A photograph of a park scene. In the foreground, there are several large, leafless trees with intricate branch structures. A paved path curves through the grassy area. In the background, a building with a brown roof and a flagpole with an American flag are visible under a clear blue sky.

CITY OF MENLO PARK CALIFORNIA

Comprehensive Annual Financial Report

FOR THE FISCAL YEAR ENDING JUNE 30, 2010

**COMPREHENSIVE
ANNUAL
FINANCIAL REPORT**

Fiscal year Ended June 30, 2010



CITY OF MENLO PARK, CALIFORNIA

**PREPARED BY
THE FINANCE DEPARTMENT**

**Carol Augustine
Finance Director**

**Geoffrey Buchheim
Financial Services Manager**

This report is printed on recycled paper.

City of Menlo Park
For the year ended June 30, 2010

Table of Contents

	<u>Page</u>
<u>INTRODUCTORY SECTION</u>	
Letter of Transmittal.....	i
Organization Chart.....	xi
Principal Officials of the City of Menlo Park, California	xii
Certificate of Achievement for Excellence in Financial Reporting - Government Finance Officers Association	xiii
<u>FINANCIAL SECTION</u>	
Independent Auditors' Report.....	1
Management Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	23
Statement of Activities and Changes in Net Assets.....	24
Fund Financial Statements:	
<i>Governmental Fund Financial Statements:</i>	
Balance Sheet - Governmental Funds.....	30
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.....	33
Statement of Revenues, Expenditures and Changes Fund Balances	34
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Nets Assets	36
<i>Proprietary Fund Financial Statements:</i>	
Statement of Net Assets	38
Statement of Revenues, Expenses and Changes in Fund Net Assets	39
Statement of Cash Flows.....	40
<i>Fiduciary Fund Financial Statements:</i>	
Statement of Fiduciary Net Assets.....	42
Notes to Basic Financial Statements	45

City of Menlo Park
For the year ended June 30, 2010

Table of Contents, Continued

	<u>Page</u>
<u>FINANCIAL SECTION, Continued</u>	
Required Supplementary Information:	
Budgetary Principles.....	87
Budgetary Comparison Schedule:	
General Fund.....	88
Community Development Agency Housing Special Revenue Fund.....	89
Community Development Agency Non-Housing Special Revenue Fund	90
Community Development Block Grant Special Revenue Fund	91
Schedule of Funding Progress - Public Employees Retirement System	92
Supplementary Information:	
<i>Budgetary Schedules for Major Governmental Funds:</i>	
Budgetary Comparison Schedule - CDA Debt Service Fund	96
Budgetary Comparison Schedule - CDA Capital Projects Fund.....	97
<i>Non-Major Governmental Funds:</i>	
Combining Fund Statements and Schedules:	
Combining Balance Sheet.....	102
Combining Statement of Revenues, Expenditures and	
Changes in Fund Balances	108
Combining Statement of Revenues, Expenditures and	
Changes in Fund Balances - Budget and Actual:	
Highway Users Tax Special Revenue Fund.....	113
Federal Revenue Sharing Special Revenue Fund.....	114
Landscape Tree Assessment Special Revenue Fund	115
Sidewalk Assessment Special Revenue Fund.....	116
Landfill Post-Closure Special Revenue Fund	117
Below Market Rate Housing Special Revenue Fund.....	118
County Transportation Tax Special Revenue Fund.....	119
Public Library Special Revenue Fund	120
Literacy Grant Special Revenue Fund	121
Narcotic Seizure Special Revenue Fund.....	122
Traffic Impact Fees Special Revenue Fund	123
Downtown Parking Permits Special Revenue Fund	124
Storm Drainage Fees Special Revenue Fund	125
Solid Waste Service Special Revenue Fund	126
Bay Area Air Quality Management Special Revenue Fund	127

City of Menlo Park
For the year ended June 30, 2010

Table of Contents, Continued

	<u>Page</u>
<u>FINANCIAL SECTION, Continued</u>	
Storm Water Management (NPDES) Special Revenue Fund	128
Peninsula Partnership Special Revenue Fund.....	129
Supplemental Law Enforcement Special Revenue Fund.....	130
Construction Impact Fees Special Revenue Fund.....	131
Bedwell Bayfront Park Maintenance Special Revenue Fund	132
Recreation In-Lieu Special Revenue Fund	133
Sharon Hills Park Special Revenue Fund.....	134
Vintage Oaks Landscape Special Revenue Fund	135
Miscellaneous Trust Special Revenue Fund	136
Library Bond Debt Service Fund	137
Recreation GO Bond 2002 Debt Service Fund	138
Library Addition Capital Projects Fund.....	139
Measure T 2002 GO Bond Capital Projects Fund.....	140
Capital Improvement General Capital Projects Fund	141
 <i>Enterprise Funds:</i>	
Combining Schedule of Net Assets.....	144
Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets	145
Combining Schedule of Cash Flows	146
 <i>Internal Service Funds:</i>	
Combining Schedule of Net Assets.....	148
Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets	149
Combining Schedule of Cash Flows	150
 <i>Agency Fund:</i>	
Combining Statement of Net Assets	152
Combining Statement of Changes in Net Assets	153

STATISTICAL SECTION (UNAUDITED)

Net Assets by Component.....	156
Changes in Net Assets - Last Eight Fiscal Years.....	158
Fund Balances - Governmental Funds - Last Ten Fiscal Years	160
Changes in Fund Balances - Governmental Funds - Last Ten Fiscal Years.....	162
General Government Revenues by Source - Last Ten Fiscal Years	164
General Government Taxes Detail - Last Ten Fiscal Years	165

City of Menlo Park
For the year ended June 30, 2010

Table of Contents, Continued

Assessed Valuation, Tax Rate and Tax Levies - Last Ten Fiscal Years	166
Direct and Overlapping Property Tax Rates - Last Ten Fiscal Years	167
Principal Property Taxpayers	168
Property Tax Levies and Collections	169
Ratio of Outstanding Debt by Type - Last Ten Fiscal Years	170
Direct and Overlapping Debt	171
Legal Debt Margin Information - Last Ten Fiscal Years	172
Pledged Revenue Coverage- Community Development Agency	173
Demographic and Economic Statistics	174
Principal Employers and Labor Force Overview	175
Full Time Equivalent City Employees by Function	176
Operating Indicators by Demand and Level of Service by Function/Program	178
Capital Asset Statistics by Function	180
Capital Asset and Infrastructure Statistics by Activities.....	182
Water Sold by Type of Customer - Last Ten Fiscal Years	184
Water Service Rates	185
Miscellaneous Statistics	186

INTRODUCTORY SECTION

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

December 9, 2010

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, 2010. 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 fairly and honestly. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities are included.

The comprehensive annual financial report (CAFR) 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, 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.

The notes to the financial statements are provided in the financial section and are considered essential to fair presentation and adequate disclosure. 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.

Generally accepted accounting principles (GAAP) require that management provide a narrative of introductions, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter complements the MD&A and should be read in conjunction with it. The City of Menlo

Park's 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 of 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 invested through local companies, the City is often referred to as the "capital of Venture 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 the Rosewood Hotel, Tyco Electronics Corporation, E*Trade Financial, SRI International, Oracle Corporation, and a regional distribution center for 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 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

At the turn of the 21st century, Menlo Park was a beneficiary of a vibrant regional economy, experiencing significant increases in sales tax revenue and property values. The national economic downturn in 2001 resulted in decreased revenues and compelled the City to begin a rigorous analysis of its long-term sustainability. Because Menlo Park had prudently built up General Fund reserves over the preceding decade, it was able to weather the challenges in each annual operating budget with a combination of improved efficiencies, modest service and workforce reductions, fee increases, and planned use of the General Fund reserve. The downturn stabilized and economic growth returned at a moderate pace in 2005-06, but the near 50 percent decline in sales tax revenues from the height of the technology boom continued to limit the City's fiscal flexibility. That year, the City launched a unique budget process that informed the public of the budgetary tradeoffs, and helped determine the fiscal priorities. As a result of the community feedback, the Council approved net cost reductions of more than \$1.5 million. In addition, voters approved a Utility Users Tax (UUT) in November 2006. Although many of the City's revenues had started to recover, operation of facilities, maintenance of City infrastructure, increased employer retirement system assessments, higher health care premiums, increased workers' compensation and unpredictable energy costs served to place significant fiscal pressure on the General Fund.

This budget refinement was beneficial in weathering the 2007-09 national economic recession. The City employed a blend of short-term cost reductions and long-term strategies focusing on preparedness for recovery. For each of the past two years, the City made mid-year budget amendments reflecting significantly decreased revenues which could not be totally offset by operational cost savings, and ended both fiscal years with relatively small impact on General Fund reserves.

State budget woes continue to provide additional uncertainty, with the state successfully imposing a "shift" of approximately \$1.7 billion of local redevelopment revenues (over \$3.4 million from the City's Community Development Agency) to mitigate its 2009-10 budget crisis. An additional \$350 million will be taken from redevelopment agency revenues in 2010-11 to enable the state to pay its obligations to educational agencies.

The City has maximized local benefits available through the federal stimulus program of 2009, particularly with the 2009 Resurfacing of Various Federal Aid Routes Project. Capital needs are also being addressed with City-imposed fees such as Traffic Impact, Construction Road Impact and Recreation-in-Lieu Fees. Because the cost of construction has actually *receded* with the economic downturn, these funds are now providing a good return as capital investments. Augmenting these efforts, the City commenced construction of a new gymnasium and gymnastics center in the Civic Center complex, leveraging the generous of the Arrillaga family.

As of the issuance of this report there are positive signs that the worst recession since the Great Depression is ending. The financial sector has stabilized, the stock market has rebounded from its lows in early 2009, and home prices are stabilizing or even rising in some areas. However, the unemployment remains high, commercial real estate problems persist, there are concerns about the federal deficit, and the state is still scrambling to close an ongoing \$20 billion budget gap. Since municipal revenues typically lag the economy, the impact of this downturn on Menlo Park's fiscal outlook will surely endure in the current and future fiscal years. Though property tax revenues remain fairly secure, sales tax receipts are well below historic trends. Significantly lower yields on the City's investment portfolio will also result in a drag on revenues. On the expenditure side, rising personnel costs related to pension benefits provided through the California Public Retirement System are of concern as an increasingly unsustainable burden on future taxpayers.

The City's continued emphasis on long-term planning has provided cost reductions and efficiencies with the least negative impact on current services without relying heavily on reserves or tax increases. Staff will continue to monitor the challenging budget situation, keep the City Council informed of critical economic events, and be proactive in developing plans to mitigate negative impacts on the City's financial health. Various revenue options will also be explored, along with alternative service delivery models, further operational review and aggressive pursuit of available federal, state and local funding.

Community Development Agency

The City Council, acting as the Community Development Agency (CDA) 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. Since formation, 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.

Many challenges emerged as the housing market declined with the recent recession. In response, Agency staff prepared three programs to address foreclosures in Menlo Park, including the Agency's project area. The City Council adopted two programs in fiscal year 2008-09 to address at-risk properties, which, along with programs approved in 2009-10, provided a mechanism to help prevent further erosion in home values and maintain the physical character of the neighborhood. The City's Purchase Assistance Loans (PAL), Emergency Repair Loans and Rehab Loans continue to support families in

the purchase and/or refurbishing of residential units, while, program funding for code and drug enforcement continue positively effecting the quality of life of the project area.

Last year the Redevelopment Implementation Plan for the area, required to be reviewed and updated every 5 years, was prepared based on significant input from the residential and business communities. The plan emphasizes economic development opportunities, and provides for various infrastructure improvements that will boost the image of the area and supporting the City's goal of maintaining a vibrant local economy.

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. The recession has heavily impacted the area's taxable assessed value, and tax revenues for the Agency declined 9.7 percent over the prior year. However, the ingredients for long-term fiscal health are available, and with the increased focus on economic development, new life sciences and green technology businesses should bring increased value (and revenues) in the future.

Major Initiatives

FOR THE YEAR: Despite the challenges of unmet resource needs identified in the 2009-10 budget process, City staff worked closely with the City Council to ensure resources are effectively focused on the Council's highest priorities.

The **Department of Administrative Services** undertook a number of proactive measures to protect the City and Redevelopment Agency's assets and reduce costs in 2009-10 and for the long term. Early in the fiscal year, the City Manager launched **2010 and Beyond**, a City-wide review designed to align the City's reduced resources with work load/service levels and to identify efficiencies producing cost reductions for a sustainable budget. As a result, significant short-term personnel savings were experienced from vacant positions were held open for analysis and optimal placement, and long-term strategies were developed through staff consolidation or re-positioning. Staff also developed a 5-Year Capital Improvement Plan (CIP), including working with the City's budget software provider to enable future automation of the 5-Year CIP document.

One of the keys to a sustainable fiscal future is recognition of the costs of all City programs and the level to which these programs draw on taxpayer dollars. To this end, the Cost Recovery/Subsidization Policy for City Services was finalized in March 2010. This policy establishes guidelines for setting fees in consideration of the full cost of each service, allowing optimum cost recovery rates for certain services, and alleviating unintended subsidization of these services from General Fund resources. Corresponding adjustments to the City's Master Fee Schedule were later approved by Council for the upcoming fiscal year.

The Business Development Division (BD) this year developed the Council-directed Business Development Plan, an update of the previously approved plan from November 2008. The plan, approved on March 2, 2010, recommits the City to an economic development direction based on specific goals and strategies for each of the City's eight economic activity centers. Continuing emphasis is on the revenue generating potential of the Industrial/R&D zoning district and renewed focus on the economic development opportunities in the City's Redevelopment Project Area.

Substantially more effort than was anticipated was devoted to High Speed Rail issues and will continue to require substantial staff and consulting time.

One of the primary focuses of **the Community Development Department** during the fiscal year has been the El Camino Real/Downtown Specific Plan, consistent with the Council's goals. Based on the successful completion of the Vision Plan for the project area, for which the City received a Grand Boulevard Initiative award, work continued in the current fiscal year to develop an emerging plan for the project area. A draft Specific Plan was then prepared and released for public review in April 2010. Ongoing work is focused on the preparation of the Environmental Impact Report and Fiscal Impact Report for the project. The Specific Plan will remain one of the Department's top priorities.

A second key focus for the Department has been the review of land use entitlements, including the negotiation of a Development Agreement, and environmental and fiscal documents related to the proposed Menlo Gateway hotel and office project. The review process was completed in June 2010. In addition, land use entitlements were completed for a commercial development located at 1300 El Camino Real and a medical office building at 1706 El Camino Real. The review of land use entitlements for a residential development at 389 El Camino Real will be finalized in the 2010-11 fiscal year.

Additionally Community Development staff issued 1,071 building permits and conducted 7,505 inspections. The Department has also embraced alternative approaches to expedite permit review and construction for property owners and business tenants.

The **Community Services Department** offered a wide variety of services to the community this past year while undergoing both structural and leadership changes. As of January 1, 2010, the positions of Community Engagement Manager and Community Services Director were combined; the Housing Division was also moved from the Community Development Department to complete this restructuring.

A major focus for 2009/10 was implementing the City's cost allocation and user fee policy, allowing the department to move toward greater overall cost recovery of services where appropriate. For example, the finances and management of the Menlo Children's Center were reviewed in detail by the Parks and Recreation Commission at Council's request. As a result, MCC was directed to achieve 100% budgeted cost

recovery. New services were added, including a summer camp for “graduating” preschoolers and a transitional K program. Staff also increased participation in full day slots in the preschool, and improved marketing in order to attain optimum enrollment.

The Menlo Atherton Performing Arts Center, a 492 seat state-of-the-art facility was opened in October. In exchange for the City’s \$2.6 million contribution toward the center, the City has the ability to schedule 55 days of community use annually, within the time frames defined by the Sequoia Union High School District. As no additional staff or other resources were allocated to support this work, programming the 55 days has been challenging.

Circulation of materials from the **Library** continued at a steady rate (after climbing 15 percent in fiscal year 2007-08 and another 5 percent in 2008-09), although renovation of the Children’s Area impacted circulation somewhat during the first three months of the 2009-10 fiscal year. The refreshed Children’s Room opened at the end of March with a new open floor plan, providing six computer work stations that include software that guides the children to sites for homework assistance and appropriate entertainment. Fundraising for the project was provided by the Library Foundation.

In the current fiscal year, the **Police Department** emphasized the creation of fiscal efficiencies and overall savings. A vacant officer position was frozen and a second officer position was left vacant for four months in order to incur additional savings. Reduced labor costs were achieved by the two Police labor groups who agreed to the elimination of contractually obligated overtime. The department successfully staffed the four specialty units of Investigations, Code Enforcement, Traffic and Narcotics, including participation on the San Mateo County Narcotics Task Force despite the reductions. The Police Department’s CAPS Program (Communications, Accountability, and Problem Solving) helped create collaboration and assists officers in supporting a high quality of life for Menlo Park residents.

The red light photo enforcement program, using cameras installed at high-risk intersections, was fully operational at four sites in fiscal year 2009-10. This program is an effective tool for increasing traffic safety through a reduction in intersection collisions.

In the **Public Works Department**, protection of the City’s investments in infrastructure through maintenance programs and implementation of capital improvement projects received continued focus throughout the 2009-10 fiscal year. Despite challenges created by the current economic downturn, funding for infrastructure maintenance continued at levels necessary to preserve current assets.

Construction of the new Arrillaga Family Gymnasium was well underway at June 30th, on track for opening in the fall of 2010. Design of a large street resurfacing project was completed and ready for construction to begin. Significant progress was made on the

design of a replacement water pump station in Sharon Heights, also expected to be under construction in 2010-11.

The Department's Transportation Division continued to support City efforts around the California High Speed Rail Program, which will continue to be a major emphasis in 2010-11. Staff will be working with a Council Subcommittee to better understand this project, which could have a dramatic impact on the future physical aesthetics and character of the City.

An increase in the demands on storm water programs also poses a major challenge to the City. The Municipal Regional Permit (MRP) developed by the Regional Water Quality Control Board last year added numerous new requirements for storm water management programs in the Bay Area. The City's storm water program is partially funded from a regulatory fee (enacted in 1994). However, the annual revenues from the fee are not sufficient to cover the increasing costs of the program. Additional costs will be borne by the General Fund until more appropriate funding is in place.

For the Future: Financial Planning and Fiscal Policies

The goal of a vibrant and resilient economy supporting a sustainable City budget is the top priority for Menlo Park. The City has for many years strived to record and report all expenses in the proper fiscal year, avoid unintended subsidization of non-essential programs with tax revenues, resist the creation of future liabilities, and initiate funding of long-term liabilities that currently exist. Such long-term financial planning efforts are essential to the City's prudent financial management, and are particularly powerful when combined with sound financial policies.

Fitch Ratings recognized the City's financial strength and policies when assigning a AAA rating to Menlo Park's most recent general obligation bond issuance, commenting that this rating "reflects the city's solid financial position, marked by diverse revenues and high fund balances, above average wealth and income levels, conservative management, fully-funded OPEB liability and low debt burden..." It went on to state "City management is conservative and focused on retaining balanced operations and good pay as you go capital spending, even as the city's revenue growth slows."

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. The City Council looks to develop fiscal policies that will provide guidance on maintaining sound financial standing in the long term, including a General Fund Reserve Policy.

As the City sets about the task of developing robust fiscal policies and strategies for the future, it must also address current economic realities. 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 resulting from temporary downturns in the economy. As the current recovery has been relatively weak and portends to be years in duration, making and maintaining this distinction will be a critical challenge to the City's long-term fiscal well-being. Infrastructure maintenance, comprehensive planning activities, and storm water programs lead the list of priorities to be funded in a sustainable fiscal plan for the City.

The City administration is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected and that adequate accounting data are compiled to prepare financial statements in conformity with generally accepted accounting principles. In addition, the City maintains budgetary controls to ensure compliance with legal provisions embodied in the annual budget approved by the City's governing body. The City also maintains sound financial management through an encumbrance accounting system demonstrated by the statements and schedules included in the financial section of this report.

In addition, the City has established certain fiscal policies defining its long-term financial objectives. For example, the Cost Recovery/Subsidization Policy minimizes the unintentional subsidization of certain services by the General Fund, allowing general tax dollars to be available for greater public benefit. The City also maintains an Investment Policy, reviewed annually, defining (by limiting the types of investments permitted and providing guidelines for duration and diversification) the level of risk that is appropriate in the City's portfolio. This year the policy was revised to include addition of municipal obligations as authorized investments under certain conditions. Also in 2009-10, the City advanced the development of a Fund Balance Policy for the General Fund, to establish reserves for specific purposes, such as future comprehensive planning projects.

The City will continue to follow established cash management, accounting, budgetary and risk management policies and processes essential to the City's long-term fiscal health. In addition, the strategic direction provided in the Business Development Plan, the Redevelopment Implementation Plan, the 5-Year Capital Improvement Plan and the various General Plan updates currently being pursued (such as the Downtown/El Camino Real Specific Plan) will be used in the City's efforts towards a sustainable budget for the future.

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. Over time, the intent is to accumulate meaningful trend information useful in assessing performance.

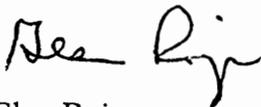
Independent Audit. State statutes require an annual audit of the City's financial systems by independent certified public accountants. The accounting firm of Odenberg, Ullakko, Muranishi & Co., LLP Certified Public Accountants and Consultants, was selected by the City for this purpose early in the fiscal year. 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 and Acknowledgments. The GFOA 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, 2009. 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.

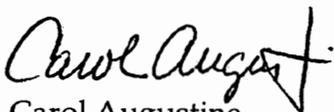
This CAFR represents the culmination of numerous hours of hard work expended by the entire Finance staff. Timely and efficient accounting practices and coordination with the City's independent auditors were essential in producing this annual document. Geoffrey Buchheim, the City's Financial Services 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 and support.

Respectfully submitted,



Glen Rojas
City Manager

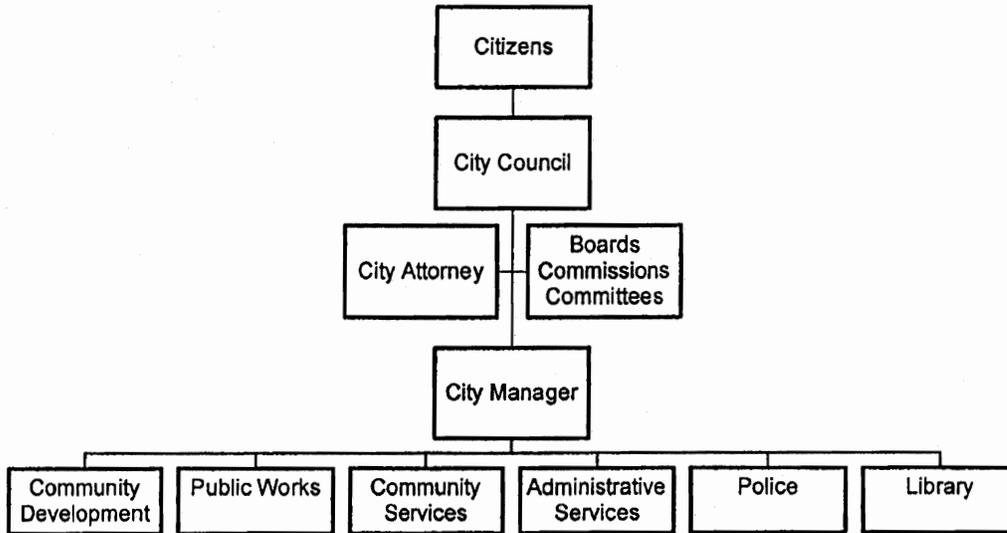


Carol Augustine
Finance Director

CITY OF MENLO PARK, CALIFORNIA

ORGANIZATIONAL CHART

JUNE 30, 2010



CITY OF MENLO PARK, CALIFORNIA

LIST OF CITY OFFICIALS

JUNE 30, 2010

CITY COUNCIL

Richard Cline, Mayor

John Boyle, Vice Mayor

Heyward Robinson, Councilmember

Andrew Cohen, Councilmember

Kelly Fergusson, Councilmember

ADMINISTRATION AND DEPARTMENT HEADS

City Attorney William McClure
City Manager Glen Rojas
Assistant City Manager Starla Jerome-Robinson
Administrative Services:
 Personnel and Information Services Director Glen Kramer
 Finance Director Carol Augustine
 City Clerk Margaret Roberts
Community Services Director Cherise Brandell
Interim Police Chief Ray Samuels
Library Director Susan Holmer
Developmental Services:
 Director of Community Development Arlinda Heineck
 Director of Public Works Kent Steffens

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Menlo Park
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

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



President

Executive Director

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FINANCIAL SECTION

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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, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2010, 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.

As described in Note 1.L. to the basic financial statements, the City adopted Governmental Accounting Standards Board Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, and Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2010, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying Required Supplementary Information, such as Management's Discussion and Analysis, budgetary comparison information and other information 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.

Odeberg Ullakko Umanishi & Co LLP

San Francisco, California
December 9, 2010



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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2010

This Management's Discussion and Analysis (MD&A) of the City of Menlo Park's financial performance provides a narrative overview of the City's financial activities for the fiscal year ended June 30, 2010. 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, 2010 by \$397,657,132. Of this amount, \$75,441,999 was reported as "unrestricted net assets" and may be used to meet ongoing obligations.

Changes in Net Assets - The City's total net assets decreased by \$1,080,311 in fiscal year 2009-10. Net assets of governmental activities decreased by \$1,043,505 due largely to an increase (\$3.4 million) in the mandated contribution of redevelopment agency revenues to replace the State of California's obligations to education funding. In a time of lagging revenues for most City programs, it was not possible to offset this payment with budget reduction strategies. Net assets of the business-type activities decreased by \$36,806, reflecting a net loss (less than 1 percent of operating revenues) of the Menlo Park Municipal Water District.

Long-Term Debt:

The City's total bonded debt obligations increased by \$8,348,951 during fiscal year 2009-10, due in large part to the second issuance of general obligation bonds known as "Measure T" bonds on July 1, 2009, for a principal total of \$10,440,000. Total bond obligations outstanding were reduced by the scheduled annual payments of principal balances of outstanding debt. The largest principal payment (\$1,745,000) was made on the Community Development Agency's 2006 Tax Allocation Refunding Bonds.

Fund Highlights:

Governmental Funds - Fund Balances - As of the close of fiscal year 2009-10, the City's governmental funds reported a combined ending fund balance of \$114,914,004. This is a \$4,825,214 increase over the prior year which occurred despite a decrease in the City's General Fund. The Community Development Agency fund balances decreased \$1,924,638, while Non-Major Governmental Funds increased \$7,933,932. Of the total fund balances, \$52,775,638 is categorized as "unreserved, undesignated fund balances" available for appropriation.

General Fund - The undesignated fund balance of the General Fund on June 30, 2010 was \$18,231,011, a decrease of \$913,482 from the prior year. The net decrease in total fund balance was \$1,281,118. General Fund activities are analyzed further in this MD&A.

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 \$1,921,384 as of June 30, 2010 an increase of \$183,143 for the year, reflecting adequate charges to other activities for these overhead costs.

City Highlights:

Although the significant drop in sales taxes recognized earlier in the decade was exacerbated by the 2007-09 recession, the City continued its work on development of a long-term, sustainable budget for the General Fund during the 2009-10 fiscal year. Various net cost reduction strategies from prior years remained in place. In particular, staff vacancies allowed not only for short-term personnel cost savings, but for the implementation of various restructuring strategies that resulted in a continued high level of services to the public at a lower cost. In addition, the Utility User Tax (UUT), which was effective April 1, 2007, provided \$1,148,454 of revenues to the City in the fiscal year 2009-10.

Governmental Fund revenues decreased nearly \$5.3 million (8.6 percent) from the previous fiscal year. Although transient occupancy taxes increased approximately \$723,000 (53.5 percent) due to the opening of a new resort hotel in April 2009, nearly all other revenue categories dropped significantly as the impact of the global economic recession took hold. Investment earnings took the biggest bite out of 2009-10 City-wide revenues, with a 56.2 percent (nearly \$3 million) decrease, reflecting the fall of yields on treasuries and federally-secured investments to historic lows. Sales tax revenues were also heavily impacted, with a \$1.3 million (19.9 percent) drop from the 2008-09 figure. A drop in revenues from charges for services was the result of the receipt of development-related impact fees at the conclusion of a new hotel and office complex construction in 2008-09.

Governmental expenditures grew approximately \$4.8 million (8.4 percent). This increase includes the mandated contribution of redevelopment funds to the State's Supplemental Educational Revenue Augmentation Fund (ERAF) of \$3.4 million, and an investment in capital outlay of over \$1.9 million higher than in the previous fiscal year. The most notable capital spending (\$3.5 million) was funded by Measure T bond proceeds, partially funding construction of the new Arrillaga Family Gymnasium.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve 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

The Statement of Net Assets combines and consolidates government funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations. 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. Both statements are condensed below for purposes of this analysis.

