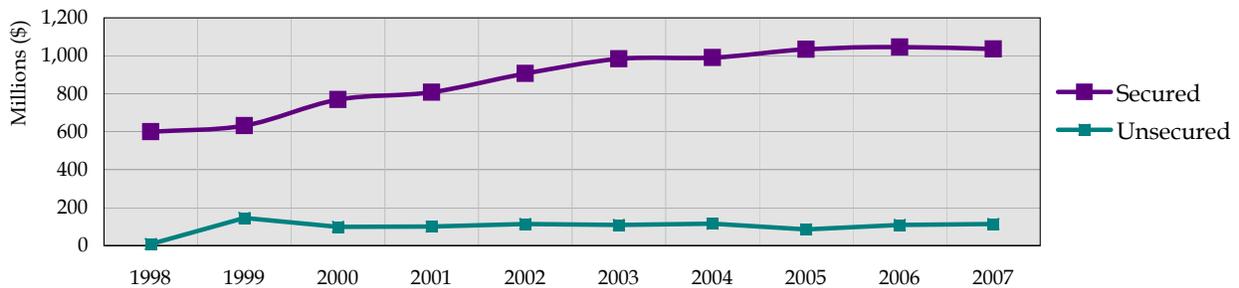
Source: County of San Mateo

(Continued)

Redevelopment Agency-Assessed Valuation

	Secured	Unsecured	Less Exemptions	Taxable Assessed Value	RDA Direct Tax Rate ⁽²⁾
\$	600,554,299	\$ 9,084,940	\$ (17,766,046)	\$ 591,873,193	1.696%
	631,644,028	146,131,164	(17,117,363)	760,657,829	1.466%
	769,089,955	99,212,126	(18,018,728)	850,283,353	1.540%
	807,980,015	100,842,817	(16,993,593)	891,829,239	1.524%
	906,620,804	114,689,237	(23,664,340)	997,645,701	1.584%
	983,421,696	108,187,998	(34,601,756)	1,057,007,938	1.502%
	990,597,114	115,986,467	(36,858,240)	1,069,725,341	1.578%
	1,033,304,174	84,847,220	(37,739,518)	1,080,411,876	1.643%
	1,046,349,313	108,767,684	(42,711,030)	1,112,405,967	1.764%
	1,035,909,580	114,289,881	(43,498,754)	1,106,700,707	1.864%

Redevelopment Agency-Assessed Valuation



Notes:

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

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

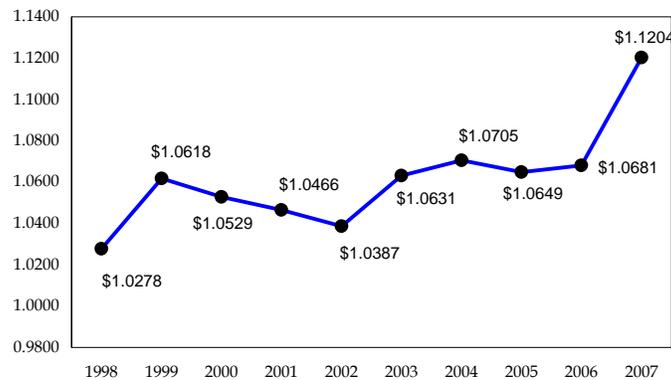
(2) represent total property tax recognized divided by RDA taxable assessed value

**City of Menlo Park
Direct and Overlapping Property Tax Rates
June 30, 2007
Last Ten Fiscal Years**

(Per \$1,000 Assessed Valuation)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
City Direct Rates:										
City basic rate	\$0.0025	\$0.0024	\$0.0025	\$0.0024	\$0.0025	\$0.0024	\$0.0024	\$0.0024	\$0.0025	\$0.0025
Redevelopment Agency	0.0170	0.0147	0.0154	0.0152	0.0158	0.0150	0.0158	0.0164	0.0176	0.0186
Total City Direct Rates:	0.0195	0.0170	0.0179	0.0177	0.0183	0.0174	0.0182	0.0188	0.0201	0.0212
Overlapping Rates:										
San Mateo County	0.9805	0.9830	0.9821	0.9823	0.9817	0.9826	0.9818	0.9812	0.9799	1.0000
Menlo Park Elementary	0.0124	0.0445	0.0346	0.0303	0.0245	0.0220	0.0232	0.0233	0.0209	0.0416
San Mateo Junior College	0.0000	0.0000	0.0000	0.0000	0.0000	0.0079	0.0065	0.0065	0.0065	0.0184
Menlo Park Debt Service	0.0090	0.0082	0.0076	0.0071	0.0063	0.0062	0.0060	0.0056	0.0052	0.0052
Menlo Park Parks & Rec Bond	0.0000	0.0000	0.0000	0.0000	0.0000	0.0140	0.0110	0.0131	0.0132	0.0132
Sequoia High School	0.0064	0.0091	0.0107	0.0092	0.0079	0.0130	0.0238	0.0164	0.0223	0.0208
Total Direct Rates	\$1.0278	\$1.0618	\$1.0529	\$1.0466	\$1.0387	\$1.0631	\$1.0705	\$1.0649	\$1.0681	\$1.1204

Total Direct Rates, 1998-2007



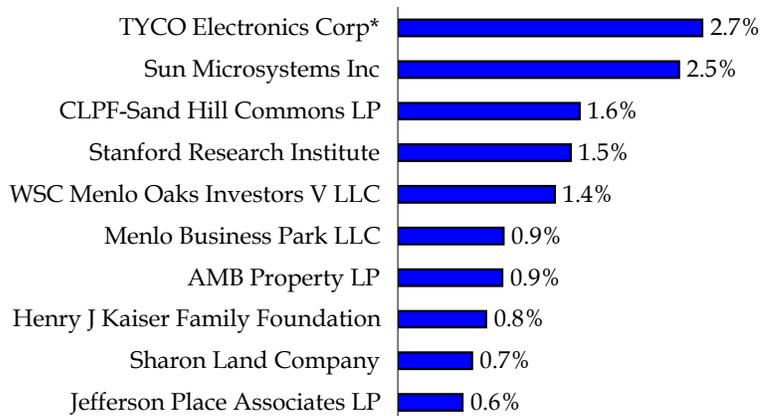
Source: Tax Rolls Code 08-004, County of San Mateo

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**City of Menlo Park
Principal Property Taxpayers
June 30, 2007
Current Year and Nine Years Prior**

Taxpayer	Rank	Year 2007	
		Taxable Assessed Value	Ratio to Total City's Assessed Valuation
TYCO Electronics Corp*	1	\$ 224,734,079	2.7%
Sun Microsystems Inc	2	207,624,828	2.5%
CLPF-Sand Hill Commons LP	3	134,130,000	1.6%
Stanford Research Institute	4	127,641,874	1.5%
WSC Menlo Oaks Investors V LLC	5	116,000,000	1.4%
Menlo Business Park LLC	6	78,099,858	0.9%
AMB Property LP	7	77,133,692	0.9%
Henry J Kaiser Family Foundation	8	65,113,222	0.8%
Sharon Land Company	9	54,793,120	0.7%
Jefferson Place Associates LP	10	47,612,733	0.6%
Total		\$ 1,132,883,406	13.7%
<i>City of Menlo Park Total Assessed Value</i>		<i>\$ 8,274,298,766</i>	

