

CITY OF MENLO PARK

CALIFORNIA



**Comprehensive
Annual
Financial
Report**

FOR THE FISCAL YEAR ENDING JUNE 30, 2008

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2008



CITY OF MENLO PARK, CALIFORNIA

PREPARED BY
THE FINANCE DEPARTMENT

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This report is printed on recycled paper.

City of Menlo Park

Menlo Park, California

Comprehensive Annual Financial Report

For the year ended June 30, 2008

City of Menlo Park
For the year ended June 30, 2008

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INTRODUCTORY SECTION



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

December 10, 2008

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, 2008. 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 major sections that provide introductory, financial, supplementary, and statistical information about the City. The introductory section includes this transmittal letter, the City's organizational chart and a list of principal officials. The financial section includes the basic financial statements 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 the SLAC National Accelerator Laboratory.

Reporting Entity

The financial reporting entity (the government) includes all the funds of the primary government (i.e. the City of Menlo Park, as legally defined), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. Blended component units, although legally separate entities, are in substance part of the primary government’s operations and are included as part of the primary government. Accordingly, the Community Development Agency (the Agency) is reported as a blended component unit of the primary government.

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

Economic Condition and Outlook

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. Unfortunately, the national economic downturn in 2001 resulted in decreases in both realized and forecasted revenues, particularly in the area of retail sales taxes. Although the downturn stabilized and economic growth returned at a moderate pace, the near 50% decline in sales tax revenues from the height of the technology boom severely limited the City's fiscal flexibility. Property values continued to rise throughout the economic slump and subsequent recovery, but sales taxes were slow to improve until recent years. The State's own fiscal crisis aggravated municipal financial issues through a re-distribution of property taxes (away from local governments) in 2004/05 and 2005/06 to fund State obligations.

While many of the City's revenues started to recover in the past few years, on-going operating costs continued to accelerate: operation of facilities, maintenance of City 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 net cost reductions of more than \$1.5 million. In addition, voters approved a Utility Users Tax (UUT) in November 2006, assessing 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. With General Fund revenues on the rebound, the Council approved a reduction in the UUT effective October 1, 2007, to 1.0 percent on all these utilities/services.

For the fiscal year ended June 30, 2008, 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 \$264,000 (2.4%) over budget. Sales taxes ended the year almost \$477,000 (6.6%) over budget. Regarding expenditures, the General Fund experienced departmental savings of over \$1.6 million, largely in the area of contract services; \$678,658 of outstanding commitments in the form of purchase orders and contracts for services which were not expended in 2007-08 will be carried forward to the subsequent fiscal year. However, General Fund balances decreased almost \$8.4 million. The largest "draw" on the fund's reserves in 2007-08 was the one-time transfer out of

over \$9.2 million to provide a trust fund account for the City's Other Post Employment Benefits (OPEB) strategy and \$2.6 million in payment of its contribution toward construction of the Menlo-Atherton Performing Arts Center. Without these one-time draws and excluding unrealized gains on the City's investment portfolio, the General Fund experienced a surplus of over \$2.9 million.

Fund balances in the City's special revenue funds increased by over \$3.6 million in the 2007-08 fiscal year, largely the result of continued 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 \$3 million, largely in preparation for the final payment for the performing arts center and the road pavement project to be made next year.

No entity can escape the budgetary uncertainties created by the unprecedented turmoil experienced in financial markets in the U.S and throughout the world. Menlo Park was first impacted in February 2008, when the City's Community Development Agency was forced to restructure its variable rate bond issuance due to the possible credit rating downgrade of its bond insurer. (Facing a substantial increase in debt service payments, the Agency bonds are now secured by a bank letter of credit and rates have stabilized.) Unfortunately, the market turbulence has continued. The Federal Reserve has attempted to mitigate the impact of these market conditions by reducing the Fed Funds rate and providing credit liquidity.

Despite these efforts, consumer confidence plummeted as the credit crisis deepened, and since consumer spending represents two-thirds of the nation's economic activity, expectations for the upcoming holiday shopping season are grim. With the collapse of the U.S. labor market driving the unemployment rate higher, analysts predict an extended, severe recession for the country going forward.

The impact of this downturn on Menlo Park's fiscal outlook will surely unfold in the current fiscal year. The State has already attempted to "shift" approximately 7 percent of local redevelopment revenues (over \$700,000 from the City's Community Development Agency) to mitigate its 2008-09 budget crisis. Though property tax revenues remain fairly secure, sales tax receipts have begun to trend downward and development activity has started to slow. With fewer staff vacancies, the City is unlikely to benefit from personnel "savings" as in the past few years. Staff will continue to monitor the situation, keep the City Council informed of critical market and economic events, and be pro-active in developing plans to help mitigate the impacts on the City. Amid all the economic uncertainty, it is clear that the City is entering an era where budgetary deficits can no longer be easily mitigated by revenue growth that exceeds budgetary forecasts.

With an eye for the period of subsequent economic recovery, the City will focus on key development strategies, particularly in the City's industrial and R&D zoning districts. Initiatives currently underway include phase II of the Downtown Visioning project, and the planned Dumbarton Station Area Plan. In addition, the new Business Development Plan holds promise for improved revenue flows in the City's eight economic activity centers and sustained fiscal health for Menlo Park in the long term.

Community Development Agency

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

The Agency was established in 1981. Plan amendments have expanded the Las Pulgas Community Development Project Area, established new bonded indebtedness limits and revenue caps, and extended the Agency's deadline for Activities and Plan expiration. Bonds issued in 1988, 1992 and again in 2000 provided funds for various redevelopment projects. The debt (totaling \$72.4 million) was consolidated into one refunding issuance in 2006. 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 47 single family homes (including 20 that are designated as Below Market Rate homes) and one acre park on lands previously owned by the Agency, was completed. Fees collected by the Agency on the market-based sale of the homes totaled \$584,000 in 2007-08. Ground was broken on a 3,800 square foot Police/City Service Center in February 2008; the center will be over three times the size of the existing Police substation. Soil remediation at the Agency's Terminal Avenue property also got underway in preparation for a housing development at the site. Streetscape projects continue to add new curbs, gutters and driveways at various locations.

Agency staff was 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. Assessed valuation for the Agency increased 11.6 percent over the prior year as appeals for reductions, which stunted prior year valuations, leveled off and a return to growth in tax increment was experienced.

Major Initiatives

FOR THE YEAR: The City Council initiated a number of new projects and emphasized a measured approach to maintaining the timely delivery of quality City services. As the

approved budget strategies for 2007-08 were implemented and refined, the focus remained on fiscal and environmental sustainability through systematic, long-term planning.

The **Department of Administrative Services** undertook a number of proactive measures to protect the City and Redevelopment Agency's assets and reduce costs in 2008-09. One very significant achievement was implementation of the Council-approved strategy to pre-fund the City's actuarially determined retiree medical benefits liability, or Other Post Employment Benefits (OPEB). After having established an internal service fund for administering OPEB activities in the prior year, the funds were transferred to an irrevocable trust vehicle in May 2008. As a result, the City lowered its ongoing retiree medical benefit costs by 42 percent, and obtained compliance with Governmental Accounting Board Statement (GASB 45) concerning OPEB obligations one full year earlier than required.

A city-wide Cost Allocation Plan and User Fee Study was a 2006-07 project priority, designed to maximize recovery of General Fund overhead costs and determine the true full cost of and appropriate fees for City services. Upon completion of the User Fee Study early in fiscal year 2008-09, Council intends to establish a Cost Recovery/Subsidization Policy to guide the annual fee-setting process. Other accomplishments in the Finance area included the creation of a Finance/Audit Committee consisting of two City Council Members and three community members. The committee is charged with facilitating public confidence in and understanding of the City's financial reports.

The Administrative Services Department and City Manager's Office worked closely with the Police Department to implement short-term strategies to increase morale and staff the department's 24/7 operations, such as creating overhire positions and expanding the referral bonus program. The negotiation period with the Police Officer's Association (POA) successfully concluded in April and appears to have had a dramatic positive impact on the department's retention and recruitment efforts.

In addition to completing a comprehensive recruitment which culminated in the hiring of a new City Manager in August 2007, the year provided additional recruiting accomplishments including the positions of Community Engagement Manager, Business Development Specialist, City Clerk, and Assistant City Manager. The City Manager's Office continues to work closely with the City Council to ensure that resources are effectively focused on the Council's highest priorities.

Management Information Systems (MIS) staff implemented a number of upgrades to the City's computer network, including improved threat detection and back-up of critical information. Email services have been expanded so that employees can efficiently manage their tasks and contacts from the field. In addition, WiFi coverage within the civic center complex was expanded to include the Council Chambers and Emergency Operations Center.

One of the primary focuses of the **Community Development Department** continued to be the El Camino Real/Downtown Visioning Project. During the fiscal year staff worked with a Council subcommittee to outline an approach to the visioning project, conducted initial outreach through a speaker's series, community newsletter and survey, and selected a consultant to assist with the project. Efforts included work with an Oversight and Outreach Committee, mobile and walking tours, a community survey, community workshops, newsletters and public sessions relevant to planning and land use topics. Phase II of the El Camino Real/Downtown visioning project will continue to establish the tools and documents necessary to implement the community vision.

Community Development staff worked on several significant development proposals this year, including the land use entitlement process for revisions to the 75 Willow Road single-family residential project, Linfield Drive project, the Bohannon mixed-use projects, the Rosewood Sand Hill Hotel and Spa and an extension of time for the Beltramo mixed-use project.

In the areas of redevelopment and housing, the department worked with a group of other jurisdictions within San Mateo County to establish regional housing needs numbers for use with the update to the Housing Element. Department staff also certified completion of 16 Below Market Rate (BMR) units with 12 of those units located at the Hamilton Housing and Park project, two units at the residential project located at 996 Willow Road, and two units at the Linfield Drive residential project. To facilitate those home purchases, the department provided 13 first-time home buyer loans (PAL loans) utilizing \$825,080 in PAL Funding.

The Engineering and Maintenance divisions within **Public Works** completed two large street resurfacing projects this year. Sand Hill Road paving was completed in the fall using a combination of City, State, and Federal funds. The project included the use of recycled tires in the new pavement, reducing vehicle noise and increasing pavement durability. In addition, Valparaiso Avenue was resurfaced in partnership with the Town of Atherton. Federal grant funds were also used on this project to supplement the City's pavement restoration program. As the fiscal year ended, the department had just broken ground on the remaining \$4.5 million 2007-08 street resurfacing project.

In addition to street resurfacing, sidewalk repair, storm drain cleaning and facility maintenance projects, Public Works worked on developing conceptual design schemes for the Burgess Gymnasium and Gymnastics facilities, with construction to begin in 2008-09.

The department's efforts have also been focused on reducing the city's carbon footprint. A greenhouse gas inventory for Menlo Park was completed that allows additional climate protection efforts to be focused in the most cost-effective areas. Grant funding was received from two regional sources to develop a Climate Action Plan that will be completed by 2009. In addition, a Council study session was held in January to discuss

municipal water policies and practices, including water procurement, storage, use and conservation strategies.

The **Community Services Department** continued to provide quality service to the residents and visitors of Menlo Park through its ongoing sports, senior, youth, childcare and recreation programs. An on-line registration system for recreation classes and activities was implemented; this change resulted in a 24% increase in participant registration over previous fiscal year.

The Belle Haven Community School project is nearing its second year of operation. The Community School provides a seamless integration of academic enrichment and health and human services support to children and their families in the Belle Haven Community.

The City looks forward to the completion of the Menlo-Atherton Performing Arts Center in the upcoming fiscal year. The 480-seat theater will include a 40 by 80 foot stage, music room, dressing areas, classrooms, a multi-purpose room and common areas. A joint-use agreement was developed with the Sequoia Union High School District that will entitle the City to at least 55 days of use per year. Community Services is currently developing programming and coordinating with community groups for maximized use of the facility for many years to come.

In fiscal year 2007-08 the **Library Department** continued to see increased growth in the circulation of library materials – 19.8% over the previous fiscal year. 15,148 books on tape, books on CD, and DVD's were reprocessed to make them available for express self-check by library users. Additional storytimes – an environment for children to gather and participate in stories, songs and other engaging activities, were added making a total of six opportunities per week. "Book talks", which invite blockbuster authors to speak to children and young adults, were also very well received.

The **Police Department** provided another year of effective presence of law enforcement personnel throughout the community. The City Council's proactive approvals of recruitment bonuses, "overfill" positions, and a 3-year successor contract with the Police Officers Association (POA) were largely successful in addressing the department's retention and recruitment challenges of prior years. In addition, increased staffing levels allowed the reinstatement of the City's traffic enforcement unit.

In early 2008 the Police Department began the red light photo enforcement program, using cameras installed at high risk intersections. This program is an effective tool for increasing traffic safety through a reduction in intersection collisions. In addition, the department implemented and utilized the new Emergency Notification and Alert System; this notification system can alert residents through e-mail, cell phones and land lines. The secure database can be customized to select those affected by specific events such as power outages, weather, traffic or public safety emergencies.

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 strategically on appropriate funding strategies for not only current operations and top-ranked priority capital improvement projects, but also to cover long-term on-going expenses. The operating budget provides annual funding for large infrastructure maintenance projects, and on-going retiree medical benefit obligations. In addition, all funds are regularly evaluated in terms of on-going sustainability, to avoid any future burden on the General Fund. Before the next fiscal budget is launched, the Council looks to develop fiscal policies that will provide guidance on maintaining sound financial standing, including a General Fund Reserve Policy.

However, the current economic environment will surely test the sustainable nature of the City's financial planning processes. As the City sets about the task of developing robust fiscal policies and strategies for the future, it must also deal with the current reality. Although reserves are available to provide temporary financing for extraordinary events such as an economic recession, the City must be able to distinguish between operating structural deficits and deficits that result from temporary downturns in the economy. As the current downturn is not anticipated to be short-lived, making this distinction will be a critical challenge to the City's long-term fiscal well-being.

In addition to a sustainable *fiscal* plan, Council values its role in providing strong 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 value.

As the economic environment and 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. In carrying out each fiscal year plan, efforts will be focused on monitoring expenditures to make sure the City's resources are optimized.

Accounting and Budgetary Controls

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.

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 \$109 million, which earned approximately \$5.2 million with an annualized return net of fees of 4.36 percent.

At June 30, 2008, 43 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 380 days, with 59 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. Issued in May 2004, the Governmental Accounting Standards Board (GASB) Statement No. 44, *Economic Condition Reporting: the Statistical Section*, significantly changed the content and presentation of information reported in the

statistical section of a Comprehensive Annual Financial Report. The new Statistical Section structure was developed to assist the reader in: understanding financial trends, assessing the City's revenue capacity, gauging the affordability of outstanding debt, and understanding the environment in which the City's financial activities take place. Operating information is included to help the reader understand how the data in the City's financial report relates to services the City provides it performs. Over time, the intent is to accumulate meaningful trend information useful in assessing performance.

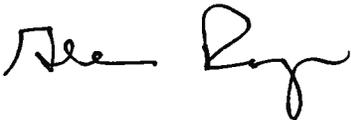
Independent Audit. State statutes require an annual audit by independent certified public accountants. The accounting firm of Caporicci & Larson, Certified Public Accountants, was selected by the City Council for this purpose. The auditor's report and *unqualified* opinion on the general purpose financial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

Awards. 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, and satisfy both generally accepted accounting principles and applicable legal requirements. The award is valid for a period of one year. We believe our current report continues to meet the Certificate of Achievement Program's requirements.

Acknowledgments. The preparation of this report could not be accomplished without the professional, efficient and dedicated service of the entire Finance staff. Timely and efficient accounting practices and coordination with the City's independent auditors were essential in producing this document. Geoffrey Buchheim, the City's Financial Services Manager, bears the primary responsibility for overseeing the fiscal year-end close and coordinating the annual audit process.

The City Council's continued vision and support 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,



Glen Rojas
City Manager

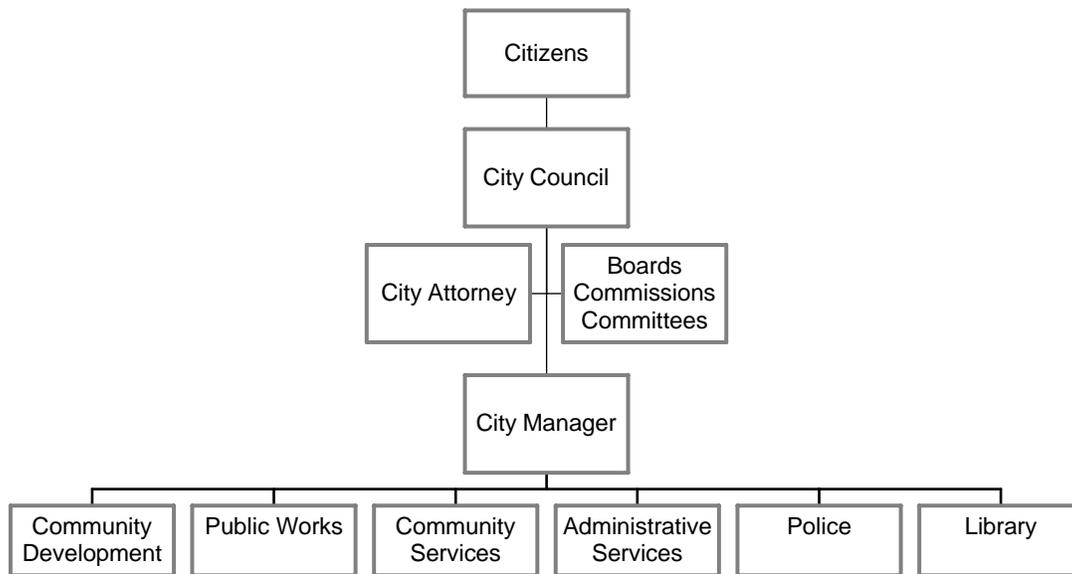


Carol Augustine
Finance Director

CITY OF MENLO PARK, CALIFORNIA

ORGANIZATIONAL CHART

JUNE 30, 2008



CITY OF MENLO PARK, CALIFORNIA

LIST OF CITY OFFICIALS

JUNE 30, 2008

CITY COUNCIL

Andrew Cohen, Mayor

Heyward Robinson, Vice Mayor

John Boyle, Councilmember

Richard Cline, Councilmember

Kelly Fergusson, Councilmember

ADMINISTRATION AND DEPARTMENT HEADS

| | |
|--|-----------------|
| City Attorney | William McClure |
| City Manager | Glen Rojas |
| Interim Assistant City Manager..... | Kent Steffens |
| Administrative Services: | |
| Personnel and Information Services Director..... | Glen Kramer |
| Finance Director | Carol Augustine |
| Interim City Clerk..... | Sherry Kelly |
| 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, 2007

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.



Oliver S. Cox

President

Jeffrey R. Emer

Executive Director

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, 2008, 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.

Subsequent to the basic financial statement date of June 30, 2008 and the year then ended, the United States has entered into a Financial Credit Crisis. Although the United States Federal Government has taken actions that, at least in part, are intended to relieve and correct this Financial Credit Crisis, investments are subject to significant impairment and losses. To date, the City has not been informed and is not aware of any investment losses. Accordingly, such investment losses, if any, have not been reflected in the accompanying basic financial statements.

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, 2008, 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 10, 2008, 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.

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180 Grand Ave., Suite 1365
Oakland, California 94612

Orange County
9 Corporate Park, Suite 100
Irvine, California 92606

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

San Diego
4858 Mercury, Suite 106
San Diego, California 92111

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

As described in Note 1 to the basic financial statements, the City adopted Statement of Governmental Accounting Standards Board (GASB) Statement No. 45 *Accounting and Financial Reporting by Employers for Post employment Benefits Other Than Pension Plans*, Statement No. 48 *Sales & Pledges of Receivables and Future Revenues and Intra-Entity transfers and Assets and Future Revenues* and No. 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27*.

The accompanying Required Supplementary Information, such as Management's Discussion and Analysis, budgetary comparison information and other information as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on it.

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

Capricci & Carson

Oakland, California
December 10, 2008



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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2008

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, 2008. The MD&A is an objective and easily readable analysis when read in conjunction with the accompanying transmittal letter and the basic financial statements.

FINANCIAL HIGHLIGHTS

Government-Wide Highlights:

Net Assets - The assets of the City exceeded its liabilities at fiscal year ending June 30, 2008 by \$394,717,513. Of this amount, \$73,012,606 was reported as "unrestricted net assets" and may be used to meet ongoing obligations.

Changes in Net Assets - The City's total net assets increased by \$5,569,870 in fiscal year 2007-08. Net assets of governmental activities increased by \$4,389,897, 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 \$1,179,973, 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 2007-08, the City's governmental funds reported a combined ending fund balance of \$105,833,799. This is a \$1,955,058 increase over the prior year which occurred despite the decrease in the City's General Fund to fund long-term obligations as further discussed in this report. The Community Development Agency fund balances increased \$2,652,882, while Non-Major Governmental Funds increased \$7,291,558. Of the total fund balances, \$60,788,277 is categorized as "unreserved, undesignated fund balances" available for appropriation.

General Fund - The undesignated fund balance of the General Fund on June 30, 2008 was \$21,033,074, decrease of \$8,376,439 from the prior year.

Internal Service Funds - Four internal service funds are utilized to account for certain administrative activities required for operations of various departments and other funds. Net assets in the internal service funds totaled \$1,805,849 as of June 30, 2008, an increase of \$293,022 for the fiscal year.

Long-Term Debt:

The City's total bonded debt obligations decreased by \$1,973,521 during fiscal year 2007-08, due in most part to the scheduled annual payment of principal balances of outstanding debt. The largest principal payment (\$1,610,000) was made on the Community Development Agency's 2006 Tax Allocation Refunding Bonds.

City Highlights:

During the 2007-08 fiscal year, the City continued to incorporate the results of its community outreach project, conducted in the 2005-06 fiscal year, into the development of a long-term, sustainable budget for the City's General Fund. Various net cost reduction strategies from this project, which provided a savings of \$1.5 million in the 2006-07 operating budget, remained in place. In addition, the new Utility User Tax (UUT), which was effective April 1, 2007, provided an additional \$1,651,479 of revenues to the City in the fiscal year 2007-08.

Governmental Fund revenues increased \$4.2 million from the previous fiscal year. Although fees collected (especially for future mitigation of traffic, recreational facility and infrastructure needs) for development projects decreased significantly from the intense pace of 2006-07, tax revenues increased over \$4.7 million. Only \$1 million of this increase was attributable to the Utility User Tax, collected over the entire fiscal year as opposed to only one quarter in 2006-07. Property taxes increased a total of \$2.6 million; \$2 million of this increase was the result of increased property tax increment in the City's Community Development Agency funds. Investment earnings also increased (approximately \$900,000, or 17.4 percent) as yields on the investment portfolio did not begin to decrease until the end of the fiscal year.

Adjusting for the transfer out of retiree medical benefit accrued liability (\$10.4 million) to a qualified trust fund (reflected throughout the governmental and business-type activities' expenses in the Statement of Changes in Net Assets), governmental expenditures grew approximately eight percent. This includes the \$1.3 million increase in capital outlay for the first of two installments for the City's contribution to the construction of the Menlo-Atherton Performing Arts Center.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—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 essential to a full understanding of the data in the Government-Wide and Fund financial statements.

Required Supplementary Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, the City as a whole has net assets of \$394,717,513. 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.

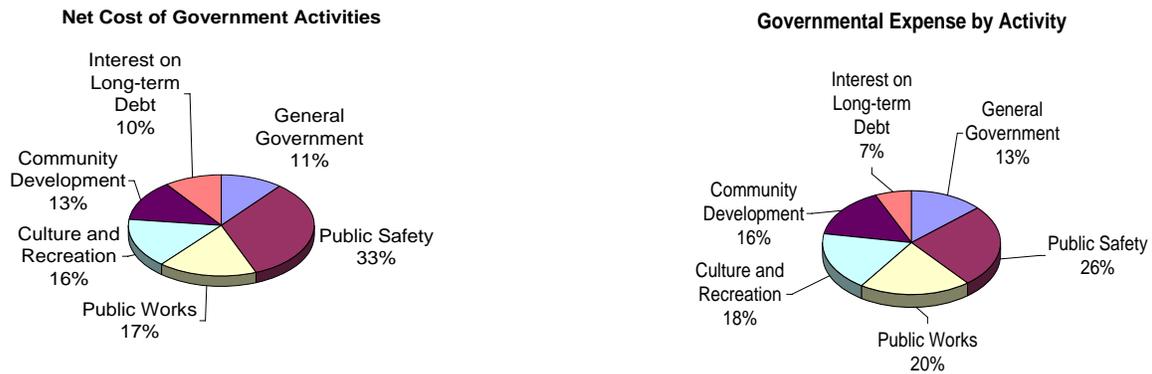
City of Menlo Park's Net Assets

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|-------------------------|----------------|--------------------------|---------------|----------------|----------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Current Assets | \$ 102,478,131 | \$ 102,372,595 | \$ 17,236,631 | \$ 16,260,094 | \$ 119,714,762 | \$ 118,632,689 |
| Non-Current Assets | 18,779,634 | 19,172,384 | - | - | 18,779,634 | 19,172,384 |
| Capital Assets | 347,908,369 | 348,065,574 | 7,532,369 | 7,391,343 | 355,440,738 | 355,456,917 |
| Total Assets | 469,166,134 | 469,610,553 | 27,769,000 | 23,651,437 | 493,935,134 | 493,261,990 |
| Current Liabilities | 8,796,271 | 10,831,022 | 616,068 | 673,794 | 9,416,893 | 11,504,816 |
| Long-term Liabilities | 89,785,448 | 92,585,013 | 19,834 | 24,518 | 89,810,225 | 92,609,531 |
| Total Liabilities | 98,581,719 | 103,416,035 | 635,902 | 698,312 | 99,227,118 | 104,114,347 |
| Investments in Capital Net of Related Debt | 265,272,323 | 260,060,574 | 7,532,369 | 7,391,343 | 272,804,752 | 267,451,917 |
| Restricted | 38,332,535 | 34,360,311 | 15,383,875 | 11,851,559 | 53,716,410 | 46,211,870 |
| Unrestricted | 71,795,752 | 71,773,633 | 1,216,854 | 3,710,223 | 73,012,606 | 75,483,856 |
| Total Net Assets | \$ 370,584,415 | \$ 366,194,518 | \$ 24,133,098 | \$ 22,953,125 | \$ 394,717,513 | \$ 389,147,643 |

City of Menlo Park's Changes in Net Assets

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|----------------|--------------------------|---------------|----------------|----------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | \$ 19,829,529 | \$ 20,921,621 | \$ 4,483,145 | \$ 3,881,115 | \$ 20,312,673 | \$ 24,802,736 |
| Operating Grants and Contributions | 2,369,502 | 3,251,025 | - | - | 2,369,502 | 3,251,025 |
| Capital Grants and Contributions | 1,030,839 | 520,156 | - | - | 1,030,839 | 520,156 |
| General Revenue: | | | | | | |
| Property Taxes | 23,292,838 | 20,634,276 | - | - | 23,292,838 | 20,634,276 |
| Sales Taxes | 7,676,943 | 6,799,561 | - | - | 7,676,943 | 6,799,561 |
| Motor Vehicle License | 133,339 | 183,559 | - | - | 133,339 | 183,599 |
| Other Taxes | 4,603,366 | 3,460,266 | - | - | 4,603,112 | 3,460,266 |
| Investment Earnings | 6,076,112 | 5,175,930 | 957,071 | 750,700 | 7,033,183 | 5,926,630 |
| Miscellaneous | 706,444 | 372,534 | 344 | - | 706,788 | 372,534 |
| Total Revenues | 65,718,912 | 61,318,928 | 5,440,560 | 4,631,815 | 71,159,472 | 65,950,743 |
| Expenses: | | | | | | |
| General Government | 8,145,031 | 6,857,574 | - | - | 8,145,031 | 6,857,574 |
| Public Safety | 15,762,116 | 11,191,323 | - | - | 15,763,116 | 11,191,323 |
| Public Works | 12,332,849 | 9,723,201 | - | - | 12,332,849 | 9,723,201 |
| Culture and Recreation | 11,276,226 | 8,647,013 | - | - | 11,276,226 | 8,647,013 |
| Community Development | 9,817,989 | 6,916,391 | - | - | 9,817,989 | 6,916,391 |
| Interest on Long-term Debt | 4,178,515 | 5,070,401 | - | - | 4,178,515 | 5,070,401 |
| Water Operations | - | - | 4,075,876 | 3,601,919 | 4,075,876 | 3,601,919 |
| Total Expenses | 61,513,726 | 48,405,903 | 4,075,876 | 3,601,919 | 65,588,602 | 52,007,822 |
| Inc/Dec in Net Assets before Transfers | 4,206,186 | 12,913,025 | 1,364,684 | 1,029,986 | 5,769,870 | 13,942,921 |
| Transfers | 184,711 | 238,700 | (184,711) | (238,700) | - | - |
| Changes in Net Assets | 4,389,897 | 13,151,726 | 1,179,973 | 791,196 | 5,569,870 | 13,942,921 |
| Net Assets - Beginning of the Year | 366,194,519 | 353,042,793 | 22,953,125 | 22,161,929 | 389,147,644 | 375,204,722 |
| Net Assets - End of the Year | \$ 370,584,415 | \$ 366,194,519 | \$ 24,133,098 | \$ 22,953,125 | \$ 394,717,513 | \$ 389,147,643 |

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 \$24,133,098. Total program revenues for business-type activities were \$4,483,145, which consisted solely of Charges for Services related to the water usage and capital surcharge fees. Total expenses for the business-type activities were \$4,075,876 during fiscal year 2008, 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:

| Governmental Fund Balances | June 30 2008 | June 30 2007 | Increase (Decrease) From 2006-07 |
|-----------------------------------|-----------------------|-----------------------|--|
| General Fund | \$ 27,281,732 | \$ 35,658,171 | \$ (8,376,439) |
| CDA Housing Fund | 1,697,546 | 965,423 | 732,123 |
| CDA Non-Housing Fund | 18,800,915 | 16,405,964 | 2,394,951 |
| CDA Debt Service Fund | 8,349,894 | 8,690,632 | (340,738) |
| CDA Capital Projects Fund | 7,687,365 | 7,820,819 | (133,454) |
| Community Development Block Grant | 455,067 | 68,013 | 387,054 |
| Other Governmental Funds | 41,561,280 | 34,269,719 | 7,291,561 |
| TOTAL | \$ 105,833,799 | \$ 103,878,741 | \$ 1,955,058 |

Note that these 2007-08 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 unreserved fund balance of the General Fund was \$26,603,074, while the total fund balance was \$27,281,732. As a measure of the General Fund's liquidity, it may be useful to compare both the unreserved fund balance and total fund balance to total fund expenditures. The unreserved fund balance represents 82 percent of total General Fund expenditures (excluding transfers out) for the year, while total fund balance represents 84 percent of that same amount.

During the current year, the *total* fund balance of the General Fund decreased by \$8,376,439, representing a 23.5 percent decrease in the fund balance at the beginning of the year. The decrease reflects two large extraordinary items included in the fund's operating transfers out: the total funding (\$10.4 million) of the City's actuarially-determined accrued liability for its retiree medical benefits program and a \$2.6 million contribution to the construction of the new Menlo-Atherton Performing Arts Center. Of the total fund balance of \$27,281,732, \$678,658 is reserved for certain commitments and \$5,600,000 is designated for various items such as equipment and infrastructure replacement and fiscal uncertainties leaving \$21,003,074 as the undesignated fund balance.

Although the City's total General Fund balance decreased substantially, the fund experienced an operating surplus once the extraordinary items described above are excluded. Key factors (discussed further in General Fund Budgetary Highlights) in this increase were:

- Operating revenues exceeded operating expenditures by \$5,274,579
- A \$2,080,000 operating transfer out to the General Capital Improvement Program (CIP) Fund represents annual funding of the City's infrastructure maintenance

Special Revenue Fund Balance

At the end of the 2007-08 year, the total fund balance of the City's twenty-eight varied Special Revenue Funds was \$48,033,211. During the year, the total fund balance for these funds increased by \$7,188,469. The Community Development Agency (CDA) Special Revenue funds alone experienced an increase of \$3,127,074. Although tax increment receipts of the two prior fiscal years were burdened with adjustments necessitated as a result of assessment appeals, revenues from property tax increment in 2007-08 increased by \$2,045,917 – a full twenty percent – over the prior year. These revenues reflect a consistent 4.5 percent annual increase in assessed valuation over the last three years. In addition, investment earnings increased significantly (by \$443,434, including unrealized gains). Other Special Revenue fund balance increases were the result of unexpended development-related impact fees, with the Recreation In-Lieu Fund increasing over \$1.5 million, the Building Construction Road Impact Fee Fund increasing almost \$750,000, and the Below Market Rate (BMR) Housing Fund increasing almost \$680,000 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, 2008, the total fund balance for the Capital Projects Funds was \$19,759,785, a \$2,965,462 increase in fund balances during the fiscal year. The Capital Improvement General Fund alone experienced an increase of nearly \$3.3 million. Although the City's General fund provided nearly \$2.1 million in annual funding for infrastructure maintenance and \$2.6 million towards the Menlo-Atherton Performing Arts Center project, expenditures from the fund were low: the \$4.5 million 2007-08 street pavement project was just underway at the end of the fiscal year, and only half of the Performing Arts Center funding was paid out. The Measure T 2002 GO Bond Capital Improvement fund had a decrease of \$191,640 in fund balance to an end of year balance of \$1,193,794, and the CDA's Capital Projects fund also decreased only slightly (\$133,454), as fewer capital projects were initiated in 2007-08.

Propriety Funds

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

The Water Fund accounts for water supplied to the approximately 4,000 customers of the MPMWD. The net assets of the fund at June 30, 2008 were \$24,133,098; an increase of \$1,179,973. This increase was the result of net operating income of approximately \$1.6 million in the Water Capital Fund, and a \$268,000 net operating loss (7.4 percent of revenues) in the Water Operating Fund. A \$1,900,000 transfer from the Operating Fund to the Capital Fund was made as required by reserve funding policies established in 2006. In that year, 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 \$873,000 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 Benefit, and 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 most significant activity occurred in the Retiree Medical Benefit Fund, reflecting the full funding (in May 2008) of the actuarially-determined cost of the long-term liability, previously unrecorded, associated with this program through the end of the fiscal year. The \$10.4 million deposit to the California Employers' Retiree Benefit Trust (an irrevocable trust account administered by CalPERS) serves to lower the net cost of the City's ongoing retiree medical benefits and allows the normal cost of the benefit to be allocated to all departments and programs on a current basis going forward.

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 \$177,855, due largely to an increase in cash bonds posted for special development projects.

DEBT ADMINISTRATION

As of June 30, 2008, the City had various debt obligations outstanding. These debt obligations were comprised of:

| <u>Type</u> | <u>Principal Outstanding</u> |
|--------------------------|------------------------------|
| General Obligation Bonds | \$ 15,070,000 |
| Tax Allocation Bonds | 70,820,000 |

The General Obligation Bonds consist of City of Menlo Park General Obligation Refunding Bonds, Series 1996, bond funding used to finance the 1990 Library Improvement Project. The balance of these bonds at June 30, 2008 was \$2,820,000. 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, 2008 was \$12,250,000.