	City of Menlo Park Net Assets					
	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current Assets	\$ 93,766,872	\$ 96,555,045	\$ 17,658,710	\$ 17,795,255	\$ 111,425,582	\$ 114,350,300
Noncurrent Assets	47,974,241	29,072,879	-	-	47,974,241	29,072,879
Capital Assets	348,186,174	345,839,316	7,790,683	7,620,626	355,976,857	353,459,942
Total Assets	<u>489,927,287</u>	<u>471,467,240</u>	<u>25,449,393</u>	<u>25,415,881</u>	<u>515,376,680</u>	<u>496,883,121</u>
Current Liabilities	10,508,227	10,159,682	534,636	471,983	11,042,863	10,631,665
Noncurrent Liabilities	106,640,915	87,485,908	35,770	28,105	106,676,685	87,514,013
Total Liabilities	<u>117,149,142</u>	<u>97,645,590</u>	<u>570,406</u>	<u>500,088</u>	<u>117,719,548</u>	<u>98,145,678</u>
Investment in Capital						
Net of Related Debt	259,274,758	261,153,596	7,790,683	7,620,626	267,065,441	268,774,222
Restricted	38,205,476	37,735,576	16,944,216	16,518,953	55,149,692	54,254,529
Unrestricted	75,297,911	74,932,478	144,088	776,214	75,441,999	75,708,692
Total Net Assets	<u>\$ 372,778,145</u>	<u>\$ 373,821,650</u>	<u>\$ 24,878,987</u>	<u>\$ 24,915,793</u>	<u>\$ 397,657,132</u>	<u>\$ 398,737,443</u>

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.

As noted earlier, the City as a whole has net assets of \$397,657,132. The largest portion of the City's net assets (67 percent) reflects its investment in capital assets (e.g., land, buildings, equipment, improvements, construction in progress, and infrastructure); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net assets (14 percent)

represents resources that are subject to external restrictions on how they may be utilized. The remaining balance of unrestricted net assets (19 percent) may be used to meet the government's ongoing obligation to citizens and creditors.

City of Menlo Park Changes in Net Assets

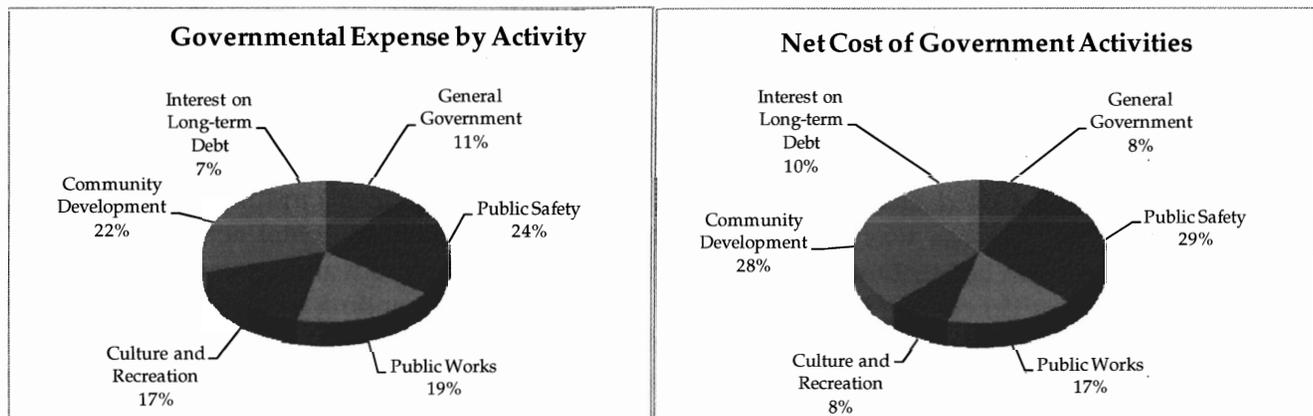
	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program Revenues:						
Charges for Services	\$ 13,130,439	\$ 14,737,163	\$ 4,258,917	\$ 4,352,147	\$ 17,389,356	\$ 19,089,310
Operating Grants and Contributions	2,557,313	2,428,500	-	-	2,557,313	2,428,500
Capital Grants and Contributions	2,549,779	2,569,003	-	-	2,549,779	2,569,003
General Revenue:						
Property Taxes	23,753,592	24,213,136	-	-	23,753,592	24,213,136
Sales Taxes	5,499,244	6,865,152	-	-	5,499,244	6,865,152
Transient Occupancy Taxes	2,074,486	1,351,578	-	-	2,074,486	1,351,578
Other Taxes	3,960,715	3,953,097	-	-	3,960,715	3,953,097
Investment Earnings	2,085,808	4,645,732	242,433	667,230	2,328,241	5,312,962
Miscellaneous	30,125	193,370	935	10,000	31,060	203,370
Total Revenues	<u>55,641,501</u>	<u>60,956,731</u>	<u>4,502,285</u>	<u>5,029,377</u>	<u>60,143,786</u>	<u>65,986,108</u>
Expenses:						
General Government	6,353,156	6,507,831	-	-	6,353,156	6,507,831
Public Safety	13,605,071	13,755,857	-	-	13,605,071	13,755,857
Public Works	10,635,694	10,717,616	-	-	10,635,694	10,717,616
Culture and Recreation	9,616,046	9,723,210	-	-	9,616,046	9,723,210
Community Development	12,615,612	12,644,222	-	-	12,615,612	12,644,222
Interest on Long-term Debt	4,020,241	3,710,590	-	-	4,020,241	3,710,590
Water Operations	-	-	4,378,277	4,047,868	4,378,277	4,047,868
Total Expenses	<u>56,845,820</u>	<u>57,059,326</u>	<u>4,378,277</u>	<u>4,047,868</u>	<u>61,224,097</u>	<u>61,107,194</u>
Inc/Dec in Net Assets before Transfers	(1,204,319)	3,897,405	124,008	981,509	(1,080,311)	4,878,914
Transfers	<u>160,814</u>	<u>198,814</u>	<u>(160,814)</u>	<u>(198,814)</u>	<u>-</u>	<u>-</u>
Change in Net Assets	(1,043,505)	4,096,219	(36,806)	782,695	(1,080,311)	4,878,914
Net Assets-Beginning of the Year	373,821,650	369,725,431	24,915,793	24,133,098	398,737,443	393,858,529
Net Assets-End of the Year	<u>\$ 372,778,145</u>	<u>\$ 373,821,650</u>	<u>\$ 24,878,987</u>	<u>\$ 24,915,793</u>	<u>\$ 397,657,132</u>	<u>\$ 398,737,443</u>

Total net assets of the City decreased \$1,080,311 (approximately 0.3 percent) in the fiscal year ended June 30, 2010. The decrease was primarily related to the City's governmental activities. At first glance, the decrease can be attributed to a large reduction in both program and general revenues as a result of the economic downturn. However, it should be noted that spending also decreased from the prior year in nearly every operational category of governmental activities. Overall expenses were down \$213,506 despite the State's mandated transfer of redevelopment property tax increment revenues to fund its obligations to educational agencies. Known as California's "Redevelopment Raid", which totaled \$1.7 billion in 2009-10, this mandate cost the City's redevelopment agency over \$3.4 million.

Governmental Activities

Governmental activities decreased the City of Menlo Park's net assets by \$1,043,505. Under the stress of a weakened housing market, extremely low consumer confidence and continued statewide employment cuts, local revenues continued to drop throughout most of the 2009-10 fiscal year. Total governmental revenues were \$55.6 million compared to \$61 million in the prior year. Revenues from sales taxes, utility users tax and property tax increment (in the redevelopment area) decreased from the prior fiscal year, as did impact fees for development projects and investment earnings. The only significant increase for the year's revenues was in Transient Occupancy Tax (TOT, or Hotel Taxes), which increased by \$723,000 (53.5 percent) with of its first full fiscal year operating the new Rosewood Hotel . TOT revenues as a whole were suppressed, however, as the economic downturn caused a significant decrease in both room prices and occupancy rates for all of the City's motels/hotels.

Despite upward pressures on some expenses, there was a very slight (less than 0.1 percent) decrease in expenses from governmental activities when compared to the prior year. The following charts of expenses and net cost of the City's various governmental activities have been derived from the Statement of Activities and Changes in Net Assets. The first pie chart reflects expenses incurred in each area as a percentage of the total expense of governmental activities (\$56,845,820 in fiscal year 2009-10). This compares with the relative net cost after applying program revenues derived from each area's activity. The total net cost of governmental activities (\$38,608,288 in fiscal year 2009-10) must be funded out of the City's general revenues – primarily taxes and investment earnings. Areas with the highest program revenues (i.e., Culture and Recreation) are able to offset relatively more costs than activities that have fewer opportunities to derive program revenues (such as Public Safety). The significant payment of the City's redevelopment agency assessment from the State noted above is included in Community Development expenses for the year, driving up the net cost of government activities in that category.



Business Type Activities

Net assets for business-type activities were \$24,878,987. Total program revenues for business-type activities (operation of the Menlo Park Municipal Water District were \$4,258,917, which consisted solely of Charges for Services related to the water usage and capital surcharge fees. Total expenses for the business-type activities were \$4,378,277 during fiscal year 2010, nearly all of which were related to water operations. As a result, business-type activities decreased the City's net assets by \$36,806.

FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS

Major Fund Balances - Governmental Funds

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:

	June 30, 2010	June 30, 2009	Increase/ Decrease From 2009-10
Governmental Fund Balances			
General Fund	\$ 25,427,042	\$ 26,708,160	\$ (1,281,118)
CDA Housing Fund	2,261,230	1,704,834	556,396
CDA Non-Housing Fund	18,230,086	20,511,208	(2,281,122)
CDA Debt Service Fund	9,135,499	9,073,768	61,731
CDA Capital Projects Fund	7,432,606	7,694,249	(261,643)
Community Development Block Grant	699,741	602,703	97,038
Other Governmental Funds	51,727,800	43,793,868	7,933,932
Total	\$ 114,914,004	\$ 110,088,790	\$ 4,825,214

Note that these 2009-10 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 \$23,831,011, while the total fund balance was \$25,427,042. 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 69 percent of total General Fund expenditures (excluding transfers) for the year, while total fund balance represents 74 percent of that same amount.

During the current year, the *total* fund balance of the General Fund decreased by \$1,281,118, representing a 4.8 percent decrease in the fund balance at the beginning of the year. The decrease is largely reflective of revenues that had dropped 7.7 percent in 2008-09. Revenues fell an additional 1.2 percent (\$418,000) in 2009-10, while expenditures stabilized for the most part. If not for the General Fund transfer out to fund infrastructure maintenance in the Capital Improvement Fund, which was \$555,000 higher than in the prior fiscal year, the decrease in General Fund's balance would have been similar to the 2.1 percent decrease in 2008-09. The decision not to defer funding for infrastructure maintenance in times of economic downturn reflects the City's commitment to long term financial planning.

Of the total fund balance of \$25,427,042, \$1,596,031 is reserved for certain commitments and loans, and \$5,600,000 is designated for various items such as equipment and infrastructure replacement and fiscal uncertainties leaving \$18,231,011 as the undesignated fund balance.

Although the City's total General Fund balance decreased during the fiscal year, much of the operating deficit was anticipated. Approximately \$477,000 was expended for the El Camino Real/Downtown Specific Plan, a comprehensive planning project that is considered to be appropriately funded directly from reserves. Other key factors in the decreased fund balance are discussed further in General Fund Budgetary Highlights, later in this report.

Community Development Agency (CDA) Fund Balances

The Community Development Agency (CDA) funds experienced a combined decrease of \$1,924,638. Although the drop was due primarily to the mandated payment of roughly \$3.4 million of redevelopment property tax increment revenues to the State from the Non-Housing fund, decreased assessed valuations for properties in the redevelopment area also hurt CDA revenues. Property tax increment revenues were nearly \$1.2 million lower than in the prior fiscal year, a 9.7 percent drop which is reflected in the CDA's Housing and Non-Housing funds.

The Agency is required by State law to set aside 20 percent of the tax increment revenue in a separate fund for low and moderate-income housing purposes. In 2009-10, this Redevelopment Housing Set-Aside fund had total revenues of \$2,263,598, and expenditures of \$740,946. Capital outlays were minimal, decreasing \$840,000 from the prior year, as the only major capital project scheduled for the fund was completed in 2008-09. With transfers out of \$966,256 for the fund's proportionate annual debt service and administrative expense, the ending fund balance of \$2,261,230 reflects an increase of \$556,396 from the prior fiscal year.

The \$18,230,086 fund balance in the Non-Housing fund is a decrease of \$2,281,122 from the prior year. Fund revenues as a whole totaled \$9,293,496, including \$8,919,879 in tax increment revenue. Expenditures were \$7,845,553, including not only the mandated payment of \$3,433,830 to the State, but \$2,926,157 of pass-through payments to San Mateo County and other agencies that provide services to the project area. Transfers out for debt and administrative service totalled \$3,729,065.

The debt service fund activity reflects interest revenue of \$81,379, with payments of interest and debt administration fees (\$2,682,517) and principal (\$1,745,000) on the 2006 refinancing bonds. Receipt of debt service payments from the Special Revenue Housing Set-Aside and Non-Housing funds for debt service expenses amounted to \$4,407,869.

The capital projects fund accounts for all bond proceeds available for capital improvement and the related interest income. Interest income for the year was negligible, approximately \$200,000 less than in the prior year due to lower restricted cash balances and significantly reduced interest rates. Expenditures totaling \$333,624 included work that progressed through the design phase to the beginning of construction on the Kelly Park Improvements project (\$213,892); elements of the Atherton Channel Study/ Design project (\$36,069), and the Overall Streetscape project expenditures (\$65,170). Capital spending within the Agency was relatively low for the fiscal year, as construction of the new Police/City Service Center experienced continued delays.

Community Development Block Grant (CDBG) Fund Balance

Activity in the Community Development Block Grant (CDBG) Fund Balance is limited to the administration of currently-held loans. Revenues consist predominantly of loan repayments. Since 2007-08, no new loans are being made within this City program. Because the \$1.2 million in notes receivable represent more than 10 percent of the City's total governmental fund liabilities, the fund is still considered a major fund for financial statement purposes.

Other Governmental Funds Balances

At the end of the 2009-10 year, the total fund balance of the City's twenty-four non-major Special Revenue funds was \$31,066,652. The total \$578,397 net increase in fund balance for these combined funds reflects an addition to fund balance in ten funds, and a drop in fourteen. The largest fund increase (nearly \$740,000) was experienced in the City's Highway Users Tax (Gas Tax) fund, which had revenues similar to the prior year but comparatively little capital outlay. The major 2009-10 Street Resurfacing project was just barely underway as of June 30, 2010, and the Gas Tax fund contributes to this bi-annual project. The largest drop in fund balance (approximately \$755,000) occurred in the Below Market Rate Housing fund. Although fee revenue to the fund was minimal, approximately one million dollars was expended on three housing programs aimed on increasing the supply of affordable housing in the area: The City partnered with Habitat for Humanity, which operates a neighborhood revitalization program for the City, providing an outlay of \$100,000 for each of five homes slated for rehabilitation; one home was purchased as a result of the new Neighborhood Stabilization Program, approved for the purchase of vacant, foreclosed homes for rehabilitation and resale; and approximately \$195,000 dollars was used to pay off mortgages on a home to prevent foreclosure and keep the home within the City's BMR program. Additionally, funds were used for repairs on a BMR home at resale and was repaid into the program at closing.

The City's non-major Capital Projects funds' balances increased nearly \$7 million (68 percent) due largely to the July 1, 2010 second issuance of general obligation bonds. The bonds were authorized in 2001 with the passage of "Measure T" to fund City parks and recreation facilities. The new issue is comprised of \$1,080,000 Series 2009A General Obligation Bonds and \$9,360,000 Series 2009B General Obligation, Federally Taxable Build America Bonds. The proceeds for the bonds will be used to finance part of the cost of a new gymnasium and gymnastics center. A generous donation from local philanthropist John Arrillaga completes the funding of both facilities. The Capital Improvement General Fund balance remained fairly unchanged. Although the adopted budget called for a General Fund transfer of nearly \$2.2 million for the annual funding of infrastructure maintenance, this amount was reduced by \$245,000 upon mid-year analysis. The year's expenditures of nearly \$2.6 million included the final payment on the joint-use agreement with the school district for the construction of the Menlo/Atherton Performing Arts Center (\$1.3 million). In addition, approximately \$756,000 was expended on the City Street Resurfacing; much of this work was funded through federal ARRA (American Recovery and Reinvestment Act) dollars.

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, 2010 were \$24,878,987; a decrease of \$36,806 from the prior fiscal year. This decrease was the result of net operating income of \$425,263 in the Water Capital Fund, and a \$462,069 net operating loss (12.4 percent of revenues) in the Water Operating Fund. Reserve funding policies established in 2006 were revised in 2010, with the City adopting a 16.5 percent annual increase in water meter and consumption block rates through fiscal year 2013-14, based on projected increases in the cost of water. A capital surcharge was established in 1990 to fund major water capital projects; the surcharge netted the Water Capital Fund \$521,323 in fiscal year 2009-10.

One major operational change in the District's activities entailed a transfer of water meter reading and billing services previously performed by California Water Service to Global Water Management (GWM), a utility management company headquartered in Arizona. A Request for Proposals (RFP) to provide these services was initiated in the summer of 2009. In January 2010 Council awarded a five year contact to GWM, effective April 1, 2010. This selection was based on responsiveness to the RFP and a significant reduction in the per-customer per-month cost of these services.

The City uses internal service funds to account for four major administrative activities: Workers' Compensation Insurance, General Liability Insurance, Retiree Medical Benefit, and Vehicle Replacement. Separation of these programs from the General Fund allows for better tracking and allocation of the costs associated with these "overhead" activities, and provides a mechanism for funding those costs in the year incurred. Fiscal year 2009-10 was the first year in which the Vehicle Replacement Fund collected "charges for services" from the departments and programs which utilize the assets being replaced, as opposed to direct transfers from the General Fund and Water Fund to provide for the cost of anticipated vehicle purchases. Charges received in both the General Liability Insurance Fund and Workers' Compensation Insurance Fund were sufficient to meet the (actuarially determined) costs of current and past claims charged to the fund in fiscal year 2009-10. The Retiree Medical Benefit Fund was created in 2008-09 for the sole purpose of providing contributions to the California Employers Retiree Benefits Trust (CERBT), the funding vehicle for the City's long-term obligations under its retiree medical benefits program. \$9.2 million was sufficient to fund the accumulated liability of these benefits in fiscal year 2007-08. Going forward, the amount of the contributions are generated as a percentage-of-payroll charge, actuarially calculated to reflect full funding of the normal (annual) cost of these benefits. Charges to the Internal Service Funds are adjusted each year to cover the anticipated cost of the various overhead service provided to the benefiting departments/programs.

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 \$85,771, due to a decrease in refundable deposits held for current development projects, and a decrease in assets held in the payroll revolving account.

DEBT ADMINISTRATION

As of June 30, 2010, the City had various debt obligations outstanding. These debt obligations were comprised of:

<u>Type</u>	<u>Principal Outstanding</u>
General Obligation Bonds	\$ 24,415,000
Tax Allocation Bonds	67,395,000

The General Obligation Bonds include City of Menlo Park General Obligation Refunding Bonds, Series 1996, a bond funding used to finance the 1990 Library Improvement Project. The balance of these bonds at June 30, 2010 was \$2,235,000. 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, 2010 was \$11,740,000. The second issuance of these "Measure T" bonds was sold on July 1, 2009, adding \$10,440,000 to the amount of bonds outstanding.

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 were used to refund the outstanding principal of prior 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.

A re-structuring of the Agency's debt was necessitated fiscal year 2007-08, 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 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. Higher interest costs for the debt while the letter-of-credit was being negotiated added substantially to the debt service costs for that fiscal year.

Additional information on the City's long-term debt can be found in Note 6 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 \$6,388,623 at June 30, 2010.

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2010 amounts to \$355,976,857, net of accumulated depreciation of \$79,675,883. 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 increased by \$2,516,916 from the prior year as a result of capital asset additions of \$7,583,199 offset with depreciation charges (\$5,019,339) and retirements of assets (\$46,945). Progress on the Arrillaga Family Gymnasium accounted for approximately \$3.3 million of the capital asset additions during the current fiscal year; Street Resurfacing projects, including major arterial work funded by the federal ARRA grant, contributed over \$1 million in capital additions; and the City's \$1.3 million funding of the Menlo/Atherton Performing Arts Center is also included in this category as "Shared Use Facilities". Information on the City's capital assets can be found in Note 5 of this report.

GENERAL FUND BUDGETARY HIGHLIGHTS

The 2009-10 fiscal year adopted budget for General Fund expenditures, including transfers out, amounted to \$38,204,520. The adopted budget was increased to include \$434,179 in purchase orders and other commitments from the prior year, for an "original" budget of \$38,638,699. The final (adjusted) budget amount was \$37,663,227, a net decrease of \$975,472 from the original budget, due in large part to the departmental expenditure budget reductions of \$757,332 made at midyear. Many of these reductions were identified by a City-wide organizational review process which was initiated early in the fiscal year to better align the City's limited resources with work load/service levels in the long term and identify efficiencies that will produce overall cost savings. The mid-year reductions included the following:

- Vacant positions remained unfilled to allow for an analysis of possible staffing changes that would optimize the use of each position in the long term. The review process not only provided personnel savings (\$380,000) by delaying the hiring process for the short-term, but also yielded positive organizational changes and strategies for reducing personnel costs in subsequent fiscal years.
- Although contract services in the Community Development Department were reduced in the prior year and in the 2009-10 Adopted Budget, a continued drop in development-related activity allowed for a further reduction in plan checking and other contract services by approximately \$148,000.
- Funding for consultant services for implementation of new Municipal Regional Permit (MRP) storm water discharge regulations was delayed (\$90,000), and other contract services within the Public Works Department were reduced or postponed (\$56,000)

In addition, Council chose to defer certain projects and decrease the transfer out to the City's General Capital Improvement Fund by \$245,000, reducing reliance on General Fund reserves for the fiscal year. Decreases in the expenditure budgets were somewhat offset by an additional appropriation of \$27,000 to cover the cost of conducting a Water Supply Assessment as part of the El Camino Real/Downtown Specific Plan.

General Fund Revenues

Many local government revenues are sensitive to the general economic climate, and the City of Menlo Park's General Fund saw decreases in most revenue categories. In spite of significant declines (particularly in sales tax revenues), the total drop in General Fund revenues was only \$418,000 (approximately 1.2 percent) from the prior year.

- Property tax revenues, which constitute one-third of the City's General Fund revenue, came in on budget with an increase of 6.2 percent over the prior year (to \$12,603,742), primarily due to a continued increase in assessed property values.
- Transient Occupancy Tax (TOT, or Hotel Tax) receipts for 2009-10 (\$2,074,486) were \$723,000 greater than in the prior fiscal year, due largely to the first full year of operations for the Rosewood Hotel. However, this was significantly less than anticipated at mid-year. The economic downturn caused a significant decrease in both room prices and occupancy rates for the City's hotels and motels in 2008-09, and though some recovery was noted in the last two quarters of the 2009-10 fiscal year, the result was a negative budget variance of approximately \$406,000.
- Sales tax revenues, at \$5.5 million, marked a near-20 percent decrease (\$1.3 million) over the prior year, short of the mid-year budget estimate by almost \$517,000. Sales tax receipts, particularly in the Business-to-Business category, were increasingly poor throughout the 2009-10 fiscal year. However, the State Board of Equalization (SBOE) did resolve a tax filing error in the City's jurisdiction which provided a positive adjustment for the last two quarters of the fiscal year.
- Another large dollar revenue decrease (nearly \$900,000) was experienced in the category of "use of money and property". The decrease in investment earnings was anticipated in the adjusted budget due to the rapid decline to historically low yields in the past two years. The City earned 1.57 percent on its portfolio for the fiscal year, as compared to the 3.35 percent yield of the prior fiscal year. But for the adjustment for unrealized gains that is required for year-end reporting purposes, interest income was right on target with the adjusted budget.
- In the revenue category of Licenses and Permits, a drop of \$104,000 (3.7 percent) was experienced. Although a decrease in development activity was largely anticipated, most of the negative budget variance (\$253,000) in this category was the result of a decrease in business license revenues. Both the volume and the value (the tax is calculated on gross revenues of a business) of these licenses caused the decrease.

Exclusive of transfers in from other funds, General Fund revenues have dropped approximately \$3.3 million over the past two fiscal years. In response, the City has initiated both short- and long-term budget strategies aimed at reducing the General Fund expenditure budget.

General Fund Expenditures

As in the prior fiscal year, large budget reductions were posted at midyear in an attempt to re-balance General Fund operations with declining revenues. Ultimately, General Fund expenditures (exclusive of transfers) actually decreased by a scant 0.4 percent in fiscal year 2009-10. Budgetary savings were experienced in all departments, amounting to \$1,165,000 for the year.

- Public safety expenditures rose slightly (to \$14 million), largely due to higher personnel costs. Critical staffing concerns in prior years had resulted in an aggressive three-year labor contract with the City's public safety employees, creating higher payroll expenses overall. Still, aggressive cost reduction efforts allowed the department to remain in budget (with \$360,000 in savings) and limited the department's expenditure increase to \$163,000 over the prior year.
- Budgetary savings (\$477,841, or 5.5 percent) were largest in the area of culture and recreation (comprised of the City's Community Services and Library Departments). Expenditures decreased by \$116,000 (1.4 percent) over the prior fiscal year. The majority of savings (\$370,000) were experienced in the Community Services Department, with \$170,000 of savings in personnel and \$200,000 other operating budgets that were not utilized by the fiscal year end.

Recognizing that infrastructure maintenance is more costly when deferred, a transfer of approximately \$2.1 million from the General Fund to the Capital Improvement Projects (CIP) Fund has been incorporated into the City's annual operating budget for many years. To ease the anticipated draw on General Fund reserves this transfer amount was decreased by \$800,000 at mid-year 2008-09. The transfer was similarly reduced in fiscal year 2009-10 with the deferral of several small CIP Fund projects, but only by \$245,000. In total, transfers to other funds increased by \$400,000 over the prior year.

ECONOMIC CONDITION AND OUTLOOK

While it is clear that the economy has turned the corner at the national, state levels and local levels, economic growth has been relatively weak for the past fiscal year. Indeed, after such a strong recession, the current rate of growth reflects continued fiscal uncertainty in the housing, credit and labor markets. Although job losses have leveled out in the San Francisco Bay Area as a whole, a sustained reduction in the unemployment rate will be needed to bring consumer confidence - the most significant component of the economy - back to life. As one of the largest sectors for employment in the San Mateo County, the professional and management services sector plays an important roll in the area's recovery.

For the City of Menlo Park, revenues appear to have seen the bottom of the recessionary trough. A decreased level of property values now diminish the probability of the continued property tax growth seen in recent years. The forecast for sales tax - the City's second-largest revenue source - must also be subdued as the City reckons with the new "economic reality" created by the severe recession. The historically low investment yields experienced in the last couple of years are expected to continue throughout the next fiscal year. The State continues to grapple with a budget deficit predicted to be \$25.4 billion in 2011-12, which does not bode well for local government's access to the credit markets.

However, business activity appears to be gaining momentum in various sectors. Having weathered the financial meltdown of 2008, banks, investment funds, venture capitalists and others are eager to reestablish their foothold in the economy. The battered retail sector is showing progress as well: statewide sales tax receipts in the final quarter of 2009-10 were 7.1 percent higher than in the prior year. An increase in the number of development project applications and permit activity has also been seen in recent quarters. With increased emphasis on economic development opportunities, an updated 5-year Redevelopment Implementation Plan provides a plan for an array of infrastructure

and other public improvements in the redevelopment area that will enhance the desirability of the area as a place to do business. The improved potential for new life sciences and green technology businesses in the City's Industrial/R&D zoning district, will play a critical role in supporting the City's goal to maintain a vibrant local economy.

Despite the incorporation of cost saving strategies in past annual budget processes, the City's General Fund expenditures have continued to increase fairly steadily since 2002. 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 continues its focus on long-term fiscal sustainability. Because personnel costs represent approximately 70 percent of the City's General Fund budget, particular attention has been paid to controlling rising employee retirement costs. Adequate funding of infrastructure, careful planning of the El Camino Real and downtown areas, and optimization of business and residential development opportunities in the redevelopment project area remain as fiscal priorities for the City. As long-term needs are identified, the necessary resources continue to be accrued appropriately. The promotion and municipal application of sustainable environmental practices also reflect the long-term nature of the City's goals.