**Principal Property Taxpayers, Year 2007
Ratio to City's Assessed Valuation**

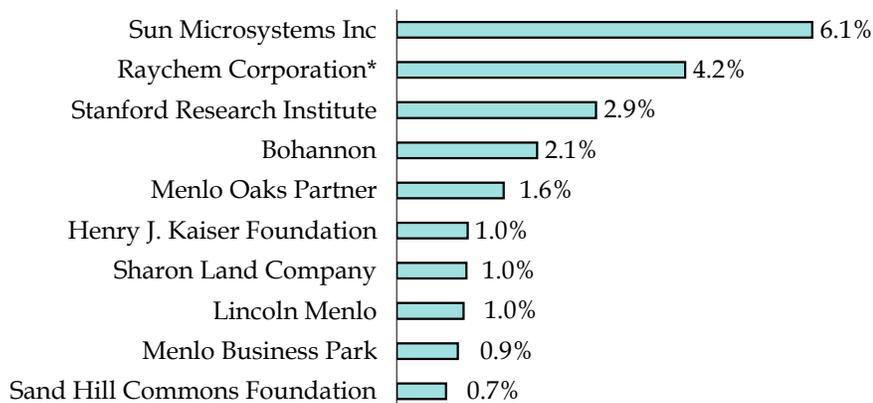


Source: San Mateo County Tax Roll

(Continued)

Taxpayer	Rank	Year 1998	
		Taxable Assessed Value	Ratio to Total City's Assessed Valuation
Sun Microsystems Inc	1	\$ 261,549,037	6.1%
Raychem Corporation*	2	181,526,566	4.2%
Stanford Research Institute	3	125,377,518	2.9%
Bohannon	4	88,374,162	2.1%
Menlo Oaks Partner	5	67,330,855	1.6%
Henry J. Kaiser Foundation	6	44,601,995	1.0%
Sharon Land Company	7	43,791,897	1.0%
Lincoln Menlo	8	42,149,939	1.0%
Menlo Business Park	9	38,503,730	0.9%
Sand Hill Commons Foundation	10	31,072,613	0.7%
Total		\$ 924,278,312	21.5%
<i>City of Menlo Park Total Assessed Value</i>		\$ 4,294,342,093	

**Principal Property Taxpayers, Year 1998
Ratio to City's Assessed Valuation**

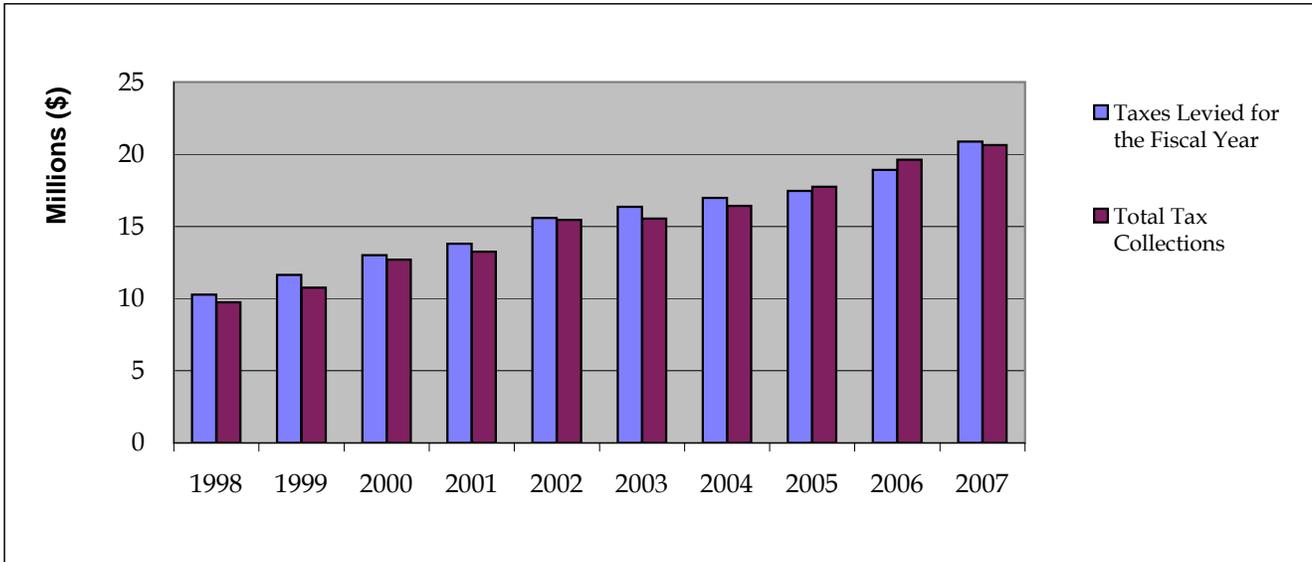


Source: San Mateo County Tax Roll

*TYCO Electric Corp was named Raychem Corp in 1998

City of Menlo Park
Property Tax Levies and Collections
June 30, 2007
Last Ten Fiscal Years

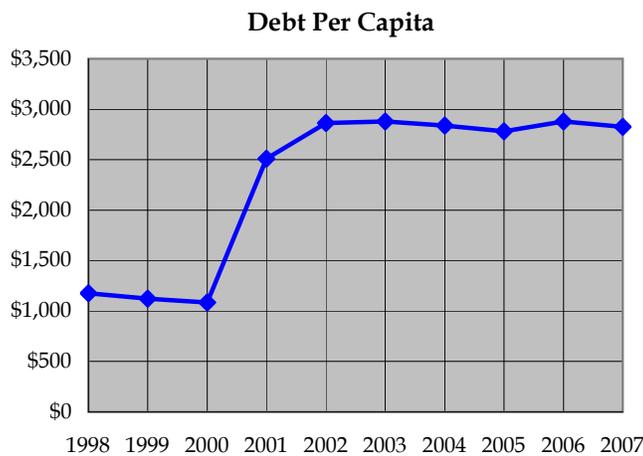
Fiscal Year	Taxes Levied for the Fiscal Year	Total Tax Collections	Percentage of Levy
1998	\$ 10,276,766	\$ 9,744,463	94.82%
1999	11,632,610	10,762,184	92.52%
2000	13,003,352	12,697,552	97.65%
2001	13,804,204	13,241,338	95.92%
2002	15,587,032	15,448,991	99.11%
2003	16,363,962	15,545,560	95.00%
2004	16,969,603	16,418,473	96.75%
2005	17,467,955	17,755,873	101.65%
2006	18,913,707	19,621,262	103.74%
2007	20,873,781	20,634,275	98.85%