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 was due and paid in January 2008.

A re-structuring of the Agency's debt was necessitated late in the fiscal year, when the downgrade of major bond insurers in February created turmoil in the municipal bond market and caused a significant increase in the interest payments required to investors of the Agency's bonds. Wrapping the preexisting Ambac insurance policy with a direct-pay letter-of-credit provided additional credit enhancement on the Agency's bonds, returning the interest rate on the bonds to historical levels. Unfortunately, the higher interest costs for the debt while the letter-of-credit was being negotiated added over \$600,000 to debt service costs for the fiscal year.

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 \$6,818,374 at June 30, 2008.

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2008 amounts to \$355,440,738, net of accumulated depreciation of \$71,433,159. 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 remained virtually unchanged from the prior year, as a result of depreciation charges (\$4,765,611) that approximated capital asset additions during the fiscal year. Capital asset additions during the current fiscal year included the following projects:

- Street Resurfacing (includes Sand Hill Resurfacing) - \$1,289,340
- Sidewalk Repair and Accessibility Programs - \$185,644
- Building and Parks (minor upgrade projects) - \$156,072
- Police/City Service Center - \$239,324
- Vehicle Replacements - \$288,486
- Public Safety Equipment purchases (COPS grant) - \$141,509

As previously noted, the first of two \$1.3 million installment/contributions toward the Menlo-Atherton Performing Arts Center was also included as a capital asset under the category of "Construction in Progress". Information on the City's capital assets can be found in [note 5 on pages 51 through 53](#) of this report.

GENERAL FUND BUDGETARY HIGHLIGHTS

The 2007-08 fiscal year adopted budget for General Fund expenditures, including transfers out, amounted to \$35,907,228. The adopted budget was increased to include \$334,623 in purchase orders and other commitments from the prior year, for an "original" budget of \$36,241,851. The final (adjusted) budget amount was \$46,896,015, a net increase of over \$10.6 million from the original budget, due in large part to the following three major budget revisions:

- \$9.2 million increase in transfers out, to totally fund the actuarially-determined amount of the City's accrued retiree medical obligations through June 30, 2006, when placed in a qualified (non-revocable) trust specifically for the purpose of paying these commitments as they come due. The remaining transfer to the trust fund for obligations through June 30, 2008 was made directly from the City's Other Post Employment Benefits (OPEB) internal service fund, allowing early implementation of GASB 45 related to the disclosure of these liabilities.
- \$2.6 million increase in transfers out to the General Capital Improvement Fund, to fund the City's commitment towards the construction of the Menlo-Atherton Performing Arts Center.
- A \$176,500 increase, largely in contract services, to fund Phase 1 of the El Camino Real/Downtown Visioning Process, which would provide initial community outreach to develop the framework of this important planning and land use project.

These increases were somewhat offset by midyear budgetary decreases: a \$55,000 decrease in Personnel budgets in recognition of specific vacancies for part of the fiscal year; and a \$162,000 reduction in contract services for the City's Community Engagement Program activities that were delayed until the last quarter of the year.

General Fund Revenues

- Property tax revenues increased 5.7 percent over the prior year (to \$11,339,649), primarily due a continued increase in assessed property values. Although property transfer tax revenue was down 34 percent (\$200,000) from the 2006-07 fiscal year, indicating a reduction in the volume and value of properties changing hands, the City's assessed valuation (property rolls) continued to grow at a decreased pace. In total, property taxes were 2.5 percent (\$261,703) over budget in 2007-08.
- Sales tax revenues, at nearly \$7.7 million, marked a 12.9 percent increase (\$877,382) over the prior year, exceeding the mid-year budget estimate by almost \$480,000. Part of the year-over-year increase was due to a \$360,000 adjusted allocation from the State for 2006-07, received after the close of that fiscal year. Sales tax revenues began to trend downward only slightly in the fourth quarter of the fiscal year.
- A Utility User Tax (UUT) was implemented on all utility usage as of April 1, 2007. Initially at a rate of 3.5 percent on electric, gas and water utility use, and a 2.5 percent tax on telecommunication and video/CATV services, the tax was reduced to one percent for all utilities effective October 1, 2008. Therefore, UUT revenues in 2007-08 represent one quarter at the full, higher rate and three quarters of the tax at the lower rate, as compared to the prior year single quarter at the full rate. As a result, this revenue source increased by approximately \$1,000,000, exceeding the 2007-08 adjusted budget by approximately \$76,000.

- The largest dollar revenue variance (over \$1 million) was experienced in the category of “use of money and property”. This variance is primarily the result of interest earnings on the City’s investment portfolio, which exceeded budgetary expectations for two reasons: (1) the need to value the portfolio at fair market value as of June 30, 2008 for government financial reporting purposes created a \$483,000 unrealized (and un-budgeted) gain in the General Fund alone; and (2) an increase in earnings due to higher yields on the City’s portfolio. A higher average portfolio balance was maintained as well, the result of the timing uncertainty in establishing the City’s retiree medical benefit trust account (\$9.2 million), and capital project expenditures being lower than anticipated for the fiscal year.

Total General Fund revenues, exclusive of transfers in from other funds, rose 9.6 percent (approximately \$3,300,000) over the 2006-07 fiscal year.

General Fund Expenditures

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

- Public safety expenditures rose over \$1.2 million (to \$12.3 million) from the prior fiscal year. Most of the cost increase was the result of higher personnel costs (\$1.3 million). Critical staffing concerns due to high vacancies and an increasingly lower retention of new recruits were addressed early in the fiscal year when the ability to overfill three police officer positions was approved by the Council. As management took additional steps to resolve these highly publicized staffing issues, increased overtime usage created higher payroll expenses overall. Though costs associated with the prior year’s consolidation of dispatch services for the City of San Carlos with Menlo Park’s dispatch program were recouped through increased contractual revenues, the department’s expenses (\$12,389,000) were slightly (\$41,000) over-budget.
- Budgetary savings (\$523,331, or 12.2 percent) were largest in the area of general government (Administrative Services Department), as expenditures grew less than 3 percent over the prior fiscal year. Much of the savings were due to consultant and other contractual services that were not utilized by the fiscal year end.
- Although expenditures in Community Development saw a 22% increase over the prior year, significant budgetary savings (almost \$503,000) were also realized in this area. Again, the greatest savings were in contract services, as costs - though increased from 2006-07 - were less than anticipated for the high volume of planning applications received.
- Public Works expenditures increased 16.7 percent (nearly \$700,000) over the prior year, as increased facility and fields maintenance activities resulted in higher personnel costs in these areas (\$170,000). Personnel costs also increased for median landscape management (\$180,000), though much of this cost was reimbursed by the Solid Waste fund. The cost of contract services increased in transportation management (\$120,000) as studies were conducted in this area. Operating cost increases were also noted (\$90,000) in the areas of right-of-way and street fixture maintenance.
- General Fund expenditures for capital outlay increased \$66,326 (28.5 percent) from the prior year, but fell short of budget due to planned fixed asset purchases or improvements delayed into the next fiscal year.

Total actual General Fund expenditures, exclusive of transfers out, increased 10.8 percent (\$3,180,000) over the 2006-07 fiscal year.

Operating transfers to other funds increased by over \$8.8 million over the prior fiscal year. As noted earlier, the full funding of prior year retiree medical (OPEB) obligations (\$9.2 million) and provision for the City's contractual contribution for construction of the Menlo-Atherton Performing Arts Center (\$2.6 million) more than offset the one-time transfers of the previous year. (In 2006-07, transfers of over \$3.2 million were necessary to establish the new internal service funds for General Liability, Workers' Compensation and OPEB activities.)

ECONOMIC CONDITION AND OUTLOOK

Up until 2007-08, the Bay Area as a whole continued to recover from the economic recession which began in 2001. In Menlo Park, total General Fund revenues in 2006-07 had finally recovered to exceed the \$32 million level last achieved in fiscal year 2001. Unfortunately, General Fund Expenditures had increased by over \$5 million since that time, despite the incorporation of cost saving strategies in each annual budget process. Although the positive revenue impetus continued to impact the General Fund in this most recent fiscal year, a setback in the economy seems inevitable. The housing market, which had been a major support of the area's economic recovery, has been in decline for over a year, and tightening credit markets have exacerbated the longstanding affordability challenges in Menlo Park. As decreased property values diminish the probability of property tax growth, consumer confidence is declining and the forecast for sales tax - the City's second-largest revenue source - is declining as well. Concerns over a slowing economy and continued financial market volatility have dampened investment yields, and uncertainty seems to hinder business and community development prospects. As the State continues to grapple with a budget deficit predicted to be \$28 billion by 2010, many local governments are anticipating budgetary shortfalls for the very near term.

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.

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, 2008

| | Primary Government | | |
|--|----------------------------|-----------------------------|-----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| ASSETS | | | |
| Current assets: | | | |
| Cash and investments | \$ 89,376,433 | \$ 16,705,195 | \$ 106,081,628 |
| Receivables: | | | |
| Accounts | 1,206,280 | 371,930 | 1,578,210 |
| Interest | 869,875 | 159,506 | 1,029,381 |
| Notes | 8,540,986 | - | 8,540,986 |
| Due from other governments | 2,465,800 | - | 2,465,800 |
| Deposits and prepaid items | 18,757 | - | 18,757 |
| Total current assets | <u>102,478,131</u> | <u>17,236,631</u> | <u>119,714,762</u> |
| Noncurrent assets: | | | |
| Restricted cash and investments | 17,265,211 | - | 17,265,211 |
| Deferred Charges | 1,514,423 | - | 1,514,423 |
| Capital assets | | | |
| Non-depreciable | 240,820,539 | 1,627,998 | 242,448,537 |
| Depreciable, net | 107,087,830 | 5,904,371 | 112,992,201 |
| Total capital asset | <u>347,908,369</u> | <u>7,532,369</u> | <u>355,440,738</u> |
| Total noncurrent assets | <u>366,688,003</u> | <u>7,532,369</u> | <u>374,220,372</u> |
| Total assets | <u>469,166,134</u> | <u>24,769,000</u> | <u>493,935,134</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | 2,657,042 | 489,502 | 3,146,544 |
| Accrued payroll | 753,325 | 17,110 | 770,435 |
| Interest payable | 811,280 | - | 811,280 |
| Deposits | 227,762 | 91,177 | 318,939 |
| Unearned revenue | 676,956 | - | 676,956 |
| Claims payable due within one year | 549,295 | - | 549,295 |
| Compensated absences due within one year | 878,215 | 18,279 | 896,494 |
| Landfill postclosure care due within one year | 168,875 | - | 168,875 |
| Long-term debt due within one year | 2,073,521 | - | 2,073,521 |
| Total current liabilities | <u>8,796,271</u> | <u>616,068</u> | <u>9,412,339</u> |
| Noncurrent liabilities: | | | |
| Claims payable due in more than one year | 1,611,036 | - | 1,611,036 |
| Compensated absences due in more than one year | 962,448 | 19,834 | 982,282 |
| Landfill postclosure care due n more than one year | 6,649,499 | - | 6,649,499 |
| Long-term debt due in more than one year | 80,562,465 | - | 80,562,465 |
| Total noncurrent liabilities | <u>89,785,448</u> | <u>19,834</u> | <u>89,805,282</u> |
| Total liabilities | <u>98,581,719</u> | <u>635,902</u> | <u>99,217,621</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 265,272,383 | 7,532,369 | 272,804,752 |
| Restricted for: | | | |
| Capital projects | 20,378,994 | 15,383,875 | 35,762,869 |
| Debt service | 10,759,071 | - | 10,759,071 |
| Community Development | 6,160,144 | - | 6,160,144 |
| Special projects | 1,034,326 | - | 1,034,326 |
| Unrestricted | 66,979,497 | 1,216,854 | 68,196,351 |
| Total net assets | <u>\$ 370,584,415</u> | <u>\$ 24,133,098</u> | <u>\$ 394,717,513</u> |

See accompanying Notes to Basic Financial Statements.

City of Menlo Park
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2008

| Functions/Programs | Expenses | Program Revenues | | | Total |
|---------------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Primary government: | | | | | |
| Governmental activities: | | | | | |
| General Government | \$ 8,145,031 | \$ 3,539,934 | \$ 35,582 | \$ - | \$ 3,575,516 |
| Public Safety | 15,763,116 | 5,154,247 | 685,187 | 100,000 | 5,939,434 |
| Public Works | 12,332,849 | 3,837,839 | 385,365 | 930,839 | 5,154,043 |
| Culture and recreation | 11,276,226 | 3,345,055 | 1,263,368 | - | 4,608,423 |
| Community development | 9,817,989 | 3,952,454 | - | - | 3,952,454 |
| Interest on long-term debt | 4,178,515 | - | - | - | - |
| Total governmental activities | 61,513,726 | 19,829,529 | 2,369,502 | 1,030,839 | 23,229,870 |
| Business-type activities: | | | | | |
| Water | 4,075,876 | 4,483,145 | - | - | 4,483,145 |
| Total business-type activities | 4,075,876 | 4,483,145 | - | - | 4,483,145 |
| Total primary government | \$ 65,589,602 | \$ 24,312,674 | \$ 2,369,502 | \$ 1,030,839 | \$ 27,713,015 |

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 |
|----------------------------|-----------------------------|-----------------------|
| \$ (4,569,515) | \$ - | \$ (4,569,515) |
| (9,823,682) | - | (9,823,682) |
| (7,178,806) | - | (7,178,806) |
| (6,667,803) | - | (6,667,803) |
| (5,865,535) | - | (5,865,535) |
| (4,178,515) | - | (4,178,515) |
| <u>(38,283,856)</u> | <u>-</u> | <u>(38,283,856)</u> |
| - | 407,269 | 407,269 |
| - | 407,269 | 407,269 |
| <u>(38,283,856)</u> | <u>407,269</u> | <u>(37,876,587)</u> |
| 23,292,838 | - | 23,292,838 |
| 7,676,943 | - | 7,676,943 |
| 133,339 | - | 133,339 |
| 1,474,119 | - | 1,474,119 |
| 1,477,768 | - | 1,477,768 |
| 1,651,479 | - | 1,651,479 |
| 35,706,486 | - | 35,706,486 |
| 6,076,112 | 957,071 | 7,033,183 |
| 706,444 | 344 | 706,788 |
| 184,711 | (184,711) | - |
| <u>42,673,753</u> | <u>772,704</u> | <u>43,446,457</u> |
| 4,389,897 | 1,179,973 | 5,569,870 |
| 366,194,518 | 22,953,125 | 389,147,643 |
| <u>\$ 370,584,415</u> | <u>\$ 24,133,098</u> | <u>\$ 394,717,513</u> |

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

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

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

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

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

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

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, 2008

| | Major Funds | | | | |
|--|----------------------|------------------------------|----------------------|---------------------|---------------------|
| | General Fund | Community Development Agency | | Debt Service | Capital Projects |
| | | Housing | Non-Housing | | |
| ASSETS | | | | | |
| Cash and investments | \$ 26,673,669 | \$ 1,269,885 | \$ 19,319,170 | \$ 22,420 | \$ 108,561 |
| Restricted cash and investments | - | - | 982 | 8,561,672 | 7,583,030 |
| Receivables: | | | | | |
| Accounts | 995,573 | - | - | - | - |
| Interest | 379,425 | 12,344 | 184,410 | - | 1,046 |
| Notes | - | 5,116,199 | - | - | - |
| Due from other governments | 1,231,840 | - | - | - | - |
| Deposits and prepaid items | 18,757 | - | - | - | - |
| Due from other funds | - | - | - | - | - |
| Total assets | \$ 29,299,264 | \$ 6,398,428 | \$ 19,504,562 | \$ 8,584,092 | \$ 7,692,637 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 745,130 | \$ 27,759 | \$ 687,852 | \$ 234,198 | \$ 4,070 |
| Accrued payroll and related liabilities | 673,106 | 9,167 | 15,795 | - | 1,202 |
| Due to other funds | - | - | - | - | - |
| Deposits | 227,762 | - | - | - | - |
| Deferred revenue | 371,534 | 4,663,956 | - | - | - |
| Total liabilities | 2,017,532 | 4,700,882 | 703,647 | 234,198 | 5,272 |
| Fund Balances: | | | | | |
| Reserved | 678,658 | 1,791,932 | 24,719 | 8,349,894 | 1,318,597 |
| Unreserved: | | | | | |
| Designated, reported in: | | | | | |
| General fund | 5,600,000 | - | - | - | - |
| Special revenue funds | - | - | - | - | - |
| Capital project funds | - | - | - | - | 6,368,768 |
| Undesignated, reported in: | | | | | |
| General fund | 21,003,074 | - | - | - | - |
| Special revenue funds | - | (94,386) | 18,776,196 | - | - |
| Total unreserved | 26,603,074 | (94,386) | 18,776,196 | - | 6,368,768 |
| Total fund balances | 27,281,732 | 1,697,546 | 18,800,915 | 8,349,894 | 7,687,365 |
| Total liabilities and fund balances | \$ 29,299,264 | \$ 6,398,428 | \$ 19,504,562 | \$ 8,584,092 | \$ 7,692,637 |

See accompanying Notes to Basic Financial Statements.

| Major Fund | | |
|---------------------|----------------------|-----------------------|
| Community | | |
| Development | Non-Major | Total |
| Block Grant | Governmental | Governmental |
| Special Revenue | Funds | Funds |
| \$ 515,606 | \$ 38,002,276 | \$ 85,911,587 |
| - | 1,119,527 | 17,265,211 |
| - | 200,424 | 1,195,997 |
| - | 258,678 | 835,903 |
| 1,554,071 | 1,870,716 | 8,540,986 |
| - | 1,233,960 | 2,465,800 |
| - | - | 18,757 |
| - | 56,254 | 56,254 |
| <u>\$ 2,069,677</u> | <u>\$ 42,741,835</u> | <u>\$ 116,290,495</u> |
| | | |
| \$ 59,301 | \$ 721,529 | \$ 2,479,839 |
| 1,238 | 50,363 | 750,871 |
| - | 56,254 | 56,254 |
| - | - | 227,762 |
| 1,554,071 | 352,409 | 6,941,970 |
| <u>1,614,610</u> | <u>1,180,555</u> | <u>10,456,696</u> |
| | | |
| <u>2,757</u> | <u>7,953,839</u> | <u>20,120,396</u> |
| | | |
| - | - | 5,600,000 |
| - | 1,112,987 | 1,112,987 |
| - | 11,843,371 | 18,212,139 |
| - | - | 21,003,074 |
| 452,310 | 20,651,083 | 39,785,203 |
| <u>452,310</u> | <u>33,607,441</u> | <u>85,713,403</u> |
| | | |
| 455,067 | 41,561,280 | 105,833,799 |
| <u>\$ 2,069,677</u> | <u>\$ 42,741,835</u> | <u>\$ 116,290,495</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, 2008

Total Fund Balances - Total Governmental Funds \$ 105,833,799

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. This amount is net of capital assets of the internal service funds in the amount of \$646,232.

| | Government- Wide Statement of Net Assets | Internal Service Funds | |
|----------------------|--|---------------------------|--------------------|
| Non-depreciable | \$ 240,820,539 | \$ - | 240,820,539 |
| Depreciable, net | 107,087,830 | (646,232) | 106,441,598 |
| Total capital assets | <u>\$ 347,908,369</u> | <u>\$ (646,232)</u> | <u>347,262,137</u> |

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.

(811,280)

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

1,514,423

Deferred revenues recorded in Governmental Fund Financial Statements in the amount of \$6,941,970, less actual unearned revenue recorded on the Government-Wide Financial Statements in the amount of \$676,956, resulting from activities in which revenues were earned but funds were not available are reclassified as revenues in the Government-Wide Financial Statements.

6,265,014

Landfill postclosure care costs do not require current financial resources and are not reported as a liability in the Governmental Fund Financials Statements.

(6,818,374)

Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet. The compensated absences is net of the internal service funds in the amount of \$4554 short-term, and \$4,942 long-term.

| | Government- Wide Statement of Net Assets | Internal Service Funds | |
|--|--|---------------------------|---------------------|
| Long-term liabilities - due within one year: | | | |
| Compensated absences payable | \$ (878,215) | \$ 4,554 | \$ (873,661) |
| Long-term debt | (2,073,521) | - | (2,073,521) |
| Long-term liabilities - due in more than one year: | | | |
| Compensated absences payable | (962,448) | 4,942 | (957,506) |
| Long-term debt | (80,562,465) | - | (80,562,465) |
| Total-long term liabilities | <u>\$ (84,476,649)</u> | <u>\$ 9,496</u> | <u>(84,467,153)</u> |

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.

1,805,849

Net Assets of Governmental Activities \$ 370,584,415

See accompanying Notes to Basic Financial Statements.

City of Menlo Park
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2008

| | Major Funds | | | | |
|---|----------------------|------------------------------|--------------------------------|---------------------|---------------------|
| | General Fund | Community Development Agency | | | Capital Projects |
| | | Housing Special Revenue | Non-Housing Special Revenue | Debt Service | |
| REVENUES: | | | | | |
| Taxes: | | | | | |
| Secured property taxes | \$ 10,521,703 | \$ 2,111,994 | \$ 8,447,974 | \$ - | \$ - |
| Unsecured property taxes | 359,124 | 278,644 | 1,114,577 | - | - |
| Other property taxes | 458,822 | - | - | - | - |
| Sales taxes | 7,676,943 | - | - | - | - |
| Other taxes | 4,554,306 | - | - | - | - |
| Special assessments | - | - | - | - | - |
| Licenses and permits | 4,005,693 | - | - | - | - |
| Fines and forfeitures | 951,145 | - | - | - | - |
| Use of money and property | 2,745,485 | 89,908 | 1,118,821 | 288,049 | 288,477 |
| Intergovernmental | 2,009,244 | - | - | - | - |
| Charges for services | 4,564,918 | - | 583,780 | - | - |
| Other | 20,686 | - | - | - | - |
| Total revenues | 37,868,069 | 2,480,546 | 11,265,152 | 288,049 | 288,477 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| General government | 4,283,100 | - | - | - | - |
| Public safety | 12,389,001 | - | - | - | - |
| Public works | 4,869,892 | - | - | - | - |
| Culture and recreation | 8,019,061 | - | - | - | - |
| Community development | 2,733,051 | - | 1,315,137 | - | 78,434 |
| Urban development and housing | - | 656,017 | 3,318,544 | - | - |
| Capital outlay | 299,385 | 1,210 | - | - | 343,497 |
| Debt service: | | | | | |
| Principal | - | - | - | 1,610,000 | - |
| Interest and fiscal charges | - | - | - | 3,732,515 | - |
| Cost of Issuance | - | - | - | 342,807 | - |
| Total expenditures | 32,593,490 | 657,227 | 4,633,681 | 5,685,322 | 421,931 |
| REVENUES OVER (UNDER) EXPENDITURES | 5,274,579 | 1,823,319 | 6,631,471 | (5,397,273) | (133,454) |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Transfers in | 651,507 | - | - | 5,056,535 | - |
| Transfers out | (14,302,525) | (1,091,196) | (4,236,520) | - | - |
| Total other financing sources (uses) | (13,651,018) | (1,091,196) | (4,236,520) | 5,056,535 | - |
| Net change in fund balances | (8,376,439) | 732,123 | 2,394,951 | (340,738) | (133,454) |
| FUND BALANCES: | | | | | |
| Beginning of year | 35,658,171 | 965,423 | 16,405,964 | 8,690,632 | 7,820,819 |
| End of year | <u>\$ 27,281,732</u> | <u>\$ 1,697,546</u> | <u>\$ 18,800,915</u> | <u>\$ 8,349,894</u> | <u>\$ 7,687,365</u> |

See accompanying Notes to Basic Financial Statements.

| <hr/> <hr/> | | |
|------------------------|----------------------|-----------------------|
| <u>Major Fund</u> | | |
| <u>Community</u> | | |
| <u>Development</u> | <u>Non-Major</u> | <u>Total</u> |
| <u>Block Grant</u> | <u>Governmental</u> | <u>Governmental</u> |
| <u>Special Revenue</u> | <u>Funds</u> | <u>Funds</u> |
| \$ - | \$ - | \$ 21,081,671 |
| - | - | 1,752,345 |
| - | - | 458,822 |
| - | - | 7,676,943 |
| - | 1,324,346 | 5,878,652 |
| - | 2,661,078 | 2,661,078 |
| - | 371,057 | 4,376,750 |
| - | - | 951,145 |
| 36,175 | 1,595,364 | 6,162,279 |
| - | 1,524,435 | 3,533,679 |
| 461,583 | 5,103,625 | 10,713,906 |
| - | 681,656 | 702,342 |
| <u>497,758</u> | <u>13,261,561</u> | <u>65,949,612</u> |
| - | 1,884,901 | 6,168,001 |
| - | 87,613 | 12,476,614 |
| - | 2,904,237 | 7,774,129 |
| - | 340,325 | 8,359,386 |
| - | 199,006 | 4,325,628 |
| 110,704 | 16,205 | 4,101,470 |
| - | 3,901,473 | 4,545,565 |
| - | 505,000 | 2,115,000 |
| - | 793,625 | 4,526,140 |
| - | - | 342,807 |
| <u>110,704</u> | <u>10,632,385</u> | <u>54,734,740</u> |
| <u>387,054</u> | <u>2,629,176</u> | <u>11,214,872</u> |
| - | 5,091,000 | 10,799,042 |
| - | (428,615) | (20,058,856) |
| - | 4,662,385 | (9,259,814) |
| 387,054 | 7,291,561 | 1,955,058 |
| <u>68,013</u> | <u>34,269,719</u> | <u>103,878,741</u> |
| <u>\$ 455,067</u> | <u>\$ 41,561,280</u> | <u>\$ 105,833,799</u> |

City of Menlo Park

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets For the year ended June 30, 2008

| | | |
|---|----|-----------|
| Net Change in Fund Balances - Total Governmental Funds | \$ | 1,955,058 |
|---|----|-----------|

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

| | | |
|---|--|-----------|
| Governmental Funds reported acquisition of capital assets as expenditures in various functions and in capital outlay. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets was allocated over their estimated useful lives as depreciation expense. This was the amount of capital assets recorded in the current period. This amount is net of additions for the internal service funds in the amount of \$292,585. | | 4,210,870 |
|---|--|-----------|

| | | |
|---|--|-------------|
| Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in the Governmental Funds. This amount is net of depreciation expense of the internal service funds in the amount of \$263,168. | | (4,333,076) |
|---|--|-------------|

| | | |
|--|--|----------|
| Loss on the disposal of capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it did not require the use of current financial resources. Therefore, it was not reported as expenditures in the Governmental Funds. | | (64,416) |
|--|--|----------|

| | | |
|---|--|-----------|
| Revenues that have not met the revenue recognition criteria in the Governmental Fund Financial Statements are recognized as revenue in the Government-Wide Financial Statements. This amount represents the change in deferred revenue from the prior year. | | (610,271) |
|---|--|-----------|

| | | |
|---|--|----------|
| Expenses to accrue long-term compensated absences and claims liability are reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, these expenses are not reported in the Governmental Funds. | | |
| <ul style="list-style-type: none"> • Change in compensated absences | | (91,521) |

| | | |
|--|--|-----------|
| 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. | | |
| <ul style="list-style-type: none"> • Long-term debt repayments | | 2,115,000 |

| | | |
|--|--|----------|
| Deferred charges on issuance of debt are recorded as expenditures in the Governmental 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 Governmental 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. | | 224,798 |
|--|--|---------|

| | | |
|--|--|---------|
| Interest expense on long-term debt was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it did not require the use of current financial resources. Therefore, interest expense was not reported as expenditures in the Governmental Funds. The following amount represents the change in accrued interest from the prior year. | | 897,756 |
|--|--|---------|

| | | |
|--|--|---------|
| Internal service funds are used to charge the costs of risk management, other post employment benefits and vehicle replacements to individual funds. The net revenue of the internal service funds is reported with governmental activities. | | 293,023 |
|--|--|---------|

| | | |
|--|----|-------------------------|
| Change in Net Assets of Governmental Activities | \$ | <u><u>4,389,897</u></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 is the only enterprise activity 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, 2008

| | Major Enterprise Fund Water Fund | Governmental Activities Internal Service Funds |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash and investments | \$ 16,705,195 | \$ 3,464,846 |
| Receivables: | | |
| Accounts | 371,930 | 10,283 |
| Interest | 159,506 | 33,972 |
| Total current assets | <u>17,236,631</u> | <u>3,509,101</u> |
| Capital assets: | | |
| Non-depreciable | 1,627,998 | - |
| Depreciable, net | 5,904,371 | 646,232 |
| Total capital assets | <u>7,532,369</u> | <u>646,232</u> |
| Total assets | <u>24,769,000</u> | <u>4,155,333</u> |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable | 489,502 | 177,203 |
| Accrued payroll | 17,110 | 2,454 |
| Deposits | 91,177 | - |
| Claims Payable, due within one year | - | 549,295 |
| Compensated absences, due within one year | 18,279 | 4,554 |
| Total current liabilities | <u>616,068</u> | <u>733,506</u> |
| Noncurrent liabilities: | | |
| Claims Payable, due in more than one year | - | 1,611,036 |
| Compensated absences, due in more than one year | 19,834 | 4,942 |
| Total noncurrent liabilities | <u>19,834</u> | <u>1,615,978</u> |
| Total liabilities | <u>635,902</u> | <u>2,349,484</u> |
| NET ASSETS | | |
| Invested in capital assets, net of related debt | 7,532,369 | 646,232 |
| Restricted for: | | |
| Capital projects | 15,383,875 | - |
| Unrestricted | 1,216,854 | 1,159,617 |
| Total net assets | <u>\$ 24,133,098</u> | <u>\$ 1,805,849</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, 2008

| | Major Enterprise Fund Water Fund | Governmental Activities Internal Service Funds |
|---|---|---|
| OPERATING REVENUES: | | |
| Charges for services | \$ 4,474,751 | \$ 2,485,169 |
| Connection fees | 8,394 | - |
| Total operating revenues | 4,483,145 | 2,485,169 |
| OPERATING EXPENSES: | | |
| Cost of sales and services | 3,575,345 | - |
| Personnel Services | - | 113,990 |
| General and administrative | 331,155 | 10,539,708 |
| Insurance | - | 1,104,348 |
| Depreciation | 169,376 | 263,169 |
| Total operating expenses | 4,075,876 | 12,021,215 |
| OPERATING INCOME (LOSS) | 407,269 | (9,536,046) |
| NONOPERATING REVENUES (EXPENSES): | | |
| Interest income | 957,071 | 375,470 |
| Gain (loss) on sale of equipment | - | 4,972 |
| Total nonoperating revenues | 957,071 | 380,442 |
| INCOME (LOSS) BEFORE OPERATING TRANSFERS | 1,364,340 | (9,155,604) |
| OPERATING TRANSFERS: | | |
| Transfers in | 1,900,000 | 9,444,525 |
| Transfers out | (2,084,711) | - |
| Contributions | 344 | 4,101 |
| Total operating transfers | (184,367) | 9,448,626 |
| Net income (loss) | 1,179,973 | 293,022 |
| NET ASSETS: | | |
| Beginning of year | 22,953,125 | 1,512,827 |
| End of year | \$ 24,133,098 | \$ 1,805,849 |

See accompanying Notes to Basic Financial Statements.

City of Menlo Park
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2008

| | Major Enterprise Fund Water Fund | Governmental Activities Internal Service Funds |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Cash received from other funds | \$ 4,555,508 | \$ 2,287,279 |
| Cash payment to suppliers | (3,385,422) | (1,532,132) |
| Cash payments for general and administrative | (701,639) | - |
| Cash paid to employees | - | (204,363) |
| Cash receipts (payments) other | - | (10,355,294) |
| Net cash provided (used) by operating activities | 468,447 | (9,804,510) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | |
| Transfers from other funds | 1,900,000 | 9,444,525 |
| Transfers to other funds | (2,102,376) | - |
| Net cash provided (used) by noncapital financing activities | (202,376) | 9,444,525 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Acquisition and construction of capital assets | (310,058) | (287,369) |
| Proceeds from disposal of capital assets | - | 4,972 |
| Net cash provided (used) by capital and related financing activities | (310,058) | (282,397) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Investment income | 974,737 | 374,675 |
| Net cash provided (used) by investing activities | 974,737 | 374,675 |
| Net increase (decrease) in cash and cash equivalents | 930,750 | (267,707) |
| CASH AND CASH EQUIVALENTS: | | |
| Beginning of year | 15,774,445 | 3,732,553 |
| End of year | \$ 16,705,195 | \$ 3,464,846 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | | |
| Operating income (loss) | \$ 407,269 | \$ (9,536,046) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | |
| Depreciation | 169,376 | 263,169 |
| Changes in current assets and liabilities: | | |
| Accounts receivable | (45,786) | 30,573 |
| Accounts payable | 125,170 | (34,621) |
| Accrued payroll | 349 | (3,447) |
| Insurance claim payable | - | (525,359) |
| Compensated absences | (9,782) | 1,221 |
| Deposits | (178,149) | - |
| Total adjustments | 61,178 | (268,464) |
| Net cash provided (used) by operating activities | \$ 468,447 | \$ (9,804,510) |

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, 2008

| | <u>Agency Funds</u> |
|---------------------------|-------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 568,502 |
| Total assets | <u>\$ 568,502</u> |
| LIABILITIES | |
| Accrued payroll | \$ 179,401 |
| Deposits | 389,101 |
| Total liabilities | <u>\$ 568,502</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, 2008

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 Governmental Auditing Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. The City is the primary governmental 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, 2008

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 in 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, 2008

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. Accompanying schedules are presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the government-wide financial statements. The City has presented the following major funds:

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

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

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

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

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

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, 2008

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, 2008

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, 2008

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, GASB issued GASB 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, 2008

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. Consequently, long-term debt is shown as a reconciling item 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, 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, 2008.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

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, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. New Pronouncements

In 2008, the City adopted new accounting standards in order to conform to the following GASB Statements:

- GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Post employment Benefits Other Than Pension Plans* - This Statement addresses financial statement and disclosure requirements for reporting by administrators or trustees of OPEB plan assets or by employers or sponsors that include OPEB plan assets as trust or agency funds in their financial reports.
- GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenue* - This Statement establishes accounting and financial reporting standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. In addition, this Statement establishes accounting and financial reporting standards that apply to all intra-entity transfers of assets and future revenues.
- GASB Statement No. 50, *Pension Disclosures – An Amendment of GASB Statements No. 25 and 27* - This Statement more closely aligns the financial reporting requirements for pensions with those for other post-employment benefits (OPEB) and in doing so, enhances information disclosed in the notes to financial statements or presented as Required Supplementary Information (RSI) by pension plans and by employers that provide pension benefits.

2. CASH AND INVESTMENTS

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

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

A. Authorized Investments

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

2. CASH AND INVESTMENTS, Continued

A. Authorized Investments, Continued

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

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

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

GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires that the City's investments be carried at fair market value instead of cost. Accordingly, the City adjusts the carrying value of its investments to reflect their fair value at each fiscal year-end, and the effects of these adjustments are included in income for that fiscal year. Changes in fair value between the fiscal year ended June 30, 2008 and the fiscal year ended June 30, 2007, amounted to an increase of \$1,235,641.