REQUESTS FOR INFORMATION

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

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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City of Menlo Park
Statement of Net Assets
June 30, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 90,116,038	\$ 17,055,944	\$ 107,171,982
Receivables:			
Accounts	1,496,214	519,118	2,015,332
Interest	459,350	83,648	542,998
Due from other governments	1,518,879	-	1,518,879
Deposits and prepaid items	176,391	-	176,391
Total current assets	<u>93,766,872</u>	<u>17,658,710</u>	<u>111,425,582</u>
Noncurrent assets:			
Restricted cash and investments	25,338,443	-	25,338,443
Notes receivable	10,074,349	-	10,074,349
Deferred charges	1,382,733	-	1,382,733
Deferred outflows of resources (Note 6)	11,178,716	-	11,178,716
Capital assets			
Non-depreciable	244,185,486	2,199,998	246,385,484
Depreciable, net	104,000,688	5,590,685	109,591,373
Total capital asset	<u>348,186,174</u>	<u>7,790,683</u>	<u>355,976,857</u>
Total noncurrent assets	<u>396,160,415</u>	<u>7,790,683</u>	<u>403,951,098</u>
Total assets	<u>489,927,287</u>	<u>25,449,393</u>	<u>515,376,680</u>
LIABILITIES			
Current liabilities:			
Accounts payable	2,436,142	430,095	2,866,237
Accrued payroll	944,412	23,314	967,726
Interest payable	1,866,917	-	1,866,917
Deposits	481,458	48,792	530,250
Unearned revenue	750,316	-	750,316
Claims payable due within one year	466,069	-	466,069
Compensated absences due within one year	1,063,710	32,435	1,096,145
Landfill postclosure care due within one year	218,183	-	218,183
Long-term debt due within one year	2,281,020	-	2,281,020
Total current liabilities	<u>10,508,227</u>	<u>534,636</u>	<u>11,042,863</u>
Noncurrent liabilities:			
Claims payable due in more than one year	1,474,589	-	1,474,589
Compensated absences due in more than one year	1,186,774	35,770	1,222,544
Landfill postclosure care due in more than one year	6,170,440	-	6,170,440
Interest rate swap (Note 6)	11,178,716	-	11,178,716
Long-term debt due in more than one year	86,630,396	-	86,630,396
Total noncurrent liabilities	<u>106,640,915</u>	<u>35,770</u>	<u>106,676,685</u>
Total liabilities	<u>117,149,142</u>	<u>570,406</u>	<u>117,719,548</u>
NET ASSETS			
Invested in capital assets, net of related debt	259,274,758	7,790,683	267,065,441
Restricted for:			
Capital projects	19,717,874	16,944,216	36,662,090
Debt service	12,630,096	-	12,630,096
Community development	-	-	-
Special projects	5,857,506	-	5,857,506
Unrestricted	75,297,911	144,088	75,441,999
Total net assets	<u>\$ 372,778,145</u>	<u>\$ 24,878,987</u>	<u>\$ 397,657,132</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, 2010

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 6,353,156	\$ 3,145,514	\$ 17,620	\$ -	\$ 3,163,134
Public safety	13,605,071	1,505,640	813,088	-	2,318,728
Public works	10,635,694	2,922,929	509,629	744,000	4,176,558
Culture and recreation	9,616,046	3,434,135	1,216,976	1,805,779	6,456,890
Community development	12,615,612	2,122,221	-	-	2,122,221
Interest on long-term debt	4,020,241	-	-	-	-
Total governmental activities	56,845,819	13,130,439	2,557,313	2,549,779	18,237,531
Business-type activities:					
Water	4,378,277	4,258,917	-	-	4,258,917
Total business-type activities	4,378,277	4,258,917	-	-	4,258,917
Total primary government	\$ 61,224,096	\$ 17,389,356	\$ 2,557,313	\$ 2,549,779	\$ 22,496,448

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

Net assets - end of year

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (3,190,022)	\$ -	\$ (3,190,022)
(11,286,343)	-	(11,286,343)
(6,459,136)	-	(6,459,136)
(3,159,156)	-	(3,159,156)
(10,493,391)	-	(10,493,391)
(4,020,241)	-	(4,020,241)
<u>(38,608,288)</u>	<u>-</u>	<u>(38,608,288)</u>
-	(119,360)	(119,360)
-	(119,360)	(119,360)
<u>(38,608,288)</u>	<u>(119,360)</u>	<u>(38,727,648)</u>
23,753,592	-	23,753,592
5,499,244	-	5,499,244
94,113	-	94,113
2,074,486	-	2,074,486
1,565,706	-	1,565,706
2,300,895	-	2,300,895
35,288,036	-	35,288,036
2,085,808	242,433	2,328,241
30,125	935	31,060
160,814	(160,814)	-
<u>37,564,783</u>	<u>82,554</u>	<u>37,647,337</u>
(1,043,505)	(36,806)	(1,080,311)
<u>373,821,650</u>	<u>24,915,793</u>	<u>398,737,443</u>
<u>\$ 372,778,145</u>	<u>\$ 24,878,987</u>	<u>\$ 397,657,132</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, 2010

	Major Funds				
	General Fund	Community Development Agency			Capital Projects
		Special Revenue		Debt Service	
		Housing	Non-Housing		
ASSETS					
Cash and investments	\$ 23,838,037	\$ 1,891,843	\$ 18,330,379	\$ -	\$ 213,302
Restricted cash and investments	-	-	-	9,578,728	7,359,964
Receivables:					
Accounts	1,291,408	-	-	-	-
Interest	175,026	9,284	91,822	-	1,079
Notes	1,243,792	5,402,692	-	-	-
Due from other governments	1,066,759	-	68,152	-	-
Deposits and prepaid items	21,456	496	495	-	-
Due from other funds	91,618	-	437,814	-	-
Total assets	\$ 27,728,096	\$ 7,304,315	\$ 18,928,662	\$ 9,578,728	\$ 7,574,345
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 690,178	\$ 24,104	\$ 659,451	\$ 5,415	\$ 29,546
Accrued payroll and related liabilities	823,149	13,715	39,125	-	3,302
Due to other funds	-	-	-	437,814	-
Deposits	332,567	-	-	-	108,891
Deferred revenue	455,160	5,005,266	-	-	-
Total liabilities	2,301,054	5,043,085	698,576	443,229	141,739
Fund Balances:					
Reserved	1,596,031	477,553	51,820	9,135,499	1,469,331
Unreserved:					
Designated, reported in:					
General fund	5,600,000	-	-	-	-
Special revenue funds	-	1,456,314	-	-	-
Capital project funds	-	-	-	-	5,963,275
Undesignated, reported in:					
General fund	18,231,011	-	-	-	-
Special revenue funds	-	327,363	18,178,266	-	-
Total unreserved	23,831,011	1,783,677	18,178,266	-	5,963,275
Total fund balances	25,427,042	2,261,230	18,230,086	9,135,499	7,432,606
Total liabilities and fund balances	\$ 27,728,096	\$ 7,304,315	\$ 18,928,662	\$ 9,578,728	\$ 7,574,345

See accompanying Notes to Basic Financial Statements.

<u>Major Fund</u>		
<u>Community Development Block Grant Special Revenue</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 716,169	\$ 41,788,540	\$ 86,778,270
-	8,399,751	25,338,443
-	192,795	1,484,203
-	165,889	443,100
1,208,567	2,219,298	10,074,349
-	383,968	1,518,879
-	530	22,977
-	62,572	592,004
<u>\$ 1,924,736</u>	<u>\$ 53,213,343</u>	<u>\$ 126,252,225</u>

\$ 16,428	\$ 828,624	\$ 2,253,746
-	62,606	941,897
-	154,190	592,004
-	40,000	481,458
1,208,567	400,123	7,069,116
<u>1,224,995</u>	<u>1,485,543</u>	<u>11,338,221</u>
-	9,501,030	22,231,264
-	-	5,600,000
-	10,289,587	11,745,901
-	16,597,926	22,561,201
-	-	18,231,011
699,741	15,339,257	34,544,627
<u>699,741</u>	<u>42,226,770</u>	<u>92,682,740</u>
699,741	51,727,800	114,914,004
<u>\$ 1,924,736</u>	<u>\$ 53,213,343</u>	<u>\$ 126,252,225</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, 2010

Total Fund Balances - Total Governmental Funds \$ 114,914,004

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 \$541,192.

Non-depreciable	244,185,486
Depreciable, net	103,459,496

Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in the Governmental Funds Balance Sheet. (1,866,917)

Deferred charges on issuance of debt are recorded as expenditures in the Fund Financial Statements. In the Government-Wide Financial Statements, these costs are capitalized and amortized over the life of the debt. 1,382,733

Deferred revenues recorded in governmental fund financial statements in the amount of \$7,069,116, less actual unearned revenue recorded on the Government-wide financial statements in the amount of \$750,316, resulting from activities in which revenues were earned but funds were not available are reclassified as revenues in the Government-Wide Financial Statements. 6,318,800

Landfill postclosure care costs do not require current financial resources and are not reported as a liability in the governmental fund financials statements. (6,388,623)

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 \$6,506 short-term, and \$7,176 long-term.

Long-term liabilities - due within one year:

Compensated absences payable	(1,057,204)
Long-term debt	(2,281,020)

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

Compensated absences payable	(1,179,598)
Long-term debt	(86,630,396)

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.

1,921,384

Net Assets of Governmental Activities \$ 372,778,145

City of Menlo Park
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2010

	Major Funds				
	General Fund	Community Development Agency			Capital Projects
		Housing Special Revenue	Non-Housing Special Revenue	Debt Service	
REVENUES:					
Taxes:					
Secured property taxes	\$ 11,712,809	\$ 2,039,923	\$ 8,159,691	\$ -	\$ -
Unsecured property taxes	472,082	190,047	760,188	-	-
Other property taxes	418,851	-	-	-	-
Sales taxes	5,499,244	-	-	-	-
Other taxes	4,731,606	-	-	-	-
Special assessments	-	-	-	-	-
Licenses and permits	2,738,638	-	-	-	-
Fines and forfeitures	1,028,825	-	-	-	-
Use of money and property	849,023	33,628	272,690	81,379	71,981
Intergovernmental	1,811,140	-	-	-	-
Charges for services	5,210,044	-	100,927	-	-
Other	52,608	-	-	-	-
Total revenues	34,524,870	2,263,598	9,293,496	81,379	71,981
EXPENDITURES:					
Current:					
General government	4,886,616	-	-	-	-
Public safety	13,467,470	-	-	-	-
Public works	4,901,340	-	-	-	-
Culture and recreation	8,168,853	-	-	-	-
Community development	2,723,260	-	1,326,027	-	-
Urban development and housing	-	740,646	6,519,526	-	-
Capital outlay	217,768	300	-	-	333,624
Debt service:					
Principal	-	-	-	1,745,000	-
Interest and fiscal charges	-	-	-	2,676,540	-
Cost of issuance	-	-	-	5,977	-
Total expenditures	34,365,307	740,946	7,845,553	4,427,517	333,624
REVENUES OVER (UNDER) EXPENDITURES	159,563	1,522,652	1,447,943	(4,346,138)	(261,643)
OTHER FINANCING SOURCES (USES):					
Transfers in	691,975	-	-	4,407,869	-
Transfers out	(2,132,656)	(966,256)	(3,729,065)	-	-
Proceeds from sale of assets	-	-	-	-	-
Bond proceeds	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Total other financing sources (uses)	(1,440,681)	(966,256)	(3,729,065)	4,407,869	-
Net change in fund balances	(1,281,118)	556,396	(2,281,122)	61,731	(261,643)
FUND BALANCES:					
Beginning of year	26,708,160	1,704,834	20,511,208	9,073,768	7,694,249
End of year	<u>\$ 25,427,042</u>	<u>\$ 2,261,230</u>	<u>\$ 18,230,086</u>	<u>\$ 9,135,499</u>	<u>\$ 7,432,606</u>

See accompanying Notes to Basic Financial Statements.

<u>Major Fund</u>		
<u>Community</u>	<u>Non-Major</u>	<u>Total</u>
<u>Development</u>	<u>Governmental</u>	<u>Governmental</u>
<u>Block Grant</u>	<u>Funds</u>	<u>Funds</u>
<u>Special Revenue</u>		
\$ -	\$ -	\$ 21,912,423
-	-	1,422,317
-	-	418,851
-	-	5,499,244
-	1,208,880	5,940,486
-	2,824,098	2,824,098
-	331,352	3,069,990
-	-	1,028,825
16,935	592,940	1,918,576
-	1,408,609	3,219,749
82,533	3,344,679	8,738,183
-	282,351	334,959
<u>99,468</u>	<u>9,992,909</u>	<u>56,327,701</u>
-	1,556,201	6,442,817
-	64,924	13,532,394
-	2,867,115	7,768,455
-	402,062	8,570,915
2,430	302,628	4,354,345
-	51,911	7,312,083
-	7,762,319	8,314,011
-	560,000	2,305,000
-	898,939	3,575,479
-	-	5,977
<u>2,430</u>	<u>14,466,099</u>	<u>62,181,476</u>
<u>97,038</u>	<u>(4,473,190)</u>	<u>(5,853,775)</u>
-	2,197,656	7,297,500
-	(308,709)	(7,136,686)
-	3,204	3,204
-	10,440,000	10,440,000
-	74,971	74,971
<u>-</u>	<u>12,407,122</u>	<u>10,678,989</u>
97,038	7,933,932	4,825,214
<u>602,703</u>	<u>43,793,868</u>	<u>110,088,790</u>
<u>\$ 699,741</u>	<u>\$ 51,727,800</u>	<u>\$ 114,914,004</u>

City of Menlo Park

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets For the year ended June 30, 2010

Net Change in Fund Balances - Total Governmental Funds	\$ 4,825,214
--	--------------

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 recorded in the internal service funds of \$169,954

	7,239,386
--	-----------

Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in the Governmental Funds. This amount is net of depreciation expense of \$335,903 recorded in the internal service funds.

	(4,845,583)
--	-------------

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

	119,004
--	---------

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

	161,784
--	---------

Expenses to accrue for long-term compensated absences and claims liability is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, these expenses are not reported in the Governmental Funds.

Change in compensated absences	(240,454)
--------------------------------	-----------

Bond proceeds provided current financial resources to Governmental Funds, but issuing debt increased long-term liabilities in the Government-Wide Statement of Net Assets. Repayment of bond principal was an expenditure in Governmental Funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Assets.

Long-term debt repayments	2,305,000
---------------------------	-----------

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

	(65,845)
--	----------

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

	(138,980)
--	-----------

Proceeds and premiums on issuance of debt are recorded as revenues in the Fund Financial Statements. In the Government-Wide Financial Statements, these revenues are capitalized and reported as long-term debt. The premiums are amortized over the life of the debt.

	(10,514,971)
--	--------------

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

	162,757
--	---------

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.

	(233,960)
--	-----------

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.

	183,143
--	---------

Change in Net Assets of Governmental Activities	\$ (1,043,505)
--	-----------------------

See accompanying Notes to Basic Financial Statements.

PROPRIETARY FUND FINANCIAL STATEMENTS

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

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

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

City of Menlo Park
Statement of Net Assets
Proprietary Funds
June 30, 2010

	Major Enterprise Fund Water Fund	Governmental Activities Internal Service Funds
ASSETS		
Current assets:		
Cash and investments	\$ 17,055,944	\$ 3,337,768
Receivables:		
Accounts	519,118	12,011
Interest	83,648	16,250
Deposits and prepaid expenses	-	153,414
Total current assets	<u>17,658,710</u>	<u>3,519,443</u>
Capital assets:		
Non-depreciable	2,199,998	-
Depreciable, net	5,590,685	541,192
Total capital assets	<u>7,790,683</u>	<u>541,192</u>
Total assets	<u>25,449,393</u>	<u>4,060,635</u>
LIABILITIES		
Current liabilities:		
Accounts payable	430,095	182,396
Accrued payroll	23,314	2,515
Deposits	48,792	-
Claims payable, due within one year	-	466,069
Compensated absences, due within one year	32,435	6,506
Total current liabilities	<u>534,636</u>	<u>657,486</u>
Noncurrent liabilities:		
Claims payable, due in more than one year	-	1,474,589
Compensated absences, due in more than one year	35,770	7,176
Total noncurrent liabilities	<u>35,770</u>	<u>1,481,765</u>
Total liabilities	<u>570,406</u>	<u>2,139,251</u>
NET ASSETS		
Net assets, invested in capital assets	7,790,683	541,192
Restricted for:		
Capital projects	16,944,216	-
Unrestricted	144,088	1,380,192
Total net assets	<u>\$ 24,878,987</u>	<u>\$ 1,921,384</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, 2010

	Major Enterprise Fund Water Fund	Governmental Activities Internal Service Funds
OPERATING REVENUES:		
Charges for services	\$ 4,256,412	\$ 2,321,182
Connection fees	2,505	-
Total operating revenues	4,258,917	2,321,182
OPERATING EXPENSES:		
Cost of sales and services	3,795,033	-
Personnel Services	-	84,696
General and administrative	409,488	696,586
Insurance	-	1,066,338
Depreciation	173,756	335,903
Total operating expenses	4,378,277	2,183,523
OPERATING INCOME (LOSS)	(119,360)	137,659
NONOPERATING REVENUES (EXPENSES):		
Interest income	242,433	38,791
Gain (loss) on sale of equipment	935	6,693
Total nonoperating revenues	243,368	45,484
INCOME (LOSS) BEFORE OPERATING TRANSFERS	124,008	183,143
TRANSFERS:		
Transfers in	340,361	-
Transfers out	(501,175)	-
Total transfers	(160,814)	-
Net income (loss)	(36,806)	183,143
NET ASSETS:		
Beginning of year	24,915,793	1,738,241
End of year	\$ 24,878,987	\$ 1,921,384

See accompanying Notes to Basic Financial Statements.

City of Menlo Park
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2010

	Major Enterprise Fund Water Fund	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers/other funds	\$ 3,823,340	\$ 2,321,180
Cash payment to suppliers	(3,359,313)	(2,330,984)
Cash payments for general and administrative	(642,964)	-
Cash paid to employees	-	(82,021)
Cash receipts other	-	14,881
Net cash provided (used) by operating activities	(178,937)	(76,944)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers from other funds	340,361	-
Transfers to other funds	(501,175)	-
Contributions	-	-
Net cash provided (used) by noncapital financing activities	(160,814)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(343,813)	(170,289)
Proceeds from disposal of capital assets	-	6,693
Net cash provided (used) by capital and related financing activities	(343,813)	(163,596)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	421,944	73,887
Net cash provided (used) by investing activities	421,944	73,887
Net increase (decrease) in cash and cash equivalents	(261,620)	(166,653)
CASH AND CASH EQUIVALENTS:		
Beginning of year	17,317,564	3,504,421
End of year	\$ 17,055,944	\$ 3,337,768
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (119,360)	\$ 137,659
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	173,756	335,903
Changes in current assets and liabilities:		
Accounts receivable	(303,650)	(102,497)
Accounts payable	52,303	(83,798)
Accrued payroll	3,913	5
Insurance claim payable	-	(365,179)
Compensated absences	14,197	963
Deposits	(96)	-
Total adjustments	(59,577)	(214,603)
Net cash provided (used) by operating activities	\$ (178,937)	\$ (76,944)

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, 2010

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 282,108
Prepays	<u>230,571</u>
Total assets	<u>\$ 512,679</u>
LIABILITIES	
Accrued payroll	\$ 101,719
Deposits	<u>410,960</u>
Total liabilities	<u>\$ 512,679</u>

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS

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City of Menlo Park
Notes to Basic Financial Statements
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

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

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

- The members of the City Council also act as the governing bodies of the Agency.
- The Agency is managed by employees of the City. A portion of the City's salary and overhead expenses are billed to the Agency each year.
- The City and the Agency are financially interdependent. The City makes loans to the Agency to use for redevelopment purposes. Property tax revenues of the Agency are used to repay the loans to the City.

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus

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

Government-Wide Financial Statements

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

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

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

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

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

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

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements

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

General Fund - Accounts for all revenues and expenditures necessary to carry out basic governmental activities of the City that are not accounted for through other funds. For the City, the General Fund includes such activities as police, planning, engineering, public works operations and maintenance, 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, 2010

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, 2010

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, 2010

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 capital assets are valued at their estimated fair market value on the date donated. City policy has set the capitalization threshold for reporting capital assets at \$2,000. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

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

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

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

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

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

F. Long-Term Obligations

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

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. Net Assets and Fund Equity

In the Fund Financial Statements, fund equity are reservations of fund balances of governmental funds and net assets 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, 2010.

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

Bargaining Unit	Vacation	Sick Leave
SEIU	336 hours	1,440 hours
AFSCME	336 hours	1,440 hours
POA	424 hours	1,500 hours
PMA	1,400 hours combined	
Administration	1,200 hours combined	

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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."

L. New Pronouncements

The City has adopted the following Governmental Accounting Standards Board (GASB) Statements in fiscal 2010:

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. Implementation of GASB Statement No. 51 primarily impacted the City's government-wide financial statements for the year ended June 30, 2010 through application related to the long-term lease of the Menlo-Atherton Performing Arts Center reported as a capital asset (Note 5).

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. New Pronouncements, Continued

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The Statement specifically requires governments to measure and report most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The requirement of reporting the derivative instruments at fair value on the face of financial statements gives the users of financial statements a clearer look into the risks their governments are sometimes exposed to when they enter into these transactions and how those risks are managed. The Statement also addresses hedge accounting requirements and improves disclosures, providing a summary of the government's derivative instrument activity, its objectives for entering into derivative instruments, and their significant terms and risks. The City has determined that the interest rate swap contract for the 2006 Las Pulgas Project Tax Allocation Bonds qualifies as an effective derivative instrument under GASB Statement No. 53 and has reported the fair value of this derivative instrument on its Statement of Net Assets in accordance with GASB Statement No. 53. Please also refer to the note disclosures for the interest rate swap contract under Note 6 - Long-term Obligations.

The City is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following Governmental Accounting Standards Board (GASB) Statements:

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective to this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Application of this Statement is effective for the City's fiscal year ending June 30, 2011.

In June 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus*. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The provisions of this statement are effective for years beginning after June 15, 2010.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

2. CASH AND INVESTMENTS

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

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

A. Authorized Investments

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

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

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

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

GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires that the City's investments be carried at fair market value instead of cost. Accordingly, the City adjusts the carrying value of its investments to reflect their fair value at each fiscal year-end, and the effects of these adjustments are included in income for that fiscal year. Changes in fair value in the fiscal year ended June 30, 2010 from the fiscal year ended June 30, 2009, amounted to a decrease of \$839,386.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

2. CASH AND INVESTMENTS, Continued

B. Deposits

At June 30, 2010, the carrying amount of the City's deposits was \$1,036,102 and the bank balances were \$1,644,263. The total bank balance was covered by federal depository insurance or by collateral held by the City's agent in the City's name. In addition, the City has \$145,000 deposited with the Bay Cities Joint Powers Insurance Authority.

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 \$250,000 by the Federal Deposit Insurance Corporation (FDIC).

C. Risks Disclosures

The following is a summary of pooled cash and investments, including cash and investments with fiscal agent at June 30, 2010.

	Government-Wide Statement of Net Assets			Fund Financials	
	Governmental Activities	Business-Type Activities	Total	Fiduciary Funds	
				Statement of Net Assets	Total
Cash and investments	\$ 90,116,038	\$ 17,055,944	\$ 107,171,982	\$ 282,108	\$ 107,454,090
Restricted cash and investments	\$ 25,338,443	\$ -	\$ 25,338,443	\$ -	\$ 25,338,443

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

2. CASH AND INVESTMENTS, Continued

C. Risks Disclosures, Continued

As of June 30, 2010, 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	\$ 1,036,102	\$ 1,036,102	\$ -	\$ -	\$ -	\$ -
Petty cash	6,585	6,585	-	-	-	-
Securities of U.S. Government:						
U.S. agencies	3,072,252	-	3,072,252	-	-	-
U.S. treasury T-notes	3,018,005	-	3,018,005	-	-	-
U.S. instrumentality	60,485,002	11,191,502	27,932,958	12,069,914	-	9,290,628
Local Agency Investments Funds	38,767,253	38,767,253	-	-	-	-
Corporate notes	1,068,891	-	1,068,891	-	-	-
Total	\$ 107,454,090	\$ 51,001,442	\$ 35,092,106	\$ 12,069,914	\$ -	\$ 9,290,628

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, 2010, the City's pooled cash and investments had the following maturities:

<u>Maturity</u>	<u>Percentage of Investment</u>
Less than one year	47%
One to two years	33%
Two to three years	11%
Three to four years	0%
Four to five years	9%

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 state investment pool, Local Agency Investments Funds, was rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. As of June 30, 2010, the City has investments in one corporate note. The investment in GE Capital is rated AA+ by Standard & Poor's and Aa2 by Moody's Investors Services.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

2. CASH AND INVESTMENTS, Continued

C. Risks Disclosures, Continued

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

D. External Investment Pool

The City's investments with LAIF at June 30, 2010, included a small portion of the pooled funds invested in Structured Notes and Asset-Backed Securities. These investments may include the following:

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

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

As of June 30, 2010, the City had \$47,089,488 invested in LAIF, which had invested 2.64% of the pool investment funds in Structured Notes and Asset-Back Securities. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. The City valued its investments in LAIF as of June 30, 2010, by multiplying its account balance with LAIF times a fair value factor determined by LAIF. This fair value factor was determined by dividing all LAIF participants' total aggregate amortized cost by total aggregate fair value.

Accordingly, as of June 30, 2010, the City's investment in LAIF at fair value amounted to \$47,166,893 using a LAIF fair value factor of 1.001643776.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

3. RECEIVABLES

A. Accounts Receivable

As of June 30, 2010, accounts receivable consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Taxes:			
Occupancy taxes	\$ 598,586	\$ -	\$ 598,586
Utility taxes	155,980	-	155,980
Total taxes	754,566	-	\$ 754,566
Franchise fees	190,618	-	190,618
Rental income	16,574	-	16,574
General government charges	1,621	-	1,621
Public works charges	39,586	-	39,586
Community development fees	278,065	-	278,065
Recreation programs	33,978	-	33,978
Solid waste service fees	180,686	-	180,686
Water service fees	-	519,118	519,118
Donations	520	-	520
Total accounts receivable	\$ 1,496,214	\$ 519,118	\$ 2,015,332

B. Notes Receivable

As of June 30, 2010, notes receivable consisted of the following:

	Notes Receivable
Major Funds:	
General Fund	\$ 1,243,792
Community Development Block Grant	1,208,567
Community Development Agency	5,402,692
Total major funds	7,855,051
Other Governmental Funds:	
Below market rate housing	2,155,996
Emergency repair loan (ERL)	63,302
Total special revenue funds	2,219,298
Total notes receivable	\$ 10,074,349

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

3. RECEIVABLES, Continued

B. Notes Receivable, Continued

City Manager Housing

As part of an employment agreement effective August 2007, the City Council has authorized a loan evidenced by two notes totaling \$1.27 million to the City Manager in order to assist in the purchase of residential real estate property. These notes are secured by deeds of trust on the property. The notes bear an interest rate of 5 percent per annum; however, 3.25 percent per annum is deferred until the ultimate sale of the property or payment of the loan. The notes are due and payable within, at the most, 24 months of termination of employment or within 12 months of the City Manager's failure to reside in the property. The outstanding balance of the remaining note, including interest, at June 30, 2010 is \$1,243,792.

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, 2010, were \$1,208,567. Since the funds have not been legally vested with the City as of June 30, 2010, these funds are reported as deferred revenue.

Community Development Agency

The City of Menlo Park Community Development Agency (Agency) assumed a portfolio of loans which had been made by Neighborhood Housing Services (NHS) to low income residents of Menlo Park for housing rehabilitation. The Agency had granted funds to the local NHS for that purpose and assumed the loans when the NHS closed. The outstanding balance at June 30, 2010 was \$2,300.

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, 2010, was \$29,250.

The Agency made a loan to Mid-Peninsula Housing Coalition for purchase of a five-unit apartment building for very low-income households. The loan carries a 3% simple interest rate per annum, a due date of June 1, 2031, with payments made from residual receipts of the property. The outstanding balance at June 30, 2010, was \$268,681.

The Agency made housing rehabilitation loans to six eligible participants. Loans bear no or very low interest and are not due until the property changes ownership. The outstanding balance at June 30, 2010, was \$324,866.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

3. RECEIVABLES, Continued

B. Notes Receivable, Continued

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 annual 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 10 years. The outstanding balance as of June 30, 2010, was \$25,846.

Gateway - 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 had interest rates ranging from 5.75% to 8.25%, with payments which were to be made semi-annually on June 1 and December 1 through 2028. The bonds were payable solely from and were secured by a pledge of payments and other amounts due to the Menlo Gateway Inc. The bonds did not constitute a debt or liability of the Agency or the City and, therefore, were not reflected in the financial statements. In addition, the City did not act in any capacity in making debt service payments.

On October 28, 2002, the Agency made a loan to Menlo Gateway, Inc. to refinance Menlo Gateway's debt in the amount of \$4,022,157. The loan bears a compounded interest rate of 3% per annum. The payment is secured by the Deed of Trust. The final payment is due on February 15, 2043. The outstanding balance as of June 30, 2010, was \$4,751,749. Menlo Gateway is to make annual payments on the loan as defined in the promissory note.

Total Agency loans at June 30, 2010, amounted to \$5,402,692.

Below Market Rate Housing

The City uses Below Market Rate Housing Reserve funds to provide residents and employees who work in Menlo Park with second mortgage loans to purchase their first home in Menlo Park. These "PAL" loans are amortized over 30 years, and are currently restricted to purchasers of Below Market Rate Housing units, which are income and price restricted housing units produced through the City's Below Market Rate Housing program. Outstanding loans at June 30, 2010, were \$2,155,996.