Source: San Mateo County

City of Menlo Park
Ratios of Outstanding Debt by Type
June 30, 2007
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds ¹	Tax Allocation Bonds ³	Total Primary Government	Percentage of Personal Income ⁵	Outstanding Debt Per Capita ⁶
1998	\$ 4,935,000	\$ 30,955,000	\$ 35,890,000	2.66%	\$ 1,175
1999	4,780,000	30,275,000	35,055,000	2.23%	1,122
2000	4,615,000	29,565,000 ⁴	34,180,000	1.84%	1,084
2001	4,435,000 ²	72,820,000	77,255,002	4.51%	2,510
2002	17,485,000	72,045,000	89,530,000	5.48%	2,864
2003	17,275,000	71,350,000	88,625,000	5.52%	2,878
2004	16,930,000	70,070,000	87,000,000	5.00%	2,837
2005	16,500,000	68,730,000	85,230,000	4.70%	2,781
2006	16,050,000	72,430,000 ⁷	88,480,000	n/a	2,877
2007	15,575,000	72,430,000	88,005,000	n/a	2,826



Notes:

Details can be found in the Notes to the Financial Statements

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

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

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

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

⁵ County of San Mateo, per capita personal income

⁶ State of California Department of Finance, population

⁷ The 1996 & 2000 Tax Allocation Bonds were refinanced with 2006 Refunding Bonds

n/a per capita personal income information is not available

**City of Menlo Park
Direct and Overlapping Debt
June 30, 2007**

2006-2007 City Assessed Valuation	\$ 8,316,965,817
Redevelopment Incremental Valuation	1,013,740,225
Total Assessed Valuation	\$ 9,330,706,042

	Outstanding Debt 6/30/2007	Percentage Applicable ⁽¹⁾	Estimated Share of Overlapping Debt
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:			
San Mateo Community College District	\$ 662,864,994	6.527%	\$ 43,265,198
Sequoia Union High School District	198,340,000	16.086%	31,904,972
Las Lomas School District	21,794,944	34.893%	7,604,910
Menlo Park City School District	52,610,000	62.556%	32,910,712
Ravenswood School District	14,520,226	35.167%	5,106,328
Redwood City School District	58,933,952	2.089%	1,231,130
City of Menlo Park	15,575,000	100.000%	15,575,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 137,598,250
OVERLAPPING GENERAL FUND DEBT:			
San Mateo County General Fund Obligations	\$ 401,964,816	6.527%	\$ 26,236,244
San Mateo County Board of Education Certificates of Participation	13,680,000	6.527%	892,894
Midpeninsula Regional Park District Certificates of Participation	108,465,193	5.471%	5,934,131
San Mateo County Mosquito Abatement District Certificates of Participation	1,040,000	9.092%	94,557
TOTAL OVERLAPPING GENERAL FUND DEBT			\$ 33,157,826
COMBINED TOTAL DEBT			\$ 170,756,076 ⁽²⁾

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

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

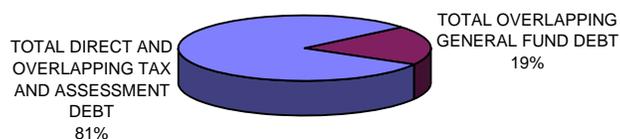
Ratios to 2006-07 Assessed Valuation:

Direct Debt (\$15,575,000)	0.19%
Total Direct and Overlapping Tax and Assessment Debt	1.65%

Ratios to Adjust Assessed Valuation:

Combined Total Debt -----	2.34%
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Combined Total Debt, Fiscal Year 2006-2007



Source: California Municipal Statistics, Inc.

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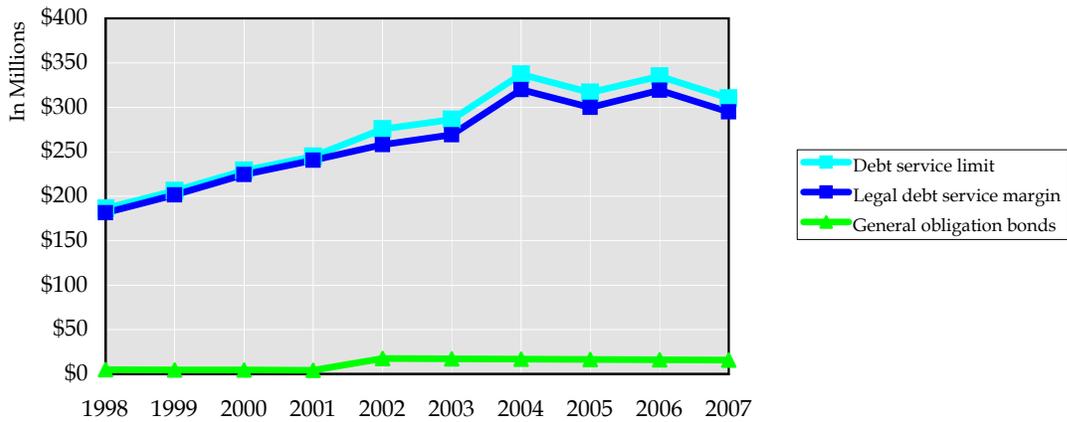
City of Menlo Park
Legal Debt Service Margin Information
June 30, 2007
Last Ten Fiscal Years

	Fiscal year			
	1998	1999	2000	2001
Assessed valuation	\$ 4,971,288,877	\$ 5,494,790,689	\$ 6,103,474,567	\$ 6,525,466,839
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	1,242,822,219	1,373,697,672	1,525,868,642	1,631,366,710
Debt service limit percentage	15%	15%	15%	15%
Debt service limit	186,423,333	206,054,651	228,880,296	244,705,006
Total net debt applicable to limit:				
General obligation bonds	4,935,000	4,780,000	4,615,000	4,435,000
Legal debt service margin	\$ 181,488,333	\$ 201,274,651	\$ 224,265,296	\$ 240,270,006

Total Debt Applicable to the Limit
as a Percentage of Debt Limit

	2.6%	2.3%	2.0%	1.8%
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Legal Debt Service Limit

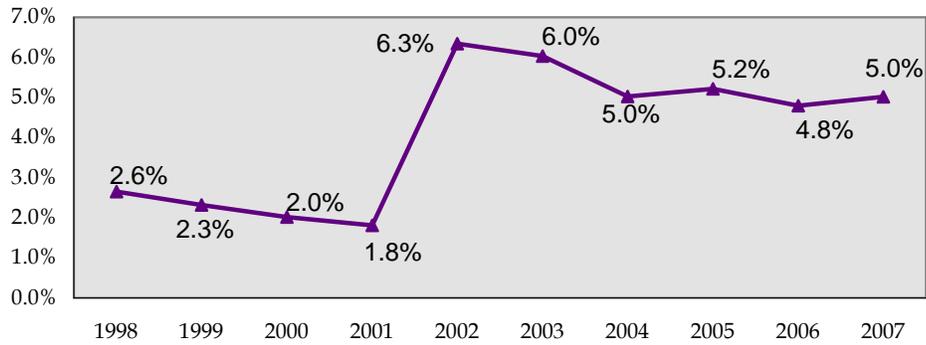


Fiscal year

2002		2003		2004		2005		2006		2007	
\$	7,349,582,506	\$	7,636,849,442	\$	8,983,924,444	\$	8,439,815,620	\$	8,934,356,839	\$	8,274,298,766
	25%		25%		25%		25%		25%		25%
	1,837,395,627		1,909,212,361		2,245,981,111		2,109,953,905		2,233,589,210		2,068,574,692
	15%		15%		15%		15%		15%		15%
	275,609,344		286,381,854		336,897,167		316,493,086		335,038,381		310,286,204
	17,485,000		17,275,000		16,930,000		16,500,000		16,050,000		15,575,000
\$	258,124,344	\$	269,106,854	\$	319,967,167	\$	299,993,086	\$	318,988,381	\$	294,711,204