B. Deposits

At June 30, 2008, the carrying amount of the City's deposits was \$435,282 and the bank balances were \$1,112,621. The total bank balance was covered by federal depository insurance or by collateral held by the City's agent in the City's name.

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

2. CASH AND INVESTMENTS, Continued

C. Risks Disclosures

The following is a summary of pooled cash and investments, including cash and investments with fiscal agent at June 30, 2008.

| | Government-Wide Statement of Net Assets | | | Fund Financials | |
|---------------------------------|---|-----------------------------|----------------|---------------------------------|----------------|
| | Governmental Activities | Business-Type Activities | Total | Fiduciary Funds Statement of | |
| | | | | Net Assets | Total |
| Cash and investments | \$ 89,376,433 | \$ 16,705,195 | \$ 106,081,628 | \$ 568,502 | \$ 106,650,130 |
| Restricted cash and investments | \$ 17,265,211 | \$ - | \$ 17,265,211 | \$ - | \$ 17,265,211 |

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, 2008, 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 | \$ 435,282 | \$ 435,282 | \$ - | \$ - | \$ - | \$ - |
| Petty cash | 5,385 | 5,385 | - | - | - | - |
| Securities of U.S. Government: | | | | | | |
| Treasury agencies: | | | | | | |
| U.S. Treasury T-notes | 12,734,855 | 5,536,805 | 7,198,050 | - | - | - |
| U.S. instrumentality | 46,908,755 | 6,096,450 | 15,245,495 | 13,245,180 | 12,321,630 | - |
| Local Agency Investments Funds | 44,553,202 | 44,553,202 | - | - | - | - |
| Corporate notes | 2,012,650 | - | 1,002,910 | - | - | 1,009,740 |
| Total | \$ 106,650,129 | \$ 56,627,124 | \$ 23,446,455 | \$ 13,245,180 | \$ 12,321,630 | \$ 1,009,740 |

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, 2008, the City's pooled cash and investments had the following maturities:

| <u>Maturity</u> | <u>Percentage of Investment</u> |
|---------------------|---------------------------------|
| Less than one year | 53% |
| One to two years | 22% |
| Two to three years | 12% |
| Three to four years | 12% |
| Four to five years | 1% |

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

2. CASH AND INVESTMENTS, Continued

C. Risks Disclosures, Continued

Credit Risk: It is the City's policy that commercial paper have a rating of "A-1" or higher by a nationally recognized statistical rating organization (NRSRO) and with a maturity date not exceeding 270 days from the date of purchase. Medium-term notes, with a final maturity not exceeding four years from the date of purchase, must have a rating of AA or the equivalent by a NRSRO. Medium-term notes with a final maturity exceeding four years from the date of purchase shall be rated at least AAA or the equivalent by a NRSRO at the time of purchase. According to the City's investment policy, the aggregate investment in medium-term notes will not exceed 10% of the City's total portfolio. Federal instrumentalities must have a rating of AAA or the equivalent by a NRSRO at the time of purchase. The Local Agency Investment Fund (LAIF), administered by the State of California, has a separate investment policy, governed by Government Code Sections 16480-16481.2, that provides credit standards for its investments. The City's investments in the bonds of the U.S. Treasury were rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. The investments in the bonds of U.S. agencies were rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. The City's investments in the state investment pool, Local Agency Investments Funds, was rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. The City has investments in two corporate notes. The investment in GE Capital is rated AAA by Standard & Poor's and Aaa by Moody's Investors Services. The Well Fargo corporate note is rated AA+ by Standard & Poor's and Aa1 by Moody's Investors Services.

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

D. External Investment Pool

The City invests in LAIF, a State of California external investment pool, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. LAIF determines the fair value of 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, 2008, by multiplying its account balance with LAIF (\$44,555,420) times a fair value factor (.999950219) computed 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, 2008, the City's investments in LAIF, stated at fair value, equaled \$44,553,202.

The City's investments with LAIF at June 30, 2008, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

2. CASH AND INVESTMENTS, Continued

D. External Investment Pool, Continued

- Structured Notes are debt securities (other than asset-backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depend on one or more indices and/or have embedded forwards or options.
- Asset-backed Securities, the bulk of which are mortgage-backed securities, 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 Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2008, the City had \$44,553,202 (stated at fair value) invested in LAIF, which had invested 14.72% of the pool investment fund in Structured Notes and Asset-Backed Securities as compared to the previous year's amount of 3.466%.

3. RECEIVABLES

A. Accounts Receivable

As of June 30, 2008, accounts receivable consisted of the following:

| | Governmental Activities | Business-Type Activities | Total |
|----------------------------------|----------------------------|-----------------------------|---------------------|
| Taxes: | | | |
| Occupancy taxes | \$ 402,113 | \$ - | \$ 402,113 |
| Utility taxes | 148,147 | - | 148,147 |
| Total taxes | 550,260 | - | 550,260 |
| Franchise fees | 232,416 | - | 232,416 |
| Rental income | 7,019 | - | 7,019 |
| General government charges | 36,192 | - | 36,192 |
| Public works charges | 80,077 | - | 80,077 |
| Public safety charges | 30,090 | - | 30,090 |
| Community development fees | 68,377 | - | 68,377 |
| Recreation programs | 108,326 | - | 108,326 |
| Library charges | 39,682 | - | 39,682 |
| Water service fees | - | 371,930 | 371,930 |
| Donations | 53,841 | - | 53,841 |
| Total accounts receivable | \$ 1,206,280 | \$ 371,930 | \$ 1,578,210 |

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

3. RECEIVABLES, Continued

B. Notes Receivable

As of June 30, 2008, notes receivable consisted of the following:

| | Notes Receivable |
|-----------------------------------|----------------------------|
| Major Funds: | |
| Community Development Block Grant | \$ 1,554,071 |
| Community Development Agency | 5,116,199 |
| Total major funds | <u>6,670,270</u> |
| Other Governmental Funds: | |
| Below market rate housing | 1,823,731 |
| Emergency repair loan (ERL) | 46,985 |
| Total special revenue funds | <u>1,870,716</u> |
| Total notes receivable | <u><u>\$ 8,540,986</u></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, 2008, were \$1,554,071. Since the funds have not been legally vested with the City, these funds are reported as deferred revenue.

Community Development Agency

Total Agency loans at June 30, 2008, amounted to \$5,116,199 and was composed of the following:

The Agency assumed a portfolio of loans which had been made by Neighborhood Housing Services (NHS) to low income residents of the City 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, 2008 was \$5,167.

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, 2008, was \$35,750.

The Agency made a loan to Mid-Peninsula Housing Coalition for purchase of a five-unit apartment building for very low-income households. The loan carries a 3% simple interest rate, with payments made from residual receipts of the property. The outstanding balance at June 30, 2008, was \$276,719.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

3. RECEIVABLES, Continued

B. Notes Receivable, Continued

Community Development Agency, Continued

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, 2008, was \$131,866.

On March 21, 2002, the Agency made a loan for the Peace Officer Homebuyer Assistance Program (POMA) to one eligible participant in the amount of \$84,000. The loan bears an 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, 2008, was \$49,460.

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 compounded interest of 3%. The payment is secured by a Deed of Trust. The final payment is due on February 15, 2043. The outstanding balance as of June 30, 2008, was \$4,617,237.

Below Market Rate Housing

The City uses Below Market Rate Housing Reserve funds to provide residents and employees who work in the City with second mortgage loans to purchase their first home in the City. 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, 2008, amounted to \$1,823,731.

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. The outstanding balance of the loans at June 30, 2008, was \$46,985.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

4. UNEARNED/DEFERRED REVENUE

A. Government-Wide Financial Statements

Unearned revenues in the government-wide financial statements represents amounts for which revenues have not been earned. At June 30, 2008, unearned revenues were composed of the following:

| | Governmental Activities |
|----------------------------------|----------------------------|
| Rental income | \$ 3,773 |
| Recreation summer programs | 342,371 |
| Utility users tax | 3,000 |
| Police donations | 389 |
| Library donations | 12,693 |
| Vintage Oaks replacement program | 662 |
| Public Art Program | 8,647 |
| Garbage service fees | 305,421 |
| Total | \$ 676,956 |

B. Fund Financial Statements

At June 30, 2008, 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:

| | Special Revenue Funds | | | | Total |
|----------------------------------|-----------------------|------------------------------------|--|--------------------|---------------------|
| | General Fund | Community Development | | Non-Major Funds | |
| | | Community Development Agency | Community Development Block Grant | | |
| Rental income | \$ 3,773 | \$ - | \$ - | \$ - | \$ 3,773 |
| Recreation Summer Programs | 342,371 | - | - | - | 342,371 |
| Utility users tax | 3,000 | - | - | - | 3,000 |
| Vintage Oaks replacement Program | 662 | - | - | - | 662 |
| Library donations | 12,693 | - | - | - | 12,693 |
| Public Art Program | 8,647 | - | - | - | 8,647 |
| Police donations | 389 | - | - | - | 389 |
| Garbage service fees | - | - | - | 305,423 | 305,423 |
| Menlo Gateway loan | - | 4,617,237 | - | - | 4,617,237 |
| CDBG loans | - | - | 1,554,071 | - | 1,554,071 |
| Emergency repair loans | - | - | - | 46,985 | 46,985 |
| Mid Peninsula loans | - | 46,719 | - | - | 46,719 |
| Total | \$ 371,535 | \$ 4,663,956 | \$ 1,554,071 | \$ 352,408 | \$ 6,941,970 |

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

5. CAPITAL ASSETS

A. Government-Wide Financial Statements

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

| | Balance July 1, 2007 | Additions | Retirements | Reclassification | Balance June 30, 2008 |
|--|-------------------------|--------------------|--------------------|------------------|--------------------------|
| Governmental Activities: | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 204,949,233 | \$ - | \$ - | \$ - | \$ 204,949,233 |
| Land improvements | 32,900,109 | - | - | - | 32,900,109 |
| Construction in progress | 600,561 | 2,509,763 | (58,713) | (80,414) | 2,971,197 |
| Total capital assets, not being depreciated | 238,449,903 | 2,509,763 | (58,713) | (80,414) | 240,820,539 |
| Capital assets, being depreciated: | | | | | |
| Buildings | 46,933,785 | - | - | - | 46,933,785 |
| Equipment | 5,912,705 | 590,433 | (340,226) | - | 6,162,912 |
| Other improvements | 12,717,853 | 64,236 | - | - | 12,782,089 |
| Infrastructure | 105,533,229 | 1,339,023 | - | 80,414 | 106,952,666 |
| Total capital assets, being depreciated | 171,097,572 | 1,993,692 | (340,226) | 80,414 | 172,831,452 |
| Less accumulated depreciation for: | | | | | |
| Buildings | (11,858,663) | (938,676) | - | - | (12,797,339) |
| Equipment | (4,812,558) | (428,459) | 334,523 | - | (4,906,494) |
| Other improvements | (1,700,090) | (606,698) | - | - | (2,306,788) |
| Infrastructure | (43,110,590) | (2,622,411) | - | - | (45,733,001) |
| Total accumulated depreciation | (61,481,901) | (4,596,244) | 334,523 | - | (65,743,622) |
| Total capital assets, being depreciated, net | 109,615,671 | (2,602,552) | (5,703) | 80,414 | 107,087,830 |
| Governmental activities capital assets, net | \$ 348,065,574 | \$ (92,789) | \$ (64,416) | \$ - | \$ 347,908,369 |

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

| | |
|--|---------------------|
| General government | \$ 567,353 |
| Public safety | 207,147 |
| Public works | 2,792,405 |
| Culture and recreation | 1,022,462 |
| Community development | 6,877 |
| Total depreciation expense - governmental departments | \$ 4,596,244 |

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

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, 2007 | Additions | Retirements | Adjustments | Balance June 30, 2008 |
|--|--------------------------|-------------------|-------------|-------------|--------------------------|
| Business Activities: | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 1,066,454 | \$ - | \$ - | \$ - | \$ 1,066,454 |
| Construction in progress | 277,361 | 284,183 | - | - | 561,544 |
| Total capital assets, not being depreciated | <u>1,343,815</u> | <u>284,183</u> | <u>-</u> | <u>-</u> | <u>1,627,998</u> |
| Capital assets, being depreciated: | | | | | |
| Buildings | 4,165,957 | - | - | (6,497) | 4,159,460 |
| Equipment | 589,093 | 26,219 | - | 6,497 | 621,809 |
| Infrastructure | 6,812,639 | - | - | - | 6,812,639 |
| Total capital assets, being depreciated | <u>11,567,689</u> | <u>26,219</u> | <u>-</u> | <u>-</u> | <u>11,593,908</u> |
| <i>Less accumulated depreciation for:</i> | | | | | |
| Buildings | (1,130,777) | (83,189) | - | - | (1,213,966) |
| Equipment | (581,009) | (3,835) | - | - | (584,844) |
| Infrastructure | (3,808,375) | (82,352) | - | - | (3,890,727) |
| Total accumulated depreciation | <u>(5,520,161)</u> | <u>(169,376)</u> | <u>-</u> | <u>-</u> | <u>(5,689,537)</u> |
| Total capital assets, being depreciated, net | <u>6,047,528</u> | <u>(143,157)</u> | <u>-</u> | <u>-</u> | <u>5,904,371</u> |
| Business activities capital assets, net | <u>\$ 7,391,343</u> | <u>\$ 141,026</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 7,532,369</u> |

Depreciation expense for all proprietary funds was \$169,376 for the year ended June 30, 2008, 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, 2008

6. LONG-TERM DEBT

A. Long-Term Obligations

Changes in long-term debt for the year ended June 30, 2008 was as follows:

| | Balance July 1, 2007 | Additions | Deletions | Balance June 30, 2008 | Due Within One Year | Due in More than One Year |
|--|-------------------------|-------------|-----------------------|--------------------------|------------------------|------------------------------|
| Governmental Activities: | | | | | | |
| 1996 General Obligation Refunding Bonds | \$ 3,090,000 | \$ - | \$ (270,000) | \$ 2,820,000 | \$ 285,000 | \$ 2,535,000 |
| 2002 General Obligation Bonds | 12,485,000 | - | (235,000) | 12,250,000 | 250,000 | 12,000,000 |
| 2006 Las Pulgas Project Tax Allocation Bonds | 72,430,000 | - | (1,610,000) | 70,820,000 | 1,680,000 | 69,140,000 |
| Deferred amount on refunding of the 2006 Las Pulgas Project Tax Allocation Bonds | (3,072,165) | - | 128,007 | (2,944,158) | (128,007) | (2,816,151) |
| Discount on 2006 Las Pulgas Project Tax Allocation Bonds | (323,328) | - | 13,472 | (309,856) | (13,472) | (296,384) |
| Total governmental activities | \$ 84,609,507 | \$ - | \$ (1,973,521) | \$ 82,635,986 | \$ 2,073,521 | \$ 80,562,465 |

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 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 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, 2008

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, 2008, is as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|---------------------|-------------------|---------------------|
| 2009 | \$ 285,000 | \$ 119,025 | \$ 404,025 |
| 2010 | 300,000 | 103,750 | 403,750 |
| 2011 | 320,000 | 87,250 | 407,250 |
| 2012 | 340,000 | 69,750 | 409,750 |
| 2013 | 360,000 | 51,250 | 411,250 |
| 2014-2015 | 1,215,000 | 42,375 | 1,257,375 |
| Total | <u>\$ 2,820,000</u> | <u>\$ 473,400</u> | <u>\$ 3,293,400</u> |

2002 General Obligation Bonds

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

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

| <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, 2008

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, 2008, were as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|----------------------|---------------------|----------------------|
| 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 | 310,000 | 558,110 | 868,110 |
| 2014-2018 | 1,815,000 | 2,529,680 | 4,344,680 |
| 2019-2023 | 2,290,000 | 2,026,252 | 4,316,252 |
| 2024-2028 | 2,945,000 | 1,333,300 | 4,278,300 |
| 2029-2033 | 3,805,000 | 424,000 | 4,229,000 |
| Total | <u>\$ 12,250,000</u> | <u>\$ 9,304,315</u> | <u>\$ 21,554,315</u> |

2006 Las Pulgas Project Tax Allocation Bonds

In May 2006, the Agency issued Tax Allocation 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 Bonds are the only outstanding bond issuance funding redevelopment activities of benefit to the Agency's Las Pulgas Community Development Project Area. The 2006 Bonds are payable from Agency tax revenues, including a portion of its housing set-aside tax increment revenues. In addition, pass-through payments to other local taxing agencies were subordinated to payment of debt service on the Bonds. Principal payments are due annually on January 1st of each year.

Annual principal and interest payments on the 2006 Bonds are expected to require 50% percent of net revenues. The total principal and anticipated interest remaining to be paid on the tax allocation Bonds is \$107,484,162. For the current year, principal and interest paid on the 2006 Bonds was \$4,310,863 and property tax increment net revenues were \$8,855,739. The 2006 Bonds required 49% of net revenues.

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 2006 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, 2008

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, 2008, the swap had a negative fair value of (\$4,458,642). 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, 2008, 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 ratings fall below the applicable thresholds. As a result of the downgrade of the Agency's bond insurer early in 2008, the swap payments associated with the Series 2006 bonds are now guaranteed by a direct-pay letter of credit with State Street Bank and Trust Co. Inc. with a credit rating from Moody of Aa2. The original Ambac insurance is also intact, with a credit rating from Standards and Poor's of AA- and Moody's of Baa1. Cross-default provisions allow a non-defaulting 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 non-defaulting party.

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

6. LONG-TERM DEBT, Continued

A. Long-term Obligations, Continued

2006 Las Pulgas Project Tax Allocation Bonds, Continued

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

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

Event Disclosure: On April 23, 2008, the Agency remarketed its outstanding Series 2006 Bonds, substituting the preexisting State Street line of credit for a State Street direct-pay letter of credit. This letter of credit effectively "wrapped" around the preexisting Ambac Assurance Corporation bond insurance policy, providing additional credit enhancement on the Bonds. The Ambac policies remains in effect, but is secondary to the State Street letter of credit. The Bonds remained otherwise unchanged, continuing as before as daily reset variable rated demand bonds (VRDBs). The swap associated with the Bonds, entered into with Piper Jaffray at the original issuance of the Bonds, remains in effect.

The annual debt service requirements to mature the Tax Allocation Bonds outstanding at June 30, 2008 are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|----------------------|----------------------|-----------------------|
| 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 | 1,950,000 | 2,379,976 | 4,329,976 |
| 2014-2018 | 12,005,000 | 10,667,685 | 22,672,685 |
| 2019-2023 | 16,330,000 | 7,935,530 | 24,265,530 |
| 2024-2028 | 19,675,000 | 4,530,510 | 24,205,510 |
| 2029-2031 | 13,745,000 | 795,317 | 14,540,317 |
| Total | \$ 70,820,000 | \$ 36,664,162 | \$ 107,484,162 |

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

6. LONG-TERM DEBT, Continued

A. Long-term Obligations, Continued

2006 Las Pulgas Project Tax Allocation Bonds, Continued

In connection with the issuance of the Tax Allocation Bonds, the Agency 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 2008 was \$128,007. The balance outstanding at June 30, 2008 was \$2,944,158.

The issuance of the 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 2008 was \$13,427. The balance outstanding at June 30, 2008 was \$309,856.

B. Prior Years' Defeased Obligations

1996 and 2000 Tax Allocation Bonds

During fiscal year 2005-2006, the 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 long-term debt.

The balance of the defeased bonds outstanding as of June 30, 2008, was \$64,320,000.

7. COMPENSATED ABSENCES

Compensated absences at June 30, 2008 were as follows:

| | Balance July 1, 2007 | Additions | Deletions | Balance June 30, 2008 |
|-----------------------------------|-------------------------|-------------------|---------------------|--------------------------|
| Governmental Activities: | \$ 1,747,600 | \$ 895,507 | \$ (802,444) | \$ 1,840,663 |
| Business-Type Activities: | 47,894 | 6,910 | (16,691) | 38,113 |
| Total compensated absences | <u>\$ 1,795,494</u> | <u>\$ 902,417</u> | <u>\$ (819,135)</u> | <u>\$ 1,878,776</u> |

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

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.

Complete financial statements for the BCJPIA may be obtained from their offices at,

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 Liability and Workers' Compensation Internal Service Funds. No claim settlement has exceeded the coverage amounts in place for any of the past three years.

Changes in the balances of the City's claims liabilities during the years ended June 30, 2008, 2007 and 2006 were as follows:

| | Beginning of Year Liability | Current Year Claims and Changes in Estimates | Claim Payments for Current and Prior Years | End of Year Liability |
|-----------|-----------------------------------|--|--|-----------------------------|
| | <u>Liability</u> | <u>in Estimates</u> | <u>Prior Years</u> | <u>Liability</u> |
| 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 |
| 2007-2008 | 2,685,690 | 96,517 | (621,876) | 2,160,331 |

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

9. INTERFUND TRANSACTIONS

Interfund receivables and payables at June 30, 2008, 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, 2008 is as follows:

Only one Due To/From Other Funds was established by June 30, 2008 to cover short-term negative cash balances in the Literacy Grants Fund.

| | Due from other funds | | |
|----------------------------|-----------------------------|------------------------------------|------------------|
| | Governmental Funds | | |
| | General Fund | Non-Major Governmental Funds | Total |
| Due to other funds: | | | |
| Governmental Funds: | | | |
| Non-Major Funds | \$ - | \$ 56,254 | \$ 56,254 |
| Total | \$ - | \$ 56,254 | \$ 56,254 |

Interfund Transfers

Interfund transfers for the year ended June 30, 2008, were as follows:

| | Transfers In | | | | | |
|---------------------------|-------------------------|---------------------|-----------------------|---------------------|---------------------|----------------------|
| | Governmental Activities | | | | | |
| | Major Funds | | Non-Major | Internal | Water | Total |
| | General Fund | CDA Debt Service | Governmental Funds | Service Funds | Fund | |
| Governmental Activities: | | | | | | |
| Major funds: | | | | | | |
| General Fund | \$ - | \$ - | \$ 4,891,000 | \$ 9,411,525 | \$ - | \$ 14,302,525 |
| CDA- Housing | 79,890 | 1,011,306 | - | - | - | 1,091,196 |
| CDA- Non Housing | 191,290 | 4,045,229 | - | - | - | 4,236,520 |
| Non-Major Governmental | 228,615 | - | 200,000 | - | - | 428,615 |
| Business-type Activities: | | | | | | |
| Water | 151,711 | - | - | 33,000 | 1,900,000 | 2,084,711 |
| Total | \$ 651,507 | \$ 5,056,535 | \$ 5,091,000 | \$ 9,444,525 | \$ 1,900,000 | \$ 22,143,567 |

The most significant transfer was from the General Fund to the Other Post Employment Benefits Internal Service Fund for the City's OPEB liability. Other significant transfers were from the Community Development Agency Housing and non-Housing funds to the Community Development Agency Debt Service Fund which was provided to make debt service payment and to transfer restricted cash and a transfer of \$2,080,000 from the General Fund to the General Capital Improvement Project fund for infrastructure improvements and transfers.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

10. FUND BALANCE

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, 2008:

| | 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 | \$ 678,658 | \$ 113,788 | \$ 24,719 | \$ - | \$ 1,318,597 | \$ 2,757 | \$ 1,062,662 | \$ 3,201,181 |
| Deposits and prepaid items | - | - | - | - | - | - | - | - |
| Advances to other funds | - | - | - | - | - | - | - | - |
| Housing loans | - | 1,678,144 | - | - | - | - | 4,482,000 | 6,160,144 |
| Debt service | - | - | - | 8,349,894 | - | - | 2,409,177 | 10,759,071 |
| Notes receivable | - | - | - | - | - | - | - | - |
| Total reserved | 678,658 | 1,791,932 | 24,719 | 8,349,894 | 1,318,597 | 2,757 | 7,953,839 | 20,120,396 |
| Unreserved, designated: | | | | | | | | |
| Operational reserve | 500,000 | - | - | - | - | - | - | 500,000 |
| Vacation and sick leave | 100,000 | - | - | - | - | - | - | 100,000 |
| Infrastructure replacement | 2,000,000 | - | - | - | - | - | - | 2,000,000 |
| Fiscal uncertainties | 1,000,000 | - | - | - | - | - | - | 1,000,000 |
| PERS safety investment | 2,000,000 | - | - | - | - | - | - | 2,000,000 |
| Special programs and services: | | | | | | | | |
| Special revenue funds | - | - | - | - | - | - | 1,112,987 | 1,112,987 |
| Capital improvements reported in: | | | | | | | | |
| Capital project funds | - | - | - | - | 6,368,768 | - | 11,843,371 | 18,212,139 |
| Total unreserved, designated | 5,600,000 | - | - | - | 6,368,768 | - | 12,956,358 | 24,925,126 |
| Unreserved, undesignated reported in: | | | | | | | | |
| Special revenue funds | 21,003,074 | (94,386) | 18,776,196 | - | - | 452,310 | 20,651,083 | 60,788,277 |
| Total unreserved, undesignated | 21,003,074 | (94,386) | 18,776,196 | - | - | 452,310 | 20,651,083 | 60,788,277 |
| Total | \$ 27,281,732 | \$ 1,697,546 | \$ 18,800,915 | \$ 8,349,894 | \$ 7,687,365 | \$ 455,067 | \$ 41,561,280 | \$ 105,833,799 |

Reserved for Encumbrances and Reappropriations - represents commitments for materials and services on purchase orders and contracts which are unperformed, or funds appropriated by the Council for specific programs that were not otherwise legally committed at year-end.

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.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

10. FUND BALANCE, Continued

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

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

Designated for 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. NET ASSETS

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

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

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

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

12. OTHER FUND DISCLOSURES

Expenditures over Appropriations

The following funds had an excess of expenditures over appropriations;

Excess expenditures in the General Fund were experienced in Public Safety (\$41,060), largely due to overtime costs that exceeded the adjusted departmental budget for the year.

The number of below market rate housing units purchased over the fiscal year exceeded estimates, resulting in commission payments which exceeded the budget (\$5,605) in the Below Market Rate Housing Fund.

The Literacy Grants Fund experienced additional Library staff time charges for extra programs related to the grant funding, exceeding the fund's budget by \$4,100.

The Solid Waste Service Fund paid out solid waste collection charges in excess of the departmental budget (\$82,640); the additional costs were offset with collection fees which exceeded the fund's adjusted revenue budget.

The Bay Area Air Quality Management Fund expenditure budget was exceeded by \$90, as service charges for the fund's shuttle program were over original estimates.

13. PUBLIC EMPLOYEE RETIREMENT SYSTEM

Plan Description

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

Funding Policy

Participants are required to contribute 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 9.67% for miscellaneous employees, and 32.701% 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, 2008

13. PUBLIC EMPLOYEE RETIREMENT SYSTEM, Continued

Annual Pension Cost

For 2008, the City's annual pension cost of \$2,935,159 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, 2007 | June 30, 2007 |
| Actuarial cost method | Entry age Actuarial Cost Method | Entry age Actuarial Cost Method |
| Amortization method | level percent of payroll | level percent of payroll |
| Average remaining period | 19 years as of the valuation date | 16 years as of the valuation date |
| Asset valuation method | 15 year smoothed market | 15 year smoothed market |
| Actuarial assumptions: | | |
| Investment rate of return | 7.75% (net of administrative expenses) | 7.75% (net of administrative expenses) |
| Projected salary increases | 3.25% to 14.45% depending on age, service, and type of employment | 3.25% to 14.45% depending on age, service, and type of employment |
| Inflation | 3.00% | 3.00% |
| Payroll growth | 3.25% | 3.25% |
| Individual salary growth | | |
| | A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and 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, 2006 | \$ 2,477,974 | 100% | \$ - |
| June 30, 2007 | 2,655,478 | 100% | - |
| June 30, 2008 | 2,935,159 | 100% | - |

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

13. PUBLIC EMPLOYEE RETIREMENT SYSTEM, Continued

Funded Status of Plan - Miscellaneous Employees

| Actuarial Valuation Date | Actuarial Value of Assets | Entry Age Actuarial Accrued Liability | Unfunded (Overfunded) Actuarial Accrued Liability | Funded Ratio | Covered Payroll | Unfunded (Overfunded) Liability as a Percentage of Covered Payroll |
|--------------------------|---------------------------|---------------------------------------|---|--------------|-----------------|--|
| 2007 | 56,842,197 | 64,016,741 | 7,174,544 | 88.8% | 12,810,019 | 56.0% |

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

Funded Status of Plan - Safety Employees

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

14. OTHER POST-EMPLOYMENT BENEFITS

Plan Description

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

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

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

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

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

14. OTHER POST-EMPLOYMENT BENEFITS, Continued

Funding Policy

The City pre-funds the Plan through CalPERS OPEB Trust (CERBT) by contributing at least 100% of the City's Annual Required Contribution (ARC) every year. For fiscal year 2007/08, the City contributed \$10,677,000, including \$277,000 in benefit payments and a \$10,400,000 deposit to CERBT. The City's ARC was \$10,677,000 for fiscal year 2007/08.

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

Annual Other Postemployment Benefit Cost and Net Obligation

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

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

| | |
|--|--------------------|
| | Total |
| Annual required contribution | \$ 10,677,000 |
| Interest on net OPEB obligation | - |
| Adjustment to annual required contribution | - |
| Annual OPEB cost (expense) | <u>10,677,000</u> |
| Contribution to irrevocable trust | (10,400,000) |
| Benefit Payments | <u>(277,000)</u> |
| Decrease in net OPEB obligation | - |
| Net OPEB obligation - beginning of year | - |
| Net OPEB obligation - end of year | <u><u>\$ -</u></u> |

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

| Fiscal Year Ended June 30, | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|----------------------------------|---------------------|--|------------------------|
| 2008 | \$ 10,677,000 | 100.00% | \$ - |

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

14. OTHER POST-EMPLOYMENT BENEFITS, Continued

Funded Status

The funded status of the plan as of January 1, 2008, was as follows:

| | <u>Total</u> |
|---|-------------------|
| Actuarial Accrued Liability (AAL) | \$ 10,057,000 |
| Actuarial Value of Plan Assets | - |
| Unfunded Actuarial Accrued Liability (UAAL) | <u>10,057,000</u> |
| Funded Ratio (Actuarial value of plan assets / AAL) | 0% |
| Covered Payroll (active plan members) | \$ 17,936,000 |
| UAAL as a Percentage of Covered Payroll | 56.10% |

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

Actuarial Methods and Assumptions

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

In the January 1, 2008 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 7.75% investment rate of return (net of administrative expenses), a 3.0% general inflation increase, and annual pre-Medicare eligible healthcare cost trend rates for medical of 9.7% (10.5% for PPO's) in 2009 (actual 2008 premium rates were used) decreasing to 4.5% over nine years. The post-Medicare eligible healthcare trend started 0.4% higher for 2009. Sick leave accrual, benefit conversion rates, and maximum conversion amounts all assumed fixed in the future. Salary scale and demographic assumptions for withdrawal, mortality, disability, and retirement rates were based on CalPERS 1997-2002 Experience Study.

The UAAL was amortized over a 1.1-year closed period as a level percentage of payroll.

15. LANDFILL POST-CLOSURE CARE

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

15. 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.

The City's outstanding future post-closure care costs were estimated at \$6,818,374 at June 30, 2008. This estimate is based upon the present value of future cash flows associated with the landfill site's post-closure costs, discounted using the City's projected return on investment. The amount of fund balance within the Landfill Special Revenue Fund is not sufficient to cover such a liability, though the revenue stream provided by the solid waste collection surcharge and all post-closure costs will be accounted for in this fund. The City has recorded the post-closure cost liability as part of governmental activities in the Government-Wide Financial Statements.

The City will fund on-going post-closure costs with a combination of revenues from the surcharge and interest earnings. However, if these revenues are inadequate or additional post-closure care requirements are determined (due to changes in technology, applicable laws or regulations, for example), these costs may need to be covered by additional garbage surcharges or from future tax revenue. The following is the activity for landfill post closure care for fiscal year 2008:

| | Balance July 1, 2007 | Deletions | Balance June 30, 2008 | Due within One Year | Due in More than One Year |
|--------------------------------|-------------------------|--------------|--------------------------|------------------------|------------------------------|
| Governmental Activities | \$ 7,043,171 | \$ (224,797) | \$ 6,818,374 | \$ 168,875 | \$ 6,649,499 |

16. COMMUNITY DEVELOPMENT AGENCY OF THE CITY OF MENLO PARK

The 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 2008 was \$11,953,189.

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, 2008

17. CONTINGENCIES

The City participates in a number of Federal, State, and County programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grantor program regulations, the City may be required to reimburse the grantor government. As of June 30, 2008, some amounts of grant expenditures have not been audited, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any individual governmental funds or the overall financial condition of the City.

18. LITIGATION

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

19. 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 or 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.

20. COMMITMENTS

The City had various commitments totaling \$3,429,259 as of June 30, 2008. Five of these commitments were for large construction projects: the Police Substation/City Hall Annex for \$1,306,000, the Emergency Water Tank Replacement program for \$318,145, the Sand Hill Road Resurfacing project for \$361,460, the Terminal Avenue Remediation Project for \$93,679, and the School Trip Traffic Reduction for \$64,240, and \$91,882 for automobile purchases. The remaining commitments, totaling \$1,193,853, 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, 2008

21. JOINT VENTURES

General

The City 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, 2008, 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 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, 2008

21. JOINT VENTURES, Continued

South Bayside Waste Management Authority, 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

22. NEGATIVE FUND BALANCE

As of June 30, 2008, the General Liability Insurance internal service fund has a negative fund balance of \$10,261. In previous years, the function of this fund was part of the General Fund but during fiscal year 2006-2007 an internal service fund was created. The negative fund balance will be reduced from future internal service charges.