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 \$10,000 at 3% interest per annum, with a loan term of either 5, 10, or 15 years. Outstanding loans at June 30, 2010, were \$63,302.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

4. UNEARNED/DEFERRED REVENUE

A. Government-Wide Financial Statements

Unearned revenues in Government-Wide Financial Statements represent amounts for which revenues have not been earned. At June 30, 2010, deferred revenues in the Government-Wide Financial Statements were as follows:

	Governmental Activities
Recreation summer programs	\$ 376,646
Events deposits	25
Police donations	388
Library donations	27,127
Planning deferred	662
Percent for art deferred	8,647
Garbage service fees	336,821
Total	\$ 750,316

B. Fund Financial Statements

At June 30, 2010, the following deferred revenues were recorded in the Fund Financial Statements because either the revenues had not been earned or the funds were not available to finance expenditures of the current period:

Governmental Funds:

	General Fund	Special Revenue Funds			Total
		Community Development Agency	Community Development Block Grant	Non-Major Funds	
Recreation Summer Programs	\$ 376,646	\$ -	\$ -	\$ -	\$ 376,646
Events deposits	25	-	-	-	25
Planning deferred	662	-	-	-	662
City Manager home loan interest	68,792	-	-	-	68,792
Percent for art deferred	8,647	-	-	-	8,647
Police donations	388	-	-	-	388
Garbage service fees	-	-	-	336,821	336,821
Menlo Gateway loan	-	4,751,749	-	-	4,751,749
CDBG loans	-	-	1,208,567	-	1,208,567
Emergency repair loans	-	-	-	63,302	63,302
Mid Peninsula loans	-	253,517	-	-	253,517
Total	\$ 455,160	\$ 5,005,266	\$ 1,208,567	\$ 400,123	\$ 7,069,116

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

5. CAPITAL ASSETS

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

	Balance June 30, 2009	Additions	Retirements	Reclassifications	Adjustments	Balance June 30, 2010
Governmental Activities:						
Capital assets, not being depreciated/amortized:						
Land	\$ 204,949,233	\$ -	\$ -	\$ -	\$ -	\$ 204,949,233
Land improvements	32,900,109	-	-	-	-	32,900,109
Real estate held for sale	-	446,725	-	-	-	446,725
Construction in progress	3,318,133	4,179,331	(26,763)	(1,581,282)	-	5,889,419
Total capital assets, not being depreciated/amortized	<u>241,167,475</u>	<u>4,626,056</u>	<u>(26,763)</u>	<u>(1,581,282)</u>	<u>-</u>	<u>244,185,486</u>
Capital assets, being depreciated/amortized:						
Buildings	46,933,785	227,207	-	57,390	-	47,218,382
Shared use facilities	-	1,300,000	-	1,300,000	-	2,600,000
Equipment	6,383,215	348,757	(347,609)	-	-	6,384,363
Other improvements	12,792,366	-	-	-	-	12,792,366
Infrastructure	107,911,764	737,366	(142,731)	223,892	-	108,730,291
Total capital assets, being depreciated/amortized	<u>174,021,130</u>	<u>2,613,330</u>	<u>(490,340)</u>	<u>1,581,282</u>	<u>-</u>	<u>177,725,402</u>
<i>Less accumulated depreciation/amortization for:</i>						
Buildings	(13,736,015)	(938,676)	-	-	-	(14,674,691)
Shared use facilities	-	(52,000)	-	-	-	(52,000)
Equipment	(5,046,645)	(511,632)	345,966	-	-	(5,212,311)
Other improvements	(2,916,696)	(610,936)	-	-	-	(3,527,632)
Infrastructure	(47,649,933)	(2,732,339)	124,192	-	-	(50,258,080)
Total accumulated depreciation/amortization	<u>(69,349,289)</u>	<u>(4,845,583)</u>	<u>470,158</u>	<u>-</u>	<u>-</u>	<u>(73,724,714)</u>
Total capital assets, being depreciated/amortized, net	<u>104,671,841</u>	<u>(2,232,253)</u>	<u>(20,182)</u>	<u>1,581,282</u>	<u>-</u>	<u>104,000,688</u>
Governmental activities capital assets, net	<u>\$ 345,839,316</u>	<u>\$ 2,393,803</u>	<u>\$ (46,945)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 348,186,174</u>

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

General government	\$ 572,532
Public safety	152,772
Public works	3,052,466
Culture and recreation	1,063,111
Community development	4,702
Total depreciation/amortization expense - governmental departments	<u>\$ 4,845,583</u>

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

5. CAPITAL ASSETS, Continued

The following is a summary of capital assets for business-type activities:

	Balance June 30, 2009	Additions	Retirements	Balance June 30, 2010
Business Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,066,454	\$ -	\$ -	\$ 1,066,454
Land improvements	-	-	-	-
Construction in progress	793,183	340,361	-	1,133,544
Total capital assets, not being depreciated	1,859,637	340,361	-	2,199,998
Capital assets, being depreciated:				
Buildings	4,159,460	-	-	4,159,460
Equipment	566,303	3,452	-	569,755
Other improvements	-	-	-	-
Infrastructure	6,812,639	-	-	6,812,639
Total capital assets, being depreciated	11,538,402	3,452	-	11,541,854
<i>Less accumulated depreciation for:</i>				
Buildings	(1,297,155)	(83,189)	-	(1,380,344)
Equipment	(507,178)	(8,214)	-	(515,392)
Other improvements	-	-	-	-
Infrastructure	(3,973,080)	(82,353)	-	(4,055,433)
Total accumulated depreciation	(5,777,413)	(173,756)	-	(5,951,169)
Total capital assets, being depreciated, net	5,760,989	(170,304)	-	5,590,685
Business activities capital assets, net	\$ 7,620,626	\$ 170,057	\$ -	\$ 7,790,683

Depreciation expense for all proprietary funds was \$173,756 for the year ended June 30, 2010, 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, 2010

6. LONG-TERM DEBT

A. Long-Term Obligations

Summary of changes in long-term debt transactions for the year ended June 30, 2010 was as follows:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010	Due within one year	Due in more than one year
Governmental Activities						
1996 General Obligation Refunding Bonds	\$ 2,535,000	\$ -	\$ (300,000)	\$ 2,235,000	\$ 320,000	\$ 1,915,000
2002 General Obligation Bonds	12,000,000	-	(260,000)	11,740,000	280,000	11,460,000
2006 Las Pulgas Project Tax Allocation Bonds	69,140,000	-	(1,745,000)	67,395,000	1,810,000	65,585,000
Deferred amount of refunding of the 2006 Las Pulgas Project Tax Allocation Bonds	(2,816,151)	-	128,007	(2,688,144)	(128,007)	(2,560,137)
Discount on 2006 Las Pulgas Project Tax Allocation Bonds	(296,384)	-	13,472	(282,912)	(13,472)	(269,440)
2009A General Obligation Bonds	-	1,080,000	-	1,080,000	10,000	1,070,000
2009B General Obligation Bonds	-	9,360,000	-	9,360,000	-	9,360,000
Premium on 2009 General Obligation Bonds	-	74,971	(2,499)	72,472	2,499	69,973
Total governmental activities	<u>\$ 80,562,465</u>	<u>\$ 10,514,971</u>	<u>\$ (2,166,020)</u>	<u>\$ 88,911,416</u>	<u>\$ 2,281,020</u>	<u>\$ 86,630,396</u>

1996 General Obligation Refunding Bonds

During fiscal year 1995-1996, the City issued \$4,630,000 of 1996 General Obligation Refunding Bonds to fund certain library improvement projects. 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 paid from special assessments to property owners within the City.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

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, 2010, were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 320,000	\$ 103,750	\$ 423,750
2012	340,000	87,250	427,250
2013	360,000	69,750	429,750
2014	380,000	51,250	431,250
2015	405,000	31,625	436,625
2016	430,000	10,750	440,750
Total	\$ 2,235,000	\$ 354,375	\$ 2,589,375

2002 General Obligation Bonds

On April 17, 2002, the City issued \$13,245,000 of the 2002 General Obligation Bonds known as "Measure T" bonds. This financing was used to fund various parks and recreation projects in the City. The bonds bear annual 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 Measure T bonds maturing on or before August 1, 2013 are not subject to optional redemption prior to their maturities. The Measure T 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 Measure T bonds are called for redemption, bonds shall be redeemed in inverse order of maturities, and if less than all of the Measure T bonds of any given maturity are called for redemption, the portions of bonds given maturities to be redeemed shall be determined by lot. Measure T bonds shall be redeemed at the following redemption prices (expressed as a percentage of the principal amount of the bonds called for redemption), together with interest accrued thereon to the date of redemption:

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

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, 2010, were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 280,000	\$ 600,948	\$ 880,948
2012	295,000	584,407	879,407
2013	310,000	567,023	877,023
2014	330,000	548,623	878,623
2015	345,000	531,373	876,373
2016-2020	1,990,000	2,394,364	4,384,364
2021-2025	2,530,000	1,838,606	4,368,606
2026-2030	3,260,000	1,084,281	4,344,281
2031-2033	2,400,000	195,040	2,595,040
Total	\$ 11,740,000	\$ 8,344,665	\$ 20,084,665

2006 Las Pulgas Project Tax Allocation Bonds

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

The 2006 Bonds were issued as variable rate bonds, with interest calculated monthly. The rate fluctuates according to market conditions. In order to protect against the potential of rising interest rates associated with the Bonds and to maximize refunding savings, the Agency entered into a pay-fixed, receive variable interest rate swap. The terms, fair value and credit risk of the swap agreement are disclosed below.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

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 Ratings	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 annual 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, 2010 and 2009, the swap had a negative fair value of (\$11,178,716) and (\$8,541,685), respectively, a decrease in fair value of \$2,637,031 occurring during fiscal 2009-10. The fair value was recorded in the City's Statement of Net Assets as an interest rate swap liability and an offsetting deferred outflows of resources in the assets section. 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, 2010, 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. The original Ambac insurance is also intact. Cross-default provisions allow a nondefaulting party to accelerate and terminate all outstanding transactions and to net the transactions' fair values into a single sum to be owed by or owed to the nondefaulting party.

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

6. LONG-TERM DEBT, Continued

A. Long-term Obligations, Continued

2006 Las Pulgas Project Tax Allocation Bonds, Continued

In particular, the swap exposes the City 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.

The annual debt service requirements to mature the Series 2006 Community Development Agency Tax Allocation Refunding Bonds outstanding at June 30, 2010 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,810,000	\$ 2,556,966	4,366,966
2012	1,880,000	2,488,295	4,368,295
2013	1,950,000	2,416,968	4,366,968
2014	2,030,000	2,342,985	4,372,985
2015	2,105,000	2,265,966	4,370,966
2016-2020	14,030,000	9,947,299	23,977,299
2021-2025	17,590,000	6,982,288	24,572,288
2026-2030	21,245,000	3,381,592	24,626,592
2031	4,755,000	180,405	4,935,405
Total	\$ 67,395,000	\$ 32,562,764	\$ 99,957,764

The issuance of the 2006 Las Pulgas Tax Allocation Bonds included a discount of \$336,800. This amount was recorded as expenditures in the fund financial statements but was capitalized in the government-wide financials statements and recorded as a reduction of long-term debt. The discount will be amortized over the life of the debt. The amortization recorded in fiscal year 2010 was \$13,472.

In connection with the issuance of the 2006 Las Pulgas Tax Allocation Bonds, the City recorded a deferral on refunding of debt which is reported as part of long-term debt. This deferral was in connection with interest payments made to the escrow agent for future payments of interest. The total amount deferred was \$3,200,172, which will be amortized over the life of the bond. The amortization recorded in fiscal year 2010 was \$128,007.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

6. LONG-TERM DEBT, Continued

A. Long-term Obligations, Continued

Event Disclosure: As previously noted, 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 policy 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 rate demand bonds (VRDBs). The swap associated with the Bonds, entered into with Piper Jaffray at the original issuance of the Bonds, remains in effect.

2009 General Obligation Bonds

On July 1, 2009, the City issued a second series of the “Measure T” General Obligation bonds in the amount of \$10,440,000. The financing was used to fund new recreation facilities, specifically, a new gymnasium and new gymnastic center on the Burgess campus. The decision to include Build America Bonds (BABs) in the financing allowed the City to generate an additional \$1,049,000 over the tax exempt bonds. The overall “total issuance cost” for the series was 4.638%.

The Series A (Tax Exempt) Bonds totaled \$1,080,000; the (serial) bonds bear an annual interest of 5% and mature annually from 2010 to 2024 on August 1 in amounts ranging from \$10,000 to \$100,000.

The Series B (Taxable Build America) Bonds totaled \$9,360,000; the (term) bonds bear an annual interest at rates between 6.82% and 7.02% and mature annually from 2025 to 2039 on August 1 in amounts ranging from \$110,000 to \$1,355,000.

The 2009 General Obligation Bonds maturing on or before August 1, 2019 are not subject to redemption prior to their stated maturities. The bonds maturing in each year beginning August 1, 2020, are subject to redemption prior to maturity, 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, 2019, at a redemption price equal to the principal amount of the Bonds called, together with interest accrued to the date of redemption. If less than all of the bonds are called for redemption, the bonds will 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 such bonds of a given maturity to be redeemed shall be determined by lot.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

6. LONG-TERM DEBT, Continued

A. Long-term Obligations, Continued

The annual debt service requirements to maturity for the 2009 General Obligation Bonds outstanding at June 30, 2010, were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 10,000	\$ 766,658	\$ 776,658
2011	55,000	707,185	762,185
2012	60,000	704,435	764,435
2013	60,000	701,435	761,435
2014	65,000	698,435	763,435
2015-2019	365,000	3,441,175	3,806,175
2020-2024	465,000	3,340,175	3,805,175
2025-2029	595,000	3,191,018	3,786,018
2030-2034	2,550,000	2,907,518	5,457,518
2035-2039	6,215,000	1,347,840	7,562,840
Total	\$ 10,440,000	\$ 17,805,874	\$ 28,245,874

B. Prior Years' Defeased Obligations

1996 and 2000 Tax Allocation Bonds

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

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

The balance of the defeased bonds outstanding as of June 30, 2010, was \$61,010,000.

7. COMPENSATED ABSENCES

As of fiscal year 2010, compensated absences were not included as a liability in the Fund Financial Statements. Compensated absences at June 30, 2010 were as follows:

	<u>Balance</u>		<u>Balance</u>	<u>Estimated Due</u>	<u>Estimated Due in</u>	
	<u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2010</u>	<u>Within One Year</u>	<u>More than One Year</u>
Governmental Activities:	\$ 2,008,294	\$ 1,075,023	\$ (832,833)	\$ 2,250,484	\$ 1,063,710	\$ 1,186,774
Business-Type Activities:	54,008	38,134	(23,939)	68,203	32,435	35,770
Total compensated absences	\$ 2,062,302	\$ 1,113,157	\$ (856,772)	\$ 2,318,687	\$ 1,096,145	\$ 1,222,544

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

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 statement for the BCJPIA may be obtained from the offices of Bickmore Risk Services & Consulting at the following address:

Bay Cities Joint Powers Insurance Authority
 1750 Creekside Oaks Drive, Suite 200
 Sacramento, CA 95833

The City's Liability program has a per claim deductible of \$250,000 and a policy limit of \$29,000,000. The Employment Practices program has a per claim deductible of \$250,000 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 through the Authority, pooled coverage and reinsurance up to statutory limits.

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

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

Changes in the balances of the City's claims liabilities during the years ended June 30, 2010, 2009 and 2008 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
2007-2008	\$ 2,685,690	\$ 96,517	\$ (621,876)	\$ 2,160,331
2008-2009	2,160,331	734,411	(588,906)	2,305,836
2009-2010	2,305,836	712,895	(1,078,074)	1,940,657

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

9. INTERFUND TRANSACTIONS

Interfund receivables and payables at June 30, 2010, 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, 2010 is as follows:

	Due from other funds			Total
	Governmental Funds			
	General Fund	CDA Special Revenue Nonhousing	Non-Major Governmental Funds	
Due to other funds:				
Governmental Funds:				
CDA Capital Improvement Fund	\$ -	\$ 437,814	\$ -	\$ 437,814
Non-Major Funds	91,618	-	62,572	154,190
Total	\$ 91,618	\$ 437,814	\$ 62,572	\$ 592,004

All Due To/From Other Funds were established as of June 30, 2010 to cover short-term negative cash balances.

Interfund Transfers

Interfund transfers for the year ended June 30, 2010, were as follows:

	Transfers In				
	Governmental Activities				
	Major Funds		Non-Major		
	General Fund	CDA Debt Service	Governmental Funds	Total	
Transfers Out	Governmental Activities:				
	Major funds:				
	General Fund	\$ 243,709	\$ -	\$ 2,132,656	\$ 2,376,365
	CDA- Housing	84,682	881,574	-	966,256
	CDA- Non Housing	202,770	3,526,295	-	3,729,065
	Non-Major Governmental Fund:	-	-	65,000	65,000
Business-type Activities:					
Water	160,814	-	-	160,814	
Total	\$ 691,975	\$ 4,407,869	\$ 2,197,656	\$ 7,297,500	

The most significant transfers were from the Community Development Agency Housing and non-Housing funds to the Community Development Agency Debt Service Fund of \$4,407,869 total, which was provided to make debt service payments; and a transfer of \$1,918,056 from the General Fund to the General Capital Improvement Project fund for infrastructure improvements.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

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, 2010:

	General Fund	Development Block Grant Special Revenue	Community Development Agency				Non-Major Governmental Funds	Total
			Housing Special Revenue	Non-housing Special Revenue	Debt Service	Capital Projects		
Reserved:								
Encumbrances	\$ 399,575	\$ -	\$ 79,631	\$ 51,325	\$ -	\$ 1,469,331	\$ 3,850,437	\$ 5,850,299
Deposits and prepaid items	21,456	-	496	495	-	-	-	22,447
Housing loans	-	-	397,426	-	-	-	2,155,996	2,553,422
Debt service	-	-	-	-	9,135,499	-	3,494,597	12,630,096
Notes receivable	1,175,000	-	-	-	-	-	-	1,175,000
Total reserved	1,596,031	-	477,553	51,820	9,135,499	1,469,331	9,501,030	22,231,264
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 reported in special revenue funds	-	-	1,456,314	-	-	-	10,289,587	11,745,901
Capital improvements reported in: Capital project funds	-	-	-	-	-	5,963,275	16,597,926	22,561,201
Total unreserved, designated	5,600,000	-	1,456,314	-	-	5,963,275	26,887,513	39,907,102
Unreserved, undesignated reported in:								
Major funds	18,231,011	699,741	327,363	18,178,266	-	-	-	37,436,381
Non-major funds: Special revenue funds	-	-	-	-	-	-	15,339,257	15,339,257
Total Unreserved, undesignated	18,231,011	699,741	327,363	18,178,266	-	-	15,339,257	52,775,638
Total Fund Balance	\$ 25,427,042	\$ 699,741	\$ 2,261,230	\$ 18,230,086	\$ 9,135,499	\$ 7,432,606	\$ 51,727,800	\$ 114,914,004

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 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, 2010

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 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, 2010

12. OTHER FUND DISCLOSURES

Expenditures over Appropriations

The Literacy Grants Fund experienced additional Library staff time charges for extra programs related to the grant funding, exceeding the fund's budget by \$2,980.

The Peninsula Partnership Special Revenue Fund experienced addition Community Services personnel charges for extra programs related to the grant funding, exceeding the fund's budget by \$10,833.

The Miscellaneous Trust Special Revenue Fund exceeded appropriations by \$131,441 due to additional Environmental Impact Report expenses for community development. These costs are offset by Charges for Services revenues paid by the developers. There were sufficient extra revenues to cover the additional costs.

The Narcotic Seizure Special Revenue Fund exceeded appropriations by \$7,273, which were offset by charges for services.

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 8% 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 14.597% for miscellaneous employees, and 34.909% 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, 2010

13. PUBLIC EMPLOYEE RETIREMENT SYSTEM, Continued

Annual Pension Cost

For the fiscal year ended June 30, 2010, the City's annual pension cost of \$4,072,795 for PERS was equal to the City's required and actual contribution. The required contribution was determined as part of the June 30, 2007, 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 Normal Cost Method	Entry age Normal 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 an annual production growth of 0.25%	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%

The following is the three-year trend information for 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, 2008	\$ 1,110,018	100%	\$ -
June 30, 2009	1,352,603	100%	-
June 30, 2010	1,709,703	100%	-

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

13. PUBLIC EMPLOYEE RETIREMENT SYSTEM, Continued

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

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2008	\$ 1,825,141	100%	\$ -
June 30, 2009	2,212,922	100%	-
June 30, 2010	2,363,092	100%	-

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
2009	\$ 64,904,974	\$ 74,625,179	\$ 9,720,205	87.0%	\$ 14,224,996	68.3%

** 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.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

14. OTHER POST-EMPLOYMENT BENEFITS, Continued

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.

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 2009-10, the City contributed \$680,453, including \$328,191 in benefit payments and a \$352,262 deposit to CERBT. The City's ARC was \$565,000 for fiscal year 2009-10.

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 included financial statements and required supplementary information for the City, not individualizing, 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.

Annual required contribution	\$ 565,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	565,000
Contributions made	(352,262)
Benefit Payments	(328,191)
Increase (decrease) in net OPEB obligation	(115,453)
Net OPEB obligation—beginning of year	-
Net OPEB obligation/(asset)—end of year	<u>\$ (115,453)</u>

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

14. OTHER POST-EMPLOYMENT BENEFITS, Continued

An initial UAAL was paid off in 2007-08. Plan changes were amortized over a 20-year closed period, and methods and assumption changes and experience and contribution gains and losses were amortized over a 15-year closed period, all as a level percentage of payroll. 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,	OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008	\$ 10,667,000	100%	\$ -
2009	841,310	100%	-
2010	565,000	100%	-

Funded Status

The funded status of the plan as of January 1, 2010, was as follows:

Actuarial Accrued Liability (AAL)	\$ 9,862,000
Actuarial Value of Plan Assets	10,324,000
Unfunded Actuarial Accrued Liability (UAAL)	(462,000)
Funded Ratio (Actuarial value of plan assets/AAL)	104.7%
Covered Payroll (active plan members)	\$ 18,863,000
UAAL as a Percentage of Covered Payroll	-2.45%

An annual valuation of the City's OPEB obligation must be performed every other year. The City's most recent valuation was prepared with data as of January 1, 2010. 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 evaluation and the historical pattern of sharing of benefit costs between employer and plan members to that point.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

14. OTHER POST-EMPLOYMENT BENEFITS, Continued

In the January 1, 2010 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 8.4% (9.0% for PPO's) in 2011 (actual 2010 premium rates were used) decreasing to 4.5% over nine years. The post-Medicare eligible healthcare trend stated 0.3% higher for 2011. 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. Actuarial value of assets was based on 5 year smoothed market value.

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.

State and Federal laws and regulations require that the City perform certain maintenance and monitoring functions at the landfill site at Bayfront Park through the year 2025. These same regulations require the City to make annual contributions and/or provide an alternative funding mechanism to finance closure and post-closure care costs. In January 2003, the City Council approved a plan for a 5.4% surcharge on solid waste collection fees, increasing at a rate of 0.2% per year, in order to cover these costs. The surcharge is currently 6.8 percent.

The City's outstanding future post-closure care costs were estimated at \$6,388,623 at June 30, 2010. 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 2010:

	Balance July 1, 2009	Deletions	Balance June 30, 2010	Due within one year	Due in more than one year
Governmental Activities	\$ 6,551,380	\$ (162,757)	\$ 6,388,623	\$ 218,183	\$ 6,170,440

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

16. COMMUNITY DEVELOPMENT AGENCY OF THE CITY OF MENLO PARK

The Community Development Agency of the City of Menlo Park (Agency) was established in 1981 with the adoption of the Las Pulgas Community Development Plan (1981 Plan). Since 1981, the Agency has implemented numerous programs to improve housing in the project area. Revenue from tax increments in fiscal year 2010 was \$11,149,849.

Because the Agency had received and expended or was 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 and economic 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. The most recent 5-Year Redevelopment Implementation Plan covers the Agency's activities through fiscal year 2013-14.

17. COMMITMENTS AND 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, 2010, 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.

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

On July 28, 2009 the Governor of the State of California signed AB 4X 26 to address the fiscal emergency declared by the Governor on July 1, 2009. This bill amends the Health and Safety Code to require a \$1.7 billion shift in funds from redevelopment agencies to the state-mandated Supplemental Educational Revenue Augmentation Fund (SERAF) for fiscal year 2009-10, and a \$350 million SERAF shift for fiscal year 2010-11. The Agency's proportionate share of the 2009-10 SERAF shift was \$3,433,830 (reflected as an urban development and housing expenditure on the accompanying financial statements), and its 2010-11 proportionate share of the SERAF shift is expected to be approximately \$707,000.

City of Menlo Park

Notes to Basic Financial Statements, Continued

For the year ended June 30, 2010

17. COMMITMENTS AND CONTINGENCIES, continued

The City had various commitments totaling \$6,274,735 as of June 30, 2010. The City committed \$3,018,473 for the construction of the Arrillaga Family Gym, which will be completed in October 2010. Five of these commitments were for large construction projects: the Police Substation/City Hall Annex for \$1,300,000, the Emergency Water Tank Replacement program for \$243,574, minor improvements to city buildings in the amount of \$145,998, the Sharon Heights Pump Station Replacement project for \$142,035, and the El Camino Real Downtown Envisioning Program for \$120,551. The remaining commitments, totaling \$1,304,104, were for less significant activities. All commitments are evidenced by contractual agreements with contractors.

18. JOINT VENTURES

General

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

San Francisquito Creek

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

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

In the fiscal year ended June 30, 2010, each member entity contributed \$98,000 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
1231 Hoover Street
Menlo Park, CA 94025

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

18. JOINT VENTURES, Continued

South Bayside Waste Management Authority

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

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

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 effective through December 31, 2011, 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

19. NEGATIVE FUND BALANCE

As of June 30, 2010, the Peninsula Partnership Grant Fund has a negative fund balance of \$57,655. The grant funding for this program was overestimated but expenditures were not reduced. Additional funding in future years will be needed or the General Fund will add additional support. The General Liability Insurance internal service fund has a negative fund balance of \$101,678. The negative fund balance will be reduced from future internal service charges.

20. PROPOSITION 1A BORROWING BY THE STATE OF CALIFORNIA

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the City was \$996,425.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

20. PROPOSITION 1A BORROWING BY THE STATE OF CALIFORNIA, Continued

Authorized with the 2009-10 State budget package, the Proposition 1A Securitization Program was instituted by the California Statewide Communities Development Authority ("California Communities"), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition 1A receivables to California Communities. Under the Securitization Program, California Communities simultaneously purchased the 1A receivables and issued bonds ("Prop 1A Bonds") to provide local agencies with cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010. The purchase price paid to the local agencies equaled 100% of the amount of property tax reduction. All transaction costs of issuance and interest were paid by the State of California. Participating local agencies have no obligation on the bonds and no credit exposure to the State. The City participated in the securitization program and accordingly property taxes have been recorded in the same manner as if the State had not exercised its rights under Proposition 1A. The receivable sale proceeds were equal to the book value and, as a result, no gain or loss was recorded.