6.3% 6.0% 5.0% 5.2% 4.8% 5.0%

**Total Debt Applicable to the Limit
as a Percentage of Debt Limit**

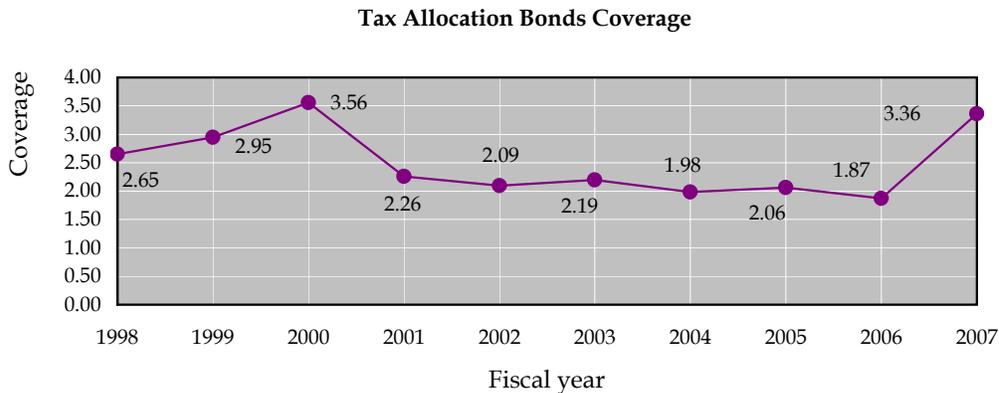
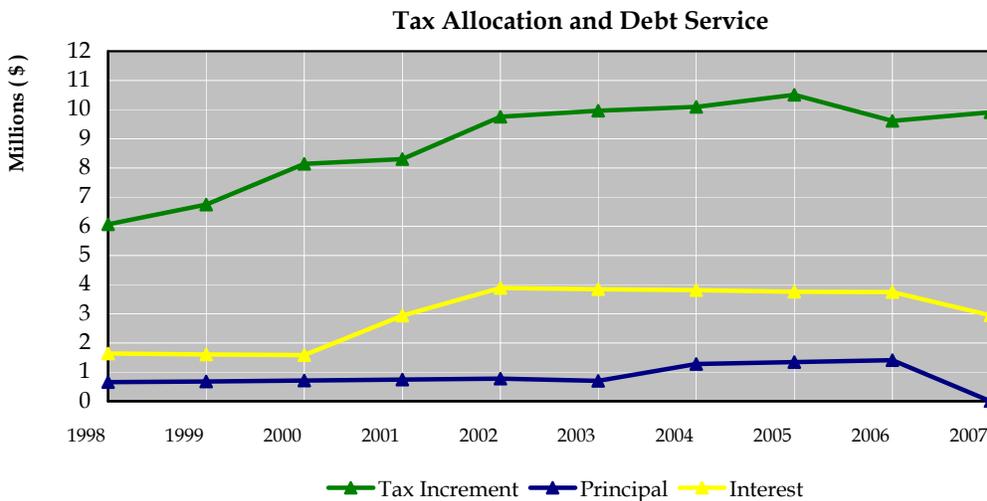


(Continued)

Source: City of Menlo Park

City of Menlo Park
Pledged-Revenue Coverage - Community Development Agency
June 30, 2007
Last Ten Fiscal Years

Fiscal Year	Tax Increment	Debt Service		Tax Allocation Bonds Coverage
		Principal	Interest	
1998	\$ 6,065,591	\$ 655,000	\$ 1,635,068	2.65
1999	6,744,113	680,000	1,608,214	2.95
2000	8,139,480	710,000	1,579,314	3.56
2001	8,301,618	745,000	2,933,680	2.26
2002	9,747,852	775,000	3,878,739	2.09
2003	9,961,806	695,000	3,843,476	2.19
2004	10,086,004	1,280,000	3,811,159	1.98
2005	10,501,114	1,340,000	3,752,829	2.06
2006	9,613,455	1,405,000	3,738,815	1.87
2007	9,907,272	- *	2,948,006	3.36



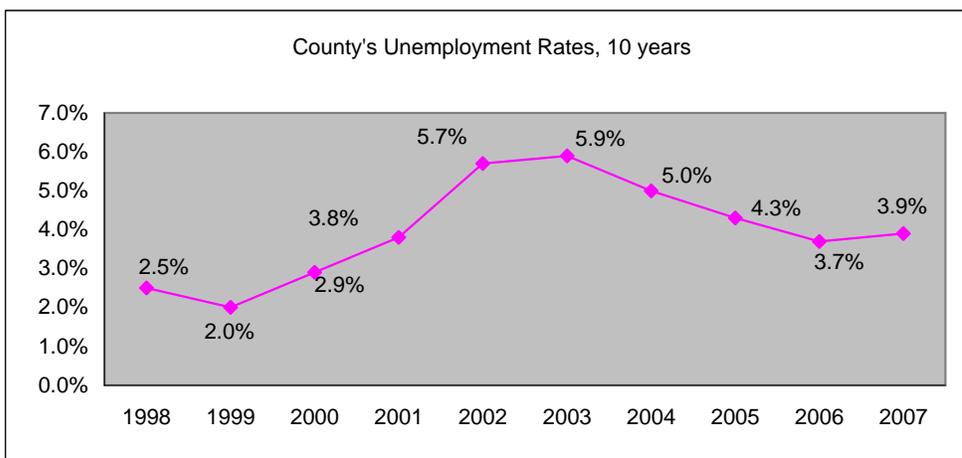
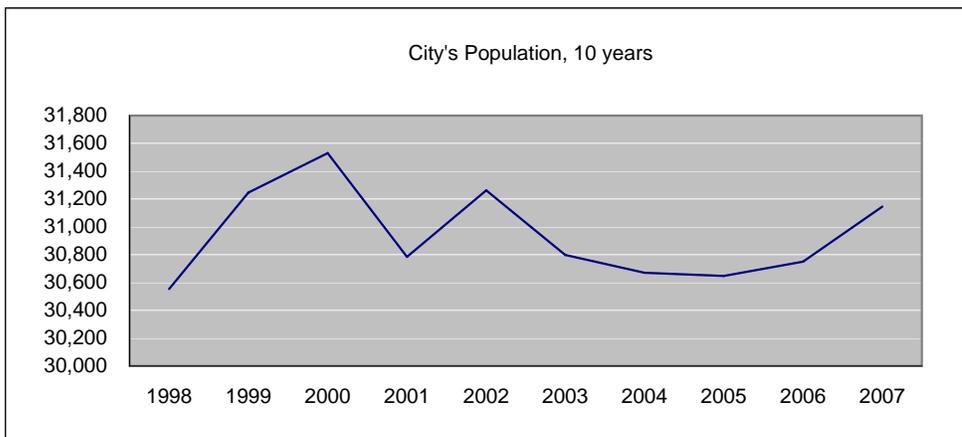
Note:

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

* No principal due, the bonds were refinanced in 2006. The next payment for principal will be in January 2008.