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REQUIRED SUPPLEMENTARY INFORMATION

City of Menlo Park
Required Supplementary Information
For the year ended June 30, 2008

BUDGETARY PRINCIPLES

The City followed these procedures in establishing the budgetary data reflected in the financial statements:

1. City Council identifies the priority of 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, 2008, 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, 2008

Budgetary Comparison Schedule, General Fund

| | Budget | | Actual | Variance with |
|---|-----------------------|------------------------|----------------------|------------------------|
| | Original | Final | | Final Budget |
| | | | | Positive (Negative) |
| REVENUES: | | | | |
| Taxes: | | | | |
| Secured property taxes | \$ 10,140,000 | \$ 10,260,000 | \$ 10,521,703 | \$ 261,703 |
| Unsecured property taxes | 350,000 | 350,000 | 359,124 | 9,124 |
| Other property taxes | 585,000 | 465,000 | 458,822 | (6,178) |
| Sales taxes | 6,900,000 | 7,200,000 | 7,676,943 | 476,943 |
| Other taxes | 4,020,625 | 4,465,000 | 4,554,306 | 89,306 |
| Licenses and permits | 3,413,500 | 4,118,500 | 4,005,693 | (112,807) |
| Fines and forfeitures | 951,520 | 957,520 | 951,145 | (6,375) |
| Use of money and property | 1,685,000 | 1,700,000 | 2,745,485 | 1,045,485 |
| Intergovernmental | 1,749,434 | 1,874,745 | 2,009,244 | 134,499 |
| Charges for services | 4,498,397 | 4,712,874 | 4,564,918 | (147,956) |
| Other | 10,250 | 10,250 | 20,686 | 10,436 |
| Total revenues | 34,303,726 | 36,113,889 | 37,868,069 | 1,754,180 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | 4,912,765 | 4,810,697 | 4,283,100 | 527,597 |
| Public safety | 12,281,706 | 12,354,030 | 12,389,001 | (34,971) |
| Public works | 4,896,577 | 5,070,738 | 4,869,892 | 200,846 |
| Culture and recreation | 8,374,797 | 8,339,794 | 8,019,061 | 320,733 |
| Community development | 2,961,048 | 3,235,748 | 2,733,051 | 502,697 |
| Capital outlay | 363,958 | 481,664 | 299,385 | 182,279 |
| Total expenditures | 33,790,851 | 34,292,671 | 32,593,490 | 1,699,181 |
| REVENUES OVER (UNDER) EXPENDITURES | 512,875 | 1,821,218 | 5,274,579 | 3,453,361 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | 625,487 | 651,507 | 651,507 | - |
| Transfers out | (2,451,000) | (14,302,525) | (14,302,525) | - |
| Total other financing sources (uses) | (1,825,513) | (13,651,018) | (13,651,018) | - |
| Net change in fund balance | \$ (1,312,638) | \$ (11,829,800) | (8,376,439) | \$ 3,453,361 |
| FUND BALANCE: | | | | |
| Beginning of year | | | 35,658,171 | |
| End of year | | | <u>\$ 27,281,732</u> | |

City of Menlo Park
Required Supplementary Information, Continued
For the year ended June 30, 2008

Budgetary Comparison Schedule, Community Development Agency Housing Special Revenue

| | Budget | | Actual | Variance with |
|---|---------------------|-----------------------|---------------------|---------------------|
| | Original | Final | | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| REVENUES: | | | | |
| Taxes: | | | | |
| Secured property taxes | \$ 2,000,000 | \$ 1,989,000 | \$ 2,111,994 | \$ 122,994 |
| Unsecured property taxes | 215,000 | 279,000 | 278,644 | (356) |
| Use of money and property | 22,000 | 22,000 | 89,908 | 67,908 |
| Charges for services | 42,000 | 42,000 | - | (42,000) |
| Total revenues | <u>2,279,000</u> | <u>2,332,000</u> | <u>2,480,546</u> | <u>148,546</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Urban development and housing | 1,210,523 | 1,225,523 | 656,017 | 569,506 |
| Capital outlay | 983,960 | 983,960 | 1,210 | 982,750 |
| Total expenditures | <u>2,194,483</u> | <u>2,209,483</u> | <u>657,227</u> | <u>1,552,256</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>84,517</u> | <u>122,517</u> | <u>1,823,319</u> | <u>1,700,802</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers out | (983,189) | (1,409,989) | (1,091,196) | 318,793 |
| Total other financing sources (uses) | <u>(983,189)</u> | <u>(1,409,989)</u> | <u>(1,091,196)</u> | <u>318,793</u> |
| Net change in fund balance | <u>\$ (898,672)</u> | <u>\$ (1,287,472)</u> | 732,123 | <u>\$ 2,019,595</u> |
| FUND BALANCE: | | | | |
| Beginning of year | | | <u>965,423</u> | |
| End of year | | | <u>\$ 1,697,546</u> | |

City of Menlo Park
Required Supplementary Information, Continued
For the year ended June 30, 2008

Budgetary Comparison Schedule, Community Development Agency Non-Housing Special

| | Budget | | Actual | Variance with |
|---|--------------------|--------------------|----------------------|---------------------|
| | Original | Final | | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| REVENUES: | | | | |
| Taxes: | | | | |
| Secured property taxes | \$ 8,225,000 | \$ 7,956,000 | \$ 8,447,974 | \$ 491,974 |
| Unsecured property taxes | 850,000 | 1,114,500 | 1,114,577 | 77 |
| Use of money and property | 630,000 | 630,000 | 1,118,821 | 488,821 |
| Intergovernmental | - | 300,000 | - | (300,000) |
| Charges for services | 5,000 | 588,780 | 583,780 | (5,000) |
| Total revenues | 9,710,000 | 10,589,280 | 11,265,152 | 675,872 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Community development | 1,368,929 | 1,368,929 | 1,315,137 | 53,792 |
| Urban development and housing | 3,786,386 | 3,591,386 | 3,318,544 | 272,842 |
| Capital outlay | 1,800 | 1,800 | - | 1,800 |
| Total expenditures | 5,157,115 | 4,962,115 | 4,633,681 | 328,434 |
| REVENUES OVER (UNDER) EXPENDITURES | 4,552,885 | 5,627,165 | 6,631,471 | 1,004,306 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers out | (3,804,692) | (5,511,692) | (4,236,520) | 1,275,172 |
| Total other financing sources (uses) | (3,804,692) | (5,511,692) | (4,236,520) | 1,275,172 |
| Net change in fund balance | \$ 748,193 | \$ 115,473 | 2,394,951 | \$ 2,279,478 |
| FUND BALANCE: | | | | |
| Beginning of year | | | 16,405,964 | |
| End of year | | | \$ 18,800,915 | |

City of Menlo Park
Required Supplementary Information, Continued
For the year ended June 30, 2008

Budgetary Comparison Schedule, Community Development Block Grant Special Revenue Fund

| | Budget | | Actual | Variance with |
|---|--------------------|-------------------|----------------|------------------------|
| | Original | Final | | Final Budget |
| | | | | Positive (Negative) |
| REVENUES: | | | | |
| Use of money and property | \$ - | \$ - | \$ 36,175 | \$ 36,175 |
| Charges for services | 350,100 | 850,100 | 461,583 | (388,517) |
| Total revenues | 350,100 | 850,100 | 497,758 | (352,342) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Rehabilitation loans | 250,000 | - | - | - |
| Urban development and housing | 132,691 | 132,691 | 110,704 | 21,987 |
| Capital outlay | 1,300 | 1,300 | - | 1,300 |
| Total expenditures | 383,991 | 133,991 | 110,704 | 23,287 |
| REVENUES OVER (UNDER) EXPENDITURES | \$ (33,891) | \$ 716,109 | 387,054 | \$ (329,055) |
| FUND BALANCE: | | | | |
| Beginning of year | | | 68,013 | |
| End of year | | | \$ 455,067 | |

City of Menlo Park
Required Supplementary Information, Continued
For the year ended June 30, 2008

SCHEDULES OF FUNDING PROGRESS

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Miscellaneous Employees

| Actuarial Valuation Date | Actuarial Value of Assets | Entry Age Actuarial Accrued Liability | Unfunded (Overfunded) Actuarial Accrued Liability | Funded Ratio | Covered Payroll | Unfunded (Overfunded) Liability as a Percentage of Covered Payroll |
|--------------------------------|---------------------------------|--|---|-----------------|--------------------|---|
| 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% |
| 2007 | 56,842,197 | 64,016,741 | 7,174,544 | 88.8% | 12,810,019 | 56.0% |

Safety Employees

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

B. OTHER POST EMPLOYMENT BENEFITS (OPEB)

| Actuarial Valuation Date | Actuarial Value of Assets | Entry Age Actuarial Accrued Liability | Unfunded (Overfunded) Actuarial Accrued Liability | Funded Ratio | Covered Payroll | Unfunded (Overfunded) Liability as a Percentage of Covered Payroll |
|--------------------------------|---------------------------------|--|---|-----------------|--------------------|---|
| 2008 | \$ - | \$ 10,057,000 | \$ 10,057,000 | 0.0% | \$ 17,936,000 | 56.1% |

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SUPPLEMENTARY INFORMATION

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MAJOR GOVERNMENTAL FUNDS BUDGETARY SCHEDULES

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Community Development Agency - Debt Service Major Fund For the year ended June 30, 2008

| | Budget | | Actual | Variance with Final Budget Positive (Negative) |
|---|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Use of money and property | \$ 240,000 | \$ 240,000 | \$ 288,049 | \$ 48,049 |
| Total revenues | 240,000 | 240,000 | 288,049 | 48,049 |
| EXPENDITURES: | | | | |
| Debt service: | | | | |
| Principal | - | 1,610,000 | 1,610,000 | - |
| Interest and fiscal charges | 4,516,700 | 4,687,500 | 3,732,515 | 954,985 |
| Cost of issuance | - | 353,000 | 342,807 | 10,193 |
| Total expenditures | - | 1,610,000 | 5,685,322 | - |
| REVENUES OVER (UNDER) EXPENDITURES | 240,000 | (1,370,000) | (5,397,273) | (4,027,273) |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | 4,516,700 | 5,627,200 | 5,056,535 | (570,665) |
| Total other financing sources (uses) | 4,516,700 | 5,627,200 | 5,056,535 | (570,665) |
| Net change in fund balance | \$ 4,756,700 | \$ 4,257,200 | (340,738) | \$ (4,597,938) |
| FUND BALANCE: | | | | |
| Beginning of year | | | 8,690,632 | |
| End of year | | | <u>\$ 8,349,894</u> | |

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Community Development Agency - Capital Projects Major Fund For the year ended June 30, 2008

| | Budget | | Actual | Variance with Final Budget Positive (Negative) |
|---|-----------------------|-----------------------|------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Use of money and property | \$ 310,000 | \$ 310,000 | \$ 288,477 | \$ (21,523) |
| Total revenues | 310,000 | 310,000 | 288,477 | (21,523) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Community development | 265,179 | 360,179 | 78,434 | 281,745 |
| Capital outlay | 1,943,897 | 2,292,610 | 343,497 | 1,949,113 |
| Total expenditures | 2,209,076 | 2,652,789 | 421,931 | 2,230,858 |
| REVENUES OVER (UNDER) EXPENDITURES | (1,899,076) | (2,342,789) | (133,454) | 2,209,335 |
| Net change in fund balance | \$ (1,899,076) | \$ (2,342,789) | (133,454) | \$ 2,209,335 |
| FUND BALANCE: | | | | |
| Beginning of year | | | 7,820,819 | |
| End of year | | | \$ 7,687,365 | |

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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.

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

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

Recreation In-Lieu Fund - Established to account for developer fees paid in-lieu of new recreation facilities. 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, 2008

| | Special Revenue | | | | |
|--|-------------------------|-------------------------------|----------------------------------|------------------------|------------------------------|
| | Highway Users Tax | Federal Revenue Sharing | Landscape/ Tree Assessment | Sidewalk Assessment | Bayfront Park Landfill |
| ASSETS | | | | | |
| Cash and investments | \$ 1,442,793 | \$ 67,932 | \$ 280,452 | \$ 391,933 | \$ 1,068,344 |
| Restricted cash and investments | - | - | - | - | - |
| Receivables: | | | | | |
| Accounts | - | - | 6 | - | 81,890 |
| Interest | 13,771 | 648 | - | - | 10,200 |
| Notes | - | 46,985 | - | - | - |
| Due from other governments | 314,888 | - | 31,652 | 7,211 | - |
| Due from other funds | - | - | - | - | - |
| Total assets | \$ 1,771,452 | \$ 115,565 | \$ 312,110 | \$ 399,144 | \$ 1,160,434 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 123,347 | \$ - | \$ 13,813 | \$ 11,404 | \$ 15,772 |
| Accrued payroll and related liabilities | 3,751 | - | 8,192 | 540 | 224 |
| Due to other funds | - | - | - | - | - |
| Deferred revenue | - | 46,985 | - | - | 18,328 |
| Total liabilities | 127,098 | 46,985 | 22,005 | 11,944 | 34,324 |
| Fund Balances: | | | | | |
| Reserved: | | | | | |
| Encumbrances and reappropriations | 361,460 | - | 46,100 | 1,741 | 13,123 |
| Housing loans | - | - | - | - | - |
| Debt service | - | - | - | - | - |
| Total reserved | 361,460 | - | 46,100 | 1,741 | 13,123 |
| Unreserved: | | | | | |
| Designated: | | | | | |
| Special programs and services | - | - | - | - | 1,112,987 |
| Capital improvements | - | - | - | - | - |
| Total designated | - | - | - | - | 1,112,987 |
| Undesignated | 1,282,894 | 68,580 | 244,005 | 385,459 | - |
| Total fund balances | 1,644,354 | 68,580 | 290,105 | 387,200 | 1,126,110 |
| Total liabilities and fund balances | \$ 1,771,452 | \$ 115,565 | \$ 312,110 | \$ 399,144 | \$ 1,160,434 |

Special Revenue

| Below Market Rate Housing | County Transportation Tax | Public Library | Literacy Grants | Narcotic Seizure | Traffic Impact Fees | Downtown Parking Permits | Storm Drainage Fees |
|---------------------------------|---------------------------------|-------------------|--------------------|---------------------|---------------------------|--------------------------------|---------------------------|
| \$ 6,653,063 | \$ 1,885,109 | \$ 112,135 | \$ - | \$ 17,014 | \$ 1,016,765 | \$ 2,361,494 | \$ 232,033 |
| - | - | - | - | - | - | - | - |
| - | 22,836 | - | 50,100 | - | - | - | - |
| 63,499 | 18,047 | - | - | - | 9,705 | 22,539 | 2,214 |
| 1,823,731 | - | - | - | - | - | - | - |
| - | 92,962 | - | - | - | - | - | - |
| - | - | 33,867 | 22,387 | - | - | - | - |
| <u>\$ 8,540,293</u> | <u>\$ 2,018,954</u> | <u>\$ 146,002</u> | <u>\$ 72,487</u> | <u>\$ 17,014</u> | <u>\$ 1,026,470</u> | <u>\$ 2,384,033</u> | <u>\$ 234,247</u> |
| \$ 5,701 | \$ 56,860 | \$ - | \$ 2,155 | \$ - | \$ 12,814 | \$ 372 | \$ - |
| - | 10,394 | - | 3,872 | - | 4,016 | 627 | - |
| - | - | - | 56,254 | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>5,701</u> | <u>67,254</u> | <u>-</u> | <u>62,281</u> | <u>-</u> | <u>16,830</u> | <u>999</u> | <u>-</u> |
| - | 170,150 | - | - | - | 39,614 | - | - |
| 4,482,000 | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>4,482,000</u> | <u>170,150</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>39,614</u> | <u>-</u> | <u>-</u> |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>4,052,592</u> | <u>1,781,550</u> | <u>146,002</u> | <u>10,206</u> | <u>17,014</u> | <u>970,026</u> | <u>2,383,034</u> | <u>234,247</u> |
| <u>8,534,592</u> | <u>1,951,700</u> | <u>146,002</u> | <u>10,206</u> | <u>17,014</u> | <u>1,009,640</u> | <u>2,383,034</u> | <u>234,247</u> |
| <u>\$ 8,540,293</u> | <u>\$ 2,018,954</u> | <u>\$ 146,002</u> | <u>\$ 72,487</u> | <u>\$ 17,014</u> | <u>\$ 1,026,470</u> | <u>\$ 2,384,033</u> | <u>\$ 234,247</u> |

(Continued)

City of Menlo Park
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2008

| | Special Revenue | | | | |
|--|---------------------|---------------------------------|------------------------|-----------------------------|--------------------------------------|
| | Solid Waste Service | Bay Area Air Quality Management | Storm Water Management | Peninsula Partnership Grant | Supplemental Law Enforcement Service |
| ASSETS | | | | | |
| Cash and investments | \$ 920,759 | \$ 28,954 | \$ 301,227 | \$ 1,574 | \$ 19,018 |
| Restricted cash and investments | - | - | - | - | - |
| Receivables: | | | | | |
| Accounts | - | 17,000 | 22 | 15,970 | - |
| Interest | 6,979 | 276 | - | - | 181 |
| Notes | - | - | - | - | - |
| Due from other governments | 66,343 | - | 128,688 | - | - |
| Due from other funds | - | - | - | - | - |
| Total assets | \$ 994,081 | \$ 46,230 | \$ 429,937 | \$ 17,544 | \$ 19,199 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 159,472 | \$ - | \$ 19,615 | \$ 4 | \$ 3,213 |
| Accrued payroll and related liabilities | 4,305 | - | 2,845 | 1,375 | - |
| Due to other funds | - | - | - | - | - |
| Deferred revenue | 287,096 | - | - | - | - |
| Total liabilities | 450,873 | - | 22,460 | 1,379 | 3,213 |
| Fund Balances: | | | | | |
| Reserved: | | | | | |
| Encumbrances and reappropriations | 650 | - | 10,540 | - | 18,400 |
| Housing loans | - | - | - | - | - |
| Debt service | - | - | - | - | - |
| Total reserved | 650 | - | 10,540 | - | 18,400 |
| Unreserved: | | | | | |
| Designated: | | | | | |
| Special programs and services | - | - | - | - | - |
| Capital improvements | - | - | - | - | - |
| Total designated | - | - | - | - | - |
| Undesignated | 542,558 | 46,230 | 396,937 | 16,165 | (2,414) |
| Total fund balances | 543,208 | 46,230 | 407,477 | 16,165 | 15,986 |
| Total liabilities and fund balances | \$ 994,081 | \$ 46,230 | \$ 429,937 | \$ 17,544 | \$ 19,199 |

| Special Revenue | | | | | | Debt Service | |
|--------------------------------|---------------------------------|-----------------------|----------------------|---------------------------|------------------------|-------------------|-------------------------------|
| Construction Impact Fees | Bayfront Park Maintenance | Recreation In-Lieu | Sharon Hills Park | Vintage Oaks Landscape | Miscellaneous Trust | Library Bond | Recreation GO Bond 2002 |
| \$ 2,138,734 | \$ 1,368,291 | \$ 3,379,433 | \$ 130,247 | \$ 149,031 | \$ 1,195,919 | \$ 696,680 | \$ 1,601,247 |
| - | - | - | - | - | - | 64 | - |
| - | - | - | - | - | - | - | - |
| 20,411 | 13,059 | 32,254 | 1,243 | 1,422 | 5,689 | 6,649 | 15,283 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | 22,360 | 68,894 |
| - | - | - | - | - | - | - | - |
| <u>\$ 2,159,145</u> | <u>\$ 1,381,350</u> | <u>\$ 3,411,687</u> | <u>\$ 131,490</u> | <u>\$ 150,453</u> | <u>\$ 1,201,608</u> | <u>\$ 725,753</u> | <u>\$ 1,685,424</u> |
| \$ 566 | \$ 35,980 | \$ 5,465 | \$ - | \$ 1,072 | \$ 143,720 | \$ - | \$ 2,000 |
| - | 376 | 27 | - | - | 694 | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>566</u> | <u>36,356</u> | <u>5,492</u> | <u>-</u> | <u>1,072</u> | <u>144,414</u> | <u>-</u> | <u>2,000</u> |
| - | 286 | 14,212 | - | - | 157,337 | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | 725,753 | 1,683,424 |
| - | <u>286</u> | <u>14,212</u> | <u>-</u> | <u>-</u> | <u>157,337</u> | <u>725,753</u> | <u>1,683,424</u> |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>2,158,579</u> | <u>1,344,708</u> | <u>3,391,983</u> | <u>131,490</u> | <u>149,381</u> | <u>899,857</u> | <u>-</u> | <u>-</u> |
| <u>2,158,579</u> | <u>1,344,994</u> | <u>3,406,195</u> | <u>131,490</u> | <u>149,381</u> | <u>1,057,194</u> | <u>725,753</u> | <u>1,683,424</u> |
| <u>\$ 2,159,145</u> | <u>\$ 1,381,350</u> | <u>\$ 3,411,687</u> | <u>\$ 131,490</u> | <u>\$ 150,453</u> | <u>\$ 1,201,608</u> | <u>\$ 725,753</u> | <u>\$ 1,685,424</u> |

(Continued)

City of Menlo Park
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2008

| | Capital Projects | | | Total Non-Major Governmental Funds |
|--|---------------------|------------------------------|-----------------------------------|---|
| | Library Addition | Measure T 2002 GO Bond | Capital Improvement General | |
| ASSETS | | | | |
| Cash and investments | \$ 397,945 | \$ 100,866 | \$ 10,043,284 | \$ 38,002,276 |
| Restricted cash and investments | - | 1,119,463 | - | 1,119,527 |
| Receivables: | | | | |
| Accounts | - | - | 12,600 | 200,424 |
| Interest | 3,798 | 10,811 | - | 258,678 |
| Notes | - | - | - | 1,870,716 |
| Due from other governments | - | - | 500,962 | 1,233,960 |
| Due from other funds | - | - | - | 56,254 |
| Total assets | \$ 401,743 | \$ 1,231,140 | \$ 10,556,846 | \$ 42,741,835 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ 36,385 | \$ 71,799 | \$ 721,529 |
| Accrued payroll and related liabilities | 802 | 961 | 7,362 | 50,363 |
| Due to other funds | - | - | - | 56,254 |
| Deferred revenue | - | - | - | 352,409 |
| Total liabilities | 802 | 37,346 | 79,161 | 1,180,555 |
| Fund Balances: | | | | |
| Reserved: | | | | |
| Encumbrances and reappropriations | 39,870 | 41,890 | 147,289 | 1,062,662 |
| Housing loans | - | - | - | 4,482,000 |
| Debt service | - | - | - | 2,409,177 |
| Total reserved | 39,870 | 41,890 | 147,289 | 7,953,839 |
| Unreserved: | | | | |
| Designated: | | | | |
| Special programs and services | - | - | - | 1,112,987 |
| Capital improvements | 361,071 | 1,151,904 | 10,330,396 | 11,843,371 |
| Total designated | 361,071 | 1,151,904 | 10,330,396 | 12,956,358 |
| Undesignated | - | - | - | 20,651,083 |
| Total fund balances | 400,941 | 1,193,794 | 10,477,685 | 41,561,280 |
| Total liabilities and fund balances | \$ 401,743 | \$ 1,231,140 | \$ 10,556,846 | \$ 42,741,835 |

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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, 2008

| | Special Revenue | | | | |
|---|-------------------------|-------------------------------|----------------------------------|------------------------|------------------------------|
| | Highway Users Tax | Federal Revenue Sharing | Landscape/ Tree Assessment | Sidewalk Assessment | Bayfront Park Landfill |
| REVENUES: | | | | | |
| Other taxes | \$ 580,220 | \$ - | \$ - | \$ - | \$ - |
| Special assessments | - | - | 429,451 | 204,140 | - |
| Licenses and permits | - | - | - | - | - |
| Use of money and property | 80,805 | 4,090 | - | - | 154,357 |
| Intergovernmental | 565,833 | - | 27,434 | - | - |
| Charges for services | - | 2,279 | 5,587 | - | 347,492 |
| Other | - | - | - | - | - |
| Total revenues | 1,226,858 | 6,369 | 462,472 | 204,140 | 501,849 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| General government | - | - | - | - | - |
| Public safety | - | - | - | - | - |
| Public works | 242,074 | - | 556,806 | 60,420 | 227,969 |
| Culture and recreation | - | - | - | - | - |
| Community development | - | - | - | - | - |
| Urban development and housing | - | - | - | - | - |
| Capital outlay | 1,289,340 | - | 14,346 | 44,952 | - |
| Debt service: | | | | | |
| Principal | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Total expenditures | 1,531,414 | - | 571,152 | 105,372 | 227,969 |
| REVENUES OVER (UNDER) EXPENDITURES | (304,556) | 6,369 | (108,680) | 98,768 | 273,880 |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Transfers in | - | - | 356,000 | - | - |
| Transfers out | - | - | (52,869) | (215,882) | (6,602) |
| Total other financing sources (uses) | - | - | 303,131 | (215,882) | (6,602) |
| Net change in fund balances | (304,556) | 6,369 | 194,451 | (117,114) | 267,278 |
| FUND BALANCES: | | | | | |
| Beginning of year | 1,948,910 | 62,211 | 95,654 | 504,314 | 858,832 |
| End of year | \$ 1,644,354 | \$ 68,580 | \$ 290,105 | \$ 387,200 | \$ 1,126,110 |

Special Revenue

| Below Market Rate Housing | County Transportation Tax | Public Library | Literacy Grants | Narcotic Seizure | Traffic Impact Fees | Downtown Parking Permits | Storm Drainage Fees |
|---------------------------------|---------------------------------|-------------------|--------------------|---------------------|---------------------------|--------------------------------|---------------------------|
| \$ - | \$ 695,066 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | 371,057 | - |
| 395,934 | 106,356 | - | - | - | 59,909 | 133,514 | 13,289 |
| - | 143,324 | 11,964 | 49,423 | - | - | - | - |
| 300,050 | 42,560 | - | - | 3,021 | 404,887 | 6,430 | 38,180 |
| - | - | - | 67,085 | - | - | - | - |
| <u>695,984</u> | <u>987,306</u> | <u>11,964</u> | <u>116,508</u> | <u>3,021</u> | <u>464,796</u> | <u>511,001</u> | <u>51,469</u> |
| - | - | - | - | - | - | - | - |
| - | - | - | - | 212 | - | 5,754 | - |
| - | 682,021 | - | - | - | 159,561 | 81,914 | - |
| - | - | 4,398 | 177,800 | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 16,205 | - | - | - | - | - | - | - |
| - | 22,548 | - | 3,946 | - | 47,454 | 71,125 | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>16,205</u> | <u>704,569</u> | <u>4,398</u> | <u>181,746</u> | <u>212</u> | <u>207,015</u> | <u>158,793</u> | <u>-</u> |
| <u>679,779</u> | <u>282,737</u> | <u>7,566</u> | <u>(65,238)</u> | <u>2,809</u> | <u>257,781</u> | <u>352,208</u> | <u>51,469</u> |
| - | - | - | 55,000 | - | - | - | - |
| - | - | - | - | - | - | (21,138) | - |
| - | - | - | 55,000 | - | - | (21,138) | - |
| <u>679,779</u> | <u>282,737</u> | <u>7,566</u> | <u>(10,238)</u> | <u>2,809</u> | <u>257,781</u> | <u>331,070</u> | <u>51,469</u> |
| <u>7,854,813</u> | <u>1,668,963</u> | <u>138,436</u> | <u>20,444</u> | <u>14,205</u> | <u>751,859</u> | <u>2,051,964</u> | <u>182,778</u> |
| <u>\$ 8,534,592</u> | <u>\$ 1,951,700</u> | <u>\$ 146,002</u> | <u>\$ 10,206</u> | <u>\$ 17,014</u> | <u>\$ 1,009,640</u> | <u>\$ 2,383,034</u> | <u>\$ 234,247</u> |

(Continued)

City of Menlo Park
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds, Continued
For the year ended June 30, 2008

| | 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 | - | - | 310,613 | - | - |
| Licenses and permits | - | - | - | - | - |
| Use of money and property | 33,508 | 2,436 | - | - | 3,074 |
| Intergovernmental | 8,172 | 39,044 | - | 78,279 | 100,000 |
| Charges for services | 1,859,803 | - | 37 | - | - |
| Other | 606,896 | - | - | 1,500 | - |
| Total revenues | 2,508,379 | 41,480 | 310,650 | 79,779 | 103,074 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| General government | 1,884,901 | - | - | - | - |
| Public safety | - | - | - | - | 81,647 |
| Public works | 200,904 | 41,090 | 440,862 | - | - |
| Culture and recreation | - | - | - | 87,912 | - |
| Community development | - | - | - | - | - |
| Urban development and housing | - | - | - | - | - |
| Capital outlay | 21,851 | - | 22,073 | - | 141,509 |
| Debt service: | | | | | |
| Principal | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Total expenditures | 2,107,656 | 41,090 | 462,935 | 87,912 | 223,156 |
| REVENUES OVER (UNDER) EXPENDITURES | 400,723 | 390 | (152,285) | (8,133) | (120,082) |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Transfers in | - | - | - | - | - |
| Transfers out | (64,647) | - | (56,180) | - | - |
| Total other financing sources (uses) | (64,647) | - | (56,180) | - | - |
| Net change in fund balances | 336,076 | 390 | (208,465) | (8,133) | (120,082) |
| FUND BALANCES: | | | | | |
| Beginning of year | 207,132 | 45,840 | 615,942 | 24,298 | 136,068 |
| End of year | \$ 543,208 | \$ 46,230 | \$ 407,477 | \$ 16,165 | \$ 15,986 |

| Special Revenue | | | | | | Debt Service | |
|-------------------------|---------------------------|---------------------|-------------------|------------------------|---------------------|-------------------|-------------------------|
| Construction Impact Fee | Bayfront Park Maintenance | Recreation In-Lieu | Sharon Hills Park | Vintage Oaks Landscape | Miscellaneous Trust | Library Bond | Recreation GO Bond 2002 |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - | 421,016 | 1,295,858 |
| - | - | - | - | - | - | - | - |
| 101,408 | 79,901 | 192,193 | 7,859 | 8,672 | 34,471 | 30,469 | 69,586 |
| - | - | - | - | - | - | - | - |
| 646,958 | - | 1,361,000 | - | - | 84,919 | - | - |
| - | - | - | - | - | 6,175 | - | - |
| <u>748,366</u> | <u>79,901</u> | <u>1,553,193</u> | <u>7,859</u> | <u>8,672</u> | <u>125,565</u> | <u>451,485</u> | <u>1,365,444</u> |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | 155,605 | 28,037 | 13,000 | 13,974 | - | - | - |
| - | - | - | - | - | 70,215 | - | - |
| - | - | - | - | - | 199,006 | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | 7,268 | - | - |
| - | - | - | - | - | - | 270,000 | 235,000 |
| - | - | - | - | - | - | 146,047 | 647,578 |
| - | 155,605 | 28,037 | 13,000 | 13,974 | 276,489 | 416,047 | 882,578 |
| <u>748,366</u> | <u>(75,704)</u> | <u>1,525,156</u> | <u>(5,141)</u> | <u>(5,302)</u> | <u>(150,924)</u> | <u>35,438</u> | <u>482,866</u> |
| - | - | - | - | - | - | - | - |
| - | (10,597) | - | - | - | (700) | - | - |
| - | (10,597) | - | - | - | (700) | - | - |
| <u>748,366</u> | <u>(86,301)</u> | <u>1,525,156</u> | <u>(5,141)</u> | <u>(5,302)</u> | <u>(151,624)</u> | <u>35,438</u> | <u>482,866</u> |
| 1,410,213 | 1,431,295 | 1,881,039 | 136,631 | 154,683 | 1,208,818 | 690,315 | 1,200,558 |
| <u>\$ 2,158,579</u> | <u>\$ 1,344,994</u> | <u>\$ 3,406,195</u> | <u>\$ 131,490</u> | <u>\$ 149,381</u> | <u>\$ 1,057,194</u> | <u>\$ 725,753</u> | <u>\$ 1,683,424</u> |

(Continued)

City of Menlo Park
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds, Continued
For the year ended June 30, 2008

| | Capital Projects | | | Total Non-Major Governmental Funds |
|---|---------------------|------------------------------|-----------------------------------|---|
| | Library Addition | Measure T 2002 GO Bond | Capital Improvement General | |
| REVENUES: | | | | |
| Other taxes | \$ - | \$ - | \$ 49,060 | \$ 1,324,346 |
| Special assessments | - | - | - | 2,661,078 |
| Licenses and permits | - | - | - | 371,057 |
| Use of money and property | 22,680 | 60,853 | - | 1,595,364 |
| Intergovernmental | - | - | 500,962 | 1,524,435 |
| Charges for services | - | - | 422 | 5,103,625 |
| Other | - | - | - | 681,656 |
| Total revenues | 22,680 | 60,853 | 550,444 | 13,261,561 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | - | - | - | 1,884,901 |
| Public safety | - | - | - | 87,613 |
| Public works | - | - | - | 2,904,237 |
| Culture and recreation | - | - | - | 340,325 |
| Community development | - | - | - | 199,006 |
| Urban development and housing | - | - | - | 16,205 |
| Capital outlay | 9,833 | 252,493 | 1,952,735 | 3,901,473 |
| Debt service: | | | | |
| Principal | - | - | - | 505,000 |
| Interest | - | - | - | 793,625 |
| Total expenditures | 9,833 | 252,493 | 1,952,735 | 10,632,385 |
| REVENUES OVER (UNDER) EXPENDITURES | 12,847 | (191,640) | (1,402,291) | 2,629,176 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | - | - | 4,680,000 | 5,091,000 |
| Transfers out | - | - | - | (428,615) |
| Total other financing sources (uses) | - | - | 4,680,000 | 4,662,385 |
| Net change in fund balances | 12,847 | (191,640) | 3,277,709 | 7,291,561 |
| FUND BALANCES: | | | | |
| Beginning of year | 388,094 | 1,385,434 | 7,199,976 | 34,269,719 |
| End of year | \$ 400,941 | \$ 1,193,794 | \$ 10,477,685 | \$ 41,561,280 |

(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, 2008

| | Budgeted Amounts | | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|-----------------------|-----------------------|---------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Other Taxes | \$ 600,000 | \$ 600,000 | \$ 580,220 | \$ (19,780) |
| Use of money and property | 65,000 | 65,000 | 80,805 | 15,805 |
| Intergovernmental | - | 536,028 | 565,833 | 29,805 |
| Charges for services | 44,000 | 44,000 | - | (44,000) |
| Total revenues | 709,000 | 1,245,028 | 1,226,858 | (18,170) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public works | 448,591 | 408,591 | 242,074 | 166,517 |
| Capital outlay | 1,749,165 | 2,292,446 | 1,289,340 | 1,003,106 |
| Total expenditures | 2,197,756 | 2,701,037 | 1,531,414 | 1,169,623 |
| REVENUES OVER (UNDER) EXPENDITURES | (1,488,756) | (1,456,009) | (304,556) | (1,151,453) |
| Net change in fund balance | \$ (1,488,756) | \$ (1,456,009) | (304,556) | \$ 1,151,453 |
| FUND BALANCE: | | | | |
| Beginning of year | | | 1,948,910 | |
| End of year | | | <u>\$ 1,644,354</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, 2008

| | Budgeted Amounts | | Actual Amount | Variance with Final Budget Positive (Negative) |
|-----------------------------------|-------------------|--------------------|------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Use of money and property | \$ 3,500 | \$ 3,500 | \$ 4,090 | \$ 590 |
| Charges for services | 12,050 | 6,050 | 2,279 | (3,771) |
| Total revenues | 15,550 | 9,550 | 6,369 | (3,181) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Urban development and housing | 25,000 | 25,000 | - | 25,000 |
| Total expenditures | 25,000 | 25,000 | - | 25,000 |
| Net change in fund balance | \$ (9,450) | \$ (15,450) | 6,369 | \$ 21,819 |
| FUND BALANCE: | | | | |
| Beginning of year | | | 62,211 | |
| End of year | | | \$ 68,580 | |