21. SUBSEQUENT EVENTS

The City has evaluated events subsequent to June 30, 2010 through the date of this report, and has determined there are no material events occurring in that period requiring disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

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City of Menlo Park
Required Supplementary Information
For the year ended June 30, 2010

BUDGETARY PRINCIPLES

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

1. The City Council identifies the priority projects/programs for the budget at a study session with public input and 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 net 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, 2010, 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, 2010

Budgetary Comparison Schedule, General Fund

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Secured property taxes	\$ 11,644,000	\$ 11,897,000	\$ 11,712,809	\$ (184,191)
Unsecured property taxes	400,000	246,700	472,082	225,382
Other property taxes	322,000	422,300	418,851	(3,449)
Sales taxes	6,978,000	6,016,000	5,499,244	(516,756)
Other taxes	5,600,870	5,262,600	4,731,606	(530,994)
Licenses and permits	2,991,988	2,991,988	2,738,638	(253,350)
Fines and forfeitures	1,348,442	1,248,442	1,028,825	(219,617)
Use of money and property	1,087,823	1,098,173	849,023	(249,150)
Intergovernmental	1,782,509	1,817,446	1,811,140	(6,306)
Charges for services	4,938,220	4,753,620	5,210,044	456,424
Other	19,100	49,683	52,608	2,925
Total revenues	37,112,952	35,803,952	34,524,870	(1,279,082)
EXPENDITURES:				
Current:				
General government	4,965,892	4,903,752	4,886,616	17,136
Public safety	14,048,027	13,826,978	13,467,470	359,508
Public works	5,188,494	4,963,125	4,901,340	61,785
Culture and recreation	8,823,724	8,646,694	8,168,853	477,841
Community development	2,965,230	2,917,310	2,723,260	194,050
Capital outlay	269,532	272,712	217,768	54,944
Total expenditures	36,260,899	35,530,571	34,365,307	1,165,264
REVENUES OVER (UNDER) EXPENDITURES	852,053	273,381	159,563	(113,818)
OTHER FINANCING SOURCES (USES):				
Transfers in	691,974	691,974	691,975	1
Transfers out	(2,377,800)	(2,132,656)	(2,132,656)	-
Proceeds from sale of assets	-	-	-	-
Total other financing sources (uses)	(1,685,826)	(1,440,682)	(1,440,681)	1
Net change in fund balance	\$ (833,773)	\$ (1,167,301)	(1,281,118)	\$ (113,817)
FUND BALANCE:				
Beginning of year			26,708,160	
End of year			<u>\$ 25,427,042</u>	

City of Menlo Park
Required Supplementary Information, Continued
For the year ended June 30, 2010

Budgetary Comparison Schedule, Community Development Agency Housing Special Revenue

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
REVENUES:				
Taxes:				
Secured property taxes	\$ 2,148,046	\$ 2,100,000	\$ 2,039,923	\$ (60,077)
Unsecured property taxes	280,595	153,482	190,047	36,565
Use of money and property	25,000	25,000	33,628	8,628
Charges for services	339,000	339,000	-	(339,000)
Total revenues	2,792,641	2,617,482	2,263,598	(353,884)
EXPENDITURES:				
Current:				
Urban development and housing	1,161,528	1,193,466	740,646	452,820
Capital outlay	1,500	1,500	300	1,200
Total expenditures	1,163,028	1,194,966	740,946	454,020
REVENUES OVER (UNDER) EXPENDITURES	1,629,613	1,422,516	1,522,652	100,136
OTHER FINANCING SOURCES (USES):				
Transfers out	(966,256)	(966,256)	(966,256)	-
Total other financing sources (uses)	(966,256)	(966,256)	(966,256)	-
Net change in fund balance	\$ 663,357	\$ 456,260	556,396	\$ 100,136
FUND BALANCE:				
Beginning of year			1,704,834	
End of year			\$ 2,261,230	

City of Menlo Park
Required Supplementary Information, Continued
For the year ended June 30, 2010

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

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
REVENUES:				
Taxes:				
Secured property taxes	\$ 8,507,110	\$ 8,400,000	\$ 8,159,691	\$ (240,309)
Unsecured property taxes	1,122,379	613,927	760,188	146,261
Use of money and property	500,000	500,000	272,690	(227,310)
Intergovernmental	145,000	145,000	-	(145,000)
Charges for services	1,000	1,000	100,927	99,927
Total revenues	10,275,489	9,659,927	9,293,496	(366,431)
EXPENDITURES:				
Current:				
Community development	1,383,611	1,391,604	1,326,027	65,577
Urban development and housing	3,726,632	7,163,067	6,519,526	643,541
Capital outlay	-	-	-	-
Total expenditures	5,110,243	8,554,671	7,845,553	709,118
REVENUES OVER (UNDER) EXPENDITURES	5,165,246	1,105,256	1,447,943	342,687
OTHER FINANCING SOURCES (USES):				
Transfers out	(3,729,065)	(3,729,065)	(3,729,065)	-
Total other financing sources (uses)	(3,729,065)	(3,729,065)	(3,729,065)	-
Net change in fund balance	\$ 1,436,181	\$ (2,623,809)	(2,281,122)	\$ 342,687
FUND BALANCE:				
Beginning of year			20,511,208	
End of year			\$ 18,230,086	

City of Menlo Park
Required Supplementary Information, Continued
For the year ended June 30, 2010

Budgetary Comparison Schedule, Community Development Block Grant Special Revenue Fund

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 4,500	\$ 4,500	\$ 16,935	\$ 12,435
Charges for services	-	-	82,533	82,533
Total revenues	4,500	4,500	99,468	94,968
EXPENDITURES:				
Current:				
Urban development and housing	2,274	2,571	-	2,571
Community development	-	-	2,430	(2,430)
Capital outlay	-	-	-	-
Total expenditures	2,274	2,571	2,430	141
REVENUES OVER (UNDER) EXPENDITURES	\$ 2,226	\$ 1,929	97,038	\$ 95,109
FUND BALANCE:				
Beginning of year			602,703	
End of year			\$ 699,741	

City of Menlo Park
Required Supplementary Information, Continued
For the year ended June 30, 2010

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

SCHEDULE 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	(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%
2008	61,338,783	67,682,313	6,343,530	90.6%	13,787,507	46.0%
2009	64,904,974	74,625,179	9,720,205	87.0%	14,224,996	68.3%
2010			*** information not available ***			

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 or disclosed.

B. OTHER POST EMPLOYMENT BENEFITS (OPEB)

In order to comply with GASB Statement 45, an actuarial valuation of the City's OPEB obligations must be performed every other year. The City's most recent valuation was prepared with data as of January 1, 2010.

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
1/1/2008	\$ -	\$ 10,057,000	\$ 10,057,000	0.0%	\$ 17,936,000	56.1%
1/1/2010	\$ 10,324,000	\$ 9,862,000	\$ (462,000)	104.7%	\$ 18,863,000	-2.4%

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, 2010

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 200,000	\$ 200,000	\$ 81,379	\$ (118,621)
Total revenues	<u>200,000</u>	<u>200,000</u>	<u>81,379</u>	<u>(118,621)</u>
EXPENDITURES:				
Debt service:				
Principal	1,745,000	1,745,000	1,745,000	-
Interest and fiscal charges	2,862,869	2,862,869	2,676,540	186,329
Cost of issuance	-	-	5,977	(5,977)
Total expenditures	<u>4,607,869</u>	<u>4,607,869</u>	<u>4,427,517</u>	<u>180,352</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(4,407,869)</u>	<u>(4,407,869)</u>	<u>(4,346,138)</u>	<u>61,731</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	4,407,869	4,407,869	4,407,869	-
Total other financing sources (uses)	<u>4,407,869</u>	<u>4,407,869</u>	<u>4,407,869</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	61,731	<u>\$ 61,731</u>
FUND BALANCE:				
Beginning of year			<u>9,073,768</u>	
End of year			<u>\$ 9,135,499</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, 2010

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 160,500	\$ 160,500	\$ 71,981	\$ (88,519)
Total revenues	<u>160,500</u>	<u>160,500</u>	<u>71,981</u>	<u>(88,519)</u>
EXPENDITURES:				
Capital outlay	5,574,902	5,743,127	333,624	5,409,503
Total expenditures	<u>5,574,902</u>	<u>5,743,127</u>	<u>333,624</u>	<u>5,409,503</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(5,414,402)</u>	<u>(5,582,627)</u>	<u>(261,643)</u>	<u>5,320,984</u>
Net change in fund balance	<u>\$ (5,414,402)</u>	<u>\$ (5,582,627)</u>	<u>(261,643)</u>	<u>\$ 5,320,984</u>
FUND BALANCE:				
Beginning of year			<u>7,694,249</u>	
End of year			<u>\$ 7,432,606</u>	

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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.

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

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

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

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

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

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

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

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

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

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

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

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds, Continued:

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

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

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

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

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

Bedwell 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 Bedwell 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 - Utilizes an annual City General Fund transfers to provide adequate funding for maintenance of the City's current infrastructure.

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City of Menlo Park
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2010

	Special Revenue				
	Highway Users Tax	Federal Revenue Sharing	Landscape/ Tree Assessment	Sidewalk Assessment	Landfill Post-Closure
ASSETS					
Cash and investments	\$ 2,665,564	\$ 58,244	\$ 292,667	\$ 495,801	\$ 1,846,547
Restricted cash and investments	-	-	-	-	-
Receivables:					
Accounts	-	-	70	-	115,822
Interest	13,017	284	-	-	9,011
Notes	-	63,302	-	-	-
Due from other governments	80,601	-	18,350	6,787	4,583
Deposits and prepaid items	-	-	-	-	-
Due from other funds	-	-	-	-	-
Total assets	\$ 2,759,182	\$ 121,830	\$ 311,087	\$ 502,588	\$ 1,975,963
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 47,340	\$ -	\$ 13,636
Accrued payroll and related liabilities	3,764	-	4,910	940	265
Due to other funds	-	-	-	-	-
Deposits	-	-	-	-	-
Deferred revenue	-	63,302	-	-	20,209
Total liabilities	3,764	63,302	52,250	940	34,110
Fund Balances:					
Reserved:					
Encumbrances and reappropriations	10,000	-	49,095	1,131	74,709
Housing loans	-	-	-	-	-
Debt service	-	-	-	-	-
Total reserved	10,000	-	49,095	1,131	74,709
Unreserved:					
Designated:					
Special programs and services	-	-	-	-	1,867,144
Capital improvements	-	-	-	-	-
Total designated	-	-	-	-	1,867,144
Undesignated	2,745,418	58,528	209,742	500,517	-
Total fund balances	2,755,418	58,528	258,837	501,648	1,941,853
Total liabilities and fund balances	\$ 2,759,182	\$ 121,830	\$ 311,087	\$ 502,588	\$ 1,975,963

(Continued)

Special Revenue

Below Market Rate Housing	County Transportation Tax	Public Library	Literacy Grants	Narcotic Seizure	Traffic Impact Fees	Downtown Parking Permits	Storm Drainage Fees
\$ 8,395,034	\$ 1,560,765	\$ 53,366	\$ 82,544	\$ 37,369	\$ 681,551	\$ 2,826,870	\$ 257,414
-	-	-	-	-	-	-	-
-	26,393	-	-	-	-	-	-
40,967	7,838	-	-	-	3,347	13,821	1,256
2,155,996	-	-	-	-	-	-	-
-	76,958	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	40,185	22,387	-	-	-	-
<u>\$ 10,591,997</u>	<u>\$ 1,671,954</u>	<u>\$ 93,551</u>	<u>\$ 104,931</u>	<u>\$ 37,369</u>	<u>\$ 684,898</u>	<u>\$ 2,840,691</u>	<u>\$ 258,670</u>
\$ 3,107	\$ 51,970	\$ -	\$ 1,271	\$ 173	\$ 28,077	\$ 4,727	\$ -
-	13,919	-	5,900	-	5,495	4,050	-
-	-	-	62,573	-	-	-	-
-	-	-	-	-	40,000	-	-
-	-	-	-	-	-	-	-
<u>3,107</u>	<u>65,889</u>	<u>-</u>	<u>69,744</u>	<u>173</u>	<u>73,572</u>	<u>8,777</u>	<u>-</u>
10,451	103,831	-	-	-	29,224	7,858	-
2,155,996	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>2,166,447</u>	<u>103,831</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,224</u>	<u>7,858</u>	<u>-</u>
8,422,443	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>8,422,443</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	1,502,234	93,551	35,187	37,196	582,102	2,824,056	258,670
10,588,890	1,606,065	93,551	35,187	37,196	611,326	2,831,914	258,670
<u>\$ 10,591,997</u>	<u>\$ 1,671,954</u>	<u>\$ 93,551</u>	<u>\$ 104,931</u>	<u>\$ 37,369</u>	<u>\$ 684,898</u>	<u>\$ 2,840,691</u>	<u>\$ 258,670</u>

(Continued)

City of Menlo Park
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2010

	Special Revenue				
	Solid Waste Service	Bay Area Air Quality Management	Storm Water Management	Peninsula Partnership Grant	Supplemental Law Enforcement Service
ASSETS					
Cash and investments	\$ 732,491	\$ -	\$ 315,371	\$ -	\$ -
Restricted cash and investments	-	-	-	-	-
Receivables:					
Accounts	-	5,076	-	30,000	-
Interest	3,268	-	-	-	-
Notes	-	-	-	-	-
Due from other governments	64,864	-	12,237	-	9,935
Deposits and prepaid items	-	-	530	-	-
Due from other funds	-	-	-	-	-
Total assets	\$ 800,623	\$ 5,076	\$ 328,138	\$ 30,000	\$ 9,935
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 128,093	\$ -	\$ 2,613	\$ 90	\$ 2,178
Accrued payroll and related liabilities	4,808	-	3,839	2,444	-
Due to other funds	-	2,502	-	85,121	3,655
Deposits	-	-	-	-	-
Deferred revenue	316,612	-	-	-	-
Total liabilities	449,513	2,502	6,452	87,655	5,833
Fund Balances:					
Reserved:					
Encumbrances and reappropriations	24,736	-	5,925	-	-
Housing loans	-	-	-	-	-
Debt service	-	-	-	-	-
Total reserved	24,736	-	5,925	-	-
Unreserved:					
Designated:					
Special programs and services	-	-	-	-	-
Capital improvements	-	-	-	-	-
Total designated	-	-	-	-	-
Undesignated	326,374	2,574	315,761	(57,655)	4,102
Total fund balances	351,110	2,574	321,686	(57,655)	4,102
Total liabilities and fund balances	\$ 800,623	\$ 5,076	\$ 328,138	\$ 30,000	\$ 9,935

(Continued)

Special Revenue						Debt Service
Construction Impact Fees	Bedwell Bayfront Park Maintenance	Recreation In-Lieu	Sharon Hills Park	Vintage Oaks Landscape	Miscellaneous Trust	Library Bond
\$ 2,824,757	\$ 1,044,057	\$ 3,892,513	\$ 123,259	\$ 130,517	\$ 879,737	\$ 877,944
-	-	-	-	-	-	64
-	-	-	-	-	-	-
13,785	5,097	18,995	601	636	2,310	4,284
-	-	-	-	-	-	-
-	-	-	-	-	-	11,205
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 2,838,542</u>	<u>\$ 1,049,154</u>	<u>\$ 3,911,508</u>	<u>\$ 123,860</u>	<u>\$ 131,153</u>	<u>\$ 882,047</u>	<u>\$ 893,497</u>
\$ -	\$ 11,408	\$ -	\$ 10,900	\$ 307	\$ 45,786	\$ -
-	621	310	-	-	1,180	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	12,029	310	10,900	307	46,966	-
2,422	39,699	6,139	-	975	79,497	-
-	-	-	-	-	-	-
-	-	-	-	-	-	893,497
<u>2,422</u>	<u>39,699</u>	<u>6,139</u>	<u>-</u>	<u>975</u>	<u>79,497</u>	<u>893,497</u>
-	-	-	-	-	-	-
2,836,120	-	-	-	-	-	-
<u>2,836,120</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	997,426	3,905,059	112,960	129,871	755,584	-
<u>2,838,542</u>	<u>1,037,125</u>	<u>3,911,198</u>	<u>112,960</u>	<u>130,846</u>	<u>835,081</u>	<u>893,497</u>
<u>\$ 2,838,542</u>	<u>\$ 1,049,154</u>	<u>\$ 3,911,508</u>	<u>\$ 123,860</u>	<u>\$ 131,153</u>	<u>\$ 882,047</u>	<u>\$ 893,497</u>

(Continued)

City of Menlo Park
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2010

	Debt Service		Capital Projects		Total Non-Major Governmental Funds
	Recreation GO Bond 2002	Library Addition	Measure T 2002 GO Bond	Capital Improvement General	
ASSETS					
Cash and investments	\$ 2,558,139	\$ 263,555	\$ 6	\$ 8,892,458	\$ 41,788,540
Restricted cash and investments	-	-	8,399,687	-	8,399,751
Receivables:					
Accounts	-	-	-	15,434	192,795
Interest	12,483	1,286	13,603	-	165,889
Notes	-	-	-	-	2,219,298
Due from other governments	32,478	-	-	65,970	383,968
Deposits and prepaid items	-	-	-	-	530
Due from other funds	-	-	-	-	62,572
Total assets	\$ 2,603,100	\$ 264,841	\$ 8,413,296	\$ 8,973,862	\$ 53,213,343
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 2,000	\$ 23,366	\$ 395,023	\$ 56,559	\$ 828,624
Accrued payroll and related liabilities	-	-	3,028	7,133	62,606
Due to other funds	-	-	339	-	154,190
Deposits	-	-	-	-	40,000
Deferred revenue	-	-	-	-	400,123
Total liabilities	2,000	23,366	398,390	63,692	1,485,543
Fund Balances:					
Reserved:					
Encumbrances and reappropriations	-	17,398	3,133,527	253,820	3,850,437
Housing loans	-	-	-	-	2,155,996
Debt service	2,601,100	-	-	-	3,494,597
Total reserved	2,601,100	17,398	3,133,527	253,820	9,501,030
Unreserved:					
Designated:					
Special programs and services	-	-	-	-	10,289,587
Capital improvements	-	224,077	4,881,379	8,656,350	16,597,926
Total designated	-	224,077	4,881,379	8,656,350	26,887,513
Undesignated	-	-	-	-	15,339,257
Total fund balances	2,601,100	241,475	8,014,906	8,910,170	51,727,800
Total liabilities and fund balances	\$ 2,603,100	\$ 264,841	\$ 8,413,296	\$ 8,973,862	\$ 53,213,343

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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, 2010

	Special Revenue				
	Highway Users Tax	Federal Revenue Sharing	Landscape/ Tree Assessment	Sidewalk Assessment	Landfill Post-Closure
REVENUES:					
Other taxes	\$ 533,444	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	504,700	186,670	-
Licenses and permits	-	-	-	-	-
Use of money and property	46,430	3,611	-	-	71,660
Intergovernmental	397,960	-	26,349	-	-
Charges for services	-	14,936	-	-	496,818
Other	-	-	-	-	-
Total revenues	977,834	18,547	531,049	186,670	568,478
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	75,246	-	645,069	53,122	169,228
Culture and recreation	-	-	-	-	-
Community development	-	-	-	-	-
Urban development and housing	-	23,400	-	-	-
Capital outlay	162,870	-	3,522	146,646	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	238,116	23,400	648,591	199,768	169,228
REVENUES OVER (UNDER) EXPENDITURES	739,718	(4,853)	(117,542)	(13,098)	399,250
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	159,600	-	-
Transfers out	-	-	(56,041)	(16,835)	(6,998)
Proceeds from sale of fixed assets	-	-	-	-	-
Bond proceeds	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Total other financing sources (uses)	-	-	103,559	(16,835)	(6,998)
Net change in fund balances	739,718	(4,853)	(13,983)	(29,933)	392,252
FUND BALANCES:					
Beginning of year	2,015,700	63,381	272,820	531,581	1,549,601
End of year	\$ 2,755,418	\$ 58,528	\$ 258,837	\$ 501,648	\$ 1,941,853

(Continued)

Special Revenue

Below Market Rate Housing	County Transportation Tax	Public Library	Literacy Grants	Narcotic Seizure	Traffic Impact Fees	Downtown Parking Permits	Storm Drainage Fees
\$ -	\$ 618,996	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	331,352	-
132,188	21,240	-	-	-	8,957	43,674	3,927
-	163,034	11,286	-	-	-	-	-
117,030	41,088	-	-	22,581	51,520	-	900
-	-	-	137,686	-	-	-	-
249,218	844,358	11,286	137,686	22,581	60,477	375,026	4,827
-	-	-	-	-	-	-	-
-	-	-	-	5,639	-	4,059	-
-	763,549	-	-	-	222,787	197,215	-
-	-	1,883	190,973	-	-	-	-
-	-	-	-	-	-	-	-
28,511	-	-	-	-	-	-	-
975,899	77,478	-	-	1,634	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,004,410	841,027	1,883	190,973	7,273	222,787	201,274	-
(755,192)	3,331	9,403	(53,287)	15,308	(162,310)	173,752	4,827
-	-	-	55,000	-	-	-	-
-	-	(29,000)	-	-	-	(22,406)	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	(29,000)	55,000	-	-	(22,406)	-
(755,192)	3,331	(19,597)	1,713	15,308	(162,310)	151,346	4,827
11,344,082	1,602,734	113,148	33,474	21,888	773,636	2,680,568	253,843
\$ 10,588,890	\$ 1,606,065	\$ 93,551	\$ 35,187	\$ 37,196	\$ 611,326	\$ 2,831,914	\$ 258,670

(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, 2010

	Special Revenue				
	Solid Waste Service	Bay Area Air Quality Management	Storm Water Management (NPDES)	Peninsula Partnership	Supplemental Law Enforcement Services
REVENUES:					
Other taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	326,949	-	-
Licenses and permits	-	-	-	-	-
Use of money and property	2,893	(241)	-	-	-
Intergovernmental	5,000	-	-	68,944	101,036
Charges for services	1,701,735	-	55	-	10,000
Other	60,565	-	-	6,760	-
Total revenues	1,770,193	(241)	327,004	75,704	111,036
EXPENDITURES:					
Current:					
General government	1,556,201	-	-	-	-
Public safety	-	-	-	-	55,226
Public works	172,446	45,449	310,514	-	-
Culture and recreation	-	-	-	119,349	-
Community development	-	-	-	-	-
Urban development and housing	-	-	-	-	-
Capital outlay	-	-	-	-	44,346
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	1,728,647	45,449	310,514	119,349	99,572
REVENUES OVER (UNDER) EXPENDITURES	41,546	(45,690)	16,490	(43,645)	11,464
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	(68,526)	-	(31,970)	-	-
Proceeds from sale of assets	-	-	3,204	-	-
Bond proceeds	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Total other financing sources (uses)	(68,526)	-	(28,766)	-	-
Net change in fund balances	(26,980)	(45,690)	(12,276)	(43,645)	11,464
FUND BALANCES:					
Beginning of year	378,090	48,264	333,962	(14,010)	(7,362)
End of year	\$ 351,110	\$ 2,574	\$ 321,686	\$ (57,655)	\$ 4,102

(Continued)

Special Revenue						Debt Service
Construction Impact Fee	Bedwell Bayfront Park Maintenance	Recreation In-Lieu	Sharon Hills Park	Vintage Oaks Landscape	Miscellaneous Trust	Library Bond
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	485,996
-	-	-	-	-	-	-
46,916	13,173	61,379	1,878	1,849	6,937	8,861
-	-	-	-	-	-	-
357,162	-	256,000	-	-	307,462	-
-	-	-	-	-	2,340	-
<u>404,078</u>	<u>13,173</u>	<u>317,379</u>	<u>1,878</u>	<u>1,849</u>	<u>316,739</u>	<u>494,857</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
23,426	164,713	1,457	10,900	11,994	-	-
-	-	-	-	-	86,257	-
-	-	-	-	-	302,628	-
-	-	-	-	-	-	-
-	1,961	-	-	-	1,930	-
-	-	-	-	-	-	300,000
-	-	-	-	-	-	119,025
<u>23,426</u>	<u>166,674</u>	<u>1,457</u>	<u>10,900</u>	<u>11,994</u>	<u>390,815</u>	<u>419,025</u>
<u>380,652</u>	<u>(153,501)</u>	<u>315,922</u>	<u>(9,022)</u>	<u>(10,145)</u>	<u>(74,076)</u>	<u>75,832</u>
-	-	-	-	-	-	-
-	(11,233)	-	-	-	(65,700)	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>(11,233)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(65,700)</u>	<u>-</u>
<u>380,652</u>	<u>(164,734)</u>	<u>315,922</u>	<u>(9,022)</u>	<u>(10,145)</u>	<u>(139,776)</u>	<u>75,832</u>
2,457,890	1,201,859	3,595,276	121,982	140,991	974,857	817,665
<u>\$ 2,838,542</u>	<u>\$ 1,037,125</u>	<u>\$ 3,911,198</u>	<u>\$ 112,960</u>	<u>\$ 130,846</u>	<u>\$ 835,081</u>	<u>\$ 893,497</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, 2010

	Debt Service		Capital Projects		Total Non-Major Governmental Funds
	Recreation GO Bond 2002	Library Addition	Measure T 2002 GO Bond	Capital Improvement General	
REVENUES:					
Other taxes	\$ -	\$ -	\$ -	\$ 56,440	\$ 1,208,880
Special assessments	1,319,783	-	-	-	2,824,098
Licenses and permits	-	-	-	-	331,352
Use of money and property	32,262	4,235	81,111	-	592,940
Intergovernmental	-	-	-	635,000	1,408,609
Charges for services	-	-	-	(32,608)	3,344,679
Other	-	75,000	-	-	282,351
Total revenues	1,352,045	79,235	81,111	658,832	9,992,909
EXPENDITURES:					
Current:					
General government	-	-	-	-	1,556,201
Public safety	-	-	-	-	64,924
Public works	-	-	-	-	2,867,115
Culture and recreation	3,600	-	-	-	402,062
Community development	-	-	-	-	302,628
Urban development and housing	-	-	-	-	51,911
Capital outlay	-	254,147	3,496,206	2,595,680	7,762,319
Debt service:					
Principal	260,000	-	-	-	560,000
Interest	779,914	-	-	-	898,939
Total expenditures	1,043,514	254,147	3,496,206	2,595,680	14,466,099
REVENUES OVER (UNDER) EXPENDITURES	308,531	(174,912)	(3,415,095)	(1,936,848)	(4,473,190)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	65,000	-	1,918,056	2,197,656
Transfers out	-	-	-	-	(308,709)
Proceeds from sale of fixed assets	-	-	-	-	3,204
Bond proceeds	-	-	10,440,000	-	10,440,000
Premium on issuance of bonds	-	-	74,971	-	74,971
Total other financing sources (uses)	-	65,000	10,514,971	1,918,056	12,407,122
Net change in fund balances	308,531	(109,912)	7,099,876	(18,792)	7,933,932
FUND BALANCES:					
Beginning of year	2,292,569	351,387	915,030	8,928,962	43,793,868
End of year	\$ 2,601,100	\$ 241,475	\$ 8,014,906	\$ 8,910,170	\$ 51,727,800

(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, 2010

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other Taxes	\$ 492,000	\$ 492,000	\$ 533,444	\$ 41,444
Use of money and property	30,500	30,500	46,430	15,930
Intergovernmental	-	389,000	397,960	8,960
Total revenues	522,500	911,500	977,834	66,334
EXPENDITURES:				
Current:				
Public works	157,616	311,076	75,246	235,830
Capital outlay	928,769	778,769	162,870	615,899
Total expenditures	1,086,385	1,089,845	238,116	851,729
REVENUES OVER (UNDER) EXPENDITURES	(563,885)	(178,345)	739,718	(918,063)
Net change in fund balance	\$ (563,885)	\$ (178,345)	739,718	\$ 918,063
FUND BALANCE:				
Beginning of year			2,015,700	
End of year			\$ 2,755,418	

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, 2010

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 1,500	\$ 1,500	\$ 3,611	\$ 2,111
Charges for services	660	660	14,936	14,276
Total revenues	2,160	2,160	18,547	16,387
EXPENDITURES:				
Current:				
Urban development and housing	25,000	25,000	23,400	1,600
Total expenditures	25,000	25,000	23,400	1,600
Net change in fund balance	\$ (22,840)	\$ (22,840)	(4,853)	\$ 17,987
FUND BALANCE:				
Beginning of year			63,381	
End of year			\$ 58,528	

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, 2010

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ 517,789	\$ 517,789	\$ 504,700	\$ (13,089)
Intergovernmental	13,000	13,000	26,349	13,349
Charges for services	2,500	2,500	-	(2,500)
Total revenues	533,289	533,289	531,049	(2,240)
EXPENDITURES:				
Current:				
Public works	800,027	798,480	645,069	153,411
Capital outlay	24,000	-	3,522	(3,522)
Total expenditures	824,027	798,480	648,591	149,889
REVENUES OVER (UNDER) EXPENDITURES	(290,738)	(265,191)	(117,542)	(147,649)
OTHER FINANCING SOURCES (USES):				
Transfers in	159,600	159,600	159,600	-
Transfers out	(56,040)	(56,040)	(56,041)	(1)
Total other financing sources (uses)	103,560	103,560	103,559	(1)
Net change in fund balance	\$ (187,178)	\$ (161,631)	(13,983)	\$ 147,648
FUND BALANCE:				
Beginning of year			272,820	
End of year			\$ 258,837	

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, 2010

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ 173,795	\$ 173,795	\$ 186,670	\$ 12,875
Total revenues	<u>173,795</u>	<u>173,795</u>	<u>186,670</u>	<u>12,875</u>
EXPENDITURES:				
Current:				
Public works	27,177	27,630	53,122	(25,492)
Capital outlay	<u>623,326</u>	<u>403,326</u>	<u>146,646</u>	<u>256,680</u>
Total expenditures	<u>650,503</u>	<u>430,956</u>	<u>199,768</u>	<u>231,188</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(476,708)</u>	<u>(257,161)</u>	<u>(13,098)</u>	<u>(218,313)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(16,835)</u>	<u>(16,835)</u>	<u>(16,835)</u>	<u>-</u>
Total other financing sources (uses)	<u>(16,835)</u>	<u>(16,835)</u>	<u>(16,835)</u>	<u>-</u>
Net change in fund balance	<u>\$ (493,543)</u>	<u>\$ (273,996)</u>	<u>(29,933)</u>	<u>\$ 244,063</u>
FUND BALANCE:				
Beginning of year			<u>531,581</u>	
End of year			<u>\$ 501,648</u>	

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Landfill Post-Closure Special Revenue Fund For the year ended June 30, 2010

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 115,000	\$ 115,000	\$ 71,660	\$ (43,340)
Charges for services	390,000	390,000	496,818	106,818
Total revenues	505,000	505,000	568,478	63,478
EXPENDITURES:				
Current:				
Public Works	355,141	355,460	169,228	186,232
Capital outlay	25,000	25,000	-	25,000
Total expenditures	380,141	380,460	169,228	211,232
REVENUES OVER (UNDER) EXPENDITURES	124,859	124,540	399,250	(147,754)
OTHER FINANCING SOURCES (USES):				
Transfers out	(6,998)	(6,998)	(6,998)	-
Total other financing sources (uses)	(6,998)	(6,998)	(6,998)	-
Net change in fund balance	\$ 131,857	\$ 131,538	392,252	\$ 260,714
FUND BALANCE:				
Beginning of year			1,549,601	
End of year			\$ 1,941,853	