City of Menlo Park
Demographic & Economic Statistics
June 30, 2007
Last Ten Calendar Years

Calendar Year	City Population ¹	County Per Capita Personal Income ²	County Unemployment Rate ³
1998	30,554	44,223	2.5%
1999	31,246	50,368	2.0%
2000	31,529	58,888	2.9%
2001	30,785	55,634	3.8%
2002	31,262	52,289	5.7%
2003	30,798	52,114	5.9%
2004	30,671	56,697	5.0%
2005	30,648	59,213	4.3%
2006	30,750	n/a	3.7%
2007	31,146	n/a	3.9%



Source:

¹ State of California Department of Finance

² US Department of Commerce, Bureau of Economic Analysis, bea.gov

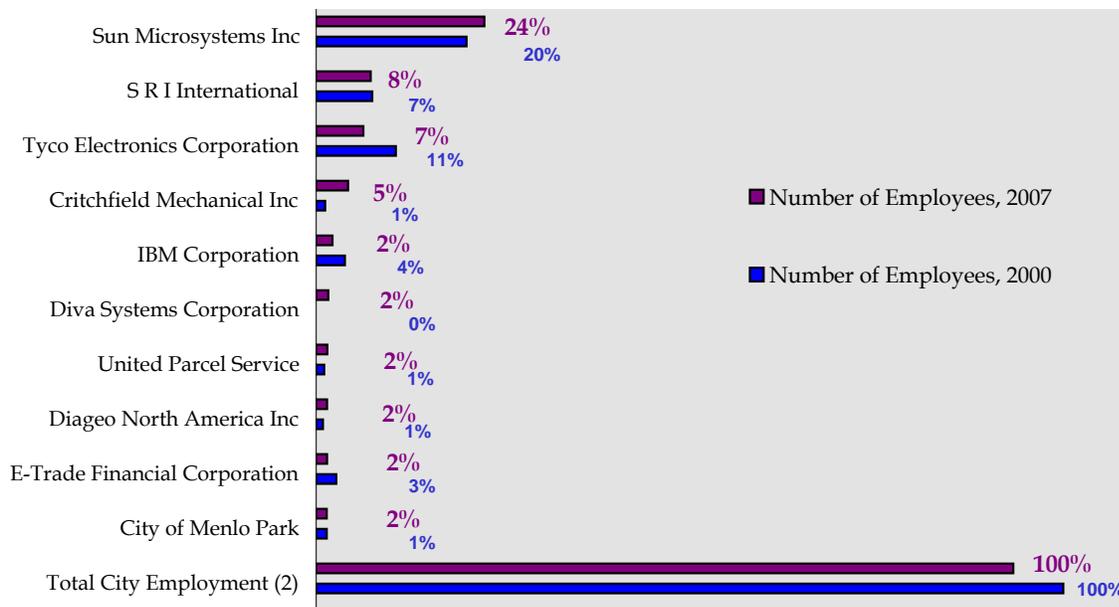
³ California Labor Market Information, www.labormarketinfor.edd.ca.gov

n/a - not available

**City of Menlo Park
Principal Employers and Labor Force Overview
Current Year Compared to Year 2000
June 30, 2007**

Principal Employers	Year 2007 ⁽¹⁾		Year 2000 ⁽¹⁾	
	Number of Employees	Percentage of Total City Employment	Number of Employees	Percentage of Total City Employment
Sun Microsystems Inc	3,717	24%	3,318	20%
S R I International	1,200	8%	1,236	7%
Tyco Electronics Corporation	1,040	7%	1,758	11%
Critchfield Mechanical Inc	700	5%	200	1%
IBM Corporation	358	2%	630	4%
Diva Systems Corporation	270	2%	-	0%
United Parcel Service	244	2%	176	1%
Diageo North America Inc	240	2%	151	1%
E-Trade Financial Corporation	239	2%	440	3%
City of Menlo Park	234	2%	233	1%
Total City Employment ⁽²⁾	15,400	100%	16,500	100%

Principal Employers, 2007 and 2000



Sources:

⁽¹⁾ City of Menlo Park, Finance Department, Business Licenses

⁽²⁾ State Employment Development Department - Labor Force Data

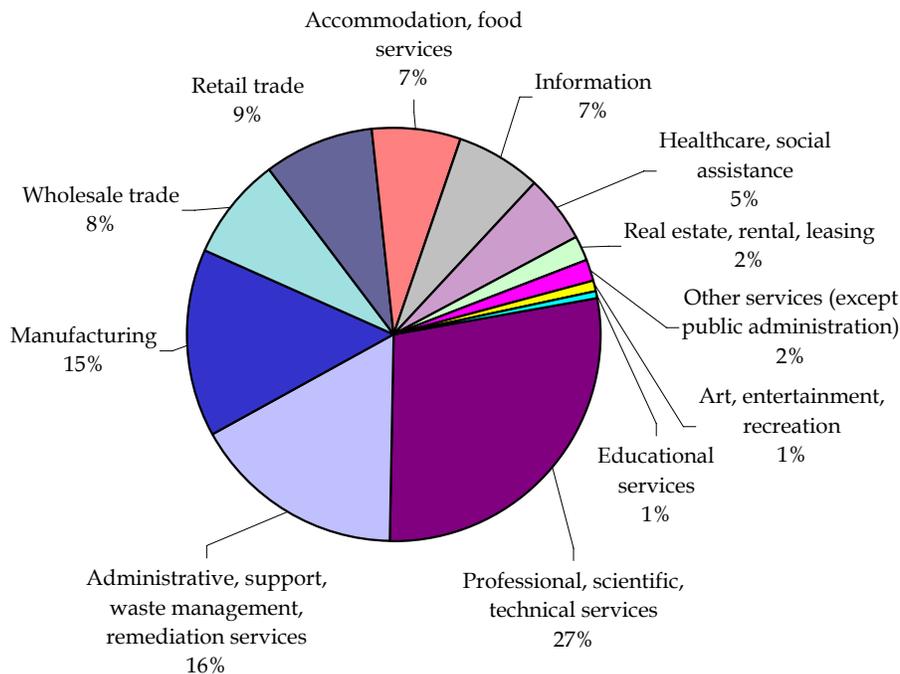
⁽³⁾ Source: U.S. Bureau of the Census, 2002 Economic Census, factfinder.census.gov

(Continued)

Labor Force Overview, 2002 Economic Census ⁽³⁾

Industry	Number of Employees	Number of Establishments	Annual Payroll (\$1,000)
Professional, scientific, technical services	6530	299	\$706,953
Administrative, support, waste management, remediation	3873	56	160,896
Manufacturing	3425	51	183,114
Wholesale trade	1863	54	136,610
Retail trade	1987	143	62,841
Accommodation, food services	1647	110	29,344
Information	1546	53	103,413
Healthcare, social assistance	1198	114	47,641
Real estate, rental, leasing	437	87	23,670
Other services (except public administration)	406	69	14,490
Art, entertainment, recreation	198	21	6,148
Educational services	133	21	6,909