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, 2008

| | Budgeted Amounts | | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|------------------|------------------|-------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Special assessments | \$ 477,000 | \$ 477,000 | \$ 429,451 | \$ (47,549) |
| Intergovernmental | 25,000 | 25,000 | 27,434 | 2,434 |
| Charges for services | - | - | 5,587 | 5,587 |
| Total revenues | 502,000 | 502,000 | 462,472 | (39,528) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public works | 710,944 | 710,944 | 556,806 | 154,138 |
| Capital outlay | 46,997 | 51,254 | 14,346 | 36,908 |
| Total expenditures | 757,941 | 762,198 | 571,152 | 191,046 |
| REVENUES OVER (UNDER) EXPENDITURES | (255,941) | (260,198) | (108,680) | (151,518) |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | 356,000 | 356,000 | 356,000 | - |
| Transfers out | (52,869) | (52,869) | (52,869) | - |
| Total other financing sources (uses) | 303,131 | 303,131 | 303,131 | - |
| Net change in fund balance | \$ 47,190 | \$ 42,933 | 194,451 | \$ 151,518 |
| FUND BALANCE: | | | | |
| Beginning of year | | | 95,654 | |
| End of year | | | \$ 290,105 | |

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, 2008

| | Budgeted Amounts | | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|---------------------|---------------------|-------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Special assessments | \$ 173,000 | \$ 173,000 | \$ 204,140 | \$ 31,140 |
| Total revenues | <u>173,000</u> | <u>173,000</u> | <u>204,140</u> | <u>31,140</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public works | 200,031 | 200,031 | 60,420 | 139,611 |
| Capital outlay | 209,208 | 209,208 | 44,952 | 164,256 |
| Total expenditures | <u>409,239</u> | <u>409,239</u> | <u>105,372</u> | <u>303,867</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>(236,239)</u> | <u>(236,239)</u> | <u>98,768</u> | <u>(272,727)</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers out | (215,882) | (215,882) | (215,882) | - |
| Total other financing sources (uses) | <u>(215,882)</u> | <u>(215,882)</u> | <u>(215,882)</u> | <u>-</u> |
| Net change in fund balance | <u>\$ (452,121)</u> | <u>\$ (452,121)</u> | <u>(117,114)</u> | <u>\$ 335,007</u> |
| FUND BALANCE: | | | | |
| Beginning of year | | | <u>504,314</u> | |
| End of year | | | <u>\$ 387,200</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, 2008

| | Budgeted Amounts | | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|-------------------|-------------------|---------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Use of money and property | \$ 126,000 | \$ 131,000 | \$ 154,357 | \$ 23,357 |
| Charges for services | 340,000 | 350,000 | 347,492 | (2,508) |
| Total revenues | 466,000 | 481,000 | 501,849 | 20,849 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public works | 268,423 | 293,423 | 227,969 | 65,454 |
| Capital outlay | 25,000 | 25,000 | - | 25,000 |
| Total expenditures | 293,423 | 318,423 | 227,969 | 90,454 |
| REVENUES OVER (UNDER) EXPENDITURES | 172,577 | 162,577 | 273,880 | (69,605) |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers out | (6,602) | (6,602) | (6,602) | - |
| Total other financing sources (uses) | (6,602) | (6,602) | (6,602) | - |
| Net change in fund balance | \$ 172,577 | \$ 162,577 | 267,278 | 104,701 |
| FUND BALANCE: | | | | |
| Beginning of year | | | 858,832 | |
| End of year | | | \$ 1,126,110 | |

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, 2008

| | Budgeted Amounts | | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|---------------------|-------------------|------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Use of money and property | \$ 200,000 | \$ 200,000 | \$ 395,934 | \$ 195,934 |
| Charges for services | 3,200,100 | 700,100 | 300,050 | (400,050) |
| Total revenues | 3,400,100 | 900,100 | 695,984 | (204,116) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Urban development and housing | - | 10,600 | 16,205 | (5,605) |
| Total expenditures | - | 10,600 | 16,205 | (5,605) |
| REVENUES OVER (UNDER) EXPENDITURES | 3,400,100 | 889,500 | 679,779 | 209,721 |
| Net change in fund balance | \$ 3,400,100 | \$ 889,500 | 679,779 | \$ 209,721 |
| FUND BALANCE: | | | | |
| Beginning of year | | | 7,854,813 | |
| End of year | | | \$ 8,534,592 | |

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, 2008

| | Budgeted Amounts | | Actual Amount | Variance with Final Budget Positive (Negative) |
|-----------------------------------|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Other Taxes | \$ 670,000 | \$ 670,000 | \$ 695,066 | \$ 25,066 |
| Use of money and property | 60,000 | 60,000 | 106,356 | 46,356 |
| Intergovernmental | 136,854 | 287,368 | 143,324 | (144,044) |
| Charges for services | 29,323 | 29,323 | 42,560 | 13,237 |
| Total revenues | 896,177 | 1,046,691 | 987,306 | (59,385) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public works | 1,194,521 | 1,035,114 | 682,021 | 353,093 |
| Capital outlay | 557,255 | 547,840 | 22,548 | 525,292 |
| Total expenditures | 1,751,776 | 1,582,954 | 704,569 | 878,385 |
| Net change in fund balance | \$ (855,599) | \$ (536,263) | 282,737 | \$ 819,000 |
| FUND BALANCE: | | | | |
| Beginning of year | | | 1,668,963 | |
| End of year | | | \$ 1,951,700 | |

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, 2008

| | Budgeted Amounts | | Actual Amount | Variance with Final Budget Positive (Negative) |
|-----------------------------------|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Intergovernmental | \$ 17,000 | \$ 17,000 | \$ 11,964 | \$ (5,036) |
| Total revenues | 17,000 | 17,000 | 11,964 | (5,036) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Culture and recreation | 19,724 | 19,724 | 4,398 | 15,326 |
| Total expenditures | 19,724 | 19,724 | 4,398 | 15,326 |
| Net change in fund balance | \$ (2,724) | \$ (2,724) | 7,566 | \$ 10,290 |
| FUND BALANCE: | | | | |
| Beginning of year | | | 138,436 | |
| End of year | | | \$ 146,002 | |

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, 2008

| | Budgeted Amounts | | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|--------------------|--------------------|------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Intergovernmental | \$ 47,000 | \$ 47,000 | \$ 49,423 | \$ 2,423 |
| Other | 50,000 | 50,000 | 67,085 | 17,085 |
| Total revenues | 97,000 | 97,000 | 116,508 | 19,508 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Culture and recreation | 171,646 | 171,646 | 177,800 | (6,154) |
| Capital outlay | 6,000 | 6,000 | 3,946 | 2,054 |
| Total expenditures | 177,646 | 177,646 | 181,746 | (4,100) |
| REVENUES OVER (UNDER) EXPENDITURES | (80,646) | (80,646) | (65,238) | 15,408 |
| 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 balance | \$ (25,646) | \$ (25,646) | (10,238) | \$ 15,408 |
| FUND BALANCE: | | | | |
| Beginning of year | | | 20,444 | |
| End of year | | | <u>\$ 10,206</u> | |

City of Menlo Park

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

Narcotic Seizure Special Revenue Fund

For the year ended June 30, 2008

| | Budgeted Amounts | | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|------------------|-------------|------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Charges for current services | \$ - | \$ - | \$ 3,021 | \$ 3,021 |
| Total revenues | <u>-</u> | <u>-</u> | <u>3,021</u> | <u>3,021</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>-</u> | <u>-</u> | <u>3,021</u> | <u>3,021</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>2,809</u> | <u>\$ 2,809</u> |
| FUND BALANCE: | | | | |
| Beginning of year | | | <u>14,205</u> | |
| End of year | | | <u>\$ 17,014</u> | |

City of Menlo Park

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

Traffic Impact Fees Special Revenue Fund

For the year ended June 30, 2008

| | Budgeted Amounts | | Actual Amount | Variance with Final Budget Positive (Negative) |
|-----------------------------------|---------------------|------------------|------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Use of money and property | \$ 17,000 | \$ 27,000 | \$ 59,909 | \$ 32,909 |
| Charges for services | 100,000 | 425,000 | 404,887 | (20,113) |
| Total revenues | 117,000 | 452,000 | 464,796 | 12,796 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public works | 353,836 | 313,836 | 159,561 | 154,275 |
| Capital outlay | 25,089 | 65,089 | 47,454 | 17,635 |
| Total expenditures | 378,925 | 378,925 | 207,015 | 171,910 |
| Net change in fund balance | \$ (261,925) | \$ 73,075 | 257,781 | \$ 184,706 |
| FUND BALANCE: | | | | |
| Beginning of year | | | 751,859 | |
| End of year | | | \$ 1,009,640 | |

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, 2008

| | Budgeted Amounts | | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|---------------------|---------------------|------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Licenses and permits | \$ 440,000 | \$ 440,000 | \$ 371,057 | \$ (68,943) |
| Use of money and property | 69,000 | 69,000 | 133,514 | 64,514 |
| Charges for services | - | - | 6,430 | 6,430 |
| Total revenues | 509,000 | 509,000 | 511,001 | 2,001 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public safety | 12,786 | 12,786 | 5,754 | 7,032 |
| Public works | 122,618 | 122,618 | 81,914 | 40,704 |
| Capital outlay | 557,158 | 543,158 | 71,125 | 472,033 |
| Total expenditures | 692,562 | 678,562 | 158,793 | 519,769 |
| REVENUES OVER (UNDER) EXPENDITURES | (183,562) | (169,562) | 352,208 | (517,768) |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers out | (21,138) | (21,138) | (21,138) | - |
| Total other financing sources (uses) | (21,138) | (21,138) | (21,138) | - |
| Net change in fund balance | \$ (204,700) | \$ (190,700) | 331,070 | \$ 521,770 |
| FUND BALANCE: | | | | |
| Beginning of year | | | 2,051,964 | |
| End of year | | | \$ 2,383,034 | |

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, 2008

| | Budgeted Amounts | | Actual Amount | Variance with Final Budget Positive (Negative) |
|-----------------------------------|------------------|------------------|------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Use of money and property | \$ - | \$ 10,000 | \$ 13,289 | \$ 3,289 |
| Charges for services | 25,000 | 45,000 | 38,180 | (6,820) |
| Total revenues | 25,000 | 55,000 | 51,469 | (3,531) |
| | | | | |
| Net change in fund balance | \$ 25,000 | \$ 55,000 | 51,469 | \$ (3,531) |
| | | | | |
| FUND BALANCE: | | | | |
| Beginning of year | | | 182,778 | |
| End of year | | | \$ 234,247 | |

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, 2008

| | Budgeted Amounts | | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|--------------------|-------------------|-------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Use of money and property | \$ 18,000 | \$ 18,000 | \$ 33,508 | \$ 15,508 |
| Intergovernmental | 8,172 | 8,172 | 8,172 | - |
| Charges for services | 1,960,000 | 1,910,000 | 1,859,803 | (50,197) |
| Other | - | 400,000 | 606,896 | 206,896 |
| Total revenues | <u>1,986,172</u> | <u>2,336,172</u> | <u>2,508,379</u> | <u>172,207</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General government | 1,700,261 | 1,802,261 | 1,884,901 | (82,640) |
| Public works | 238,944 | 238,944 | 200,904 | 38,040 |
| Capital outlay | 26,000 | 26,000 | 21,851 | 4,149 |
| Total expenditures | <u>1,965,205</u> | <u>2,067,205</u> | <u>2,107,656</u> | <u>(40,451)</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>20,967</u> | <u>268,967</u> | <u>400,723</u> | <u>212,658</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers out | (64,647) | (64,647) | (64,647) | - |
| Total other financing sources (uses) | <u>(64,647)</u> | <u>(64,647)</u> | <u>(64,647)</u> | <u>-</u> |
| Net change in fund balance | <u>\$ (43,680)</u> | <u>\$ 204,320</u> | 336,076 | <u>\$ 131,756</u> |
| FUND BALANCE: | | | | |
| Beginning of year | | | 207,132 | |
| End of year | | | <u>\$ 543,208</u> | |

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Bay Area Air Quality Management Special Revenue Fund For the year ended June 30, 2008

| | Budgeted Amounts | | Actual Amount | Variance with Final Budget Positive (Negative) |
|-----------------------------------|------------------|-----------------|------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Use of money and property | \$ 1,500 | \$ 1,500 | \$ 2,436 | \$ 936 |
| Intergovernmental | 41,000 | 41,000 | 39,044 | (1,956) |
| Total revenues | 42,500 | 42,500 | 41,480 | (1,020) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public works | 41,000 | 41,000 | 41,090 | (90) |
| Total expenditures | 41,000 | 41,000 | 41,090 | (90) |
| Net change in fund balance | \$ 1,500 | \$ 1,500 | 390 | \$ (1,110) |
| FUND BALANCE: | | | | |
| Beginning of year | | | 45,840 | |
| End of year | | | \$ 46,230 | |

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, 2008

| | Budgeted Amounts | | Actual Amount | Variance with Final Budget |
|---|---------------------|---------------------|-------------------|-------------------------------|
| | Original | Final | | Positive (Negative) |
| REVENUES: | | | | |
| Special assessments | \$ 317,800 | \$ 317,800 | \$ 310,613 | \$ (7,187) |
| Intergovernmental | - | 63,000 | - | (63,000) |
| Charges for services | - | - | 37 | 37 |
| Total revenues | <u>317,800</u> | <u>380,800</u> | <u>310,650</u> | <u>(70,150)</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public works | 506,646 | 509,646 | 440,862 | 68,784 |
| Capital outlay | 151,904 | 148,904 | 22,073 | 126,831 |
| Total expenditures | <u>658,550</u> | <u>658,550</u> | <u>462,935</u> | <u>195,615</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>(340,750)</u> | <u>(277,750)</u> | <u>(152,285)</u> | <u>125,465</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers out | (30,160) | (56,180) | (56,180) | - |
| Total other financing sources (uses) | <u>(30,160)</u> | <u>(56,180)</u> | <u>(56,180)</u> | <u>-</u> |
| Net change in fund balance | <u>\$ (370,910)</u> | <u>\$ (333,930)</u> | <u>(208,465)</u> | <u>\$ 125,465</u> |
| FUND BALANCE: | | | | |
| Beginning of year | | | <u>615,942</u> | |
| End of year | | | <u>\$ 407,477</u> | |

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Peninsula Partnership Special Revenue Fund For the year ended June 30, 2008

| | Budgeted Amounts | | Actual Amount | Variance with Final Budget Positive (Negative) |
|-----------------------------------|-------------------|-------------------|------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Intergovernmental | \$ 143,490 | \$ 143,490 | \$ 78,279 | \$ (65,211) |
| Other | - | - | 1,500 | 1,500 |
| Total revenues | 143,490 | 143,490 | 79,779 | (63,711) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Culture and recreation | 152,015 | 152,015 | 87,912 | 64,103 |
| Total expenditures | 152,015 | 152,015 | 87,912 | 64,103 |
| Net change in fund balance | \$ (8,525) | \$ (8,525) | (8,133) | \$ 392 |
| FUND BALANCE: | | | | |
| Beginning of year | | | 24,298 | |
| End of year | | | \$ 16,165 | |

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, 2008

| | Budgeted Amounts | | Actual Amount | Variance with Final Budget Positive (Negative) |
|-----------------------------------|--------------------|---------------------|------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Use of money and property | \$ 6,000 | \$ 6,000 | \$ 3,074 | \$ (2,926) |
| Intergovernmental | 100,000 | 100,000 | 100,000 | - |
| Total revenues | 106,000 | 106,000 | 103,074 | (2,926) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public safety | 97,370 | 92,399 | 81,647 | 10,752 |
| Capital outlay | 68,467 | 157,888 | 141,509 | 16,379 |
| Total expenditures | 165,837 | 250,287 | 223,156 | 27,131 |
| Net change in fund balance | \$ (59,837) | \$ (144,287) | (120,082) | \$ 24,205 |
| FUND BALANCE: | | | | |
| Beginning of year | | | 136,068 | |
| End of year | | | \$ 15,986 | |

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, 2008

| | Budgeted Amounts | | Actual Amount | Variance with Final Budget Positive (Negative) |
|-----------------------------------|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Use of money and property | \$ - | \$ 22,000 | 101,408 | \$ 79,408 |
| Charges for services | 700,000 | 700,000 | 646,958 | (53,042) |
| Total revenues | 700,000 | 722,000 | 748,366 | 26,366 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Capital outlay | 600,000 | 600,000 | - | (600,000) |
| Total expenditures | 600,000 | 600,000 | - | (600,000) |
| Net change in fund balance | \$ 1,300,000 | \$ 1,322,000 | 748,366 | \$ (573,634) |
| FUND BALANCE: | | | | |
| Beginning of year | | | 1,410,213 | |
| End of year | | | \$ 2,158,579 | |

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, 2008

| | Budgeted Amounts | | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Use of money and property | \$ 60,000 | \$ 60,000 | \$ 79,901 | \$ 19,901 |
| Total revenues | 60,000 | 60,000 | 79,901 | 19,901 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public works | 199,734 | 199,734 | 155,605 | 44,129 |
| Capital outlay | 5,000 | 5,000 | - | 5,000 |
| Total expenditures | 204,734 | 204,734 | 155,605 | 49,129 |
| REVENUES OVER (UNDER) EXPENDITURES | (144,734) | (144,734) | (75,704) | (29,228) |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers out | (10,597) | (10,597) | (10,597) | - |
| Total other financing sources (uses) | (10,597) | (10,597) | (10,597) | - |
| Net change in fund balance | \$ (155,331) | \$ (155,331) | (86,301) | \$ 69,030 |
| FUND BALANCE: | | | | |
| Beginning of year | | | 1,431,295 | |
| End of year | | | <u>\$ 1,344,994</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, 2008

| | Budgeted Amounts | | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Use of money and property | \$ 75,000 | \$ 75,000 | \$ 192,193 | \$ 117,193 |
| Charges for services | 1,200,000 | 1,500,000 | 1,361,000 | (139,000) |
| Total revenues | 1,275,000 | 1,575,000 | 1,553,193 | (21,807) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public works | 45,571 | 45,571 | 28,037 | 17,534 |
| Capital outlay | - | - | - | - |
| Total expenditures | 45,571 | 45,571 | 28,037 | 17,534 |
| REVENUES OVER (UNDER) EXPENDITURES | 1,229,429 | 1,529,429 | 1,525,156 | (39,341) |
| Net change in fund balance | \$ 1,275,000 | \$ 1,575,000 | 1,525,156 | \$ (49,844) |
| FUND BALANCE: | | | | |
| Beginning of year | | | 1,881,039 | |
| End of year | | | \$ 3,406,195 | |

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, 2008

| | Budgeted Amounts | | Actual Amount | Variance with Final Budget Positive (Negative) |
|-----------------------------------|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Use of money and property | \$ 6,400 | \$ 6,400 | \$ 7,859 | \$ 1,459 |
| Total revenues | <u>6,400</u> | <u>6,400</u> | <u>7,859</u> | <u>1,459</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public works | 13,000 | 13,000 | 13,000 | - |
| Total expenditures | <u>13,000</u> | <u>13,000</u> | <u>13,000</u> | <u>-</u> |
| Net change in fund balance | <u>\$ (6,600)</u> | <u>\$ (6,600)</u> | (5,141) | <u>\$ 1,459</u> |
| FUND BALANCE: | | | | |
| Beginning of year | | | <u>136,631</u> | |
| End of year | | | <u>\$ 131,490</u> | |

City of Menlo Park

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

Vintage Oaks Landscape Special Revenue Fund

For the year ended June 30, 2008

| | Budgeted Amounts | | Actual Amount | Variance with Final Budget Positive (Negative) |
|-----------------------------------|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Use of money and property | \$ 6,000 | \$ 6,000 | \$ 8,672 | \$ 2,672 |
| Total revenues | <u>6,000</u> | <u>6,000</u> | <u>8,672</u> | <u>2,672</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Public works | 15,576 | 15,576 | 13,974 | 1,602 |
| Total expenditures | <u>15,576</u> | <u>15,576</u> | <u>13,974</u> | <u>1,602</u> |
| Net change in fund balance | <u>\$ (9,576)</u> | <u>\$ (9,576)</u> | (5,302) | <u>\$ 4,274</u> |
| FUND BALANCE: | | | | |
| Beginning of year | | | <u>154,683</u> | |
| End of year | | | <u>\$ 149,381</u> | |

City of Menlo Park

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

Miscellaneous Trust Special Revenue Fund

For the year ended June 30, 2008

| | Budgeted Amounts | | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|--------------------|---------------------|---------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Use of money and property | \$ 23,430 | \$ 23,430 | \$ 34,471 | \$ 11,041 |
| Charges for services | - | - | 84,919 | 84,919 |
| Other | 2,000 | 2,000 | 6,175 | 4,175 |
| Total revenues | 25,430 | 25,430 | 125,565 | 100,135 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Culture and recreation | 99,503 | 96,703 | 70,215 | 26,488 |
| Community development | - | 296,414 | 199,006 | 97,408 |
| Capital outlay | 500 | 7,300 | 7,268 | 32 |
| Total expenditures | 100,003 | 400,417 | 276,489 | 123,928 |
| REVENUES OVER (UNDER) EXPENDITURES | (74,573) | (374,987) | (150,924) | 224,063 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers out | (700) | (700) | (700) | - |
| Total other financing sources (uses) | (700) | (700) | (700) | - |
| Net change in fund balance | \$ (75,273) | \$ (375,687) | (151,624) | \$ 224,063 |
| FUND BALANCE: | | | | |
| Beginning of year | | | 1,208,818 | |
| End of year | | | <u>\$ 1,057,194</u> | |

City of Menlo Park

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

Library Bond Debt Service Fund

For the year ended June 30, 2008

| | Budgeted Amounts | | Actual Amount | Variance with Final Budget Positive (Negative) |
|-----------------------------------|------------------|------------------|------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Special assessments | \$ 416,000 | \$ 416,000 | \$ 421,016 | \$ 5,016 |
| Use of money and property | 14,000 | 14,000 | 30,469 | 16,469 |
| Total revenues | 430,000 | 430,000 | 451,485 | 21,485 |
| EXPENDITURES: | | | | |
| Debt service: | | | | |
| Principal | 270,000 | 270,000 | 270,000 | - |
| Interest | 146,047 | 146,047 | 146,047 | - |
| Total expenditures | 416,047 | 416,047 | 416,047 | - |
| Net change in fund balance | \$ 13,953 | \$ 13,953 | 35,438 | \$ 21,485 |
| FUND BALANCE: | | | | |
| Beginning of year | | | 690,315 | |
| End of year | | | \$ 725,753 | |

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, 2008

| | Budgeted Amounts | | Actual Amount | Variance with Final Budget Positive (Negative) |
|-----------------------------------|-------------------|-------------------|------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Special assessments | \$ 1,160,000 | \$ 1,160,000 | \$ 1,295,858 | \$ 135,858 |
| Use of money and property | 24,000 | 24,000 | 69,586 | 45,586 |
| Total revenues | 1,184,000 | 1,184,000 | 1,365,444 | 181,444 |
| EXPENDITURES: | | | | |
| Debt service: | | | | |
| Principal | 235,000 | 235,000 | 235,000 | - |
| Interest | 649,580 | 649,580 | 647,578 | 2,002 |
| Total expenditures | 884,580 | 884,580 | 882,578 | 2,002 |
| Net change in fund balance | \$ 299,420 | \$ 299,420 | 482,866 | \$ 183,446 |
| FUND BALANCE: | | | | |
| Beginning of year | | | 1,200,558 | |
| End of year | | | \$ 1,683,424 | |

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, 2008

| | Budgeted Amounts | | Actual Amount | Variance with Final Budget Positive (Negative) |
|-----------------------------------|---------------------|---------------------|-------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Use of money and property | \$ 8,000 | \$ 8,000 | \$ 22,680 | \$ 14,680 |
| Total revenues | <u>8,000</u> | <u>8,000</u> | <u>22,680</u> | <u>14,680</u> |
| EXPENDITURES: | | | | |
| Current | | | | |
| Capital outlay | 333,611 | 333,611 | 9,833 | 323,778 |
| Total expenditures | <u>333,611</u> | <u>333,611</u> | <u>9,833</u> | <u>323,778</u> |
| Net change in fund balance | <u>\$ (325,611)</u> | <u>\$ (325,611)</u> | 12,847 | <u>\$ 338,458</u> |
| FUND BALANCE: | | | | |
| Beginning of year | | | <u>388,094</u> | |
| End of year | | | <u>\$ 400,941</u> | |

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Measure T 2002 GO Bond Capital Projects Fund For the year ended June 30, 2008

| | Budgeted Amounts | | Actual Amount | Variance with Final Budget Positive (Negative) |
|-----------------------------------|-----------------------|-----------------------|---------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Use of money and property | \$ 75,000 | \$ 75,000 | \$ 60,853 | \$ (14,147) |
| Total revenues | 75,000 | 75,000 | 60,853 | (14,147) |
| EXPENDITURES: | | | | |
| Capital outlay | 1,688,281 | 1,308,120 | 252,493 | 1,055,627 |
| Total expenditures | 1,688,281 | 1,308,120 | 252,493 | 1,055,627 |
| Net change in fund balance | \$ (1,613,281) | \$ (1,233,120) | (191,640) | \$ (1,069,774) |
| FUND BALANCE: | | | | |
| Beginning of year | | | 1,385,434 | |
| End of year | | | \$ 1,193,794 | |

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, 2008

| | Budgeted Amounts | | Actual Amount | Variance with Final Budget Positive (Negative) |
|---|-----------------------|---------------------|----------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Other taxes | \$ - | \$ 47,000 | \$ 49,060 | \$ 2,060 |
| Charges for services | - | - | 422 | 422 |
| Intergovernmental | - | 500,000 | 500,962 | 962 |
| Total revenues | - | 547,000 | 550,444 | 3,444 |
| EXPENDITURES: | | | | |
| Capital outlay | 4,453,080 | 5,591,058 | 1,952,735 | 3,638,323 |
| Total expenditures | 4,453,080 | 5,591,058 | 1,952,735 | 3,638,323 |
| REVENUES OVER (UNDER) EXPENDITURES | (4,453,080) | (5,044,058) | (1,402,291) | 3,641,767 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | 2,080,000 | 4,680,000 | 4,680,000 | - |
| Total other financing sources (uses) | 2,080,000 | 4,680,000 | 4,680,000 | - |
| Net change in fund balance | \$ (2,373,080) | \$ (364,058) | 3,277,709 | \$ 3,641,767 |
| FUND BALANCE: | | | | |
| Beginning of year | | | 7,199,976 | |
| End of year | | | <u>\$ 10,477,685</u> | |

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ENTERPRISE FUNDS

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

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

City of Menlo Park
Combining Schedule of Net Assets
Enterprise Funds
June 30, 2008

| | Water Operating Fund | Water Capital Improvement Fund | Total Water Funds |
|---|-------------------------|-----------------------------------|----------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and investments | \$ 1,377,240 | \$ 15,327,955 | \$ 16,705,195 |
| Receivables: | | | |
| Accounts | 322,803 | 49,127 | 371,930 |
| Interest | 16,538 | 142,968 | 159,506 |
| Total current assets | <u>1,716,581</u> | <u>15,520,050</u> | <u>17,236,631</u> |
| Capital assets: | | | |
| Non-depreciable | 1,627,998 | - | 1,627,998 |
| Depreciable, net | 5,904,371 | - | 5,904,371 |
| Total capital assets | <u>7,532,369</u> | <u>-</u> | <u>7,532,369</u> |
| Total assets | <u>9,248,950</u> | <u>15,520,050</u> | <u>24,769,000</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | 364,387 | 125,115 | 489,502 |
| Accrued payroll | 13,272 | 3,838 | 17,110 |
| Deposits | 91,177 | - | 91,177 |
| Compensated absences | 14,815 | 3,464 | 18,279 |
| Total current liabilities | <u>483,651</u> | <u>132,417</u> | <u>616,068</u> |
| Noncurrent liabilities: | | | |
| Compensated absences | 16,076 | 3,758 | 19,834 |
| Total noncurrent liabilities | <u>16,076</u> | <u>3,758</u> | <u>19,834</u> |
| Total liabilities | <u>499,727</u> | <u>136,175</u> | <u>635,902</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 7,532,369 | - | 7,532,369 |
| Restricted for: | | | |
| Capital projects | - | 15,383,875 | 15,383,875 |
| Unrestricted | 1,216,854 | - | 1,216,854 |
| Total net assets | <u>\$ 8,749,223</u> | <u>\$ 15,383,875</u> | <u>\$ 24,133,098</u> |

City of Menlo Park
Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets
Enterprise Funds
For the year ended June 30, 2008

| | Water Operating Fund | Water Capital Improvement Fund | Total Water Funds |
|---|-------------------------|-----------------------------------|----------------------|
| OPERATING REVENUES: | | | |
| Water sales | \$ 3,601,614 | \$ 873,137 | \$ 4,474,751 |
| Connection fees | 8,394 | - | 8,394 |
| Total operating revenues | 3,610,008 | 873,137 | 4,483,145 |
| OPERATING EXPENSES: | | | |
| Cost of sales and services | 3,533,456 | 41,889 | 3,575,345 |
| General and administrative | 331,155 | - | 331,155 |
| Depreciation | 169,376 | - | 169,376 |
| Total operating expenses | 4,033,987 | 41,889 | 4,075,876 |
| OPERATING INCOME (LOSS) | (423,979) | 831,248 | 407,269 |
| NONOPERATING REVENUES (EXPENSES): | | | |
| Interest income | 156,003 | 801,068 | 957,071 |
| Total nonoperating revenues | 156,003 | 801,068 | 957,071 |
| INCOME (LOSS) BEFORE OPERATING TRANSFERS | (267,976) | 1,632,316 | 1,364,340 |
| OPERATING TRANSFERS: | | | |
| Transfers in | - | 1,900,000 | 1,900,000 |
| Transfers out | (2,084,711) | - | (2,084,711) |
| Contributions | 344 | - | 344 |
| Total operating transfers | (2,084,367) | 1,900,000 | (184,367) |
| Net income (loss) | (2,352,343) | 3,532,316 | 1,179,973 |
| NET ASSETS: | | | |
| Beginning of year | 11,101,566 | 11,851,559 | 22,953,125 |
| End of year | \$ 8,749,223 | \$ 15,383,875 | \$ 24,133,098 |

City of Menlo Park
Combining Schedule of Cash Flows
Enterprise Funds
For the year ended June 30, 2008

| | Water Operating Fund | Water Capital Improvement Fund | Total Water Funds |
|---|----------------------------|--------------------------------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Cash received from customers/other funds | \$ 3,399,672 | \$ 1,155,836 | 4,555,508 |
| Cash payment to suppliers | (3,270,975) | (114,447) | (3,385,422) |
| Cash payments for general and administrative | (583,597) | (118,042) | (701,639) |
| Net cash provided (used) by operating activities | (454,900) | 923,347 | 468,447 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | |
| Transfers in | - | 1,900,000 | 1,900,000 |
| Transfers out | (2,102,376) | - | (2,102,376) |
| Net cash provided (used) by noncapital financing activities | (2,102,376) | 1,900,000 | (202,376) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | |
| Acquisition and construction of capital assets | (310,058) | - | (310,058) |
| Net cash provided (used) by capital and related financing activities | (310,058) | - | (310,058) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Investment income | 173,669 | 801,068 | 974,737 |
| Net cash provided (used) by investing activities | 173,669 | 801,068 | 974,737 |
| Net increase (decrease) in cash and cash equivalents | (2,693,665) | 3,624,415 | 930,750 |
| CASH AND CASH EQUIVALENTS: | | | |
| Beginning of year | 4,070,905 | 11,703,540 | 15,774,445 |
| End of year | \$ 1,377,240 | \$ 15,327,955 | \$ 16,705,195 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES: | | | |
| Operating income (loss) | \$ (423,979) | \$ 831,248 | \$ 407,269 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | |
| Depreciation | 169,376 | - | 169,376 |
| Changes in current assets and liabilities: | | | |
| Accounts receivable | (29,791) | (15,995) | (45,786) |
| Accounts payable | 12,350 | 112,820 | 125,170 |
| Accrued payroll | (2,198) | 2,547 | 349 |
| Compensated absences | (2,509) | (7,273) | (9,782) |
| Deposits | (178,149) | - | (178,149) |
| Total adjustments | (30,921) | 92,099 | 61,178 |
| Net cash provided (used) by operating activities | \$ (454,900) | \$ 923,347 | \$ 468,447 |

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, 2008

| | Workers' Compensation Insurance | General Liability Insurance | Other Post Employment Benefits | Vehicle Replacement | Total |
|--|---------------------------------------|-----------------------------------|--------------------------------------|------------------------|---------------------|
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash, cash equivalents and investments | \$ 2,792,787 | \$ 400,351 | \$ 148,707 | \$ 123,001 | \$ 3,464,846 |
| Receivables: | | | | | |
| Accounts | - | - | 10,283 | - | 10,283 |
| Interest | 27,558 | 3,821 | 1,419 | 1,174 | 33,972 |
| Total current assets | 2,820,345 | 404,172 | 160,409 | 124,175 | 3,509,101 |
| Capital assets: | | | | | |
| Depreciable, net | - | - | - | 646,232 | 646,232 |
| Total capital assets | - | - | - | 646,232 | 646,232 |
| Total assets | 2,820,345 | 404,172 | 160,409 | 770,407 | 4,155,333 |
| LIABILITIES AND NET ASSETS | | | | | |
| Liabilities: | | | | | |
| Current Liabilities: | | | | | |
| Accounts payable | 26,853 | 133,677 | - | 16,673 | 177,203 |
| Accrued payroll | 1,881 | 573 | - | - | 2,454 |
| Claims payable, due within one year | 486,816 | 62,479 | - | - | 549,295 |
| Compensated absences payable, due within one year | 2,943 | 1,611 | - | - | 4,554 |
| Total current liabilities | 518,493 | 198,340 | - | 16,673 | 733,506 |
| Claims payable, due in more than one year | 1,396,691 | 214,345 | - | - | 1,611,036 |
| Compensated absences payable, due in more than one year | 3,194 | 1,748 | - | - | 4,942 |
| Total liabilities | 1,918,378 | 414,433 | - | 16,673 | 2,349,484 |
| Net Assets: | | | | | |
| Invested in capital assets, net of related debt | - | - | - | 646,232 | 646,232 |
| Unrestricted | 901,967 | (10,261) | 160,409 | 107,502 | 1,159,617 |
| Total net assets | \$ 901,967 | \$ (10,261) | \$ 160,409 | \$ 753,734 | \$ 1,805,849 |