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, 2010

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 143,000	\$ 143,000	\$ 132,188	\$ (10,812)
Charges for services	1,356,000	-	117,030	117,030
Total revenues	1,499,000	143,000	249,218	106,218
EXPENDITURES:				
Current:				
Urban development and housing	-	17,000	28,511	(11,511)
Capital outlay	-	1,105,100	975,899	129,201
Total expenditures	-	1,122,100	1,004,410	117,690
REVENUES OVER (UNDER) EXPENDITURES	1,499,000	(979,100)	(755,192)	223,908
Net change in fund balance	\$ 1,499,000	\$ (979,100)	(755,192)	\$ 223,908
FUND BALANCE:				
Beginning of year			11,344,082	
End of year			\$ 10,588,890	

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, 2010

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other Taxes	\$ 690,000	\$ 690,000	\$ 618,996	\$ (71,004)
Use of money and property	40,000	40,000	21,240	(18,760)
Intergovernmental	631,201	190,101	163,034	(27,067)
Charges for services	31,000	31,000	41,088	10,088
Total revenues	1,392,201	951,101	844,358	(106,743)
EXPENDITURES:				
Current:				
Public works	1,179,540	1,177,842	763,549	414,293
Capital outlay	1,048,252	1,040,002	77,478	962,524
Total expenditures	2,227,792	2,217,844	841,027	1,376,817
Net change in fund balance	\$ (835,591)	\$ (1,266,743)	3,331	\$ 1,270,074
FUND BALANCE:				
Beginning of year			1,602,734	
End of year			\$ 1,606,065	

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, 2010

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 10,000	\$ 10,000	\$ 11,286	\$ 1,286
Total revenues	<u>10,000</u>	<u>10,000</u>	<u>11,286</u>	<u>1,286</u>
EXPENDITURES:				
Current:				
Culture and recreation	29,558	29,558	1,883	27,675
Total expenditures	<u>29,558</u>	<u>29,558</u>	<u>1,883</u>	<u>27,675</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(19,558)</u>	<u>(19,558)</u>	<u>9,403</u>	<u>(26,389)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(29,000)	(29,000)	(29,000)	-
Total other financing sources (uses)	<u>(29,000)</u>	<u>(29,000)</u>	<u>(29,000)</u>	<u>-</u>
Net change in fund balance	<u>\$ (48,558)</u>	<u>\$ (48,558)</u>	<u>(19,597)</u>	<u>\$ 28,961</u>
FUND BALANCE:				
Beginning of year			113,148	
End of year			<u>\$ 93,551</u>	

City of Menlo Park

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

Literacy Grant Special Revenue Fund

For the year ended June 30, 2010

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 47,500	\$ 47,500	\$ -	\$ (47,500)
Other	60,600	70,600	137,686	67,086
Total revenues	108,100	118,100	137,686	19,586
EXPENDITURES:				
Current:				
Culture and recreation	177,810	187,993	190,973	(2,980)
Total expenditures	177,810	187,993	190,973	(2,980)
REVENUES OVER (UNDER) EXPENDITURES	(69,710)	(69,893)	(53,287)	16,606
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	\$ (14,710)	\$ (14,893)	1,713	\$ 16,606
FUND BALANCE:				
Beginning of year			33,474	
End of year			\$ 35,187	

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, 2010

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for current services	\$ -	\$ -	\$ 22,581	\$ 22,581
Total revenues	<u>-</u>	<u>-</u>	<u>22,581</u>	<u>22,581</u>
EXPENDITURES:				
Current:				
Public safety	-	-	5,639	(5,639)
Capital outlay	-	-	1,634	(1,634)
Total expenditures	<u>-</u>	<u>-</u>	<u>7,273</u>	<u>(7,273)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>15,308</u>	<u>15,308</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>15,308</u>	<u>\$ 15,308</u>
FUND BALANCE:				
Beginning of year			21,888	
End of year			<u>\$ 37,196</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, 2010

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 17,000	\$ 17,000	\$ 8,957	\$ (8,043)
Charges for services	-	51,500	51,520	20
Total revenues	17,000	68,500	60,477	(8,023)
EXPENDITURES:				
Current:				
Public works	358,483	360,728	222,787	137,941
Capital outlay	100,363	60,363	-	60,363
Total expenditures	458,846	421,091	222,787	198,304
Net change in fund balance	\$ (441,846)	\$ (352,591)	(162,310)	\$ 190,281
FUND BALANCE:				
Beginning of year			773,636	
End of year			\$ 611,326	

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, 2010

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses and permits	\$ 440,000	\$ 440,000	\$ 331,352	\$ (108,648)
Use of money and property	50,000	50,000	43,674	(6,326)
Total revenues	490,000	490,000	375,026	(114,974)
EXPENDITURES:				
Current:				
Public safety	13,166	13,166	4,059	9,107
Public works	320,960	323,125	197,215	125,910
Capital outlay	428,825	428,825	-	428,825
Total expenditures	762,951	765,116	201,274	563,842
REVENUES OVER (UNDER) EXPENDITURES	(272,951)	(275,116)	173,752	448,868
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	(22,406)	(22,406)
Total other financing sources (uses)	-	-	(22,406)	(22,406)
Net change in fund balance	\$ (272,951)	\$ (275,116)	151,346	\$ 426,462
FUND BALANCE:				
Beginning of year			2,680,568	
End of year			<u>\$ 2,831,914</u>	

City of Menlo Park

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

Storm Drainage Fees Special Revenue Fund

For the year ended June 30, 2010

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 5,000	\$ 5,000	\$ 3,927	\$ (1,073)
Charges for services	5,000	5,000	900	(4,100)
Total revenues	10,000	10,000	4,827	(5,173)
EXPENDITURES:				
Capital outlay	-	100,000	-	100,000
Total expenditures	-	100,000	-	100,000
Net change in fund balance	\$ 10,000	\$ (90,000)	4,827	\$ 94,827
FUND BALANCE:				
Beginning of year			253,843	
End of year			<u>\$ 258,670</u>	

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Solid Waste Service Special Revenue Fund For the year ended June 30, 2010

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 14,000	\$ 14,000	\$ 2,893	\$ (11,107)
Intergovernmental	8,000	8,000	5,000	(3,000)
Charges for services	1,805,000	1,805,000	1,701,735	(103,265)
Total revenues	<u>1,827,000</u>	<u>1,827,000</u>	<u>1,770,193</u>	<u>(56,807)</u>
EXPENDITURES:				
Current:				
General government	1,543,391	1,544,791	1,556,201	(11,410)
Public works	279,021	280,236	172,446	107,790
Capital outlay	25,000	25,000	-	25,000
Total expenditures	<u>1,847,412</u>	<u>1,850,027</u>	<u>1,728,647</u>	<u>121,380</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(20,412)</u>	<u>(23,027)</u>	<u>41,546</u>	<u>64,573</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(68,526)	(68,526)	(68,526)	-
Total other financing sources (uses)	<u>(68,526)</u>	<u>(68,526)</u>	<u>(68,526)</u>	<u>-</u>
Net change in fund balance	<u>\$ (88,938)</u>	<u>\$ (91,553)</u>	<u>(26,980)</u>	<u>\$ 64,573</u>
FUND BALANCE:				
Beginning of year			<u>378,090</u>	
End of year			<u>\$ 351,110</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, 2010

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 900	\$ 900	\$ (241)	\$ (1,141)
Intergovernmental	-	-	-	-
Total revenues	900	900	(241)	(1,141)
EXPENDITURES:				
Current:				
Public works	45,813	45,813	45,449	364
Total expenditures	45,813	45,813	45,449	364
Net change in fund balance	\$ (44,913)	\$ (44,913)	(45,690)	\$ (777)
FUND BALANCE:				
Beginning of year			48,264	
End of year			\$ 2,574	

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, 2010

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ 329,622	\$ 329,622	\$ 326,949	\$ (2,673)
Charges for services	-	-	55	55
Total revenues	329,622	329,622	327,004	(2,618)
EXPENDITURES:				
Current:				
Public works	378,591	382,077	310,514	71,563
Capital outlay	196,257	196,257	-	196,257
Total expenditures	574,848	578,334	310,514	267,820
REVENUES OVER (UNDER) EXPENDITURES	(245,226)	(248,712)	16,490	265,202
OTHER FINANCING SOURCES (USES):				
Transfers out	(31,970)	(31,970)	(31,970)	-
Proceeds from sale of assets	-	-	3,204	3,204
Total other financing sources (uses)	(31,970)	(31,970)	(28,766)	3,204
Net change in fund balance	\$ (277,196)	\$ (280,682)	(12,276)	\$ 268,406
FUND BALANCE:				
Beginning of year			333,962	
End of year			\$ 321,686	

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, 2010

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 118,490	\$ 87,490	\$ 68,944	\$ (18,546)
Other	-	-	6,760	6,760
Total revenues	118,490	87,490	75,704	(11,786)
EXPENDITURES:				
Current:				
Culture and recreation	128,571	108,516	119,349	(10,833)
Total expenditures	128,571	108,516	119,349	(10,833)
Net change in fund balance	\$ (10,081)	\$ (21,026)	(43,645)	\$ (22,619)
FUND BALANCE:				
Beginning of year			(14,010)	
End of year			\$ (57,655)	

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, 2010

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 50	\$ 50	\$ -	\$ (50)
Intergovernmental	100,000	100,000	101,036	1,036
Charges for services	-	-	10,000	10,000
Total revenues	100,050	100,050	111,036	10,986
EXPENDITURES:				
Current:				
Public safety	41,050	58,332	55,226	3,106
Capital outlay	59,000	41,718	44,346	(2,628)
Total expenditures	100,050	100,050	99,572	478
Net change in fund balance	\$ -	\$ -	11,464	\$ 11,464
FUND BALANCE:				
Beginning of year			(7,362)	
End of year			\$ 4,102	

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, 2010

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 45,000	\$ 45,000	\$ 46,916	\$ 1,916
Charges for services	500,000	500,000	357,162	(142,838)
Total revenues	545,000	545,000	404,078	(140,922)
EXPENDITURES:				
Current:				
Public works	22,422	22,422	23,426	(1,004)
Capital outlay	1,866,046	1,866,046	-	1,866,046
Total expenditures	1,888,468	1,888,468	23,426	1,865,042
Net change in fund balance	\$ (1,343,468)	\$ (1,343,468)	380,652	\$ 1,724,120
FUND BALANCE:				
Beginning of year			2,457,890	
End of year			\$ 2,838,542	

City of Menlo Park

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

Bedwell Bayfront Park Maintenance Special Revenue Fund

For the year ended June 30, 2010

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 25,000	\$ 25,000	\$ 13,173	\$ (11,827)
Total revenues	<u>25,000</u>	<u>25,000</u>	<u>13,173</u>	<u>(11,827)</u>
EXPENDITURES:				
Current:				
Public works	216,243	217,075	164,713	52,362
Capital outlay	5,000	5,000	1,961	3,039
Total expenditures	<u>221,243</u>	<u>222,075</u>	<u>166,674</u>	<u>55,401</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(196,243)</u>	<u>(197,075)</u>	<u>(153,501)</u>	<u>43,574</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(11,233)	(11,233)	(11,233)	-
Total other financing sources (uses)	<u>(11,233)</u>	<u>(11,233)</u>	<u>(11,233)</u>	<u>-</u>
Net change in fund balance	<u>\$ (207,476)</u>	<u>\$ (208,308)</u>	<u>(164,734)</u>	<u>\$ 43,574</u>
FUND BALANCE:				
Beginning of year			<u>1,201,859</u>	
End of year			<u>\$ 1,037,125</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, 2010

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 67,000	\$ 67,000	\$ 61,379	\$ (5,621)
Charges for services	30,000	160,000	256,000	96,000
Total revenues	97,000	227,000	317,379	90,379
EXPENDITURES:				
Current:				
Public works	13,812	14,068	1,457	12,611
Capital outlay	1,465,000	1,465,000	-	1,465,000
Total expenditures	1,478,812	1,479,068	1,457	1,477,611
REVENUES OVER (UNDER) EXPENDITURES	(1,381,812)	(1,252,068)	315,922	1,567,990
Net change in fund balance	\$ (1,381,812)	\$ (1,252,068)	315,922	\$ 1,567,990
FUND BALANCE:				
Beginning of year			3,595,276	
End of year			<u>\$ 3,911,198</u>	

City of Menlo Park

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

Sharon Hills Park Special Revenue Fund

For the year ended June 30, 2010

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 2,500	\$ 2,500	\$ 1,878	\$ (622)
Total revenues	<u>2,500</u>	<u>2,500</u>	<u>1,878</u>	<u>(622)</u>
EXPENDITURES:				
Current:				
Public works	13,000	13,000	10,900	2,100
Total expenditures	<u>13,000</u>	<u>13,000</u>	<u>10,900</u>	<u>2,100</u>
Net change in fund balance	<u>\$ (10,500)</u>	<u>\$ (10,500)</u>	(9,022)	<u>\$ 1,478</u>
FUND BALANCE:				
Beginning of year			<u>121,982</u>	
End of year			<u>\$ 112,960</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, 2010

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 2,800	\$ 2,800	\$ 1,849	\$ (951)
Total revenues	2,800	2,800	1,849	(951)
EXPENDITURES:				
Current:				
Public works	19,740	19,740	11,994	7,746
Total expenditures	19,740	19,740	11,994	7,746
Net change in fund balance	\$ (16,940)	\$ (16,940)	(10,145)	\$ 6,795
FUND BALANCE:				
Beginning of year			140,991	
End of year			\$ 130,846	

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, 2010

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 11,800	\$ 11,800	\$ 6,937	\$ (4,863)
Charges for services	23,608	23,608	307,462	283,854
Other	2,000	2,000	2,340	340
Total revenues	37,408	37,408	316,739	279,331
EXPENDITURES:				
Current:				
Culture and recreation	176,006	174,075	86,257	87,818
Community development	80,368	80,368	302,628	(222,260)
Capital outlay	3,000	4,931	1,930	3,001
Total expenditures	259,374	259,374	390,815	(131,441)
REVENUES OVER (UNDER) EXPENDITURES	(221,966)	(221,966)	(74,076)	147,890
OTHER FINANCING SOURCES (USES):				
Transfers out	(700)	(65,700)	(65,700)	-
Total other financing sources (uses)	(700)	(65,700)	(65,700)	-
Net change in fund balance	\$ (222,666)	\$ (287,666)	(139,776)	\$ 147,890
FUND BALANCE:				
Beginning of year			974,857	
End of year			\$ 835,081	

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, 2010

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ 411,500	\$ 411,500	\$ 485,996	\$ 74,496
Use of money and property	7,525	7,525	8,861	1,336
Total revenues	419,025	419,025	494,857	75,832
EXPENDITURES:				
Debt service:				
Principal	300,000	300,000	300,000	-
Interest	119,025	119,025	119,025	-
Total expenditures	419,025	419,025	419,025	-
Net change in fund balance	\$ -	\$ -	75,832	\$ 75,832
FUND BALANCE:				
Beginning of year			817,665	
End of year			\$ 893,497	

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, 2010

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ 1,408,000	\$ 1,488,000	\$ 1,319,783	\$ (168,217)
Use of money and property	120,000	40,000	32,262	(7,738)
Total revenues	1,528,000	1,528,000	1,352,045	(175,955)
EXPENDITURES:				
Culture and recreation	3,000	3,000	3,600	(600)
Debt service:				
Principal	260,000	260,000	260,000	-
Interest	1,136,177	1,136,177	779,914	356,263
Total expenditures	1,399,177	1,399,177	1,043,514	355,663
Net change in fund balance	\$ 128,823	\$ 128,823	308,531	\$ 179,708
FUND BALANCE:				
Beginning of year			2,292,569	
End of year			\$ 2,601,100	

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, 2010

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 8,000	\$ 8,000	\$ 4,235	\$ (3,765)
Other	-	75,000	75,000	-
Total revenues	8,000	83,000	79,235	(3,765)
EXPENDITURES:				
Current				
Capital outlay	307,367	447,542	254,147	193,395
Total expenditures	307,367	447,542	254,147	193,395
REVENUES OVER (UNDER) EXPENDITURES	(299,367)	(364,542)	(174,912)	189,630
OTHER FINANCING SOURCES (USES):				
Transfers in	-	65,000	65,000	-
Total other financing sources (uses)	-	65,000	65,000	-
Net change in fund balance	\$ (299,367)	\$ (299,542)	(109,912)	\$ 189,630
FUND BALANCE:				
Beginning of year			351,387	
End of year			<u>\$ 241,475</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, 2010

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 130,000	\$ 80,000	\$ 81,111	\$ 1,111
Total revenues	130,000	80,000	81,111	1,111
EXPENDITURES:				
Capital outlay	6,847,714	7,134,179	3,496,206	3,637,973
Total expenditures	6,847,714	7,134,179	3,496,206	3,637,973
REVENUES OVER (UNDER) EXPENDITURES	(6,717,714)	(7,054,179)	(3,415,095)	3,639,084
OTHER FINANCING SOURCES (USES):				
Bond proceeds	9,200,000	10,400,000	10,440,000	40,000
Premium on issuance	-	75,000	74,971	(29)
Total other financing sources (uses)	9,200,000	10,475,000	10,514,971	39,971
Net change in fund balance	\$ 2,482,286	\$ 3,420,821	\$ 7,099,876	\$ 3,679,055
FUND BALANCE:				
Beginning of year			915,030	
End of year			\$ 8,014,906	

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, 2010

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other taxes	\$ -	\$ -	\$ 56,440	\$ 56,440
Charges for services	-	-	(32,608)	(32,608)
Intergovernmental	-	163,154	635,000	471,846
Total revenues	-	163,154	658,832	495,678
EXPENDITURES:				
Capital outlay	6,040,504	5,964,899	2,595,680	3,369,219
Total expenditures	6,040,504	5,964,899	2,595,680	3,369,219
REVENUES OVER (UNDER) EXPENDITURES	(6,040,504)	(5,801,745)	(1,936,848)	3,864,897
OTHER FINANCING SOURCES (USES):				
Transfers in	2,163,200	1,918,056	1,918,056	-
Total other financing sources (uses)	2,163,200	1,918,056	1,918,056	-
Net change in fund balance	\$ (3,877,304)	\$ (3,883,689)	(18,792)	\$ 3,864,897
FUND BALANCE:				
Beginning of year			8,928,962	
End of year			\$ 8,910,170	

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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, 2010

	Water Operating Fund	Water Capital Improvement Fund	Total Water Funds
ASSETS			
Current assets:			
Cash and investments	\$ 142,852	\$ 16,913,092	\$ 17,055,944
Receivables:			
Accounts	487,660	31,458	519,118
Interest	1,380	82,268	83,648
Deposits and prepaid expenses	-	-	-
Total current assets	631,892	17,026,818	17,658,710
Capital assets:			
Non-depreciable	2,199,998	-	2,199,998
Depreciable, net	5,590,685	-	5,590,685
Total capital assets	7,790,683	-	7,790,683
Total assets	8,422,575	17,026,818	25,449,393
LIABILITIES			
Current liabilities:			
Accounts payable	352,884	77,211	430,095
Accrued payroll	21,954	1,360	23,314
Deposits	48,792	-	48,792
Compensated absences	30,518	1,917	32,435
Total current liabilities	454,148	80,488	534,636
Noncurrent liabilities:			
Compensated absences	33,656	2,114	35,770
Total noncurrent liabilities	33,656	2,114	35,770
Total liabilities	487,804	82,602	570,406
NET ASSETS			
Invested in capital assets, net of related debt	7,790,683	-	7,790,683
Restricted for:			
Capital projects	-	16,944,216	16,944,216
Unrestricted	144,088	-	144,088
Total net assets	\$ 7,934,771	\$ 16,944,216	\$ 24,878,987

City of Menlo Park
Combining Schedule of Revenues, Expenses and Changes in Fund Net Assets
Enterprise Funds
For the year ended June 30, 2010

	Water Operating Fund	Water Capital Improvement Fund	Total Water Funds
OPERATING REVENUES:			
Water sales	\$ 3,733,221	\$ 523,191	\$ 4,256,412
Connection fees	2,505	-	2,505
Total operating revenues	3,735,726	523,191	4,258,917
OPERATING EXPENSES:			
Cost of sales and services	3,795,033	-	3,795,033
General and administrative	409,488	-	409,488
Depreciation	173,756	-	173,756
Total operating expenses	4,378,277	-	4,378,277
OPERATING INCOME (LOSS)	(642,551)	523,191	(119,360)
NONOPERATING REVENUES (EXPENSES):			
Interest income	-	242,433	242,433
Gain (Loss) on sale of equipment	935	-	935
Total nonoperating revenues	935	242,433	243,368
INCOME (LOSS) BEFORE TRANSFERS	(641,616)	765,624	124,008
TRANSFERS:			
Transfers in	340,361	-	340,361
Transfers out	(160,814)	(340,361)	(501,175)
Total transfers	179,547	(340,361)	(160,814)
Net income (loss)	(462,069)	425,263	(36,806)
NET ASSETS:			
Beginning of year	8,396,840	16,518,953	24,915,793
End of year	<u>\$ 7,934,771</u>	<u>\$ 16,944,216</u>	<u>\$ 24,878,987</u>

City of Menlo Park
Combining Schedule of Cash Flows
Enterprise Funds
For the year ended June 30, 2010

	Water Operating Fund	Water Capital Improvement Fund	Total Water Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers/other funds	\$ 3,285,476	\$ 537,864	\$ 3,823,340
Cash payment to suppliers	(3,279,187)	(80,126)	(3,359,313)
Cash payments for general and administrative	(606,985)	(35,979)	(642,964)
Net cash provided (used) by operating activities	(600,696)	421,759	(178,937)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	340,361	-	340,361
Transfers out	(160,814)	(340,361)	(501,175)
Net cash provided (used) by noncapital financing activities	179,547	(340,361)	(160,814)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(343,813)	-	(343,813)
Net cash provided (used) by capital and related financing activities	(343,813)	-	(343,813)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income	32,766	389,178	421,944
Net cash provided (used) by investing activities	32,766	389,178	421,944
Net increase (decrease) in cash and cash equivalents	(732,196)	470,576	(261,620)
CASH AND CASH EQUIVALENTS:			
Beginning of year	875,048	16,442,516	17,317,564
End of year	<u>\$ 142,852</u>	<u>\$ 16,913,092</u>	<u>\$ 17,055,944</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (642,551)	\$ 523,191	\$ (119,360)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	173,756	-	173,756
Changes in current assets and liabilities:			
Accounts receivable	(190,172)	(113,478)	(303,650)
Accounts payable	27,894	24,409	52,303
Accrued payroll	5,693	(1,780)	3,913
Compensated absences	24,780	(10,583)	14,197
Deposits	(96)	-	(96)
Total adjustments	41,855	(101,432)	(59,577)
Net cash provided (used) by operating activities	\$ (600,696)	\$ 421,759	\$ (178,937)

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, 2010

	Workers' Compensation Insurance	General Liability Insurance	Other Post Employment Benefits	Vehicle Replacement	Total
ASSETS					
Current assets:					
Cash, cash equivalents and investments	\$ 3,087,618	\$ 157,998	\$ 24,784	\$ 67,368	\$ 3,337,768
Receivables:					
Accounts	-	-	12,011	-	12,011
Interest	15,090	776	49	335	16,250
Deposits and prepaid items	110,000	35,000	8,414	-	153,414
Total current assets	3,212,708	193,774	45,258	67,703	3,519,443
Capital assets:					
Depreciable, net	-	-	-	541,192	541,192
Total capital assets	-	-	-	541,192	541,192
Total assets	3,212,708	193,774	45,258	608,895	4,060,635
LIABILITIES AND NET ASSETS					
Liabilities:					
Current Liabilities:					
Accounts payable	126,752	8,842	46,802	-	182,396
Accrued payroll	1,881	634	-	-	2,515
Due to other funds	-	-	-	-	-
Claims payable, due within one year	366,895	99,174	-	-	466,069
Compensated absences payable, due within one year	4,564	1,942	-	-	6,506
Total current liabilities	500,092	110,592	46,802	-	657,486
Claims payable, due in more than one year	1,291,871	182,718	-	-	1,474,589
Compensated absences payable, due in more than one year	5,034	2,142	-	-	7,176
Total liabilities	1,796,997	295,452	46,802	-	2,139,251
Net Assets:					
Invested in capital assets, net of related debt	-	-	-	541,192	541,192
Unrestricted	1,415,711	(101,678)	(1,544)	67,703	1,380,192
Total net assets	\$ 1,415,711	\$ (101,678)	\$ (1,544)	\$ 608,895	\$ 1,921,384

City of Menlo Park
Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
For the year ended June 30, 2010

	Workers' Compensation Insurance	General Liability Insurance	Other Post Employment Benefits	Vehicle Replacement	Total
OPERATING REVENUES:					
Charges for services	\$ 600,001	\$ 800,000	\$ 681,183	\$ 239,998	\$ 2,321,182
Total operating revenues	600,001	800,000	681,183	239,998	2,321,182
OPERATING EXPENSES:					
Personnel services	58,489	26,207	-	-	84,696
General and administrative	34,532	303,209	354,628	4,217	696,586
Insurance	468,431	269,716	328,191	-	1,066,338
Depreciation	-	-	-	335,903	335,903
Total operating expenses	561,452	599,132	682,819	340,120	2,183,523
OPERATING INCOME (LOSS)	38,549	200,868	(1,636)	(100,122)	137,659
NONOPERATING REVENUES (EXPENSES):					
Interest and investment earnings	39,520	(3,292)	1,405	1,158	38,791
Gain (loss) on sale of equipment	-	-	-	6,693	6,693
Total nonoperating revenues (expenses)	39,520	(3,292)	1,405	7,851	45,484
INCOME (LOSS) BEFORE TRANSFERS	78,069	197,576	(231)	(92,271)	183,143
TRANSFERS:					
Transfers in	-	-	-	-	-
Contributions	-	-	-	-	-
Total transfers	-	-	-	-	-
NET INCOME (LOSS)	78,069	197,576	(231)	(92,271)	183,143
NET ASSETS:					
Beginning of the year	1,337,642	(299,254)	(1,313)	701,166	1,738,241
End of the year	\$ 1,415,711	\$ (101,678)	\$ (1,544)	\$ 608,895	\$ 1,921,384

City of Menlo Park
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2010

	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	\$ 600,001	\$ 799,999	\$ 681,182	\$ 239,998	\$ 2,321,180
Cash paid to suppliers	(773,866)	(889,123)	(657,803)	(10,192)	(2,330,984)
Cash paid to employees	(56,370)	(25,651)	-	-	(82,021)
Cash receipts other	14,881	-	-	-	14,881
Net cash provided (used) by operating activities	(215,354)	(114,775)	23,379	229,806	(76,944)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers from other funds	-	-	-	-	-
Contributions	-	-	-	-	-
Net cash provided (used) by noncapital financing activities	-	-	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from disposal of equipment	-	-	-	6,693	6,693
Acquisition and construction of capital assets	-	-	-	(170,289)	(170,289)
Net cash provided (used) by capital and related financing activities	-	-	-	(163,596)	(163,596)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment earnings received (paid)	70,788	536	1,405	1,158	73,887
Net cash provided (used) by investing activities	70,788	536	1,405	1,158	73,887
Net increase (decrease) in cash cash and cash equivalents	(144,566)	(114,239)	24,784	67,368	(166,653)
Cash, cash equivalents, and investments at beginning of year	3,232,184	272,237	-	-	3,504,421
Cash, cash equivalents, and investments at end of year	\$ 3,087,618	\$ 157,998	\$ 24,784	\$ 67,368	\$ 3,337,768

City of Menlo Park
Combining Statement of Cash Flows, Continued
Internal Service Funds
For the year ended June 30, 2010

	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)	\$ 38,549	\$ 200,868	\$ (1,636)	\$ (100,122)	\$ 137,659
Depreciation	-	-	-	335,903	335,903
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Accounts receivable	(75,515)	(26,982)	-	-	(102,497)
Accounts payable	28,785	(131,623)	25,015	(5,975)	(83,798)
Payroll liabilities	273	(268)	-	-	5
Insurance claim payable	(208,796)	(156,383)	-	-	(365,179)
Compensated absence payable	1,350	(387)	-	-	963
Total adjustments	<u>(253,903)</u>	<u>(315,643)</u>	<u>25,015</u>	<u>329,928</u>	<u>(214,603)</u>
Net cash provided (used) by operating activities	<u>\$ (215,354)</u>	<u>\$ (114,775)</u>	<u>\$ 23,379</u>	<u>\$ 229,806</u>	<u>\$ (76,944)</u>

City of Menlo Park
Combining Statement of Net Assets
Agency Funds
June 30, 2009

	Refundable Deposits	Cash Bonds Payable	Payroll Revolving	Total Agency Funds
ASSETS				
Cash and investments	\$ 169,179	\$ 266,281	\$ (153,352)	\$ 282,108
Prepays	-	-	230,571	230,571
Total assets	<u>\$ 169,179</u>	<u>\$ 266,281</u>	<u>\$ 77,219</u>	<u>\$ 512,679</u>
LIABILITIES				
Accounts payable	\$ 24,500	\$ -	\$ 77,219	\$ 101,719
Deposits	144,679	266,281	-	410,960
Total liabilities	<u>\$ 169,179</u>	<u>\$ 266,281</u>	<u>\$ 77,219</u>	<u>\$ 512,679</u>

City of Menlo Park
Combining Statement of Changes in Net Assets
Agency Funds
For the year ended June 30, 2010

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
<u>Refundable Deposits</u>				
Assets:				
Cash and investments	\$ 181,941	\$ 143,200	\$ (155,962)	\$ 169,179
Liabilities:				
Accounts payable	\$ 10,000	\$ (154,962)	\$ 169,462	\$ 24,500
Deposits	171,941	(167,762)	140,500	144,679
Total liabilities	\$ 181,941	\$ (322,724)	\$ 309,962	\$ 169,179
<u>Cash Bonds Payable</u>				
Assets:				
Cash and investments	\$ 266,281	\$ -	\$ -	\$ 266,281
Liabilities:				
Deposits	\$ 266,281	\$ -	\$ -	\$ 266,281
<u>Payroll Revolving</u>				
Assets:				
Cash and investments	\$ 150,228	\$ 2,997,348	\$ (3,300,928)	\$ (153,352)
Prepays	-	230,571	-	230,571
Total assets	\$ 150,228	\$ 3,227,919	\$ (3,300,928)	\$ 77,219
Liabilities:				
Accounts payable	\$ 150,228	\$ (18,557,687)	\$ 18,484,678	\$ 77,219
<u>Total Agency Funds</u>				
Assets:				
Cash and investments	\$ 598,450	\$ 3,140,548	\$ (3,456,890)	\$ 282,108
Prepays	-	230,571	-	230,571
	\$ 598,450	\$ 3,371,119	\$ (3,456,890)	\$ 512,679
Liabilities:				
Accounts payable	\$ 160,228	\$ (18,712,649)	\$ 18,654,140	\$ 101,719
Deposits	438,222	(167,762)	140,500	410,960
Total liabilities	\$ 598,450	\$ (18,880,411)	\$ 18,794,640	\$ 512,679

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Statistical Section (unaudited)

This part of the City of Menlo Park's comprehensive annual financial report presents detailed information as a context to aid in understanding of the information in the financial statements, notes disclosures, and required supplementary information regarding 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, property taxes.