Labor Force Overview - Number of Employees in Industry (2002 Economic Census)



City of Menlo Park
Full-Time Equivalent City Employees by Function
June 30, 2007
Last Ten Fiscal Years

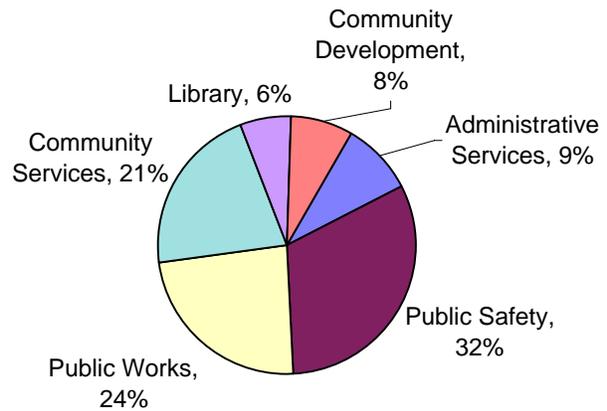
Number of Full-Time Equivalent City Employees as of June 30

Function	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General government										
Administrative Services	22.50	22.50	22.50	22.00	22.50	23.50	24.50	21.50	21.50	21.72
Public Safety	71.00	71.00	74.00	75.00	76.00	75.50	71.50	70.50	70.50	73.55
Public Works	52.75	52.75	54.75	55.75	55.75	60.75	56.75	53.25	54.25	55.68
Culture and recreation										
Community Services	50.00	50.00	50.00	53.50	55.50	64.25	61.50	52.50	52.75	49.65
Library	13.25	13.25	14.25	14.25	14.25	17.00	16.00	15.75	15.75	15.00
Community Development	17.50	17.50	17.50	20.00	20.00	19.50	17.50	16.50	17.50	18.40
Total	227.00	227.00	233.00	240.50	244.00	260.50	247.75	230.00	232.25	234.00

Number of FTE City Employees
10 years



Number of FTE City Employees
as of June 30, 2007



Source: City of Menlo Park, Personnel

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City of Menlo Park
Operating Indicators by Demand and Level of Service by Function/Program
June 30, 2007
Last Ten Fiscal Years

FUNCTION/PROGRAM	Fiscal Year					
	1998	1999	2000	2001	2002	2003
Public Safety						
Incidents	n/a	n/a	37,355	36,132	35,907	38,856
Calls for service	n/a	n/a	20,175	20,282	19,658	18,299
Officer initiated incidents	n/a	n/a	17,180	15,850	16,249	20,557
Public Works						
<u>Water:</u>						
Daily average introduced into system (1000 gallons)	3,557	3,557	3,557	3,557	3,557	3,557
<u>Transportation:</u>						
Shuttle passengers ⁽¹⁾	n/a	n/a	n/a	n/a	n/a	n/a
<u>Engineering:</u>						
Encroachment permits issued	230	281	290	319	305	294
Culture and Recreation						
<u>Parks and recreation:</u>						
Number of activity hours provided	8,091	6,644	11,223	10,327	10,239	9,863
Number of recreational activities participants	6,235	5,958	20,476	65,039	43,480	22,108
(Note: Differences in department programming from year to year result in substantial variances in some totals.)						
<u>Library:</u>						
Books volumes held	120,208	120,506	122,566	136,103	140,942	134,047
Video/DVD held	2,776	3,657	4,385	5,799	7,500	8,749
Books volumes added	10,498	7,788	8,334	11,332	11,480	13,850
Total circulations	430,182	440,642	389,533	457,658	513,560	577,170
Community Development						
<u>Building Permits Issued:</u>						
Residential - Count	798	887	668	734	679	707
Residential -Value (\$1000s)	40,305	36,173	27,635	41,732	34,417	34,163
Commercial - Count	195	238	220	206	145	153
Commercial -Value (\$1000s)	54,204	50,996	46,005	68,413	64,675	73,280
Accessory -Total count	127	110	136	179	132	136
Accessory -Value (\$1000s)	1,975	1,459	2,341	2,559	2,134	2,866
Building inspection conducted	n/a	n/a	n/a	5,624	11,377	10,713
<u>Housing and Redevelopment:</u>						
Below-market-rate units sold	6	11	0	0	0	2
Below-market-rate units resold	0	1	2	0	0	0
Housing rehabilitation, number of new loans	13	16	9	12	13	7
Housing rehab. cumulative loans total (\$)	2,141,458	2,176,065	2,090,666	2,168,928	2,284,738	2,337,511
Housing rehab. cumulative number of homes	126	118	109	99	95	91

Source: City of Menlo Park

Note:

⁽¹⁾ Public demand of the free shuttles was increased in 2006-07 as a result of frequent promotions of the free service by the

City of Menlo Park Transportation Department and the participating companies who promote commute alternatives in peak hours.

⁽²⁾ No new loans issued in 2006-07

(Continued)

Fiscal Year

2004	2005	2006	2007
34,676	31,977	30,597	36,206
18,516	18,467	19,806	18,721
16,160	13,510	10,791	17,485
3,557	3,363	3,363	3,556
63,387	71,963	53,978	70,712
257	266	275	274
9,762	9,649	9,571	21,902
17,157	17,229	40,400	31,659
134,294	136,590	143,351	142,735
10,048	11,650	12,569	11,092
9,394	9,153	4,992	9,587
575,023	602,548	545,764	590,261
970	761	824	745
56,527	44,819	55,404	70,643
210	161	155	185
25,199	24,425	44,428	112,118
94	84	107	99
1,820	4,552	1,062	1,290
10,215	10,159	10,522	10,036
1	0	0	7
1	0	0	1
9	3	5	0 ⁽²⁾
2,276,512	2,129,896	2,205,021	1,744,741
73	64	58	47

City of Menlo Park
Capital Asset Statistics by Function
June 30, 2007
Last Ten Fiscal Years

<u>Function</u>	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General government										
Civic Center-Administration	1	1	1	1	1	1	1	1	1	1
Public Safety										
Police stations	1	1	1	1	1	1	1	2	2	2
Public Works:										
Streets (miles)	101	101	101	101	101	101	101	101	101	101
Streetlights	2,256	2,256	2,256	2,256	2,256	2,256	2,256	2,256	2,256	2,256
Traffic signals	22	22	22	22	22	22	22	22	22	22
Parks and Recreation:										
Child care centers	2	2	4	4	4	4	4	4	4	4
Recreation center	1	1	1	1	1	1	1	1	1	1
Library	1	2	2	2	2	2	2	2	2	2
Parks	11	11	11	11	13	13	13	13	13	13
Community center	1	1	1	1	1	1	1	1	1	1
Senior centers	2	2	2	2	2	2	2	2	2	2
Teen center	1	1	1	1	1	1	1	1	1	1
Gymnasium	1	1	1	1	1	1	1	1	1	1
Pools*	3	3	3	3	3	3	4	4	4	4
Medical clinic	1	1	1	1	1	1	1	1	1	1
Gate house	1	1	1	1	1	1	1	1	1	1
Water:										
Daily average introduced into system (1,000 gallons)	3,557	3,557	3,557	3,557	3,557	3,557	3,557	3,363	3,363	3,556
Capacity per day (millions of gallons)	3	3	4	4	4	3	4	4	3	4
Water storage (millions of gallons)	6	6	6	6	6	6	6	6	6	6
Water lines (miles)	55	55	55	55	55	55	55	55	55	55