City of Menlo Park
Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
For the year ended June 30, 2008

| | Workers' Compensation Insurance | General Liability Insurance | Other Post Employment Benefits | Vehicle Replacement | Total |
|---|---------------------------------------|-----------------------------------|--------------------------------------|------------------------|--------------------|
| OPERATING REVENUES: | | | | | |
| Charges for services | \$ 910,970 | \$ 600,183 | \$ 974,016 | \$ - | \$ 2,485,169 |
| Total operating revenues | 910,970 | 600,183 | 974,016 | - | 2,485,169 |
| OPERATING EXPENSES: | | | | | |
| Personnel services | 78,040 | 35,950 | - | - | 113,990 |
| General and administrative | 32,493 | 106,576 | 10,400,000 | 639 | 10,539,708 |
| Insurance | 450,464 | 377,305 | 276,579 | - | 1,104,348 |
| Depreciation | - | - | - | 263,169 | 263,169 |
| Total operating expenses | 560,997 | 519,831 | 10,676,579 | 263,808 | 12,021,215 |
| OPERATING INCOME (LOSS) | 349,973 | 80,352 | (9,702,563) | (263,808) | (9,536,046) |
| NONOPERATING REVENUES (EXPENSES): | | | | | |
| Interest and investment earnings | 142,935 | 32,471 | 189,075 | 10,989 | 375,470 |
| Gain (loss) on sale of equipment | - | - | - | 4,972 | 4,972 |
| Total nonoperating revenues (expenses) | 142,935 | 32,471 | 189,075 | 15,961 | 380,442 |
| INCOME (LOSS) BEFORE TRANSFERS | 492,908 | 112,823 | (9,513,488) | (247,847) | (9,155,604) |
| TRANSFERS: | | | | | |
| Transfers in | - | - | 9,200,000 | 244,525 | 9,444,525 |
| Transfers out | - | - | - | - | - |
| Contributions | - | - | - | 4,101 | 4,101 |
| Total transfers | - | - | 9,200,000 | 248,626 | 9,448,626 |
| NET INCOME (LOSS) | 492,908 | 112,823 | (313,488) | 779 | 293,022 |
| NET ASSETS: | | | | | |
| Beginning of the year, as restated | 409,059 | (123,084) | 473,897 | 752,955 | 1,512,827 |
| End of the year | \$ 901,967 | \$ (10,261) | \$ 160,409 | \$ 753,734 | \$ 1,805,849 |

City of Menlo Park
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2008

| | 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 | \$ 910,446 | \$ 599,495 | \$ 777,338 | \$ - | \$ 2,287,279 |
| Cash paid to suppliers | (879,443) | (585,729) | (66,321) | (639) | (1,532,132) |
| Cash paid to employees | (169,684) | (34,679) | - | - | (204,363) |
| Cash receipts (payments) other | 12,465 | 29,107 | (10,406,661) | 9,795 | (10,355,294) |
| Net cash provided (used) by operating activities | (126,216) | 8,194 | (9,695,644) | 9,156 | (9,804,510) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | | | |
| Transfers from other funds | - | - | 9,200,000 | 244,525 | 9,444,525 |
| Transfers to other funds | - | - | - | - | - |
| Net cash provided (used) by noncapital financing activities | - | - | 9,200,000 | 244,525 | 9,444,525 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | | | |
| Proceeds from disposal of equipment | - | - | - | 4,972 | 4,972 |
| Acquisition and construction of capital assets | - | - | - | (287,369) | (287,369) |
| Net cash provided (used) by capital and related financing activities | - | - | - | (282,397) | (282,397) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | |
| Investment earnings received (paid) | 143,257 | 32,471 | 189,074 | 9,873 | 374,675 |
| Net cash provided (used) by investing activities | 143,257 | 32,471 | 189,074 | 9,873 | 374,675 |
| Net increase (decrease) in cash cash and cash equivalents | 17,041 | 40,665 | (306,570) | (18,843) | (267,707) |
| Cash, cash equivalents, and investments at beginning of year | 2,775,746 | 359,686 | 455,277 | 141,844 | 3,732,553 |
| Cash, cash equivalents, and investments at end of year | <u>\$ 2,792,787</u> | <u>\$ 400,351</u> | <u>\$ 148,707</u> | <u>\$ 123,001</u> | <u>\$ 3,464,846</u> |

City of Menlo Park
Combining Statement of Cash Flows, Continued
Internal Service Funds
For the year ended June 30, 2008

| | Workers' Compensation Insurance | General Liability Insurance | Other Post Employment Benefits | Vehicle Replacement | Total |
|--|---------------------------------------|-----------------------------------|--------------------------------------|------------------------|-----------------------|
| RECONCILIATION OF OPERATING | | | | | |
| INCOME (LOSS) TO NET CASH PROVIDED | | | | | |
| (USED) BY OPERATING ACTIVITIES: | | | | | |
| Operating income (loss) | \$ 349,973 | \$ 80,352 | \$ (9,702,563) | \$ (263,808) | \$ (9,536,046) |
| Depreciation | - | - | - | 263,169 | 263,169 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | | |
| Accounts receivable | (3,096) | 19,033 | 10,514 | 4,122 | 30,573 |
| Deposits | - | - | - | - | - |
| Accounts payable | (41,279) | 985 | - | 5,673 | (34,621) |
| Payroll liabilities | 86 | 62 | (3,595) | - | (3,447) |
| Insurance claim payable | (432,345) | (93,014) | - | - | (525,359) |
| Compensated absence payable | 445 | 776 | - | - | 1,221 |
| Total adjustments | (476,189) | (72,158) | 6,919 | 272,964 | (268,464) |
| Net cash provided (used) by operating activities | \$ (126,216) | \$ 8,194 | \$ (9,695,644) | \$ 9,156 | \$ (9,804,510) |

City of Menlo Park
Combining Statement of Net Assets
Agency Funds
June 30, 2008

| | Refundable Deposits | Cash Bonds Payable | Payroll Revolving | Total Agency Funds |
|--------------------------|------------------------|-----------------------|----------------------|--------------------------|
| ASSETS | | | | |
| Cash and investments | \$ 129,820 | \$ 286,281 | \$ 152,401 | \$ 568,502 |
| Total assets | \$ 129,820 | \$ 286,281 | \$ 152,401 | \$ 568,502 |
| LIABILITIES | | | | |
| Accounts payable | \$ 27,000 | \$ - | \$ 152,401 | \$ 179,401 |
| Deposits | 102,820 | 286,281 | - | 389,101 |
| Total liabilities | \$ 129,820 | \$ 286,281 | \$ 152,401 | \$ 568,502 |

City of Menlo Park
Combining Statement of Changes in Net Assets
Agency Funds
For the year ended June 30, 2008

| | Balance July 1, 2007 | Additions | Deductions | Balance June 30, 2008 |
|-----------------------------------|-------------------------|------------------------|----------------------|--------------------------|
| <u>Refundable Deposits</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 271,488 | \$ 99,364 | \$ (241,032) | \$ 129,820 |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ (241,032) | \$ 268,032 | \$ 27,000 |
| Deposits | 271,488 | (268,032) | 99,364 | 102,820 |
| Total liabilities | \$ 271,488 | \$ (509,064) | \$ 367,396 | \$ 129,820 |
| <u>Cash Bonds Payable</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 13,271 | \$ 286,281 | \$ (13,271) | \$ 286,281 |
| Liabilities: | | | | |
| Deposits | \$ 13,271 | \$ (13,271) | \$ 286,281 | \$ 286,281 |
| <u>Payroll Revolving</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 105,888 | \$ 2,691,155 | \$ (2,644,642) | \$ 152,401 |
| Liabilities: | | | | |
| Accounts payable | \$ 105,888 | \$ (15,890,230) | \$ 15,936,743 | \$ 152,401 |
| <u>Total Agency Funds</u> | | | | |
| Assets: | | | | |
| Cash and investments | \$ 390,647 | \$ 3,076,800 | \$ (2,898,945) | \$ 568,502 |
| Liabilities: | | | | |
| Accounts payable | \$ 105,888 | \$ (16,131,262) | \$ 16,204,775 | \$ 179,401 |
| Deposits | 284,759 | (281,303) | 385,645 | 389,101 |
| Total liabilities | \$ 390,647 | \$ (16,412,565) | \$ 16,590,420 | \$ 568,502 |

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CITY OF MENLO PARK

Statistical Section

(unaudited)

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

Financial Trends

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

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

Revenue Capacity

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

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

Debt Capacity

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

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

Demographic and Economic Information

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

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

Operating Information

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

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

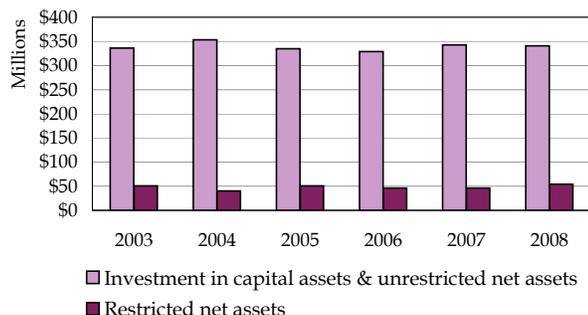
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City of Menlo Park
 Net Assets by Component
 June 30, 2008
 Last Six Fiscal Years

Financial Trends:
 Schedule 1

| | FISCAL YEAR ENDING JUNE 30, _____ | | | | | |
|--|-----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Government activities | | | | | | |
| Investment in capital assets, net of related debt | \$ 264,641,246 | \$ 271,543,602 | \$ 276,025,463 | \$ 266,250,790 | \$ 260,060,574 | \$ 265,272,383 |
| Restricted for: | | | | | | |
| Capital projects | 45,576,230 | 36,959,941 | 37,452,612 | 16,297,615 | 17,102,064 | 20,378,994 |
| Debt service | 1,008,151 | 1,142,055 | 1,287,410 | 8,366,348 | 10,581,505 | 10,759,071 |
| Community Development | | | | 6,187,396 | 5,866,768 | 6,160,144 |
| Special projects | 4,313,637 | 2,094,806 | 2,094,806 | 4,647,861 | 809,974 | 1,034,326 |
| Total restricted - Government Activities | 50,898,018 | 40,196,802 | 40,834,828 | 35,499,220 | 34,360,311 | 38,332,535 |
| Unrestricted - Government Activities | 51,014,831 | 60,788,071 | 47,350,857 | 51,292,783 | 71,773,633 | 66,979,497 |
| Total government activities | 366,554,095 | 372,528,475 | 364,211,148 | 353,042,793 | 366,194,518 | 370,584,415 |
| Business-type activities | | | | | | |
| Investment in capital assets, net of related debt | 5,031,535 | 5,149,972 | 7,119,922 | 7,440,931 | 7,391,343 | 7,532,369 |
| Restricted for: | | | | | | |
| Capital projects | 31,887 | 50,413 | 9,743,217 | 10,653,717 | 11,851,559 | 15,383,875 |
| Debt service | | | | | | |
| Special projects | | 23,647 | | | | |
| Total restricted - Business-type Activities | 31,887 | 74,060 | 9,743,217 | 10,653,717 | 11,851,559 | 15,383,875 |
| Unrestricted - Business-type Activities | 15,530,760 | 15,483,043 | 4,541,177 | 4,067,282 | 3,710,223 | 1,216,854 |
| Total business-type activities | 20,594,182 | 20,707,075 | 21,404,316 | 22,161,930 | 22,953,125 | 24,133,098 |
| Primary government | | | | | | |
| Investment in capital assets, net of related debt | 269,672,781 | 276,693,574 | 283,145,385 | 273,691,721 | 267,451,917 | 272,804,752 |
| Unrestricted net assets | 66,545,591 | 76,271,114 | 51,892,034 | 55,360,065 | 75,483,856 | 68,196,351 |
| Investment in capital assets & unrestricted net assets | 336,218,372 | 352,964,688 | 335,037,419 | 329,051,786 | 342,935,773 | 341,001,103 |
| Restricted net assets | 50,929,905 | 40,270,862 | 50,578,045 | 46,152,937 | 46,211,870 | 53,716,410 |
| Total primary government net assets | \$ 387,148,277 | \$ 393,235,550 | \$ 385,615,464 | \$ 375,204,723 | \$ 389,147,643 | \$ 394,717,513 |

Total Primary Government Net Assets



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.

City of Menlo Park
 Changes in Net Assets
 June 30, 2008
 Last Six Fiscal Years

Financial Trends:
 Schedule 2

| | FISCAL YEAR ENDING JUNE 30, _____ | | | | | |
|---|-----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Expenses | | | | | | |
| Governmental Activities: | | | | | | |
| General Government | \$ 6,701,141 | \$ 8,375,348 | \$ 7,322,997 | \$ 7,761,696 | \$ 6,857,574 | \$ 8,145,031 |
| Public Safety | 8,685,740 | 8,010,385 | 9,196,468 | 9,092,996 | 11,191,323 | 15,763,116 |
| Public Works | 11,231,842 | 9,742,184 | 11,040,198 | 10,275,029 | 9,723,201 | 12,332,849 |
| Culture and Recreation | 7,761,262 | 7,971,110 | 7,547,337 | 7,781,549 | 8,647,013 | 11,276,226 |
| Community Development ⁽¹⁾ | 7,098,764 | 7,780,767 | 8,721,659 | 23,179,192 | 6,916,391 | 9,817,989 |
| Interest on Long-Term Debt | 4,821,928 | 4,679,811 | 4,602,336 | 4,529,332 | 5,070,401 | 4,178,515 |
| Total Governmental Activities Expenses | 46,300,677 | 46,559,605 | 48,430,995 | 62,619,794 | 48,405,903 | 61,513,726 |
| Business-Type Activities | | | | | | |
| Water | 2,831,383 | 3,555,582 | 3,187,578 | 3,081,378 | 3,601,919 | 4,075,876 |
| Total Business-Type Activities Expenses | 2,831,383 | 3,555,582 | 3,187,578 | 3,081,378 | 3,601,919 | 4,075,876 |
| Total Primary Government Expenses | 49,132,060 | 50,115,187 | 51,618,573 | 65,701,172 | 52,007,822 | 65,589,602 |
| Program Revenues | | | | | | |
| Governmental Activities: | | | | | | |
| Charges for Services | | | | | | |
| General Government | 4,398,884 | 5,707,675 | 4,486,715 | 4,649,505 | 3,676,393 | 3,539,934 |
| Public Safety | 1,225,796 | 526,542 | 1,240,807 | 1,086,348 | 1,241,847 | 5,154,247 |
| Public Works | 1,908,545 | 2,914,762 | 3,391,517 | 3,609,732 | 6,541,634 | 3,837,839 |
| Culture and Recreation | 3,041,867 | 2,909,707 | 2,835,631 | 2,949,807 | 3,291,723 | 3,345,055 |
| Community Development | 2,014,063 | 2,868,863 | 2,377,251 | 3,897,805 | 6,170,024 | 3,952,454 |
| Operating Grants and Contributions | 1,318,007 | 2,418,574 | 1,712,952 | 1,681,505 | 3,251,025 | 2,369,502 |
| Capital Grants and Contributions | 1,341,927 | 80,579 | 686,540 | 268,468 | 520,156 | 1,030,839 |
| Total Governmental Activities | | | | | | |
| Program Revenues | 15,249,089 | 17,426,702 | 16,731,413 | 18,143,170 | 24,692,802 | 23,229,870 |
| Business-Type Activities | | | | | | |
| Charges for Services | 3,421,677 | 3,754,693 | 3,305,954 | 3,567,919 | 3,881,115 | 4,483,145 |
| Capital Grants and Contributions | | | 462,525 | | | |
| Total Business-Type Activities | | | | | | |
| Program Revenues | 3,421,677 | 3,754,693 | 3,768,479 | 3,567,919 | 3,881,115 | 4,483,145 |
| Total Primary Government | | | | | | |
| Program Revenues | \$ 18,670,766 | \$ 21,181,395 | \$ 20,499,892 | \$ 21,711,089 | \$ 28,573,917 | \$ 27,713,015 |
| Net Revenue (Expenses): | | | | | | |
| Governmental Activities | \$ (31,051,588) | \$ (29,132,903) | \$ (31,699,582) | \$ (44,476,624) | \$ (23,713,101) | \$ (38,283,856) |
| Business-type Activities | 590,294 | 199,111 | 580,901 | 486,541 | 279,196 | 407,269 |
| Total Net Revenue (Expenses) | \$ (30,461,294) | \$ (28,933,792) | \$ (31,118,681) | \$ (43,990,083) | \$ (23,433,905) | \$ (37,876,587) |

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.

(continued)

City of Menlo Park
 Changes in Net Assets
 June 30, 2008
 Last Six Fiscal Years

Financial Trends:
 Schedule 2

FISCAL YEAR ENDING JUNE 30, _____

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|--|------|------|------|------|------|------|
|--|------|------|------|------|------|------|

General Revenues and Other Changes in Net Assets

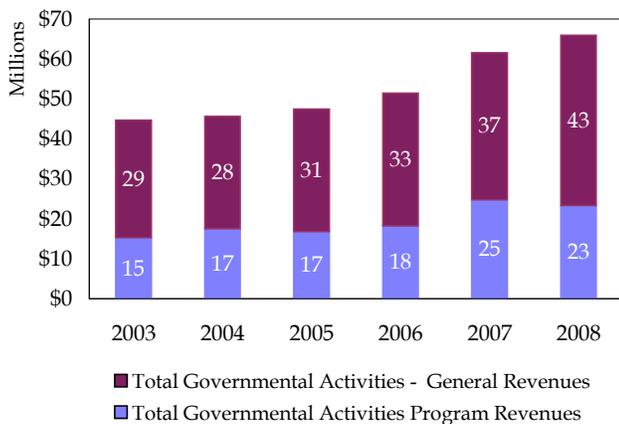
Governmental Activities:

| | | | | | | |
|--|---------------|---------------|---------------|---------------|------------------------------|---------------|
| Taxes | | | | | | |
| Property Taxes | \$ 15,876,102 | \$ 16,878,085 | \$ 17,755,873 | \$ 19,621,262 | \$ 20,634,276 ⁽²⁾ | \$ 23,292,838 |
| Sales Taxes | 8,005,666 | 6,580,473 | 6,057,460 | 6,503,635 | 6,799,561 | 7,676,943 |
| Motor Vehicle License Fees | 1,850,187 | 1,394,880 | 2,008,458 | 741,467 | 183,559 | 133,339 |
| Other Taxes | 2,157,463 | 1,565,592 | 2,352,535 | 2,518,404 | 3,460,266 | 4,603,366 |
| Total Taxes | 27,889,418 | 26,419,030 | 28,174,326 | 29,384,768 | 31,077,662 | 35,706,486 |
| Investment Earnings | 2,775,669 | 1,464,350 | 2,239,123 | 3,482,982 | 5,175,930 | 6,076,112 |
| Loss of Sale of Asset | (1,698,248) | | | | | |
| Miscellaneous | 278,561 | 107,531 | 77,106 | 212,819 | 372,534 | 706,444 |
| Transfers | 216,700 | 216,700 | 216,700 | 227,700 | 238,700 | 184,711 |
| Total Governmental Activities - General Revenues | 29,462,100 | 28,207,611 | 30,707,255 | 33,308,269 | 36,864,826 | 42,673,753 |
| Business-type Activities | | | | | | |
| Investment Earnings | 454,611 | 130,482 | 333,040 | 498,773 | 750,700 | 957,071 |
| Miscellaneous | | | | | | 344 |
| Transfers | (216,700) | (216,700) | (216,700) | (227,700) | (238,700) | (184,711) |
| Total Business-Type Activities - General Revenues | 237,911 | (86,218) | 116,340 | 271,073 | 512,000 | 772,704 |
| 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 | \$ 43,446,457 |

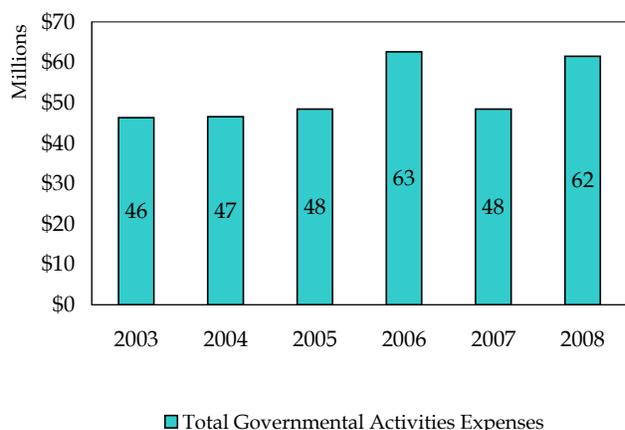
Changes in Net Assets

| | | | | | | |
|---------------------------------|----------------|--------------|--------------|-----------------|---------------|--------------|
| Governmental Activities | \$ (1,589,488) | \$ (925,292) | \$ (992,327) | \$ (11,168,355) | \$ 13,151,725 | \$ 4,389,897 |
| Business-type Activities | 828,205 | 112,893 | 697,241 | 757,614 | 791,196 | 1,179,973 |
| Changes in Net Assets | \$ (761,283) | \$ (812,399) | \$ (295,086) | \$ (10,410,741) | \$ 13,942,921 | \$ 5,569,870 |

Total Revenues - Governmental Activities



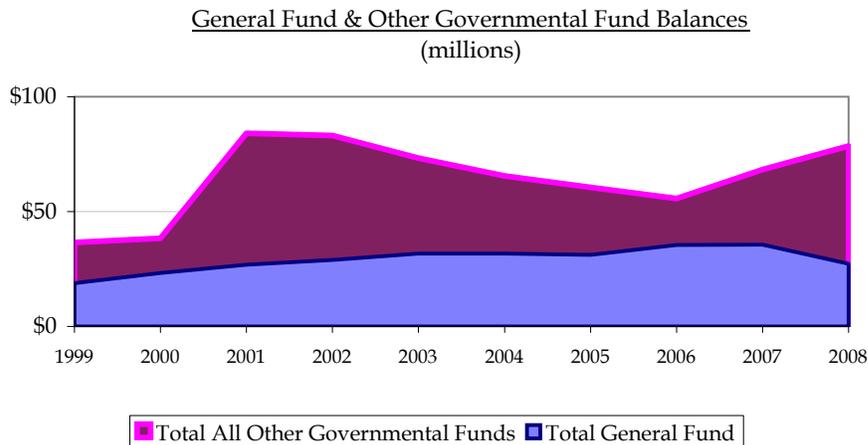
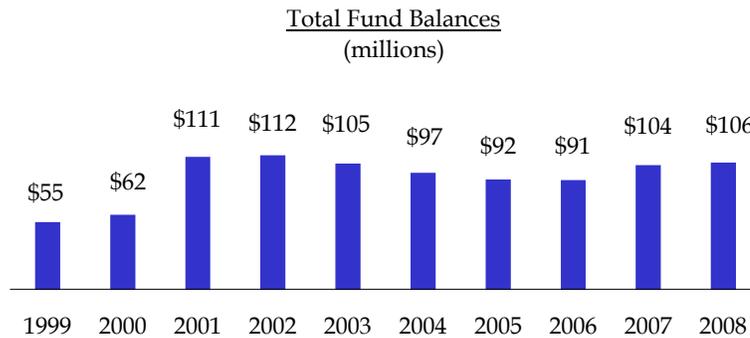
Total Expenses - Governmental Activities



City of Menlo Park
Fund Balances - Governmental Funds
June 30, 2008
Last Ten Fiscal Years

Financial Trends:
Schedule 3

| | FISCAL YEAR ENDING JUNE 30, _____ | | | | |
|---|-----------------------------------|----------------------|-----------------------|-----------------------|-----------------------|
| | 1999 | 2000 | 2001 | 2002 | 2003 |
| General Fund | | | | | |
| Reserved | \$ 5,388,836 | \$ 5,521,954 | \$ 1,373,028 | \$ 1,165,317 | \$ 2,449,808 |
| Unreserved, designated | 2,586,763 | 3,343,547 | 7,587,079 | 7,189,192 | 7,187,292 |
| Unreserved, undesignated | 10,846,376 | 14,405,817 | 17,883,417 | 20,652,998 | 22,102,635 |
| Total General Fund | 18,821,975 | 23,271,318 | 26,843,524 | 29,007,507 | 31,739,735 |
| All Other Governmental Funds | | | | | |
| Reserved | 9,072,057 | 6,541,459 | 8,703,793 | 12,457,917 | 10,522,945 |
| Unreserved Special Revenue Funds | 19,774,516 | 26,410,670 | 32,800,581 | 23,635,084 | 22,943,944 |
| Unreserved Capital Project Funds | 7,775,605 | 5,383,077 | 42,549,679 | 47,035,244 | 39,832,040 |
| Total All Other Governmental Funds | 36,622,178 | 38,335,207 | 84,054,053 | 83,128,246 | 73,298,929 |
| Total Fund Balances | \$ 55,444,153 | \$ 61,606,524 | \$ 110,897,577 | \$ 112,135,752 | \$ 105,038,664 |

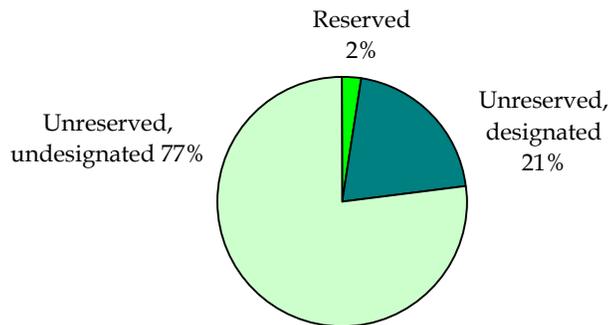


City of Menlo Park
Fund Balances - Governmental Funds
June 30, 2008
Last Ten Fiscal Years

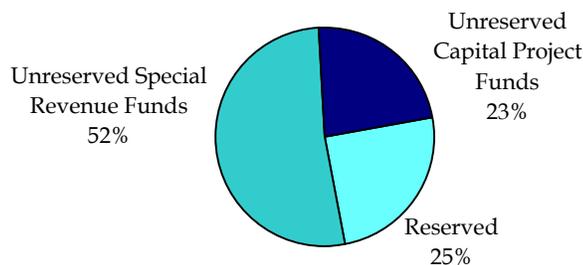
FISCAL YEAR ENDING JUNE 30, _____

| | 2004 | 2005 | 2006 | 2007 | 2008 |
|----|------------|---------------|---------------|----------------|----------------|
| \$ | 1,543,774 | \$ 1,959,224 | \$ 1,887,470 | \$ 536,867 | \$ 678,658 |
| | 7,979,994 | 7,792,632 | 8,611,957 | 5,600,000 | 5,600,000 |
| | 22,173,565 | 21,357,266 | 25,001,249 | 29,521,304 | 21,003,074 |
| | 31,697,333 | 31,109,122 | 35,500,676 | 35,658,171 | 27,281,732 |
| | 13,356,811 | 18,326,048 | 19,405,226 | 19,655,201 | 19,441,738 |
| | 37,076,386 | 33,774,816 | 23,502,748 | 33,807,182 | 40,898,190 |
| | 15,069,164 | 8,382,872 | 12,739,997 | 14,758,187 | 18,212,139 |
| | 65,502,361 | 60,483,736 | 55,647,972 | 68,220,570 | 78,552,067 |
| \$ | 97,199,694 | \$ 91,592,858 | \$ 91,148,647 | \$ 103,878,741 | \$ 105,833,799 |

General Fund Balance
Fiscal Year 2007-08



All Other Governmental Fund Balances
Fiscal Year 2007-08



City of Menlo Park
 Changes in Fund Balances - Governmental Funds
 June 30, 2008
 Last Ten Fiscal Years

Financial Trends:
 Schedule 4

FISCAL YEAR ENDING JUNE 30, ____

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|---|---------------------|---------------------|----------------------|------------------------|-----------------------|-----------------------|
| Revenues: | | | | | | |
| Taxes: | | | | | | |
| Secured property taxes | \$ 8,831,772 | \$ 10,691,113 | \$ 11,573,842 | \$ 12,626,049 | \$ 13,695,509 | \$ 14,758,475 |
| Unsecured property taxes | 1,680,720 | 1,273,399 | 1,355,236 | 1,568,876 | 1,501,581 | 1,579,850 |
| Other property taxes ⁽¹⁾ | 639,503 | 1,128,944 | 660,156 | 1,612,307 | 679,012 | 540,255 |
| Sales taxes | 8,773,462 | 9,381,470 | 12,358,973 | 8,648,641 | 6,857,224 | 6,048,940 |
| Other Taxes ⁽²⁾ | 2,800,975 | 3,102,553 | 3,338,369 | 2,978,377 | 3,305,904 | 3,340,693 |
| Special assessments | 1,466,474 | 1,493,406 | 1,379,277 | 1,399,697 | 2,247,423 | 2,549,037 |
| Licenses and permits | 2,800,754 | 2,824,434 | 3,227,919 | 2,585,384 | 2,952,762 | 2,891,023 |
| Fines and forfeitures | 195,182 | 213,482 | 279,172 | 207,906 | 802,636 | 756,678 |
| Use of money and property | 2,965,786 | 3,470,883 | 6,374,995 | 4,857,451 | 3,257,644 | 1,458,436 |
| Intergovernmental ⁽¹⁾ | 4,712,777 | 4,626,773 | 4,743,028 | 6,084,897 | 5,130,839 | 3,682,937 |
| Charges for services | 4,909,370 | 4,528,800 | 5,465,783 | 5,015,592 | 5,589,680 | 7,492,661 |
| Other Revenues | 150,143 | 174,215 | 84,882 | 97,678 | 172,523 | 107,530 |
| Total Revenues | 39,926,918 | 42,909,472 | 50,841,632 | 47,682,855 | 46,192,737 | 45,206,515 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General Government | 4,838,242 | 5,101,699 | 5,652,521 | 6,083,761 | 6,010,975 | 7,380,500 |
| Public Safety | 6,829,378 | 7,264,817 | 7,980,832 | 8,044,869 | 8,462,537 | 7,826,595 |
| Public Works | 3,786,368 | 3,862,141 | 4,099,263 | 3,993,619 | 6,136,086 | 7,213,412 |
| Culture and Recreation | 6,562,009 | 6,740,339 | 6,975,161 | 7,995,043 | 7,357,338 | 7,597,970 |
| Rehabilitation Loans | 448,045 | 248,660 | 350,030 | 595,290 | 434,120 | 582,200 |
| Community Development | 2,481,451 | 2,416,633 | 2,854,841 | 3,140,511 | 2,682,788 | 2,859,800 |
| Urban Development and Housing | 2,424,377 | 2,815,875 | 4,687,426 | 3,757,889 | 3,945,154 | 4,304,319 |
| Capital outlay | 6,411,406 | 5,850,623 | 10,021,368 | 21,510,780 | 14,105,147 | 8,928,921 |
| Debt service: | | | | | | |
| Principal ⁽³⁾ | 835,000 | 875,000 | 925,000 | 970,000 | 905,000 | 1,625,000 |
| Interest and Fiscal Charges ⁽⁴⁾ | 1,850,873 | 1,809,243 | 3,149,759 | 4,086,960 | 4,538,471 | 4,691,522 |
| Total Expenditures | 36,467,149 | 36,985,030 | 46,696,201 | 60,178,722 | 54,577,616 | 53,010,239 |
| Revenues over (under) Expenditures | \$ 3,459,769 | \$ 5,924,442 | \$ 4,145,431 | \$ (12,495,867) | \$ (8,384,879) | \$ (7,803,724) |
| Other Financing Sources (Uses): | | | | | | |
| Transfer in | 10,050,240 | 9,701,618 | 20,340,955 | 27,641,868 | 1,374,574 | 3,443,703 |
| Transfer out | (9,845,677) | (9,504,618) | (20,143,955) | (27,444,868) | (1,157,874) | (3,227,003) |
| Proceeds from debt issuance ⁽⁵⁾ | | | 44,000,000 | 13,514,033 | | |
| Proceeds from sale of fixed/capital assets | 1,521,940 | 2,908 | 322,701 | 23,009 | 1,071,091 | 196,131 |
| Issuance of Debt | | | | | | |
| Payment to escrow agent | | | | | | |
| Discount on issuance of debt | | | | | | |
| Total other Financing Sources (Uses) | 1,726,503 | 199,908 | 44,519,701 | 13,734,042 | 1,287,791 | 412,831 |
| Net Change in Fund Balances | \$ 5,186,272 | \$ 6,124,350 | \$ 48,665,132 | \$ 1,238,175 | \$ (7,097,088) | \$ (7,390,893) |

| Debt service as percentage of noncapital expenditures | 8.9% | 8.6% | 11.1% | 13.1% | 13.4% | 14.3% |
|---|------|------|-------|-------|-------|-------|
|---|------|------|-------|-------|-------|-------|

(continued)

City of Menlo Park
 Changes in Fund Balances - Governmental Funds
 June 30, 2008
 Last Ten Fiscal Years

FISCAL YEAR ENDING JUNE 30, _____

| 2005 | 2006 | 2007 | 2008 |
|---------------|---------------|---------------|---------------|
| \$ 15,771,442 | \$ 17,573,221 | \$ 18,597,314 | \$ 21,081,671 |
| 1,378,158 | 1,330,885 | 1,337,681 | 1,752,345 |
| 606,274 | 717,157 | 699,280 | 458,822 |
| 6,057,460 | 6,503,635 | 6,799,561 | 7,676,943 |
| 3,521,874 | 3,761,949 | 4,664,247 | 4,603,366 |
| 2,362,435 | 2,433,635 | 2,537,408 | 2,661,078 |
| 2,917,357 | 3,432,745 | 3,657,542 | 4,376,750 |
| 832,897 | 792,005 | 897,568 | 951,145 |
| 2,656,739 | 3,482,982 | 5,542,009 | 6,162,279 |
| 4,176,319 | 2,691,439 | 2,750,760 | 3,533,679 |
| 6,873,012 | 8,047,145 | 13,884,432 | 11,989,192 |
| 77,106 | 212,817 | 372,534 | 702,342 |
| 47,231,073 | 50,979,615 | 61,740,336 | 65,949,612 |

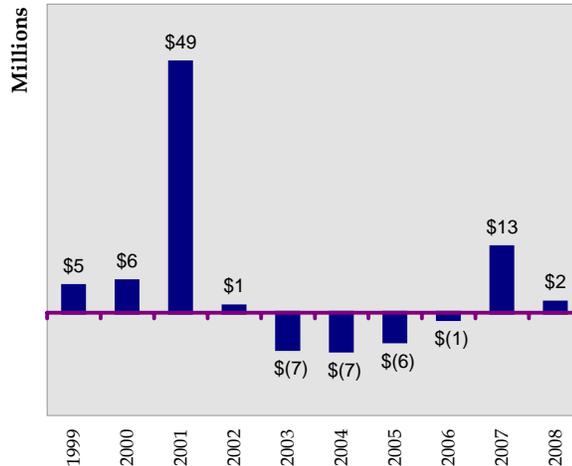
| | | | |
|------------|------------|------------|------------|
| 6,154,281 | 6,652,130 | 5,938,008 | 6,168,001 |
| 9,078,447 | 8,929,677 | 11,212,320 | 12,476,614 |
| 7,218,664 | 7,750,882 | 7,387,498 | 7,774,129 |
| 7,195,048 | 7,303,573 | 7,813,935 | 8,359,386 |
| 190,050 | 400,100 | | |
| 3,780,494 | 4,088,283 | 3,233,905 | 4,325,628 |
| 4,722,358 | 4,544,265 | 3,439,609 | 4,101,470 |
| 8,346,574 | 10,260,993 | 2,989,734 | 4,545,565 |
| 1,770,000 | 1,855,000 | 475,000 | 2,115,000 |
| 4,614,326 | 6,224,963 | 3,768,661 | 4,868,947 |
| 53,070,242 | 58,009,866 | 46,258,670 | 54,734,740 |

\$ (5,839,169) \$ (7,030,251) \$ 15,481,666 \$ 11,214,872

| | | | |
|----------------|----------------|---------------|--------------|
| 2,831,593 | 16,376,591 | 7,551,944 | 10,799,042 |
| (2,614,893) | (16,148,891) | (10,586,019) | (20,058,856) |
| 15,633 | 3,985,446 | 282,503 | - |
| | 72,430,000 | | - |
| | (70,525,172) | | - |
| | (336,800) | | - |
| 232,333 | 5,781,174 | (2,751,572) | (9,259,814) |
| \$ (5,606,836) | \$ (1,249,077) | \$ 12,730,094 | \$ 1,955,058 |