- 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 Informations
- Schedule 14: Pledged 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



Net Assets by Component
June 30, 2010
Last Eight Years

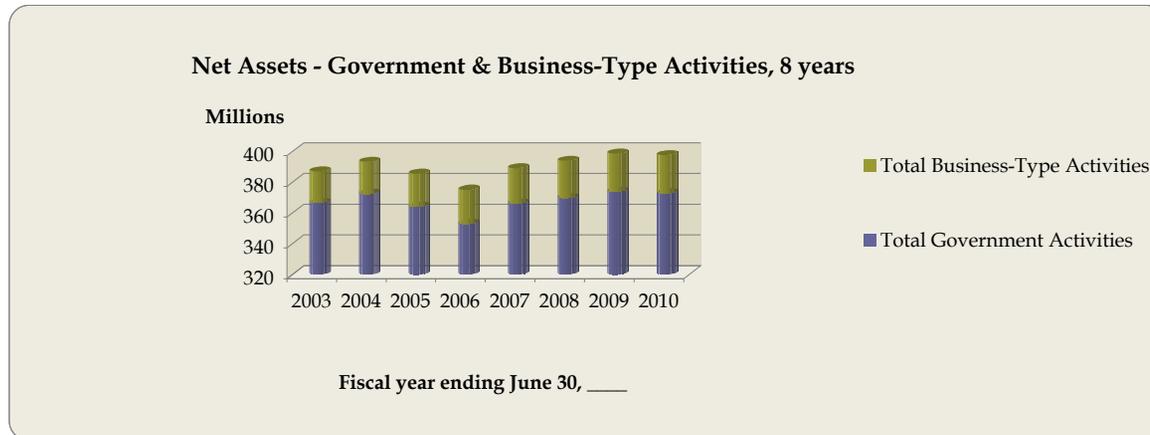
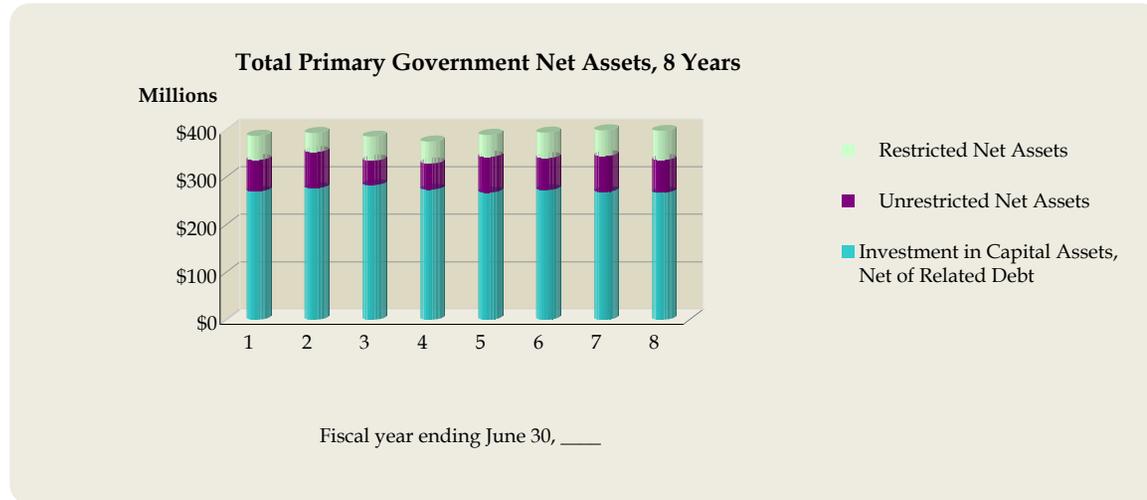
Financial Trends:
Schedule 1

	FISCAL YEAR ENDING JUNE 30, _____							
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<u>Government Activities</u>								
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	\$ 261,153,596	\$ 259,274,758
Restricted for:								
Capital Projects	45,576,230	36,959,941	37,452,612	16,297,615	17,102,064	20,378,994	18,207,379	19,717,874
Debt Service	1,008,151	1,142,055	1,287,410	8,366,348	10,581,505	10,759,071	12,184,002	12,630,096
Community Development				6,187,396	5,866,768	6,160,144	6,140,612	6,265,677
Special Projects	4,313,637	2,094,806	2,094,806	4,647,861	809,974	1,034,326	1,203,583	5,857,506
Total Restricted - Government Activities	50,898,018	40,196,802	40,834,828	35,499,220	34,360,311	38,332,535	37,735,576	44,471,153
Total Unrestricted - Government Activities	51,014,831	60,788,071	47,350,857	51,292,783	71,773,633	66,120,512	74,932,478	69,032,234
Total Government Activities	366,554,095	372,528,475	364,211,148	353,042,793	366,194,518	369,725,430	373,821,650	372,778,145
<u>Business-Type Activities</u>								
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	7,620,626	7,790,683
Restricted for:								
Capital Projects	31,887	50,413	9,743,217	10,653,717	11,851,559	15,383,875	16,518,953	16,944,216
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	16,518,953	16,944,216
Total Unrestricted - Business-Type Activities	15,530,760	15,483,043	4,541,177	4,067,282	3,710,223	1,216,854	776,214	144,088
Total Business-Type Activities	20,594,182	20,707,075	21,404,316	22,161,930	22,953,125	24,133,098	24,915,793	24,878,987
<u>Primary Government</u>								
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	268,774,222	267,065,441
Unrestricted Net Assets	66,545,591	76,271,114	51,892,034	55,360,065	75,483,856	67,337,366	75,708,692	69,176,322
Investment in Capital Assets & Unrestricted Net Assets	336,218,372	352,964,688	335,037,419	329,051,786	342,935,773	340,142,118	344,482,914	336,241,763
Restricted Net Assets	50,929,905	40,270,862	50,578,045	46,152,937	46,211,870	53,716,410	54,254,529	61,415,369
Total Primary Government Net Assets	\$ 387,148,277	\$ 393,235,550	\$ 385,615,464	\$ 375,204,723	\$ 389,147,643	\$ 393,858,528	\$ 398,737,443	\$ 397,657,132

(Continued)



Net Assets by Component
June 30, 2010
Last Eight Years



Source: City of Menlo Park

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.



Changes in Net Assets
June 30, 2010
Last Eight Years

Financial Trends:
Schedule 2

	FISCAL YEAR ENDING JUNE 30, _____							
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Primary Government-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	\$ 3,123,825	\$ 3,145,514
Public Safety	1,225,796	526,542	1,240,807	1,086,348	1,241,847	5,154,247	1,390,649	1,505,640
Public Works	1,908,545	2,914,762	3,391,517	3,609,732	6,541,634	3,837,839	2,753,607	2,922,929
Culture and Recreation	3,041,867	2,909,707	2,835,631	2,949,807	3,291,723	3,345,055	3,323,877	3,434,135
Community Development	2,014,063	2,868,863	2,377,251	3,897,805	6,170,024	3,952,454	4,145,205	2,122,221
Operating Grants and Contributions	1,318,007	2,418,574	1,712,952	1,681,505	3,251,025	2,369,502	2,428,500	2,557,313
Capital Grants and Contributions	1,341,927	80,579	686,540	268,468	520,156	1,030,839	2,569,003	2,549,779
Total Governmental Activities-Program Revenues	15,249,089	17,426,702	16,731,413	18,143,170	24,692,802	23,229,870	19,734,666	18,237,531
Business-Type Activities								
Charges for Services	3,421,677	3,754,693	3,305,954	3,567,919	3,881,115	4,483,145	4,352,147	4,258,917
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	4,352,147	4,258,917
Total Primary Government-Program Revenues	18,670,766	21,181,395	20,499,892	21,711,089	28,573,917	27,713,015	24,086,813	22,496,448
General Revenues & Other Changes in Net Assets								
Governmental Activities								
Taxes								
Property Taxes (1)	15,876,102	16,878,085	17,755,873	19,621,262	20,634,276	23,292,838	24,213,136	23,753,592
Sales Taxes	8,005,666	6,580,473	6,057,460	6,503,635	6,799,561	7,676,943	6,865,152	5,499,244
Transient Occupancy Tax	973,178	958,795	1,101,929	1,237,697	1,375,914	1,474,119	1,351,578	2,074,486
Other Taxes	3,034,472	2,001,677	3,259,064	2,022,174	2,267,911	3,262,586	3,953,097	3,960,714
Total Taxes	27,889,418	26,419,030	28,174,326	29,384,768	31,077,662	35,706,486	36,382,963	35,288,036
Investment Earnings	2,775,669	1,464,350	2,239,123	3,482,982	5,175,930	6,076,112	4,645,732	2,085,808
Loss on Sale of Asset	(1,698,248)							
Miscellaneous	278,561	107,531	77,106	212,819	372,534	706,444	193,370	30,125
Transfers	216,700	216,700	216,700	227,700	238,700	184,711	198,814	160,814
Total Governmental Activities - General Revenues	29,462,100	28,207,611	30,707,255	33,308,269	36,864,826	42,673,753	41,420,879	37,564,783
Business-type Activities								
Investment Earnings	454,611	130,482	333,040	498,773	750,700	957,071	667,230	242,433
Miscellaneous						344	10,000	935
Transfers	(216,700)	(216,700)	(216,700)	(227,700)	(238,700)	(184,711)	(198,814)	(160,814)
Total Business-Type Activities - General Revenues	237,911	(86,218)	116,340	271,073	512,000	772,704	478,416	82,554
Total Primary Government-Program Revenues, General Revenues & Other Changes in Net Assets	48,370,777	49,302,788	51,323,487	55,290,431	65,950,743	71,159,472	65,986,108	60,143,785

Source: City of Menlo Park

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

(1) In fiscal year 2005-06, Property tax in lieu of Motor Vehicle License fees was reclassified to Property Taxes.

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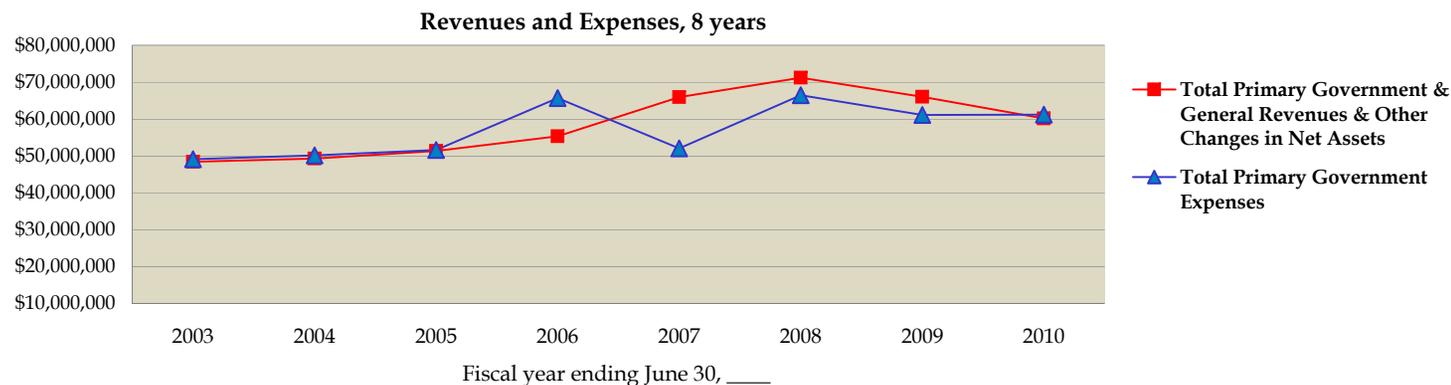


Changes in Net Assets
June 30, 2010
Last Eight Years

Financial Trends:
Schedule 2

	FISCAL YEAR ENDING JUNE 30, _____							
	2003	2004	2005	2006	2007	2008	2009	2010
Expenses								
Governmental Activities								
General Government	6,701,141	8,375,348	7,322,997	7,761,696	6,857,574	8,145,031	6,507,831	6,353,156
Public Safety	8,685,740	8,010,385	9,196,468	9,092,996	11,191,323	15,763,116	13,755,857	13,605,071
Public Works	11,231,842	9,742,184	11,040,198	10,275,029	9,723,201	12,332,849	10,717,616	10,635,694
Culture and Recreation	7,761,262	7,971,110	7,547,337	7,781,549	8,647,013	11,276,226	9,723,210	9,616,046
Community Development (2)	7,098,764	7,780,767	8,721,659	23,179,192	6,916,391	9,817,989	12,644,222	12,615,612
Interest on Long-Term Debt	4,821,928	4,679,811	4,602,336	4,529,332	5,070,401	5,037,500	3,710,590	4,020,241
Total Governmental Activities Expenses	46,300,677	46,559,605	48,430,995	62,619,794	48,405,903	62,372,711	57,059,325	56,845,819
Business-Type Activities								
Water	2,831,383	3,555,582	3,187,578	3,081,378	3,601,919	4,075,876	4,047,868	4,378,277
Total Business-Type Activities Expenses	2,831,383	3,555,582	3,187,578	3,081,378	3,601,919	4,075,876	4,047,868	4,378,277
Total Primary Government Expenses	49,132,060	50,115,187	51,618,573	65,701,172	52,007,822	66,448,587	61,107,193	61,224,096
Net Revenue (Expenses)								
Governmental Activities	(31,051,588)	(29,132,903)	(31,699,582)	(44,476,624)	(23,713,101)	(39,142,841)	(37,324,659)	(38,608,288)
Business-type Activities	590,294	199,111	580,901	486,541	279,196	407,269	304,279	(119,360)
Total Net Revenue (Expenses)	(30,461,294)	(28,933,792)	(31,118,681)	(43,990,083)	(23,433,905)	(38,735,572)	(37,020,380)	(38,727,648)
Changes in Net Assets								
Governmental Activities	(1,589,488)	(925,292)	(992,327)	(11,168,355)	13,151,725	3,530,912	4,096,220	(1,043,505)
Business-type Activities	828,205	112,893	697,241	757,614	791,196	1,179,973	782,695	(36,806)
Changes in Net Assets	\$ (761,283)	\$ (812,399)	\$ (295,086)	\$ (10,410,741)	\$ 13,942,921	\$ 4,710,885	\$ 4,878,915	\$ (1,080,311)

Notes: (2) Includes fiscal year 2005-06 transfer of Hamilton Avenue housing and park site from the Community Development Agency of the City to the developer





Fund Balances - Governmental Funds
 June 30, 2010
 Last Ten Years

Financial Trends:
 Schedule 3

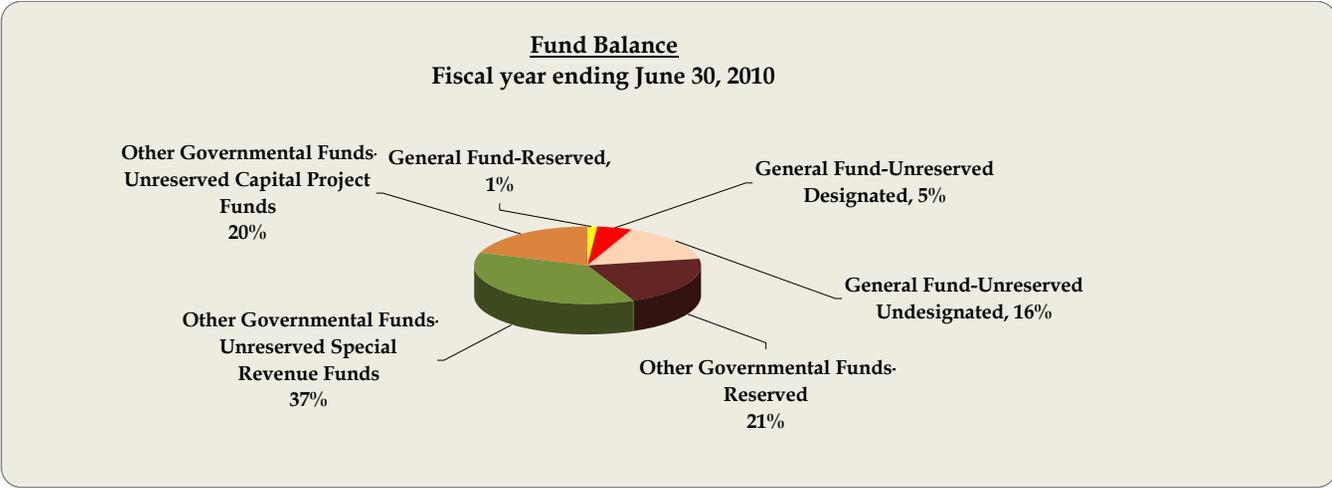
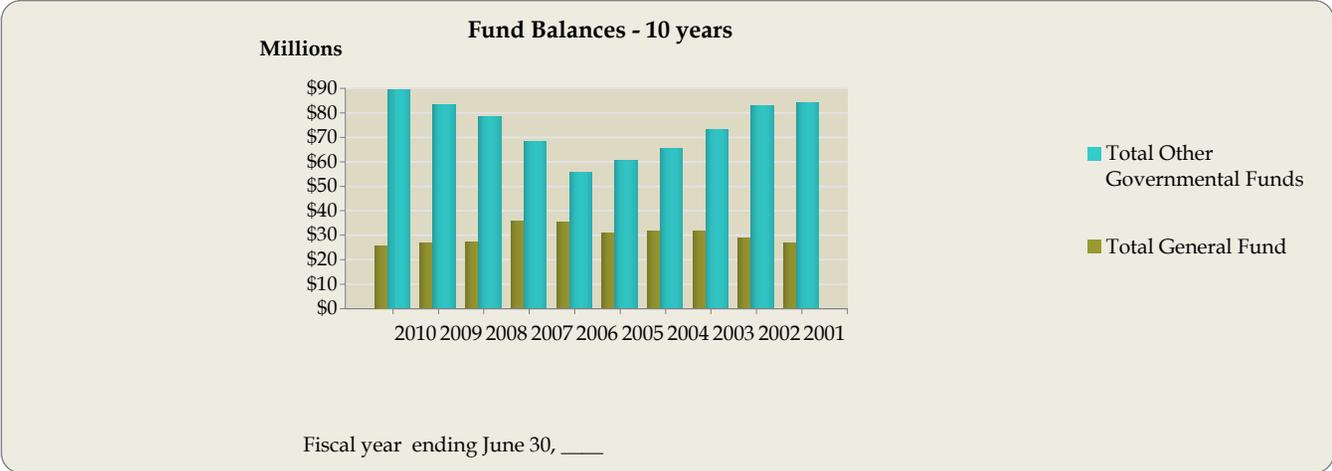
	FISCAL YEAR ENDING JUNE 30, _____									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<u>General Fund</u>										
General Fund-Reserved	\$ 1,373,028	1,165,317	2,449,808	1,543,774	1,959,224	1,887,470	536,867	678,658	1,963,667	1,596,031
General Fund-Unreserved Designated	7,587,079	7,189,192	7,187,292	7,979,994	7,792,632	8,611,957	5,600,000	5,600,000	5,600,000	5,600,000
General Fund-Unreserved Undesignated	17,883,417	20,652,998	22,102,635	22,173,565	21,357,266	25,001,249	29,521,304	21,003,074	19,144,493	18,231,011
Total General Fund	26,843,524	29,007,507	31,739,735	31,697,333	31,109,122	35,500,676	35,658,171	27,281,732	26,708,160	25,427,042
<u>Other Governmental Funds</u>										
Other Governmental Funds-Reserved	8,703,793	12,457,917	10,522,945	13,356,811	18,326,048	19,405,226	19,655,201	19,441,738	20,830,554	24,417,551
Other Governmental Funds-Unreserved Special Revenue Funds	32,800,581	23,635,084	22,943,944	37,076,386	33,774,816	23,502,748	33,807,182	40,898,190	46,332,120	42,508,210
Other Governmental Funds-Unreserved Capital Project Funds	42,549,679	47,035,244	39,832,040	15,069,164	8,382,872	12,739,997	14,758,187	18,212,139	16,217,956	22,561,201
Total Other Governmental Funds	84,054,053	83,128,246	73,298,929	65,502,361	60,483,736	55,647,972	68,220,570	78,552,067	83,380,630	89,486,962
Total Fund Balances	\$ 110,897,577	112,135,752	105,038,664	97,199,694	91,592,858	91,148,647	103,878,741	105,833,799	110,088,790	114,914,004

Source: City of Menlo Park

(Continued)



Fund Balances - Governmental Funds
 June 30, 2010
 Last Ten Years





Changes in Fund Balances - Governmental Funds
June 30, 2010
Last Ten Years

Financial Trends:
Schedule 4

FISCAL YEAR ENDING JUNE 30, _____										
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenues										
Taxes										
Secured property taxes	\$ 11,573,842	\$ 12,626,049	\$ 13,695,509	\$ 14,758,475	\$ 15,771,442	\$ 17,573,221	\$ 18,597,314	\$ 21,081,671	\$ 22,050,255	\$ 21,912,423
Unsecured property taxes	1,355,236	1,568,876	1,501,581	1,579,850	1,378,158	1,330,885	1,337,681	1,752,345	1,817,213	1,422,317
Other property taxes(1)	660,156	1,612,307	679,012	540,255	606,274	717,157	699,280	458,822	345,670	418,851
Sales taxes	12,358,973	8,648,641	6,857,224	6,048,940	6,057,460	6,503,635	6,799,561	7,676,943	6,865,152	5,499,244
Other Taxes(2)	3,338,369	2,978,377	3,305,904	3,340,693	3,521,874	3,761,949	4,664,247	5,878,652	5,214,176	5,940,486
Special assessments	1,379,277	1,399,697	2,247,423	2,549,037	2,362,435	2,433,635	2,537,408	2,661,078	2,894,276	2,824,098
Licenses and permits	3,227,919	2,585,384	2,952,762	2,891,023	2,917,357	3,432,745	3,657,542	4,376,750	3,208,028	3,069,990
Fines and forfeitures	279,172	207,906	802,636	756,678	832,897	792,005	897,568	951,145	1,105,836	1,028,825
Use of money and property	6,374,995	4,857,451	3,257,644	1,458,436	2,656,739	3,482,982	5,542,009	6,162,279	4,528,617	1,918,576
Intergovernmental(1)	4,743,028	6,084,897	5,130,839	3,682,937	4,176,319	2,691,439	2,750,760	3,533,679	3,180,550	3,219,749
Charges for services	5,465,783	5,015,592	5,589,680	7,492,661	6,873,012	8,047,145	13,884,432	10,713,906	10,221,426	8,738,183
Other Revenues	84,882	97,678	172,523	107,530	77,106	212,817	372,534	702,342	186,473	334,959
Total Revenues	50,841,632	47,682,855	46,192,737	45,206,515	47,231,073	50,979,615	61,740,336	65,949,612	61,617,672	56,327,701
Expenditures										
Current										
General Government	5,652,521	6,083,761	6,010,975	7,380,500	6,154,281	6,652,130	5,938,008	6,168,001	6,372,271	6,442,817
Public Safety	7,980,832	8,044,869	8,462,537	7,826,595	9,078,447	8,929,677	11,212,320	12,476,614	13,371,606	13,532,394
Public Works	4,099,263	3,993,619	6,136,086	7,213,412	7,218,664	7,750,882	7,387,498	7,774,129	7,991,160	7,768,455
Culture and Recreation	6,975,161	7,995,043	7,357,338	7,597,970	7,195,048	7,303,573	7,813,935	8,359,386	8,669,415	8,570,915
Rehabilitation Loans	350,030	595,290	434,120	582,200	190,050	400,100	-	-	-	-
Community Development	2,854,841	3,140,511	2,682,788	2,859,800	3,780,494	4,088,283	3,233,905	4,325,628	4,533,291	4,354,345
Urban Development and Housing	4,687,426	3,757,889	3,945,154	4,304,319	4,722,358	4,544,265	3,439,609	4,101,470	4,236,426	7,312,083
Capital Outlay	10,021,368	21,510,780	14,105,147	8,928,921	8,346,574	10,260,993	2,989,734	4,545,565	6,405,132	8,314,011
Debt Service										
Principal(3)	925,000	970,000	905,000	1,625,000	1,770,000	1,855,000	475,000	2,115,000	2,215,000	2,305,000
Interest and Fiscal Charges(4)	3,149,759	4,086,960	4,538,471	4,691,522	4,614,326	6,224,963	3,768,661	4,868,947	3,540,575	3,581,456
Total Expenditures	46,696,201	60,178,722	54,577,616	53,010,239	53,070,242	58,009,866	46,258,670	54,734,740	57,334,876	62,181,476
Revenues over (under) Expenditures	\$ 4,145,431	\$ (12,495,867)	\$ (8,384,879)	\$ (7,803,724)	\$ (5,839,169)	\$ (7,030,251)	\$ 15,481,666	\$ 11,214,872	\$ 4,282,796	\$ (5,853,775)

Source: City of Menlo Park

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.

(Continued)

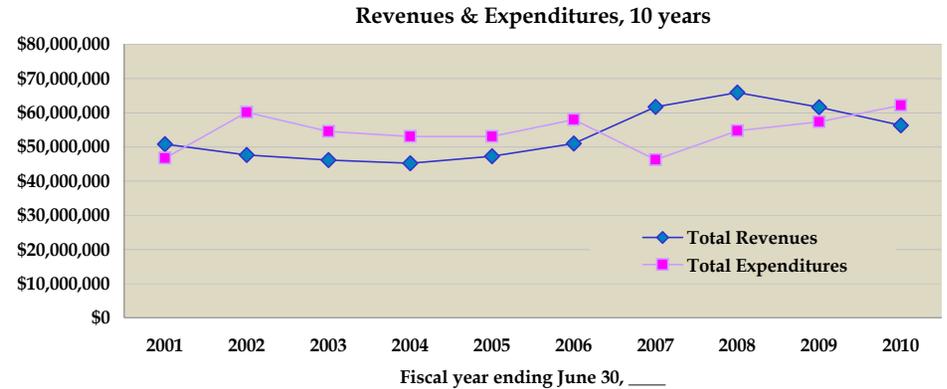
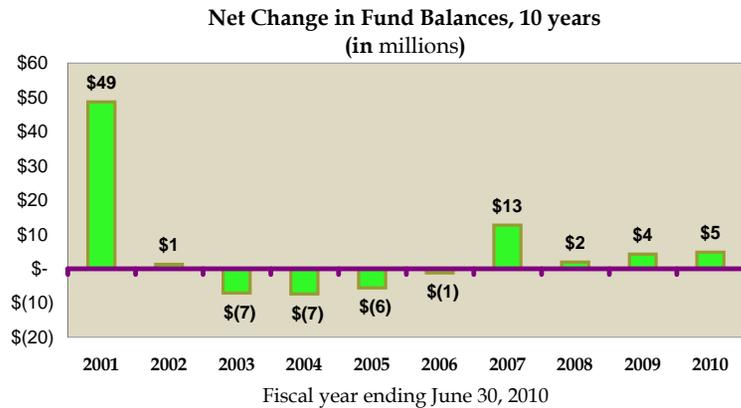


Changes in Fund Balances - Governmental Funds
June 30, 2010
Last Ten Years

Financial Trends:
Schedule 4

	FISCAL YEAR ENDING JUNE 30, _____									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Other Financing Sources (Uses)										
Transfer In	20,340,955	27,641,868	1,374,574	3,443,703	2,831,593	16,376,591	7,551,944	10,799,042	7,159,491	7,297,500
Transfer Out	(20,143,955)	(27,444,868)	(1,157,874)	(3,227,003)	(2,614,893)	(16,148,891)	(10,586,019)	(20,058,856)	(7,188,677)	(7,136,686)
Proceeds from Sale of Fixed/Capital Assets	322,701	23,009	1,071,091	196,131	15,633	3,985,446	282,503		1,381	3,204
Proceeds from Debt Issuance(5)	44,000,000	13,514,033				72,430,000				10,440,000
Payment to Escrow Agent						(70,525,172)				
Discount on Issuance of Debt						(336,800)				74,971
Total Other Financing Sources (Uses)	44,519,701	13,734,042	1,287,791	412,831	232,333	5,781,174	(2,751,572)	(9,259,814)	(27,805)	10,678,989
Net Change in Fund Balances	\$ 48,665,132	\$ 1,238,175	\$ (7,097,088)	\$ (7,390,893)	\$ (5,606,836)	\$ (1,249,077)	\$ 12,730,094	\$ 1,955,058	\$ 4,254,991	\$ 4,825,214

Debt Service as Percentage of Non-Capital Expenditures	11.1%	13.1%	13.4%	14.3%	14.3%	16.9%	9.8%	13.9%	11.3%	10.9%
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Notes:

(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.