Source: City of Menlo Park

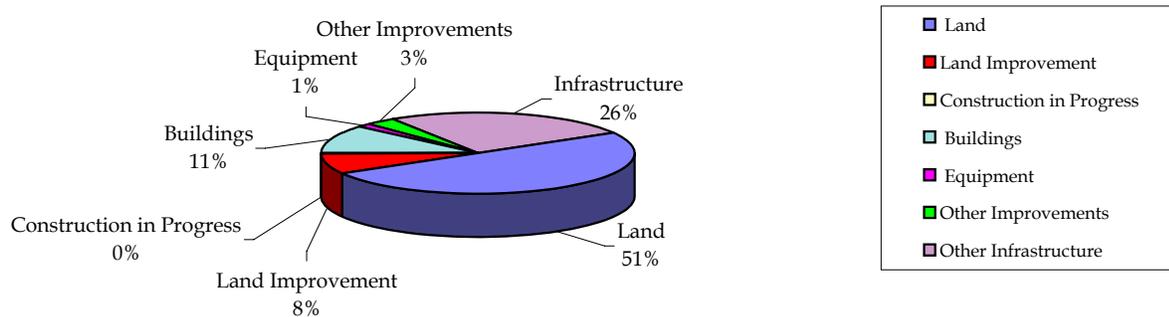
*Burgess pools were closed for construction in December 2004 and re-opened in May 2005

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City of Menlo Park
 Capital Asset and Infrastructure Statistics by Activities
 June 30, 2007
 Last Ten Fiscal Years

Type of Activities	Fiscal Year	Non-Depreciable			Depreciable	
		Land	Land Improvement	Construction in Progress	Buildings	Equipment
Governmental Activities	1998	\$ 8,932,453	\$ 1,871,865	\$ 6,287,063	\$ 17,831,878	\$ 5,372,801
	1999 *	8,490,309	-	8,125,019	18,176,271	5,906,965
	2000	8,490,309	-	1,416,078	27,318,871	6,774,902
	2001	8,490,309	-	7,141,856	29,095,692	7,435,257
	2002	8,490,309	-	25,626,382	29,185,487	7,803,067
	2003	221,534,267	32,705,490	1,717,984	39,689,374	5,798,154
	2004	221,534,267	32,705,490	9,060,550	39,706,068	5,919,103
	2005	221,534,267	32,900,109	8,501,684	39,974,278	6,035,756
	2006	205,232,510	32,900,109	968,145	46,658,887	6,201,377
	2007	204,949,233	32,900,109	600,561	46,933,785	5,912,705
Business-Type Activities	1998	\$ 338,157	\$ -	\$ -	\$ 265,828	\$ 590,972
	1999 **	33,675	-	-	-	463,139
	2000	403,675	-	-	-	463,139
	2001	403,675	-	-	-	463,139
	2002	403,675	-	-	-	605,104
	2003	1,066,454	-	-	-	585,643
	2004	1,066,454	-	262,293	3,945,489	585,643
	2005	1,066,454	-	1,936,034	3,945,489	585,643
	2006	1,066,454	-	183,225	4,141,695	589,093
	2007	1,066,454	-	277,361	4,165,957	589,093

Governmental Capital Assets, 2007



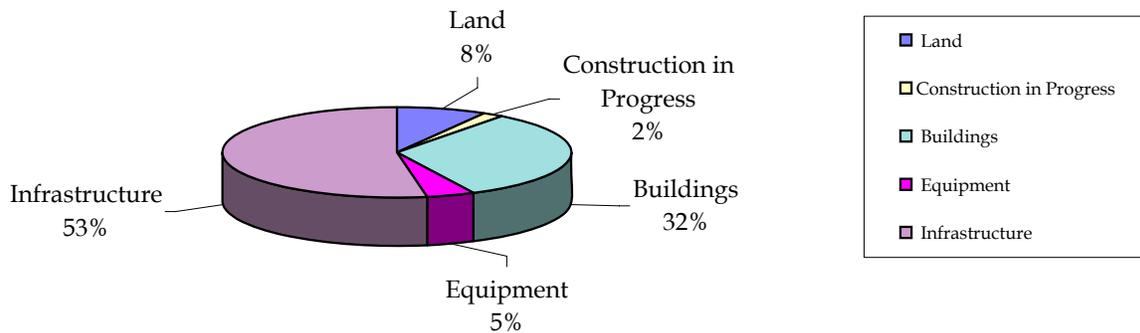
Source: Comprehensive Annual Financial Reports - City of Menlo Park, CA

(Continued)

Depreciable

		Less:		
Other		Accumulated		Total
Improvements	Infrastructure	Depreciation		
\$ 7,440,728	\$ -	\$ -	\$	47,736,788
9,298,063	-	-		49,996,627
10,550,018	-	-		54,550,178
11,754,006	-	-		63,917,120
13,767,101	-	-		84,872,346
3,328,493	97,117,678	(48,625,194)		353,266,246
3,797,004	97,849,119	(52,039,710)		358,531,891
5,509,784	102,932,198	(55,468,475)		361,919,601
12,081,605	103,885,147	(57,765,455)		350,162,325
12,717,853	105,533,229	(61,481,901)		348,065,574
\$ -	\$ 6,195,797	\$ (2,450,145)	\$	4,940,609
-	7,449,681	(2,385,255)		5,561,240
-	7,588,267	(2,591,707)		5,863,374
-	8,988,163	(2,804,053)		7,050,924
-	9,459,197	(3,047,256)		7,420,720
-	8,423,306	(5,043,868)		5,031,535
-	4,457,930	(5,167,837)		5,149,972
-	4,874,739	(5,288,437)		7,119,922
-	6,812,639	(5,352,175)		7,440,931
-	6,812,639	(5,520,161)		7,391,343

Business Type Capital Assets, 2007



Notes:

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

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

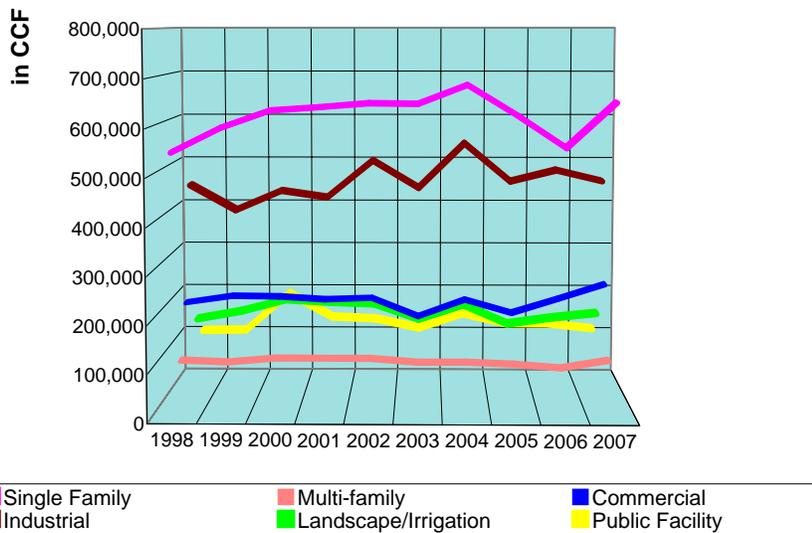
* In 1999, Land and Improvements held for resale were retired