14.3% 16.9% 9.8% 13.9%

Net Change in Fund Balances



Debt Service
 as a Percentage of Non-Capital Expenditures



Notes:

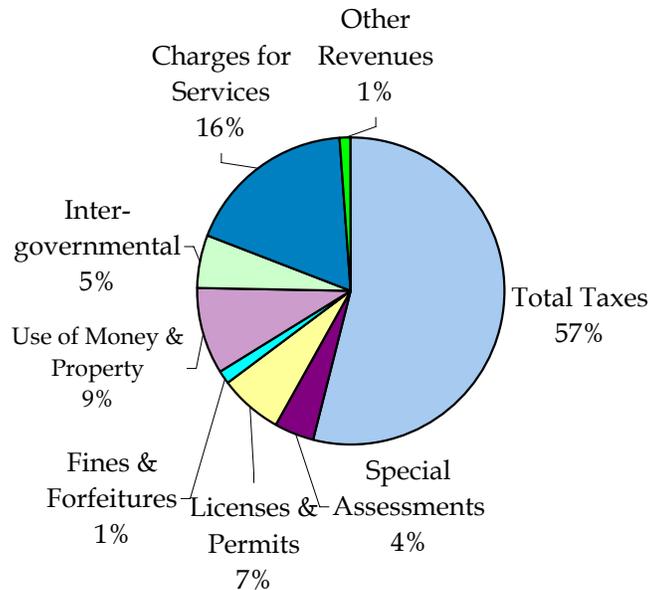
- (1) Beginning in fiscal year 2005, over 90% of Vehicle License Fee revenue allocated to cities from the State was exchanged for property tax (the "VLF" swap). The reclassification from Inter-governmental to Secured Property Tax revenues was made in fiscal year 2006.
- (2) Other Taxes include Franchise & Occupancy, Utility Users, Highway Users and County Transportation taxes.
- (3) Principal payment due on the 2006 Las Pulgas Tax Allocation Refunding Bonds on 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, 2008
 Last Ten Fiscal Years

Revenue Capacity:
 Schedule 5

| Fiscal Year Ending June 30 | Total Taxes | Special Assessment | Licenses and Permits | Fines and Forfeitures | Use of Money & Property | Inter- governmental |
|-------------------------------|---------------------------|-----------------------|-------------------------|--------------------------|----------------------------|------------------------|
| 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 |
| 2008 | 35,573,147 | 2,661,078 | 4,376,750 | 951,145 | 6,162,279 | 3,533,679 |

General Government Revenues by Source
 Fiscal Year 2007-08



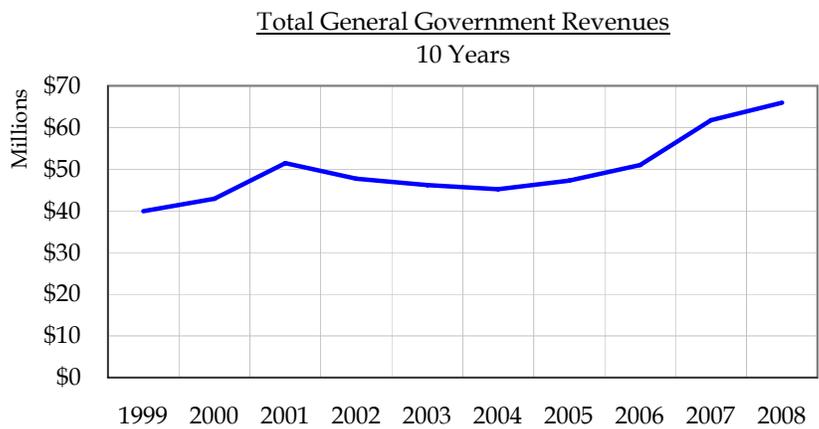
Notes:

- (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 Revenues by Source ⁽¹⁾
 June 30, 2008
 Last Ten Fiscal Years

Revenue Capacity:
 Schedule 5

| Charges for Services | Other Revenues | Total |
|----------------------|----------------|---------------------------|
| 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⁾ |
| 13,884,432 | 372,534 | 61,740,336 |
| 11,989,192 | 702,342 | 65,949,612 |



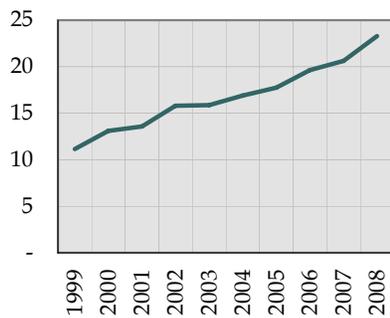
City of Menlo Park
 General Government Taxes Details
 June 30, 2008
 Last Ten Years

Revenue Capacity:
 Schedule 6

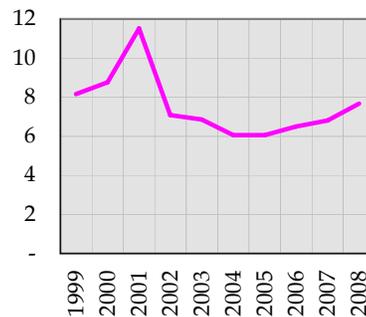
Property Taxes

| Fiscal Year Ending June 30 | Secured | Unsecured | Transfer Tax | Other | Total Property Taxes |
|-------------------------------|------------|-----------|-----------------|--------------------------|---------------------------|
| 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 |
| 2008 | 21,081,671 | 1,752,345 | 386,206 | 72,616 | 23,292,838 |

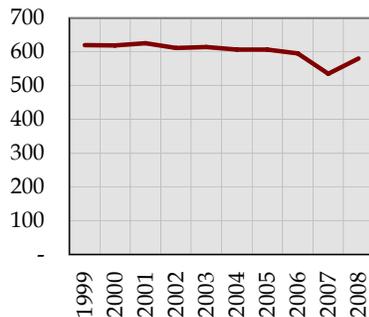
Total Property Taxes, 10 Years
(millions \$)



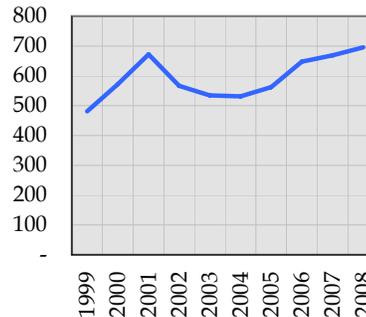
Sales Taxes, 10 Years
(millions \$)



Highway Users Tax, 10 Years
(thousands \$)



County Transportation Tax
10 Years (thousands \$)



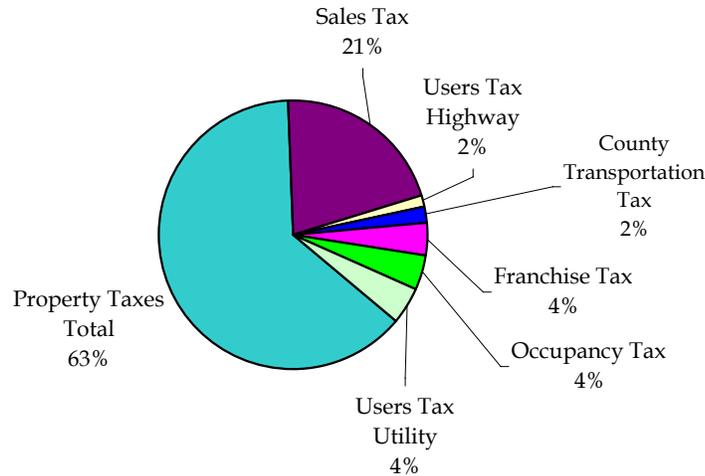
(continued)

City of Menlo Park
 General Government Taxes Details
 June 30, 2008
 Last Ten Years

Revenue Capacity:
 Schedule 6

| Sales Tax | Highway Users Tax | County Transportation Tax | Franchise Tax | Hotel Occupancy Tax | Utility Users Tax | Total Taxes |
|------------|----------------------|------------------------------|------------------|------------------------|------------------------|----------------|
| 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 |
| 7,676,943 | 580,220 | 695,066 | 1,477,768 | 1,474,119 | 1,651,479 | 36,848,433 |

General Government Taxes Details, FY 2007-08



Source: City of Menlo Park and San Mateo County

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

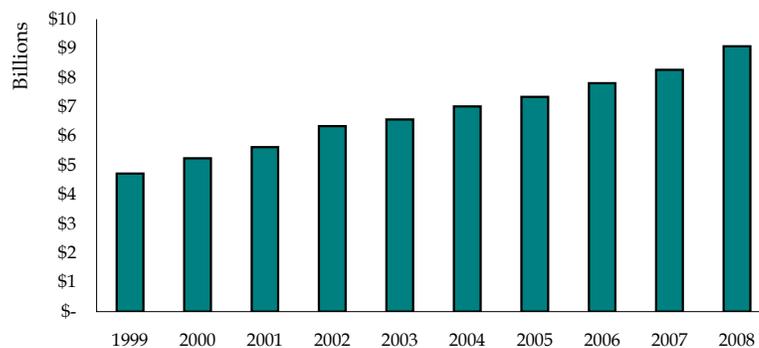
City of Menlo Park
 Assessed Valuation, Tax Rates, and Tax Levies
 June 30, 2008
 Last Ten Years

Revenue Capacity:
 Schedule 7

City's Assessed Valuation

| Fiscal Year | | | Less | City's Taxable | City's Direct |
|-----------------------|---------------|-------------|---------------|----------------|-------------------------|
| Ending June 30 | Secured | Unsecured | Exemptions | Assessed Value | Tax Rate ⁽¹⁾ |
| 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% |
| 2008 | 8,613,253,093 | 684,419,419 | (210,102,184) | 9,087,570,328 | 0.256% |

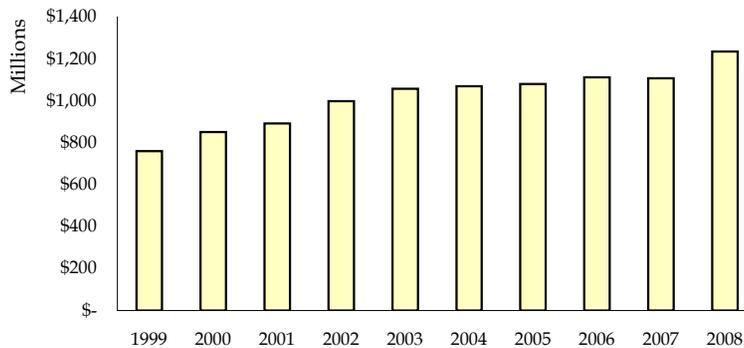
City's Assessed Valuation



Redevelopment Agency-Assessed Valuation

| Fiscal Year | | | Less | RDA Taxable | RDA Direct |
|-----------------------|---------------|-------------|--------------|----------------|-------------------------|
| Ending June 30 | Secured | Unsecured | Exemptions | Assessed Value | Tax Rate ⁽²⁾ |
| 1999 | 631,644,028 | 146,131,164 | (17,117,363) | 760,657,829 | 1.466% |
| 2000 | 769,089,955 | 99,212,126 | (18,018,728) | 850,283,353 | 1.540% |
| 2001 | 807,980,015 | 100,842,817 | (16,993,593) | 891,829,239 | 1.524% |
| 2002 | 906,620,804 | 114,689,237 | (23,664,340) | 997,645,701 | 1.584% |
| 2003 | 983,421,696 | 108,187,998 | (34,601,756) | 1,057,007,938 | 1.502% |
| 2004 | 990,597,114 | 115,986,467 | (36,858,240) | 1,069,725,341 | 1.578% |
| 2005 | 1,033,304,174 | 84,847,220 | (37,739,518) | 1,080,411,876 | 1.643% |
| 2006 | 1,046,349,313 | 108,767,684 | (42,711,030) | 1,112,405,967 | 1.764% |
| 2007 | 1,035,909,580 | 114,289,881 | (43,498,754) | 1,106,700,707 | 1.864% |
| 2008 | 1,138,152,561 | 156,629,922 | (59,676,800) | 1,235,105,683 | 1.886% |

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

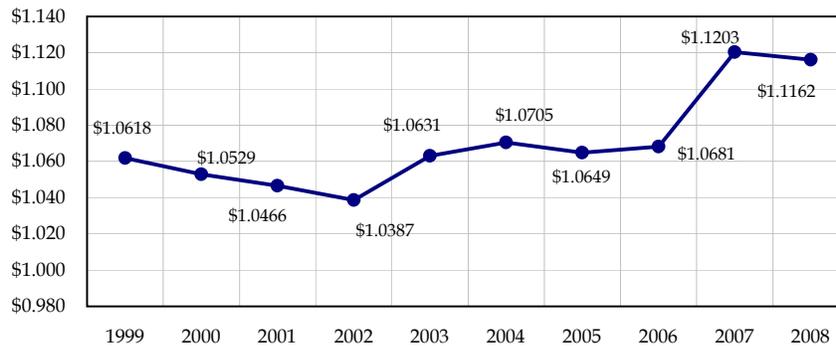
City of Menlo Park
 Direct and Overlapping Property Tax Rates
 June 30, 2008
 Last Ten Years

Debt Capacity:
 Schedule 8

(Per \$1,000 Assessed Valuation)

| | FISCAL YEAR ENDING JUNE 30, _____ | | | | | | | | | |
|--|-----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| City Direct Rates: | | | | | | | | | | |
| City basic rate | \$0.0024 | \$0.0025 | \$0.0024 | \$0.0025 | \$0.0024 | \$0.0024 | \$0.0024 | \$0.0025 | \$0.0025 | \$0.0026 |
| Redevelopment Agency | 0.0147 | 0.0154 | 0.0152 | 0.0158 | 0.0150 | 0.0158 | 0.0164 | 0.0176 | 0.0186 | 0.0189 |
| Total City Direct Rates: | 0.0170 | 0.0179 | 0.0177 | 0.0183 | 0.0174 | 0.0182 | 0.0188 | 0.0201 | 0.0211 | 0.0215 |
| Overlapping Rates: | | | | | | | | | | |
| San Mateo County | 0.9830 | 0.9821 | 0.9823 | 0.9817 | 0.9826 | 0.9818 | 0.9812 | 0.9799 | 1.0000 | 1.000 |
| Menlo Park Elementary | 0.0445 | 0.0346 | 0.0303 | 0.0245 | 0.0220 | 0.0232 | 0.0233 | 0.0209 | 0.0416 | 0.0384 |
| San Mateo Junior College | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0079 | 0.0065 | 0.0065 | 0.0065 | 0.0184 | 0.0171 |
| Menlo Park Debt Service | 0.0082 | 0.0076 | 0.0071 | 0.0063 | 0.0062 | 0.0060 | 0.0056 | 0.0052 | 0.0052 | 0.0047 |
| Menlo Park Parks & Rec Bond | 0.0000 | 0.0000 | 0.0000 | 0.0000 | 0.0140 | 0.0110 | 0.0131 | 0.0132 | 0.0132 | 0.0140 |
| Sequoia High School | 0.0091 | 0.0107 | 0.0092 | 0.0079 | 0.0130 | 0.0238 | 0.0164 | 0.0223 | 0.0208 | 0.0205 |
| Total Overlapping Rates: | 1.0448 | 1.0350 | 1.0289 | 1.0204 | 1.0457 | 1.0523 | 1.0461 | 1.0480 | 1.0992 | 1.0947 |
| Total Direct and Overlapping Rates: | \$1.0618 | \$1.0529 | \$1.0466 | \$1.0387 | \$1.0631 | \$1.0705 | \$1.0649 | \$1.0681 | \$1.1203 | \$1.1162 |

Total Direct and Overlapping Rates, 10 years

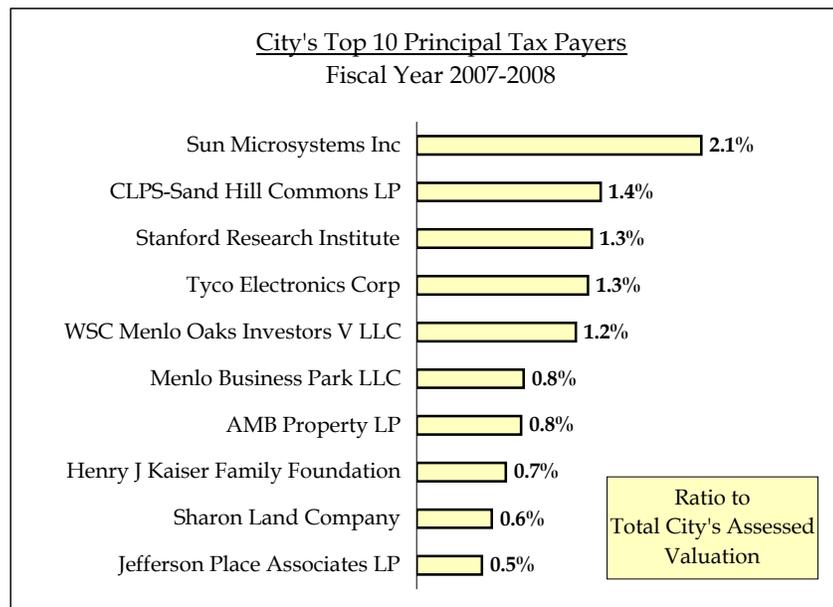


Source: Tax Rolls Code 08-004, County of San Mateo

City of Menlo Park
 Principal Property Tax Payers
 June 30, 2008
 Current Fiscal Year and Fiscal Year 1999-2000

Debt Capacity:
 Schedule 9

| FY 2007-2008 | | | | |
|------------------------------------|-------------|-------------------------------|---|--|
| <u>Taxpayer</u> | <u>Rank</u> | <u>Taxable Assessed Value</u> | <u>Ratio to Total City's Assessed Valuation</u> | |
| Sun Microsystems Inc | 1 | \$ 216,012,863 | 2.1% | |
| CLPS-Sand Hill Commons LP | 2 | 139,548,851 | 1.4% | |
| Stanford Research Institute | 3 | 132,798,594 | 1.3% | |
| Tyco Electronics Corp | 4 | 130,027,999 | 1.3% | |
| WSC Menlo Oaks Investors V LLC | 5 | 120,686,400 | 1.2% | |
| Menlo Business Park LLC | 6 | 81,125,767 | 0.8% | |
| AMB Property LP | 7 | 79,214,332 | 0.8% | |
| Henry J Kaiser Family Foundation | 8 | 67,743,791 | 0.7% | |
| Sharon Land Company | 9 | 57,006,757 | 0.6% | |
| Jefferson Place Associates LP | 10 | 49,536,286 | 0.5% | |
| Total | | \$ 1,073,701,640 | 10.5% | |
| City's Total Assessed Value | | \$ 10,272,316,865 | 100% | |



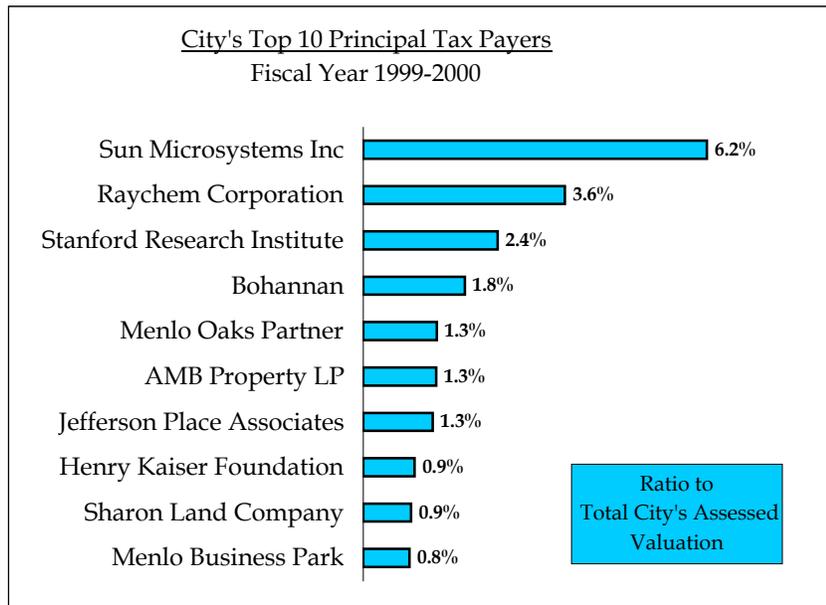
Source: San Mateo County Tax Roll fiscal year 2007-2008

(Continued)

City of Menlo Park
 Principal Property Tax Payers
 June 30, 2008
 Current Fiscal Year and Fiscal Year 1999-2000

Debt Capacity:
 Schedule 9

| FY 1999-2000* | | | | |
|-----------------------------|-------------|-------------------------------|---|--|
| <u>Taxpayer</u> | <u>Rank</u> | <u>Taxable Assessed Value</u> | <u>Ratio to Total City's Assessed Valuation</u> | |
| Sun Microsystems Inc | 1 | \$ 326,468,785 | 6.2% | |
| Raychem Corporation | 2 | 191,665,919 | 3.6% | |
| Stanford Research Institute | 3 | 127,590,011 | 2.4% | |
| Bohannan | 4 | 96,611,381 | 1.8% | |
| Menlo Oaks Partner | 5 | 69,950,059 | 1.3% | |
| AMB Property LP | 6 | 69,335,750 | 1.3% | |
| Jefferson Place Associates | 7 | 65,960,890 | 1.3% | |
| Henry Kaiser Foundation | 8 | 48,712,395 | 0.9% | |
| Sharon Land Company | 9 | 45,495,426 | 0.9% | |
| Menlo Business Park | 10 | 43,839,242 | 0.8% | |
| Total | | \$ 1,085,629,858 | 20.7% | |
| City's Total Assessed Value | | \$ 5,251,820,561 | 100% | |



Source: San Mateo County Tax Roll fiscal year 1999-2000

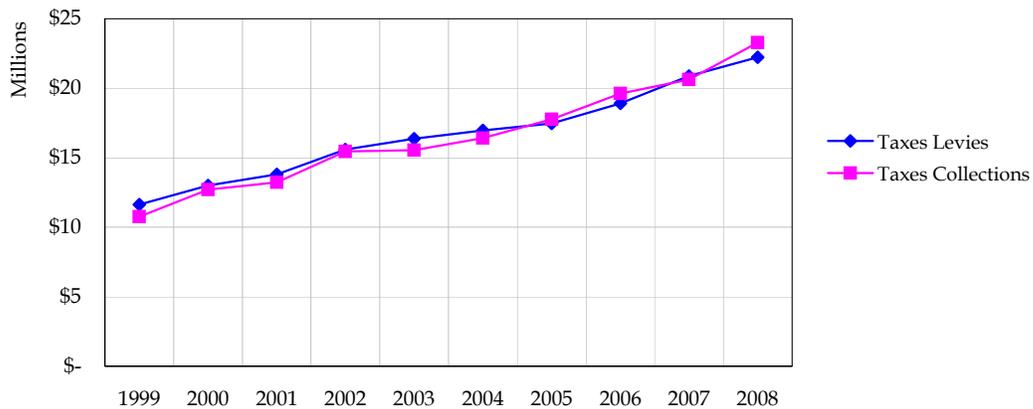
* History data for fiscal year 1998-1999 was not available

City of Menlo Park
 Property Tax Levies and Collections
 June 30, 2008
 Last Ten Years

Debt Capacity:
 Schedule 10

| Fiscal Year | Taxes | Taxes | Percentage |
|----------------|---------------|---------------|----------------|
| Ending June 30 | Levies | Collections | of Collections |
| 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% |
| 2008 | 22,237,748 | 23,292,838 | 104.74% |

Property Tax Levies and Collections

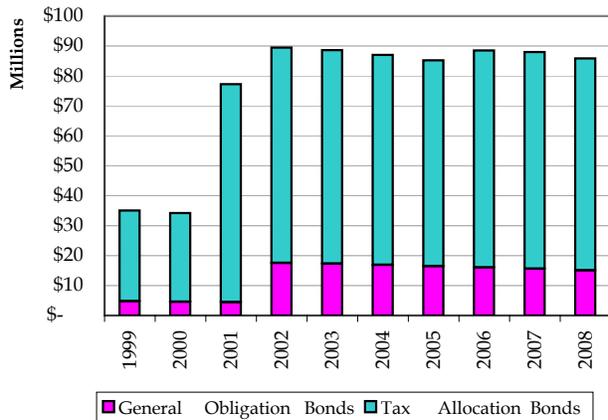


City of Menlo Park
Ratios of Outstanding Debt by Type
June 30, 2008
Last Ten Years

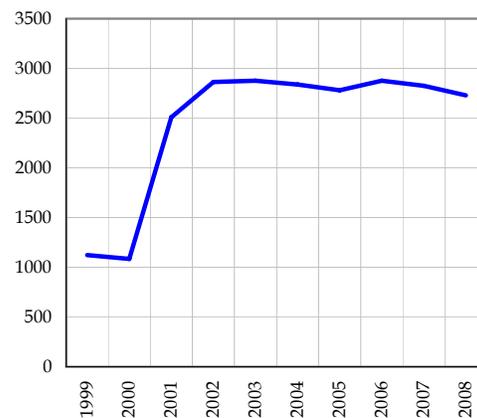
Debt Capacity:
Schedule 11

| Fiscal Year Ending June 30 | General Obligation Bonds ¹ | Tax Allocation Bonds ³ | Total Primary Government ³ | Percentage of Personal Income ⁶ | Outstanding Debt Per Capita ⁷ |
|-------------------------------|---|---|---|--|--|
| 1999 | \$ 4,780,000 | \$ 30,275,000 | \$ 35,055,000 | 2.23% | 1122 |
| 2000 | 4,615,000 | 29,565,000 ⁴ | 34,180,000 | 1.84% | 1084 |
| 2001 | 4,435,000 ² | 72,820,000 | 77,255,000 | 4.51% | 2510 |
| 2002 | 17,485,000 | 72,045,000 | 89,530,000 | 5.48% | 2864 |
| 2003 | 17,275,000 | 71,350,000 | 88,625,000 | 5.52% | 2878 |
| 2004 | 16,930,000 | 70,070,000 | 87,000,000 | 5.00% | 2837 |
| 2005 | 16,500,000 | 68,730,000 | 85,230,000 | 4.70% | 2781 |
| 2006 | 16,050,000 | 72,430,000 ⁵ | 88,480,000 | n/a | 2877 |
| 2007 | 15,575,000 | 72,430,000 | 88,005,000 | n/a | 2826 |
| 2008 | 15,070,000 | 70,820,000 | 85,890,000 | n/a | 2728 |

General Obligation Bonds &
Tax Allocation Bonds
10 years



Outstanding Debt
Per Capita



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 The 1996 & 2000 Tax Allocation Bonds were refinanced with 2006 Refunding Bonds
- ⁶ County of San Mateo's per capita personal income
- ⁷ State of California Department of Finance, population

n/a per capita personal income information is not available

City of Menlo Park
 Direct and Overlapping Debt
 June 30, 2008

Debt Capacity:
 Schedule 12

| | |
|--|--------------------------|
| 2007-2008 City Assessed Valuation | \$ 9,130,460,688 |
| Add: Redevelopment Incremental Valuation | 1,141,856,177 |
| Total Assessed Valuation | <u>\$ 10,272,316,865</u> |

| | Outstanding Debt 6/30/2008 | Percentage Applicable ⁽¹⁾ | Estimated Share of Overlapping Debt |
|---|----------------------------------|---|--|
| DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT: | | | |
| San Mateo Community College District | \$ 650,619,994 | 6.657% | \$ 43,311,773 |
| Sequoia Union High School District | 268,995,000 | 16.345% | 43,967,233 |
| Las Lomas School District | 20,924,944 | 36.252% | 7,585,711 |
| Menlo Park City School District | 50,665,000 | 62.234% | 31,530,856 |
| Ravenswood School District | 13,809,793 | 32.631% | 4,506,274 |
| Redwood City School District | 57,214,279 | 2% | 1,277,023 |
| City of Menlo Park | 15,070,000 | 100% | 15,070,000 |
| TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT | | | \$ 147,248,870 |
| OVERLAPPING GENERAL FUND DEBT: | | | |
| San Mateo County General Fund Obligation | \$ 390,994,816 | 6.657% | 26,028,525 |
| San Mateo County Board of Education | 13,345,000 | 6.657% | 888,377 |
| Midpeninsula Regional Park District | 104,840,193 | 5.557% | 5,825,970 |
| San Mateo County Mosquito Abatement | 795,000 | 9.268% | 73,681 |
| TOTAL OVERLAPPING GENERAL FUND DEBT | | | \$ 32,816,553 |
| COMBINED TOTAL DEBT | | | \$ 180,065,423 ⁽²⁾ |

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

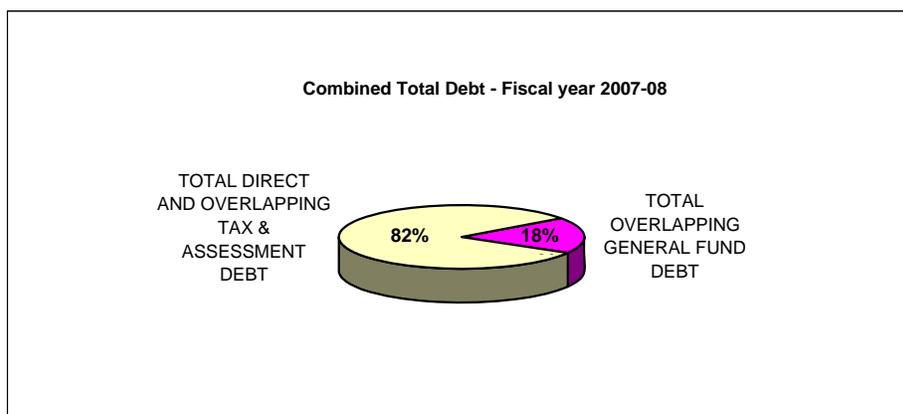
⁽²⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2007-2008 Assessed Valuation:

| | |
|--|-------|
| Direct Debt (\$15,070,000) | 0.17% |
| Total Direct and Overlapping Tax and Assessment Debt | 1.61% |

Ratios to Adjust Assessed Valuation:

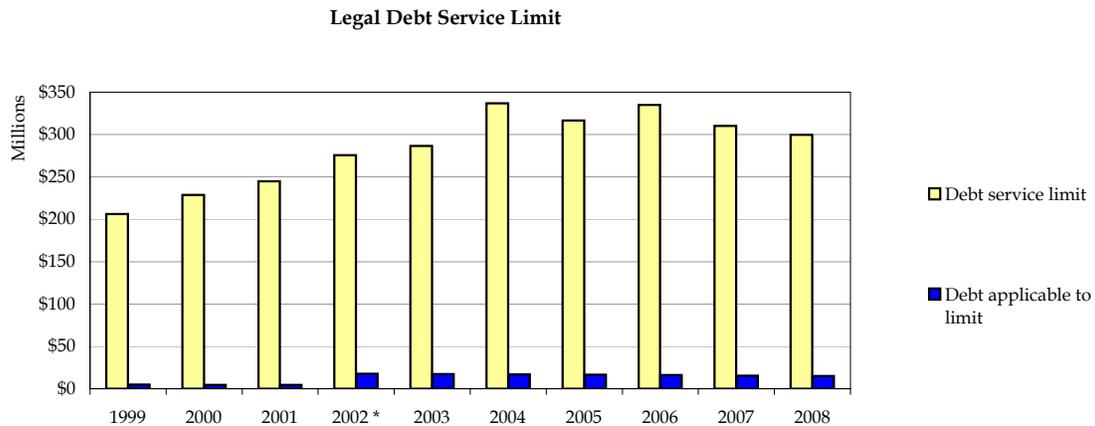
| | |
|---------------------------|-------|
| Combined Total Debt ----- | 2.25% |
|---------------------------|-------|



City of Menlo Park
 Legal Debt Service Margin Information
 June 30, 2008
 Last Ten Fiscal Years

Debt Capacity
 Schedule 13

| | FISCAL YEAR ENDING JUNE 30, _____ | | | | |
|--|-----------------------------------|------------------|------------------|------------------|------------------|
| | 1999 | 2000 | 2001 | 2002 * | 2003 |
| Assessed valuation | \$ 5,494,790,689 | \$ 6,103,474,567 | \$ 6,525,466,839 | \$ 7,349,582,506 | \$ 7,636,849,442 |
| Conversion percentage | 25% | 25% | 25% | 25% | 25% |
| Adjusted assessed valuation | 1,373,697,672 | 1,525,868,642 | 1,631,366,710 | 1,837,395,627 | 1,909,212,361 |
| Debt service limit percentage | 15% | 15% | 15% | 15% | 15% |
| Debt service limit | 206,054,651 | 228,880,296 | 244,705,006 | 275,609,344 | 286,381,854 |
| Debt applicable to limit | | | | | |
| General obligation bonds | 4,780,000 | 4,615,000 | 4,435,000 | 17,485,000 | 17,275,000 |
| Legal debt service margin | \$ 201,274,651 | \$ 224,265,296 | \$ 240,270,006 | \$ 258,124,344 | \$ 269,106,854 |
| Legal debt service margin as a percentage of debt service limit | 97.7% | 98.0% | 98.2% | 93.7% | 94.0% |



Notes:

* The City issued 2002 General Obligation Bonds

Source: City of Menlo Park

(Continued)

City of Menlo Park
 Legal Debt Service Margin Information
 June 30, 2008
 Last Ten Fiscal Years

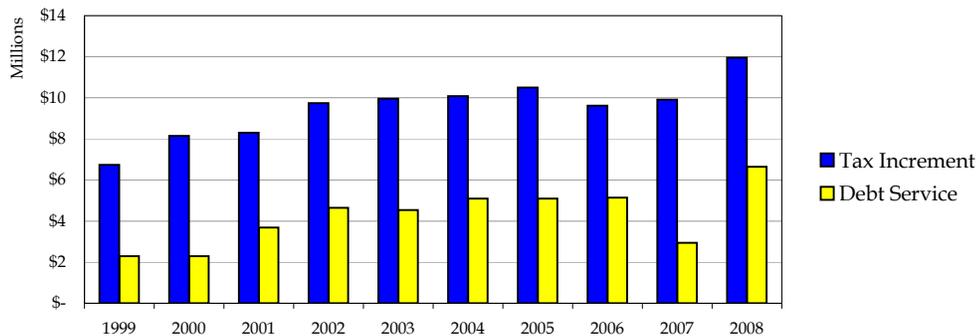
Debt Capacity
 Schedule 13

| FISCAL YEAR ENDING JUNE 30, _____ | | | | |
|-----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
| \$ 8,983,924,444 | \$ 8,439,815,620 | \$ 8,934,356,839 | \$ 8,274,298,766 | \$ 7,988,604,511 |
| 25% | 25% | 25% | 25% | 25% |
| 2,245,981,111 | 2,109,953,905 | 2,233,589,210 | 2,068,574,692 | 1,997,151,128 |
| 15% | 15% | 15% | 15% | 15% |
| 336,897,167 | 316,493,086 | 335,038,381 | 310,286,204 | 299,572,669 |
| 16,930,000 | 16,500,000 | 16,050,000 | 15,575,000 | 15,070,000 |
| <u>\$ 319,967,167</u> | <u>\$ 299,993,086</u> | <u>\$ 318,988,381</u> | <u>\$ 294,711,204</u> | <u>\$ 284,502,669</u> |
| 95.0% | 94.8% | 95.2% | 95.0% | 95.0% |

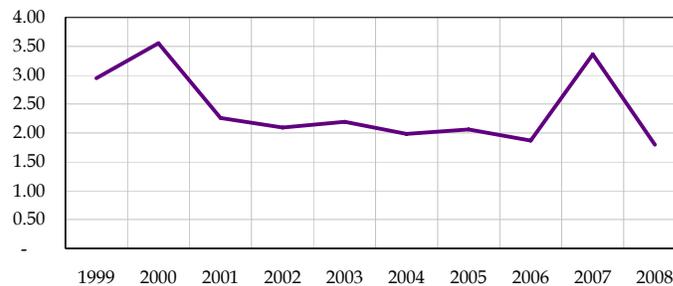
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| Fiscal Year Ending | Tax Increment | Debt Service | | Total Debt Service | Tax Allocation Bonds Coverage |
|-----------------------|------------------|--------------|--------------|-----------------------|----------------------------------|
| | | Principal | Interest | | |
| 1999 | \$ 6,744,113 | \$ 680,000 | \$ 1,608,214 | \$ 2,288,214 | 2.95 |
| 2000 | 8,139,480 | 710,000 | 1,579,314 | 2,289,314 | 3.56 |
| 2001 | 8,301,618 | 745,000 | 2,933,680 | 3,678,680 | 2.26 |
| 2002 | 9,747,852 | 775,000 | 3,878,739 | 4,653,739 | 2.09 |
| 2003 | 9,961,806 | 695,000 | 3,843,476 | 4,538,476 | 2.19 |
| 2004 | 10,086,004 | 1,280,000 | 3,811,159 | 5,091,159 | 1.98 |
| 2005 | 10,501,114 | 1,340,000 | 3,752,829 | 5,092,829 | 2.06 |
| 2006 | 9,613,455 | 1,405,000 | 3,738,815 | 5,143,815 | 1.87 |
| 2007 | 9,907,272 | - * | 2,948,006 | 2,948,006 | 3.36 |
| 2008 | 11,953,189 | 1,610,000 | 5,040,500 | 6,650,500 | 1.80 |

Tax Increment and Debt Service



Tax Allocation Bonds Coverage Ratios



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.