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

**City of Menlo Park
Water Sold by Type of Customer
June 30, 2007
Last Ten Fiscal Years**

Gallons of Water per Fiscal Year										
Type of Customer	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Single Family	550,491	600,113	635,480	642,238	650,434	649,272	687,498	626,255	560,166	652,204
Multi-family	104,084	100,497	108,582	108,747	108,870	100,851	101,149	97,178	89,682	106,339
Commercial	211,806	226,467	225,362	218,946	222,508	182,992	219,354	190,834	221,551	253,596
Industrial	457,549	402,715	445,505	430,755	511,933	452,007	549,563	466,153	491,050	467,379
Landscape/Irrigation	144,186	162,193	187,900	182,525	179,607	144,931	177,958	134,150	148,601	159,097
Public Facility	100,604	101,917	187,734	133,406	129,221	107,918	141,001	118,424	117,785	107,003
Total	1,568,720	1,593,902	1,790,563	1,716,617	1,802,573	1,637,971	1,876,523	1,632,994	1,628,835	1,745,618
Total direct rate* per 1,000 gallons	6.15	6.15	6.15	6.15	6.15	6.15	6.15	6.15	6.15	6.85

Water Sold by Type of Customer



*Prior year 2007-Monthly charge \$5 plus additional first 5 units charge and surcharge \$1.15, 748 gallons/unit

*Year 2007-Monthly charge \$5.60 plus additional first 5 units charge and surcharge \$1.25, 748 gallons/unit

Source: California Water Service Company

CCF: cubic cubic feet

City of Menlo Park
Water Service Rates
June 30, 2007
Last Ten Fiscal Years

Monthly base rate by meter size	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
5/8"	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.60
3/4"	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.60
1"	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.95
1-1/2"	16.50	16.50	16.50	16.50	16.50	16.50	16.50	16.50	16.50	18.46
2"	26.50	26.50	26.50	26.50	26.50	26.50	26.50	26.50	26.50	29.65
3"	48.50	48.50	48.50	48.50	48.50	48.50	48.50	48.50	48.50	54.27
4"	75.00	75.00	75.00	75.00	75.00	75.00	75.00	75.00	75.00	83.93
6"	166.50	166.50	166.50	166.50	166.50	166.50	166.50	166.50	166.50	186.31
8"	369.50	369.50	369.50	369.50	369.50	369.50	369.50	369.50	369.50	413.47
10"	820.00	820.00	820.00	820.00	820.00	820.00	820.00	820.00	820.00	917.58
Additional charges (*):										
First 5 units	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.90
Next 6-10 units	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.12
Next 11-25 units	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.34
All units over 25	1.60	1.60	1.60	1.60	1.60	1.60	1.60	1.60	1.60	1.79
Capital Facility										
Surcharge (per unit)	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35

Notes:

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

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

City of Menlo Park
Miscellaneous Statistics
June 30, 2007

Date of Incorporation	November 23, 1927	Latitude, Longitude	37.45 N, 122.18 W
Form of Government	Council / Manager	Elevation	60 feet
City Council Members	5	Land Area, square miles	10.1
City Commissions	9	Sunny Days a year	265
(Art, Bicycle, Environmental, Housing, Las Pulgas, Library, Park & Rec, Planning, & Transpiration)		Average Annual Rainfall	15.3"
<hr/>			
Population , 2007	31,146	Schools:	
People per square miles	3084	Public elementary/middle schools, K-8	8
General characteristics, Census 2000 Demographic Profile highlights:		Private elementary/middle schools, K-8	9
Males	48.5%	Public high schools, 9-12 grades	2
Females	51.5%	Private high schools, 9-12 grades	2
One race	96.8%	Theological seminary	1
White, non-Hispanic	72.4%	Four-year college	1
Black or African American	7.0%	Local attractions, culture & recreation:	
American Indian & Alaska Native	0.4%	Allied Arts Guild	
Asian	7.1%	United States Geological Survey	
Native Hawaiian & other Pacific Islander	1.3%	Sunset Publishing Corporation	
Other race	8.6%	Places of worships	13
Two or more races	3.2%	Radio station, KCEA-FM, 89.1	1
Hispanic or Latino	15.6%	Local newspaper, the Almanac	1
Household Population	96.9%	Movie theater, the Guild	1
Average household size	2.41	Utilities and other services:	
Average family size	3.12	Water Suppliers	1
Median resident age	37.4	Menlo Park Municipal Water District	
Social characteristics:		Sewer	1
Population 25+ & older	22,454	West Bay Sanitary District	
High School graduates & higher	89.0%	Refuse Removal & Recycling Service	1
Bachelor's degree or higher	61.7%	Allied Waste Services	
Civilian veterans, age 18+	11.3%	Gas & Electric Service	1
Speak a language other than English at home, age 5+	27.2%	Pacific Gas & Electric	
Disability status, age 5+	14.2%	Telephone Service	1
Foreign born persons	22.8%	At & T / SBC	
Economic characteristics:		Cable Services	2
In labor force age 16+	64.0%	Comcast	
Mean travel time to work	24.6 minutes	Matrix Cablevision	
Median Household Income, 2005	\$89,100	Police protection, stations	2
Median family income, 1999	\$105,550	Menlo Park Fire District, stations	7
Per capital income, 1999	\$53,341	U. S. Post Offices, branches	2
Family below poverty level	4.2%		
Individual below poverty level	6.9%		
Unemployed, County data 2006	3.9%		
Housing characteristics:			
Single-family owner-occupied homes	6,114		
Housing units with mortgage	4,469		
Housing without mortgage	1,645		
Median real estate property taxes paid	\$3,302		
Median House/condo Value, 2005	\$1,266,100		
Median Selling Price of Home, 2004	\$975,000		
Median Selling Price of Condominium, 2004	\$670,000		
Median number of rooms in houses/condos	6		
Median number of rooms in apartment	3.6		
Median gross rent	\$1,319		
Average Overnight Rate, Double Occupancy	\$147		
Accommodations,6 Hotels and Motels, rooms	290		

Sources: Department of Commerce, Bureau of the Census
Menlo Park Chamber of Commerce, Community Profile
American FactFinder, factfinder.census.gov, Census 2000 Demographic Profile
County of San Mateo
City of Menlo Park



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the City of Menlo Park (City) as of and for the year ended June 30, 2007, and have issued our report thereon dated December 5, 2007. We conducted our audit in accordance with auditing standards generally accepted 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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To the Honorable Mayor and Members of City Council
of the City of Menlo Park
Menlo Park, California
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The result of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Capricci & Carlson

Oakland, California
December 5, 2007