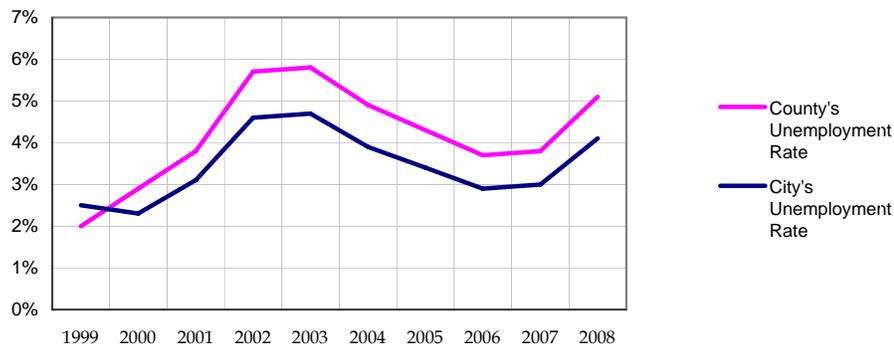
* No principal due, the bonds were refinanced in 2006.

City of Menlo Park
 Demographic and Economic Statistics
 June 30, 2008
 Last Ten Years

Demographic and
 Economic
 Information:
 Schedule 15

| Calendar Year | City Population ¹ | City's Unemployment Rate ² | County's Unemployment Rate ² | County's Per Capita Personal Income ³ | K-12 Public School Enrollments ⁴ |
|---------------|------------------------------|---------------------------------------|---|--|---|
| 1999 | 31,246 | 2.5% | 2.0% | \$ 50,368 | 3823 |
| 2000 | 31,529 | 2.3% | 2.9% | 58,888 | 3880 |
| 2001 | 30,785 | 3.1% | 3.8% | 55,634 | 3969 |
| 2002 | 31,262 | 4.6% | 5.7% | 53,315 | 3919 |
| 2003 | 30,798 | 4.7% | 5.8% | 52,289 | 4093 |
| 2004 | 30,671 | 3.9% | 4.9% | 56,697 | 4109 |
| 2005 | 30,648 | 3.4% | 4.3% | 59,213 | 4120 |
| 2006 | 30,750 | 2.9% | 3.7% | 66,839 | 4124 |
| 2007 | ⁵ 31,146 | 3.0% | 3.8% | n/a | 4175 |
| 2008 | ⁵ 31,490 | 4.1% | 5.1% | n/a | 4294 |

City's and County's Unemployment Rates



Source: ¹ State of California Department of Finance, Demographic Research Unit
² California Labor Market Information, Employment Development Department, labormarketinfo.edd.ca.gov, Historical Data
³ US Department of Commerce, Bureau of Economic Analysis, bea.gov
⁴ California Department of Education, Education Demographics Unit
⁵ Pending release by US Department of Commerce, Bureau of Economic Analysis, bea.gov

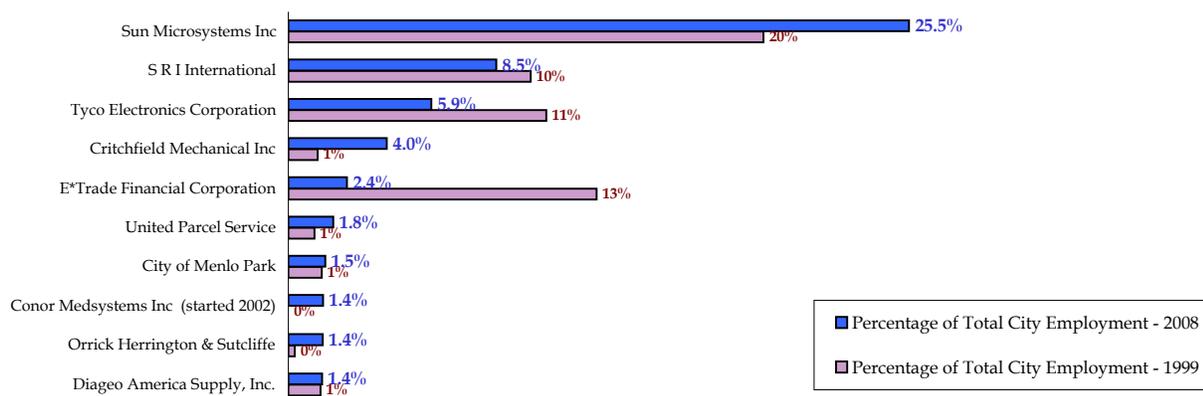
n/a - not available

City of Menlo Park
Principal Employers
June 30, 2008
Current Year Compared to Year 1999

Demographic
Economic
Information:
Schedule 16

| <u>Principal Employers⁽¹⁾</u> | <u>Calendar Year 2008</u> | | <u>Calendar Year 1999</u> | |
|--|----------------------------|---|----------------------------|---|
| | <u>Number of Employees</u> | <u>Percentage of Total City Employment - 2008</u> | <u>Number of Employees</u> | <u>Percentage of Total City Employment - 1999</u> |
| Sun Microsystems Inc | 4,102 | 25.5% | 3,238 | 20% |
| S R I International | 1,375 | 8.5% | 1,652 | 10% |
| Tyco Electronics Corporation | 946 | 5.9% | 1,758 | 11% |
| Critchfield Mechanical Inc | 650 | 4.0% | 200 | 1% |
| E*Trade Financial Corporation | 388 | 2.4% | 2,100 | 13% |
| United Parcel Service | 297 | 1.8% | 178 | 1% |
| City of Menlo Park | 244 | 1.5% | 227 | 1% |
| Conor Medsystems Inc (<i>started 2002</i>) | 230 | 1.4% | - | 0% |
| Orrick Herrington & Sutcliffe | 228 | 1.4% | 44 | 0% |
| Diageo America Supply, Inc. | 224 | 1.4% | 220 | 1% |
| Total | 8,684 | 54% | 9,617 | 58% |
| <u>Total City Employment⁽²⁾</u> | <u>16,100</u> | <u>100%</u> | <u>16,600</u> | <u>100%</u> |

Principal Employers, Current Year 2008 & 1999



Source:

⁽¹⁾ City of Menlo Park, Finance Department, HdI Business License System

⁽²⁾ State Employment Development Department, Labor Market Information Division, January 2000 Labor Force, Labor Force Data 2007 Benchmark

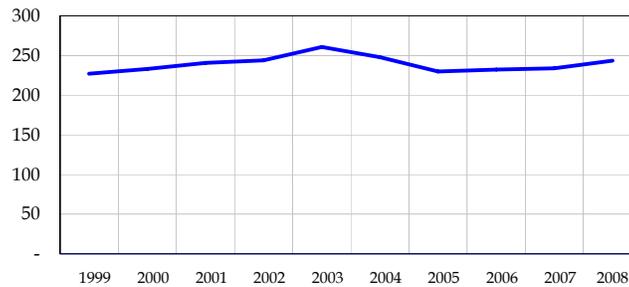
City of Menlo Park
 Full Time Equivalent City Employees by Function
 June 30, 2008
 Last Ten Fiscal Years

Demographic and
 Economic
 Information:
 Schedule 17

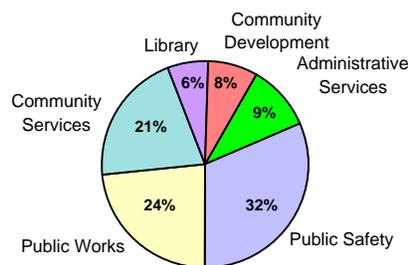
Number of Full-Time Equivalent City Employees as of June 30, _____

| Function | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|-------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| General government | | | | | | | | | | |
| Administrative Services | 22.50 | 22.50 | 22.00 | 22.50 | 23.50 | 24.50 | 21.50 | 21.50 | 21.72 | 25.35 |
| Public Safety | 71.00 | 74.00 | 75.00 | 76.00 | 75.50 | 71.50 | 70.50 | 70.50 | 73.55 | 76.00 |
| Public Works | 52.75 | 54.75 | 55.75 | 55.75 | 60.75 | 56.75 | 53.25 | 54.25 | 55.68 | 57.00 |
| Culture and recreation | | | | | | | | | | |
| Community Services | 50.00 | 50.00 | 53.50 | 55.50 | 64.25 | 61.50 | 52.50 | 52.75 | 49.65 | 50.75 |
| Library | 13.25 | 14.25 | 14.25 | 14.25 | 17.00 | 16.00 | 15.75 | 15.75 | 15.00 | 15.25 |
| Community Development | 17.50 | 17.50 | 20.00 | 20.00 | 19.50 | 17.50 | 16.50 | 17.50 | 18.40 | 19.15 |
| Total | 227.00 | 233.00 | 240.50 | 244.00 | 260.50 | 247.75 | 230.00 | 232.25 | 234.00 | 243.50 |

City Employees, 10 years



City Employees, as of June 30, 2008



Source: City of Menlo Park, Personnel

City of Menlo Park
 Operating Indicators by Demand Level of Service, by Function/Program
 June 30, 2008
 Last Ten Years

Operating Information:
 Schedule 18

| | FISCAL YEAR ENDING JUNE 30, _____ | | | | | | | | | |
|---|-----------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------------------|
| FUNCTION/PROGRAM | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| PUBLIC SAFETY | | | | | | | | | | |
| Incidents | n/a | 37,355 | 36,132 | 35,907 | 38,856 | 34,676 | 31,977 | 30,597 | 36,206 | 37,992 |
| Calls for service | n/a | 20,175 | 20,282 | 19,658 | 18,299 | 18,516 | 18,467 | 19,806 | 18,721 | 19,736 |
| Officer initiated incidents | n/a | 17,180 | 15,850 | 16,249 | 20,557 | 16,160 | 13,510 | 10,791 | 17,485 | 18,261 |
| PUBLIC WORKS | | | | | | | | | | |
| <u>Transportation:</u> | | | | | | | | | | |
| Shuttle passengers ⁽¹⁾ | n/a | n/a | n/a | n/a | n/a | 63,387 | 71,963 | 53,978 | 70,712 | 68,201 |
| <u>Engineering:</u> | | | | | | | | | | |
| Encroachment permits issued | 281 | 290 | 319 | 305 | 294 | 257 | 266 | 275 | 274 | 319 |
| CULTURE AND RECREATION | | | | | | | | | | |
| <u>Parks and recreation:</u> | | | | | | | | | | |
| Number of activity hours provided | 6,644 | 11,223 | 10,327 | 10,239 | 9,863 | 9,762 | 9,649 | 9,571 | 21,902 | 119,674 ⁽²⁾ |
| Number of recreational activities participants | 5,958 | 20,476 | 65,039 | 43,480 | 22,108 | 17,157 | 17,229 | 40,400 | 31,659 | 39,106 |
| (Note: Differences in department programming from year to year result in substantial variances in some totals.) | | | | | | | | | | |
| <u>Library:</u> | | | | | | | | | | |
| Books volumes held | 120,506 | 122,566 | 136,103 | 140,942 | 134,047 | 134,294 | 136,590 | 143,351 | 142,735 | 149,927 |
| Video/DVD held | 3,657 | 4,385 | 5,799 | 7,500 | 8,749 | 10,048 | 11,650 | 12,569 | 11,092 | 15,148 |
| Books volumes added | 7,788 | 8,334 | 11,332 | 11,480 | 13,850 | 9,394 | 9,153 | 4,992 | 9,587 | 7,613 |
| Total circulations | 440,642 | 389,533 | 457,658 | 513,560 | 577,170 | 575,023 | 602,548 | 545,764 | 590,261 | 707,073 |
| COMMUNITY DEVELOPMENT | | | | | | | | | | |
| <u>Building Permits Issued:</u> | | | | | | | | | | |
| Residential - Count | 887 | 668 | 734 | 679 | 707 | 970 | 761 | 824 | 745 | 787 |
| Residential -Value (\$1000s) | 36,173 | 27,635 | 41,732 | 34,417 | 34,163 | 56,527 | 44,819 | 55,404 | 70,643 | 84,006 |
| Commercial - Count | 238 | 220 | 206 | 145 | 153 | 210 | 161 | 155 | 185 | 170 |
| Commercial -Value (\$1000s) | 50,996 | 46,005 | 68,413 | 64,675 | 73,280 | 25,199 | 24,425 | 44,428 | 112,118 | 73,820 |
| Accessory -Count | 110 | 136 | 179 | 132 | 136 | 94 | 84 | 107 | 99 | 99 |
| Accessory -Value (\$1000s) | 1,459 | 2,341 | 2,559 | 2,134 | 2,866 | 1,820 | 4,552 | 1,062 | 1,290 | 2,337 |
| Building inspections conducted | n/a | n/a | 5,624 | 11,377 | 10,713 | 10,215 | 10,159 | 10,522 | 10,036 | 11,197 |
| <u>Housing and Redevelopment:</u> | | | | | | | | | | |
| Below-market-rate units sold | 11 | 0 | 0 | 0 | 2 | 1 | 0 | 0 | 7 | 16 |
| Below-market-rate units resold | 1 | 2 | 0 | 0 | 0 | 1 | 0 | 0 | 1 | 0 |
| Housing rehabilitation-new loans | 16 | 9 | 12 | 13 | 7 | 9 | 3 | 5 | 0 | 0 |
| Housing rehab loans-cumulative (\$) | 2,176,065 | 2,090,666 | 2,168,928 | 2,284,738 | 2,337,511 | 2,276,512 | 2,129,896 | 2,205,021 | 1,744,741 | 1,459,047 |
| Housing rehab homes-cumulative | 118 | 109 | 99 | 95 | 91 | 73 | 64 | 58 | 47 | 41 |

Notes:

⁽¹⁾ Public demand of the free shuttles was increased in 2006-07 as a result of frequent promotions of the free service by the City of Menlo Park Transportation Department and the participating companies who promote commute alternatives in peak hours.

⁽²⁾ Increased programming in rooms previously used for child care at Burgess and new programs at the Onetta Harris

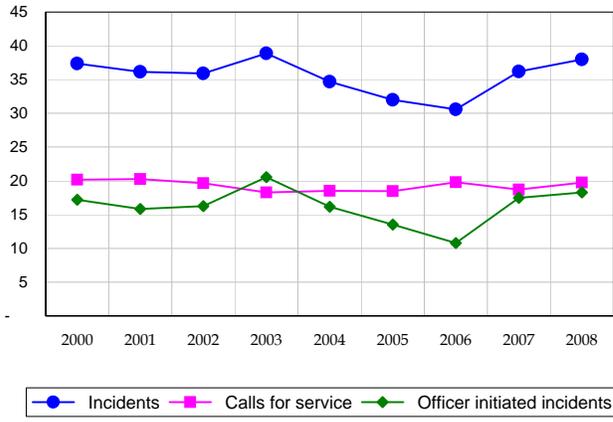
Community Center. The method of calculation may vary from previously submitted information.

(Continued)

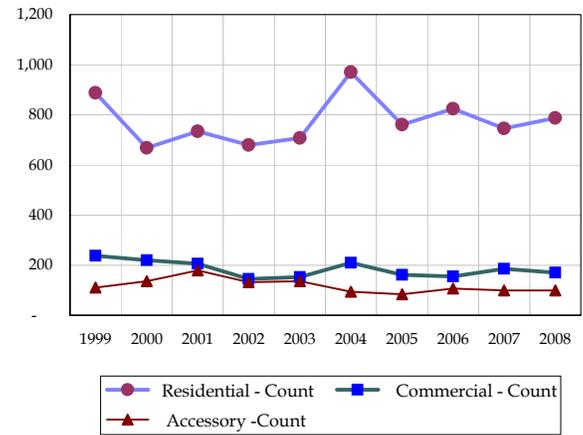
City of Menlo Park
 Operating Indicators by Demand Level of Service, by Function/Program
 June 30, 2008
 Last Ten Years

Operating Information:
 Schedule 18

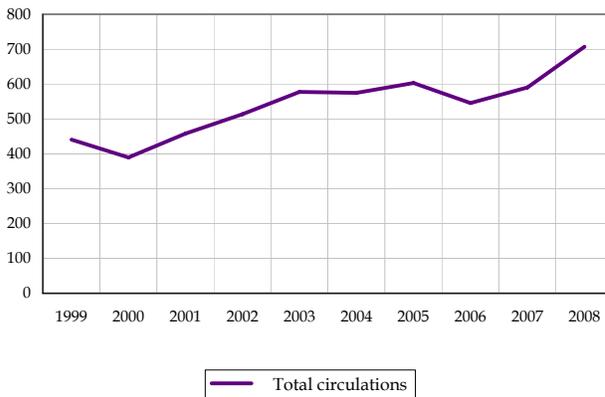
Public Safety's Demand Level of Service
 9 years (in thousands)



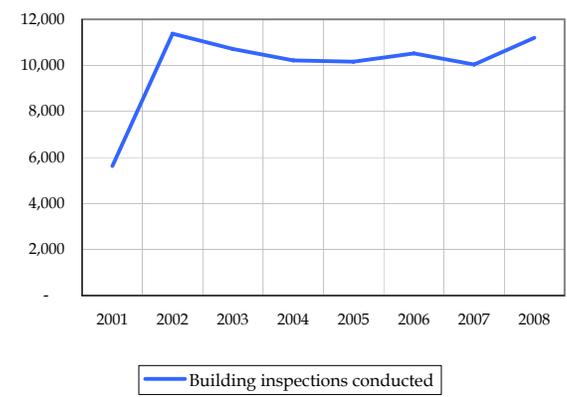
Building Permits Issued
 10 years (in thousands)



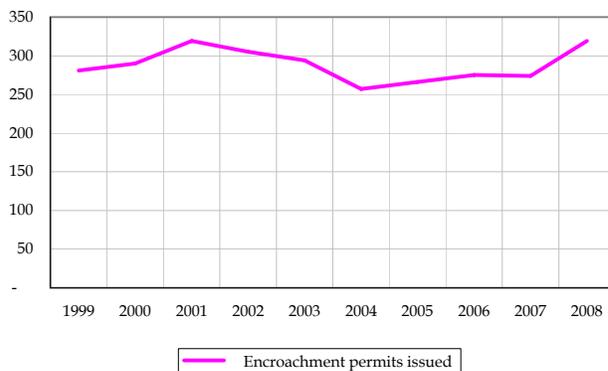
Library's Demand Level of Service
 10 years (in thousands)



Building Inspections Conducted
 8 years



Encroachment Permits Issued
 10 years



Source: City of Menlo Park

City of Menlo Park
 Capital Asset Statistics by Function
 June 30, 2008
 Last Ten Fiscal Years

Operating Information:
 Schedule 19

| Function | FISCAL YEAR ENDING JUNE 30, _____ | | | | | | | | | |
|--|-----------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| 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 | 2 | 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 | 2,271 |
| Traffic signals | 22 | 22 | 22 | 22 | 22 | 22 | 22 | 22 | 22 | 22 |
| Parks and Recreation: | | | | | | | | | | |
| Child care centers | 2 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Recreation center | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Library | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Parks* | 11 | 11 | 11 | 13 | 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 | 4 | 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 | 3,363 | 3,363 | 3,556 | 3805 |
| Capacity per day (millions of gallons) | 3 | 4 | 4 | 4 | 3 | 4 | 4 | 3 | 4 | 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

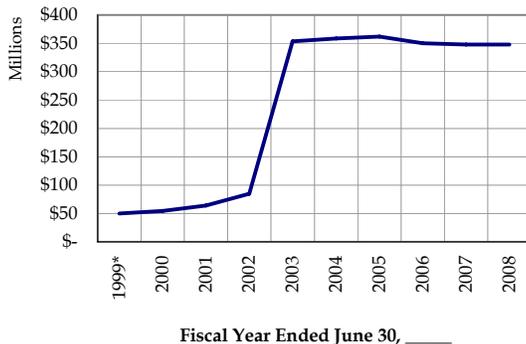
* Burgess pools were closed for construction in December 2004 and re-opened in May 2005

City of Menlo Park
 Capital Asset and Infrastructure Statistics by Activities
 June 30, 2008
 Last Ten Fiscal Years

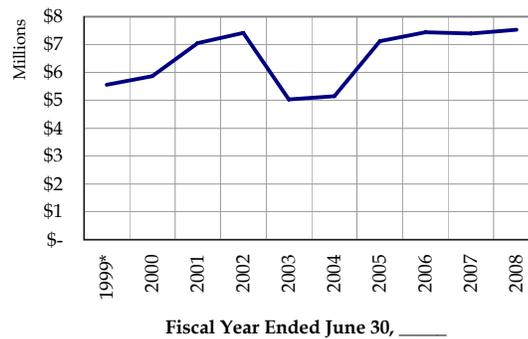
Operating Information:
 Schedule 20

| Activities | Fiscal Year Ending | Non-Depreciable | | | Depreciable | | |
|----------------------|-----------------------|-----------------|---------------------|-----------------------------|-------------|-----------|-----------------------|
| | | Land | Land Improvement | Construction in Progress | Buildings | Equipment | Other Improvements |
| Governmental | | | | | | | |
| Activities | 1999* | 8,490,309 | - | 8,125,019 | 18,176,271 | 5,906,965 | 9,298,063 |
| | 2000 | 8,490,309 | - | 1,416,078 | 27,318,871 | 6,774,902 | 10,550,018 |
| | 2001 | 8,490,309 | - | 7,141,856 | 29,095,692 | 7,435,257 | 11,754,006 |
| | 2002 | 8,490,309 | - | 25,626,382 | 29,185,487 | 7,803,067 | 13,767,101 |
| | 2003 | 221,534,267 | 32,705,490 | 1,717,984 | 39,689,374 | 5,798,154 | 3,328,493 |
| | 2004 | 221,534,267 | 32,705,490 | 9,060,550 | 39,706,068 | 5,919,103 | 3,797,004 |
| | 2005 | 221,534,267 | 32,900,109 | 8,501,684 | 39,974,278 | 6,035,756 | 5,509,784 |
| | 2006 | 205,232,510 | 32,900,109 | 968,145 | 46,658,887 | 6,201,377 | 12,081,605 |
| | 2007 | 204,949,233 | 32,900,109 | 600,561 | 46,933,785 | 5,912,705 | 12,717,853 |
| | 2008 | 204,949,233 | 32,900,109 | 2,971,197 | 46,933,785 | 6,162,913 | 12,782,089 |
| Business-Type | | | | | | | |
| Activities | 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 | - |
| | 2008 | 1,066,454 | - | 561,544 | 4,159,460 | 621,809 | - |

**Governmental Activities Capital Assets
10 years**



**Business-Type Capital Assets
10 years**



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)

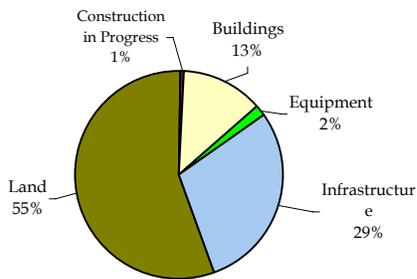
Source: Comprehensive Annual Financial Reports - City of Menlo Park, CA

(continued)

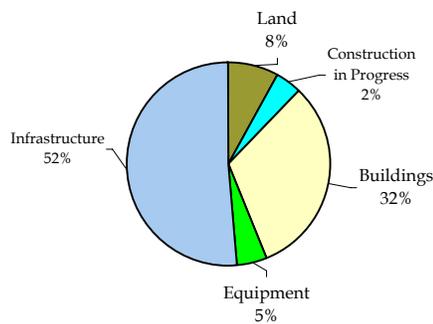
City of Menlo Park
 Capital Asset and Infrastructure Statistics by Activities
 June 30, 2008
 Last Ten Fiscal Years

| Less: Accumulated | | |
|-------------------|--------------|-------------|
| Infrastructure | Depreciation | Total |
| - | - | 49,996,627 |
| - | - | 54,550,178 |
| - | - | 63,917,120 |
| - | - | 84,872,346 |
| 97,117,678 | (48,625,194) | 353,266,246 |
| 97,849,119 | (52,039,710) | 358,531,891 |
| 102,932,198 | (55,468,475) | 361,919,601 |
| 103,885,147 | (57,765,455) | 350,162,325 |
| 105,533,229 | (61,481,901) | 348,065,574 |
| 106,952,666 | (65,743,622) | 347,908,370 |
| | | |
| 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 |
| 6,812,639 | (5,689,537) | 7,532,369 |

Governmental Activities Capital Assets, 2008



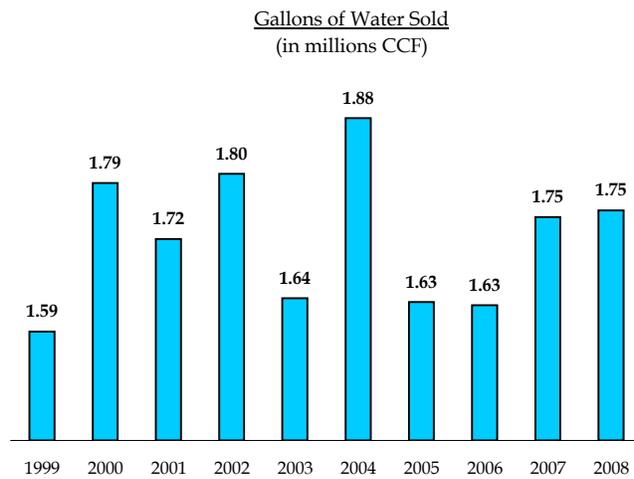
Business Type Capital Assets, 2008



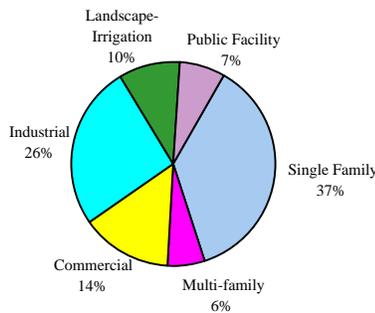
City of Menlo Park
 Water Sold by Type of Customer
 June 30, 2008
 Last Ten Fiscal Years

Operating Information:
 Schedule 21

| Type of Customer | Gallons of Water Sold per Fiscal Year Ending June 30, _____ | | | | | | | | | |
|---|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Single Family | 600,113 | 635,480 | 642,238 | 650,434 | 649,272 | 687,498 | 626,255 | 560,166 | 652,204 | 644,785 |
| Multi-family | 100,497 | 108,582 | 108,747 | 108,870 | 100,851 | 101,149 | 97,178 | 89,682 | 106,339 | 103,263 |
| Commercial | 226,467 | 225,362 | 218,946 | 222,508 | 182,992 | 219,354 | 190,834 | 221,551 | 253,596 | 251,400 |
| Industrial | 402,715 | 445,505 | 430,755 | 511,933 | 452,007 | 549,563 | 466,153 | 491,050 | 467,379 | 456,315 |
| Landscape/Irrigation | 162,193 | 187,900 | 182,525 | 179,607 | 144,931 | 177,958 | 134,150 | 148,601 | 159,097 | 170,846 |
| Public Facility | 101,917 | 187,734 | 133,406 | 129,221 | 107,918 | 141,001 | 118,424 | 117,785 | 107,003 | 127,811 |
| Total | 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 | 1,754,420 |
| Total direct rate* per 1,000 gallons | 6.15 | 6.15 | 6.15 | 6.15 | 6.15 | 6.15 | 6.15 | 6.15 | 6.85 | 7.61 |



Water Use by Customer Type
FY 2007-08



*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

*Year 2008-Monthly charge \$6.26 plus additional first 5 units charge and surcharge \$1.35, 748 gallons/unit

Source: California Water Service Company

CCF: cubic cubic feet

City of Menlo Park
 Water Service Rates
 June 30, 2008
 Last Ten Fiscal Years

Operating Information:
 Schedule 22

| Monthly base rate by meter size | FISCAL YEAR ENDING JUNE 30, _____ | | | | | | | | | |
|------------------------------------|-----------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|----------|
| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| 5/8" | \$ 5.00 | \$ 5.00 | \$ 5.00 | \$ 5.00 | \$ 5.00 | \$ 5.00 | \$ 5.00 | \$ 5.00 | \$ 5.60 | \$ 6.26 |
| 3/4" | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 | 5.60 | 6.26 |
| 1" | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 | 8.95 | 10.02 |
| 1-1/2" | 16.50 | 16.50 | 16.50 | 16.50 | 16.50 | 16.50 | 16.50 | 16.50 | 18.46 | 20.66 |
| 2" | 26.50 | 26.50 | 26.50 | 26.50 | 26.50 | 26.50 | 26.50 | 26.50 | 29.65 | 33.18 |
| 3" | 48.50 | 48.50 | 48.50 | 48.50 | 48.50 | 48.50 | 48.50 | 48.50 | 54.27 | 60.73 |
| 4" | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 75.00 | 83.93 | 93.91 |
| 6" | 166.50 | 166.50 | 166.50 | 166.50 | 166.50 | 166.50 | 166.50 | 166.50 | 186.31 | 208.48 |
| 8" | 369.50 | 369.50 | 369.50 | 369.50 | 369.50 | 369.50 | 369.50 | 369.50 | 413.47 | 462.67 |
| 10" | 820.00 | 820.00 | 820.00 | 820.00 | 820.00 | 820.00 | 820.00 | 820.00 | 917.58 | 1,026.77 |
| Additional charges (*): | | | | | | | | | | |
| First 5 units | 0.80 | 0.80 | 0.80 | 0.80 | 0.80 | 0.80 | 0.80 | 0.80 | 0.90 | 1.00 |
| Next 6-10 units | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.12 | 1.25 |
| Next 11-25 units | 1.20 | 1.20 | 1.20 | 1.20 | 1.20 | 1.20 | 1.20 | 1.20 | 1.34 | 1.50 |
| All units over 25 | 1.60 | 1.60 | 1.60 | 1.60 | 1.60 | 1.60 | 1.60 | 1.60 | 1.79 | 2.00 |
| 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.

| | | | |
|--|-------------------|--|-------------------|
| 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 | 10 | Sunny Days a year | 265 |
| (Art, Bicycle, Environmental, Finance, Housing, Las Pulgas, Library, Park & Rec, Planning, & | | Average Annual Rainfall | 15.3" |
| <hr/> | | | |
| Population , 2008 | 31,490 | Schools: | |
| People per square miles | 3118 | 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% | <hr/> | |
| American Indian & Alaskan Native | 0.4% | Local attractions, culture & recreation: | |
| Asian | 7.1% | Allied Arts Guild | |
| Native Hawaiian & other Pacific Islander | 1.3% | United States Geological Survey | |
| Other race | 8.6% | Sunset Publishing Corporation | |
| Two or more races | 3.2% | Places of worship | 13 |
| Hispanic or Latino | 15.6% | Radio station, KCEA-FM, 89.1 | 1 |
| Household Population | 96.9% | Local newspaper, the Almanac | 1 |
| Average household size | 2.41 | Movie theater, the Guild | 1 |
| Average family size | 3.12 | <hr/> | |
| Median resident age | 37.4 | Utilities and other services: | |
| Social characteristics: | | Water Suppliers | 1 |
| Population 25+ & older | 22,454 | Menlo Park Municipal Water District | |
| High School graduates & higher | 89.0% | Sewer | 1 |
| Bachelor's degree or higher | 61.7% | West Bay Sanitary District | |
| Civilian veterans, age 18+ | 11.3% | Refuse Removal & Recycling Service | 1 |
| Speak a language other than English at home, age 5+ | 27.2% | Allied Waste Services | |
| Disability status, age 5+ | 14.2% | Gas & Electric Service | 1 |
| Foreign born persons | 22.8% | Pacific Gas & Electric | |
| Economic characteristics: | | Telephone Service | 1 |
| In labor force age 16+ | 64.0% | At & T / SBC | |
| Mean travel time to work | 24.6 minutes | Cable Services | 2 |
| Median Household Income, 2005 | \$89,100 | Comcast | |
| Median family income, 1999 | \$105,550 | Matrix Cablevision | |
| Per capital income, 1999 | \$53,341 | Police protection, stations | 2 |
| Family below poverty level | 4.2% | Menlo Park Fire District, stations | 7 |
| Individual below poverty level | 6.9% | U. S. Post Offices, branches | 2 |
| 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



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS 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 basic financial statements of the City of Menlo Park (City) as of and for the year ended June 30, 2008 and have issued our report thereon dated December 10, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting, 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 City'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 basic 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 basic 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.

Toll Free Ph: (877) 862-2200

Toll Free Fax: (866) 436-0927

Oakland
180 Grand Ave., Suite 1365
Oakland, California 94612

Orange County
9 Corporate Park, Suite 100
Irvine, California 92606

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

San Diego
4858 Mercury, Suite 106
San Diego, California 92111

To the Honorable Mayor and Members of 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 basic financial statements are free of material misstatements, we performed tests of its compliance with certain provision of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of basic 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 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 10, 2008