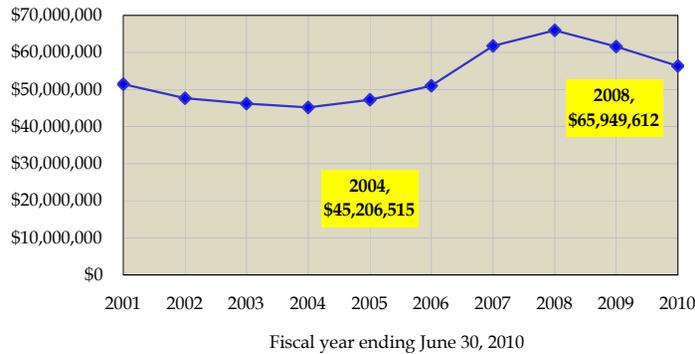


General Government Revenues by Source ⁽¹⁾
 June 30, 2010
 Last Ten years

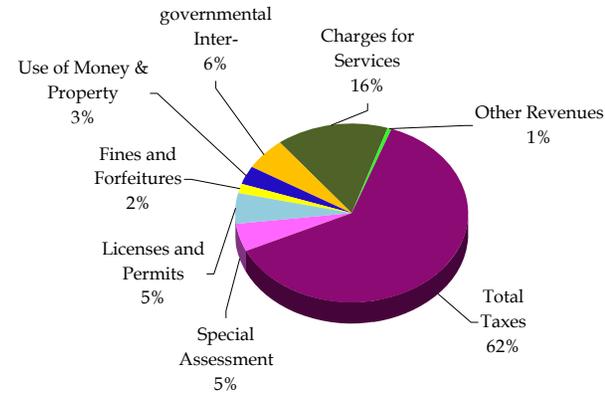
Revenue Capacity:
 Schedule 5

Fiscal Year Ending June 30	Total Taxes	Special Assessment	Licenses and Permits	Fines and Forfeitures	Use of Money & Property	Inter- governmental	Charges for Services	Other Revenues	Total General Government Revenues
2001	\$ 29,060,083	\$ 1,379,277	\$ 3,227,919	\$ 279,172	\$ 6,374,995	\$ 5,595,442	\$ 5,465,783	\$ 84,882	\$ 51,467,553
2002	26,484,663	1,399,697	2,585,384	207,906	4,857,451	7,034,484	5,015,592	97,678	47,682,855
2003	26,039,230	2,247,423	2,952,762	802,636	3,257,644	5,130,839	5,589,680	172,523	46,192,737
2004	26,268,213	2,549,037	2,891,023	756,678	1,458,436	3,682,937	7,492,661	107,530	45,206,515
2005	27,335,208	2,362,435	2,917,357	832,897	2,656,739	4,176,319	6,873,012	77,106	47,231,073
2006	29,886,847 ⁽²⁾	2,433,635	3,432,745	792,005	3,482,982	2,691,439	8,047,145	212,817	50,979,615
2007	32,098,083	2,537,408	3,657,542	897,568	5,542,009	2,750,760	13,884,432	372,534	61,740,336
2008	36,848,433	2,661,078	4,376,750	951,145	6,162,279	3,533,679	10,713,906	702,342	65,949,612
2009	36,292,466	2,894,276	3,208,028	1,105,836	4,528,617	3,180,550	10,221,426	186,473	61,617,672
2010	35,193,321	2,824,098	3,069,990	1,028,825	1,918,576	3,219,749	8,738,183	334,959	56,327,701

Total General Government Revenues, 10 years



General Government Revenues - June 30, 2010



Source: City of Menlo Park

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.

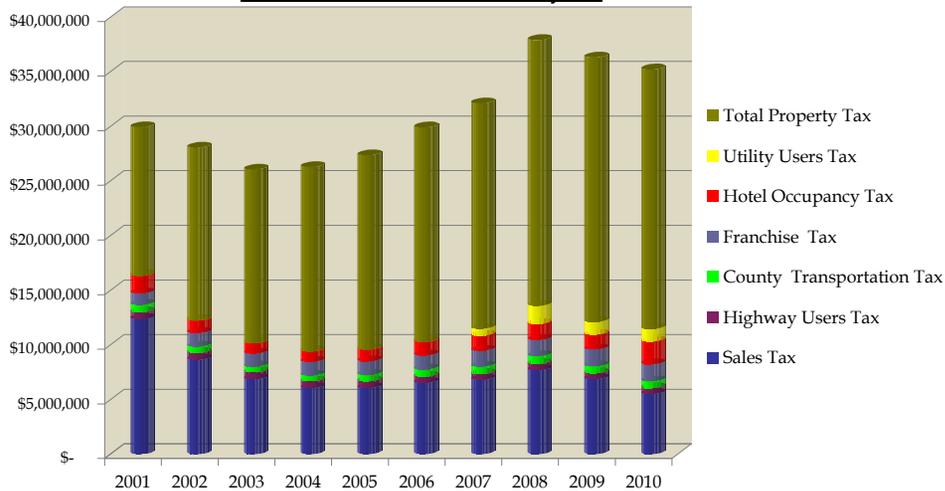


General Government Taxes Details
June 30, 2010
Last Ten Years

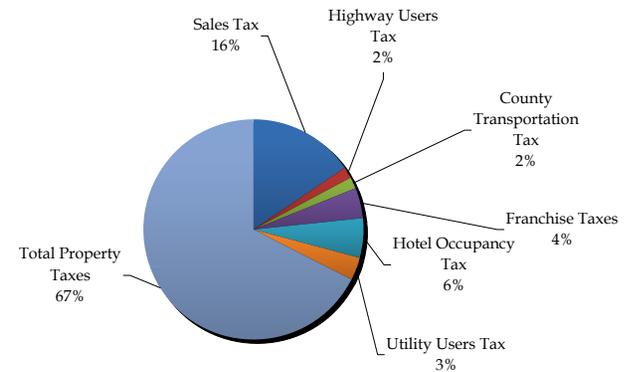
Revenue Capacity:
Schedule 6

Fiscal Year Ending June 30	Highway		County	Franchise	Hotel Occupancy	Utility	Property Tax				Total	Total General
	Sales Tax	Users Tax	Transportation Tax	Tax	Tax	Users Tax	Secured	Unsecured	Transfer Tax	Other	Property Tax	Government Taxes
2001	\$12,358,973	\$ 625,921	\$ 672,041	\$ 1,033,722	\$ 1,632,606	\$ -	\$ 11,573,842	\$ 1,355,236	\$ 347,243	\$ 312,913	\$ 13,589,234	\$ 29,912,497
2002	8,648,641	611,535	566,072	1,246,837	1,165,467	-	12,626,049	1,568,876	358,241	1,254,066 ⁽²⁾	15,807,232 ⁽²⁾	28,045,785
2003	6,857,224	613,959	534,483	1,184,284	973,178	-	13,695,509	1,501,581	330,542	348,470	15,876,102	26,039,230
2004	6,048,940	606,797	531,532	1,243,569	958,795	-	14,758,475	1,579,850	463,562	80,148	16,882,035	26,271,668
2005	6,057,460	606,867	562,472	1,250,605	1,101,930	-	15,771,442	1,378,158	541,765	64,509	17,755,874	27,335,208
2006	6,503,635	595,607	647,938	1,280,707	1,237,697	-	17,573,221	1,330,885	579,473	137,684	19,621,263	29,886,847
2007	6,799,561	534,699	669,280	1,442,686	1,375,914	641,668 ⁽¹⁾	18,597,314	1,337,681	588,158	111,122	20,634,275	32,098,083
2008	7,676,943	580,220	695,066	1,477,768	1,474,119	1,651,479	22,050,255	1,817,213	386,206	72,616	24,326,290	37,881,885
2009	6,865,152	533,784	630,996	1,535,223	1,351,578	1,162,595	22,050,255	1,817,213	278,290	67,380	24,213,138	36,292,466
2010	5,499,244	533,444	618,996	1,565,106	2,074,486	1,148,454	21,912,423	1,422,317	329,368	89,483	23,753,591	35,193,321

General Government Taxes, 10 years



General Government Taxes - June 30, 2010



Source: City of Menlo Park and County of San Mateo

Notes:

⁽¹⁾ City implemented Utility Users Tax in April 2007

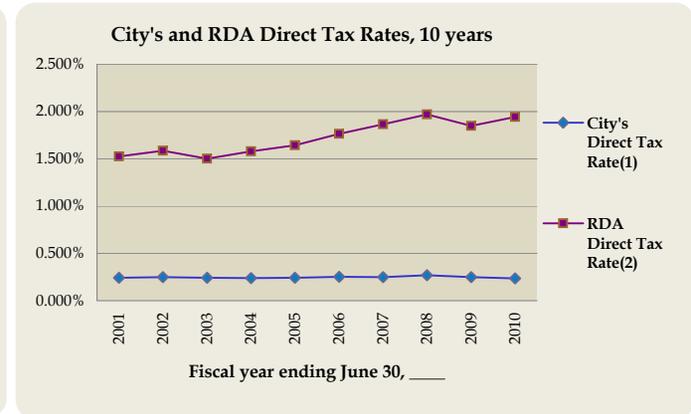
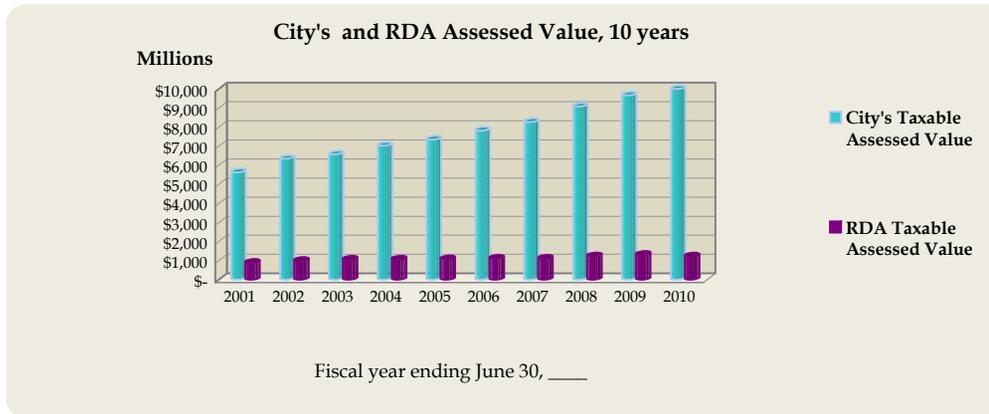
⁽²⁾ VLF "Swap" by State required reclassification of previous intergovernmental revenue to other property taxes in fiscal year 2006.



Assessed Valuation, Tax Rates, and Tax Levies
 June 30, 2010
 Last Ten Years

Revenue Capacity:
 Schedule 7

Fiscal Year Ending June 30	City's Assessed Valuation					Redevelopment Agency-Assessed Valuation				
	Secured	Unsecured	Less Exemptions	City's Taxable Assessed Value	City's Direct Tax Rate(1)	Secured	Unsecured	Less Exemptions	RDA Taxable Assessed Value	RDA Direct Tax Rate(2)
2001	\$ 5,162,506,368	\$ 626,394,269	\$ (156,522,221)	\$ 5,632,378,416	0.241%	\$ 807,980,015	\$ 100,842,817	\$ (16,993,593)	\$ 891,829,239	1.524%
2002	5,720,685,023	756,199,198	(130,297,047)	6,346,587,174	0.249%	906,620,804	114,689,237	(23,664,340)	997,645,701	1.584%
2003	6,020,761,962	706,399,938	(152,591,386)	6,574,570,514	0.241%	983,421,696	108,187,998	(34,601,756)	1,057,007,938	1.502%
2004	6,521,857,488	669,542,451	(163,717,503)	7,027,682,436	0.240%	990,597,114	115,986,467	(36,858,240)	1,069,725,341	1.578%
2005	6,920,718,474	605,826,607	(168,363,050)	7,358,182,031	0.241%	1,033,304,174	84,847,220	(37,739,518)	1,080,411,876	1.643%
2006	7,377,433,642	628,446,311	(185,070,530)	7,820,809,423	0.251%	1,046,349,313	108,767,684	(42,711,030)	1,112,405,967	1.764%
2007	7,919,201,296	544,875,879	(189,778,409)	8,274,298,766	0.249%	1,035,909,580	114,289,881	(43,498,754)	1,106,700,707	1.864%
2008	8,613,253,093	684,419,419	(210,102,184)	9,087,570,328	0.268%	1,138,152,561	156,629,922	(59,676,800)	1,235,105,683	1.970%
2009	9,144,410,123	745,589,266	(220,706,897)	9,669,292,492	0.250%	1,208,257,199	159,215,126	(56,858,297)	1,310,614,028	1.847%
2010	9,525,325,520	733,413,542	(242,215,879)	10,016,523,183	0.237%	1,164,534,769	115,685,185	(56,716,879)	1,223,503,075	1.941%



Source: County of San Mateo

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

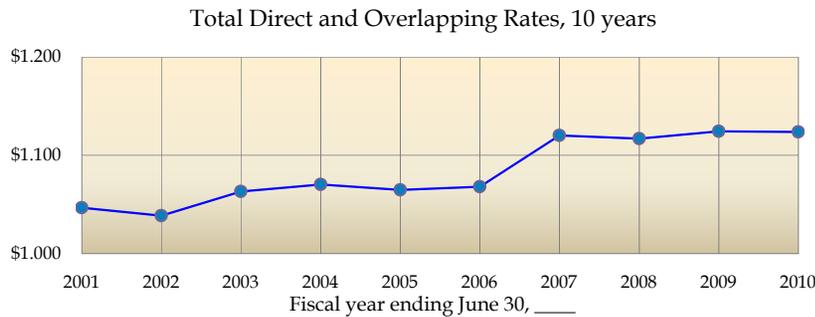


Direct and Overlapping Property Tax Rates
June 30, 2010
Last Ten Years

Debt Capacity:
Schedule 8

(Per \$1,000 Assessed Valuation)

	FISCAL YEAR ENDING JUNE 30, _____									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
City Direct Rates(1)										
City Basic Rate	\$0.0024	\$0.0025	\$0.0024	\$0.0024	\$0.0024	\$0.0025	\$0.0025	\$0.0027	\$0.0025	\$0.0024
Redevelopment Agency	0.0152	0.0158	0.0150	0.0158	0.0164	0.0176	0.0186	0.0197	0.0185	0.0194
Total City Direct Rates	0.0177	0.0183	0.0174	0.0182	0.0188	0.0201	0.0211	0.0224	0.0210	0.0218
Overlapping Rates(2)										
San Mateo County	0.9823	0.9817	0.9826	0.9818	0.9812	0.9799	1.0000	1.000	1.000	1.000
Menlo Park Elementary	0.0303	0.0245	0.0220	0.0232	0.0233	0.0209	0.0416	0.0384	0.0399	0.039
San Mateo Junior College	0.0000	0.0000	0.0079	0.0065	0.0065	0.0065	0.0184	0.0171	0.0165	0.0182
Menlo Park Debt Service	0.0071	0.0063	0.0062	0.0060	0.0056	0.0052	0.0052	0.0047	0.0048	0.0046
Menlo Park Parks & Rec Bond	0.0000	0.0000	0.0140	0.0110	0.0131	0.0132	0.0132	0.0140	0.0141	0.0127
Sequoia High School	0.0092	0.0079	0.0130	0.0238	0.0164	0.0223	0.0208	0.0205	0.0282	0.0277
Total Overlapping Rates:	1.0289	1.0204	1.0457	1.0523	1.0461	1.0480	1.0992	1.0947	1.1035	1.1022
Total Direct and Overlapping Rates	\$1.0466	\$1.0387	\$1.0631	\$1.0705	\$1.0649	\$1.0681	\$1.1203	\$1.1171	\$1.1245	\$1.1240



Sources:

(1) County of San Mateo, Property Taxes

(2) County of San Mateo, Tax Rate Book, Code 08-004



Principal Property Tax Payers
 June 30, 2010
 Current Fiscal Year and Fiscal Year 1999-2000

Debt Capacity:
 Schedule 9

FY 2009-2010				
Taxpayer	Rank	Taxable Assessed Value	Ratio to Total City's Assessed Valuation	
Oracle America Inc.	1	\$ 328,708,359	2.9%	
SRI International	2	157,756,501	1.4%	
CLPF-Sand Hill Commons LP	3	139,218,119	1.2%	
WSC Menlo Oaks Investors V LLC	4	110,775,868	1.0%	
Tyco Electronics Corp	5	82,190,000	0.7%	
Menlo Business Park LLC	6	80,941,062	0.7%	
Leland Stanford Jr. University	7	79,359,811	0.7%	
AMB Property L P	8	71,103,772	0.6%	
Henry J Kaiser Family Foundation	9	67,583,235	0.6%	
Spieker Richard T & C R	10	64,549,879	0.6%	
Top Ten Taxpayers' Total		\$ 1,182,186,606	10.6%	
City's Total Assessed Valuation		\$ 11,189,939,944	100%	

FY 2000-2001				
Taxpayer	Rank	Taxable Assessed Value	Ratio to Total City's Assessed Valuation	
Sun Microsystems Inc	1	\$ 350,910,749	6.2%	
Bohannan Development Company	2	133,899,587	2.4%	
Stanford Research Institute	3	127,846,767	2.3%	
Raychem Corporation	4	99,798,312	1.8%	
Menlo Business Park	5	77,695,443	1.4%	
Menlo Oaks Partner	6	72,776,037	1.3%	
AMB Property LP	7	72,136,904	1.3%	
Henry J Kaiser Family Foundation	8	60,910,923	1.1%	
Sharon Land Company	9	47,333,440	0.8%	
Jefferson Place Associates	10	42,333,949	0.8%	
Top Ten Taxpayers' Total		\$ 1,085,642,111	19.3%	
City's Total Assessed Valuation		\$ 5,633,534,414	100%	



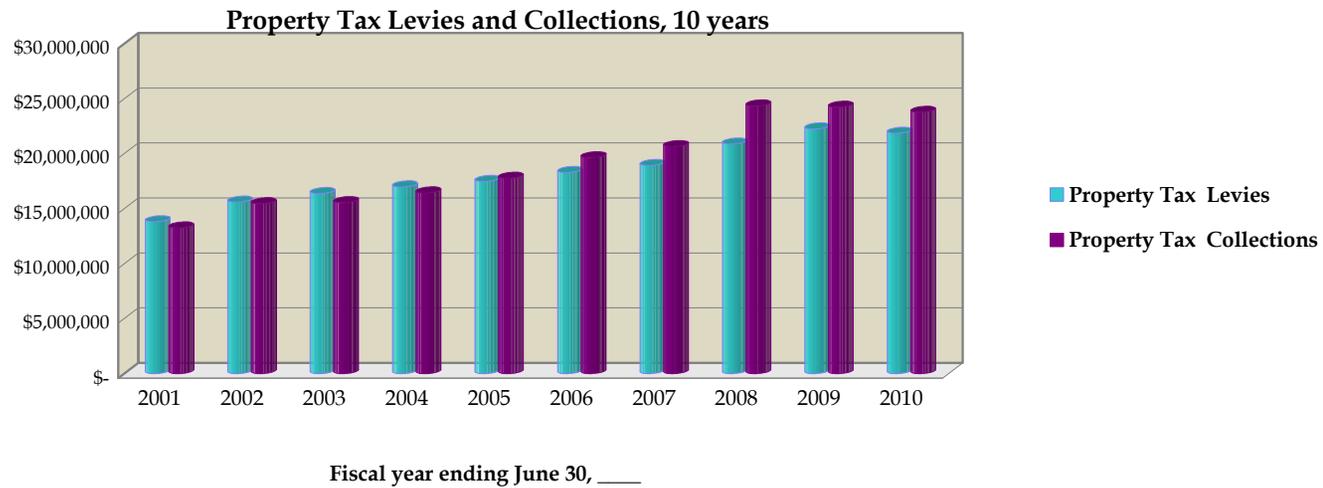
Source:
 San Mateo County Tax Roll
 California Municipal Statistics, Inc.



Property Tax Levies and Collections
June 30, 2010
Last Ten Years

Debt Capacity:
Schedule 10

Fiscal Year Ending June 30	Property Tax Levies	Property Tax Collections	Percentage of Collections
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	18,281,120	19,621,262	107.33%
2007	18,913,707	20,634,275	109.10%
2008	20,873,781	24,326,290	116.54%
2009	22,237,748	24,213,138	108.88%
2010	21,859,410	23,753,591	108.67%



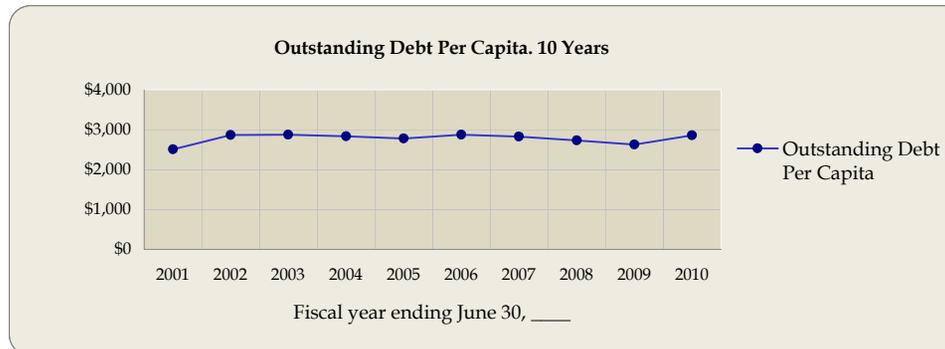
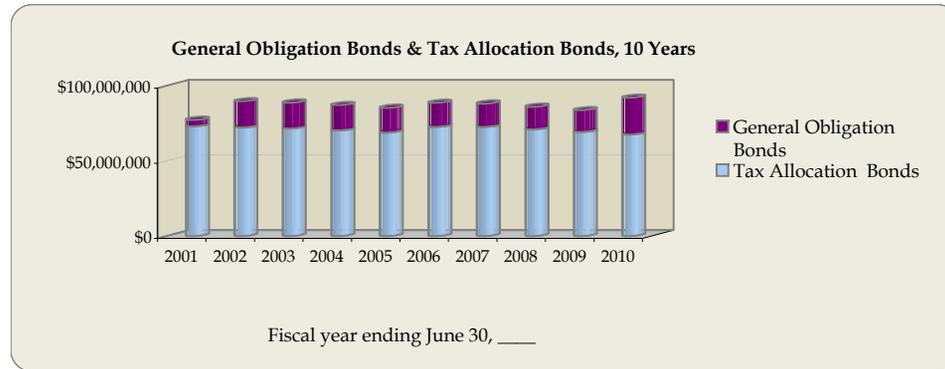
Source:
County of San Mateo, Letter of Estimated Property Tax Revenue
City of Menlo Park



Ratios of Outstanding Debt by Type
June 30, 2010
Last Ten Years

Debt Capacity:
Schedule 11

Fiscal Year Ending June 30	General Obligation Bonds	Tax Allocation Bonds ⁽¹⁾	Total Primary Government ⁽⁴⁾	Percentage of Personal Income ⁽⁶⁾	Outstanding Debt Per Capita ⁽⁷⁾
2001	4,435,000	72,820,000	77,255,000	4.51%	2,510
2002	17,485,000 ⁽²⁾	72,045,000	89,530,000	5.37%	2,864
2003	17,275,000	71,350,000	88,625,000	5.50%	2,878
2004	16,930,000	70,070,000	87,000,000	5.00%	2,837
2005	16,500,000	68,730,000	85,230,000	4.70%	2,781
2006	16,050,000	72,430,000 ⁽⁵⁾	88,480,000	4.30%	2,877
2007	15,575,000	72,430,000	88,005,000	3.94%	2,826
2008	15,070,000	70,820,000	85,890,000	n/a	2,728
2009	14,535,000	69,140,000	83,675,000	n/a	2,626
2010	24,487,472 ⁽³⁾	67,395,000	91,882,472	n/a	2,855



Source: City of Menlo Park

Notes:

- (1) General Obligation Bonds consists of 1996, 2002, and 2009 General Obligation Bonds
- (2) The City issued \$13,245,000 in 2002 General Obligation bonds
- (3) The City issued \$10,440,000 in 2009 General Obligation Bonds
- (4) Tax Allocation Bonds consists of 2006 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 - not available

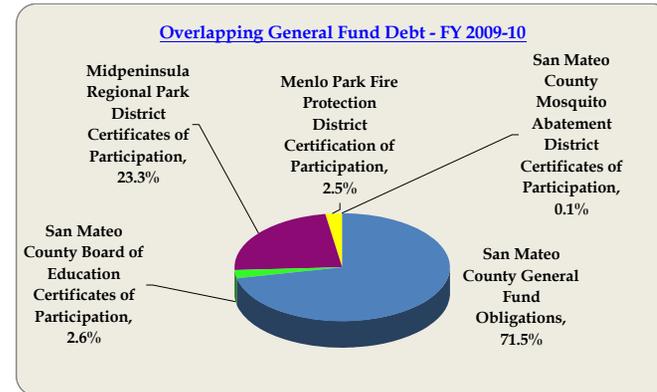
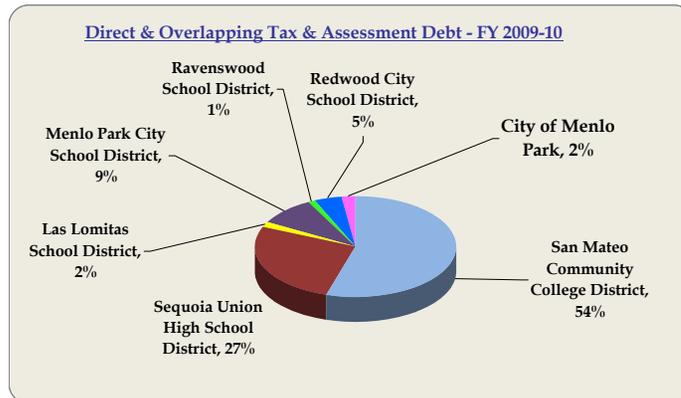


Direct and Overlapping Debt
June 30, 2010

Debt Capacity:
Schedule 12

2009-2010 City Assessed Valuation	\$ 10,059,582,775
Redevelopment Incremental Valuation	1,130,357,169
Total Assessed Valuation	\$ 11,189,939,944

	Outstanding Debt 6/30/2010	Percentage Applicable (1)	Estimated Share of Overlapping Debt	Ratio to Total Assessed Valuation	Combined Total Debt Ratio
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:					
San Mateo Community College District	\$ 624,979,994	6.893%	\$ 43,079,871	0.385%	
Sequoia Union High School District	302,420,000	16.635%	50,307,567	0.450%	
Las Lomas School District	18,809,944	35.479%	6,673,580	0.060%	
Menlo Park City School District	104,144,999	61.671%	64,227,262	0.574%	
Ravenswood School District	12,426,977	32.202%	4,001,735	0.036%	
Redwood City School District	53,024,178	2.116%	1,121,992	0.010%	
City of Menlo Park	24,415,000	100%	24,415,000	0.218%	
Total Direct and Overlapping Tax and Assessment Debt			\$ 193,827,007	1.732%	84%
OVERLAPPING GENERAL FUND DEBT:					
San Mateo County General Fund Obligations	\$ 349,089,816	6.893%	24,062,761	0.215%	
San Mateo County Board of Education Certificates of Participation	12,885,000	6.893%	888,163	0.008%	
Midpeninsula Regional Park District Certificates of Participation	113,788,031	5.568%	6,335,718	0.057%	
Menlo Park Fire Protection District Certification of Participation	11,990,000	45.569%	5,463,723	0.049%	
San Mateo County Mosquito Abatement District Certificates of Participation	275,000	9.423%	25,913	0.000%	
Total Overlapping General Fund Debt			\$ 36,776,278	0.329%	16%
COMBINED TOTAL DEBT (2)			\$ 230,603,285	2.061%	100%



Source: California Municipal Statistics, Inc.

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

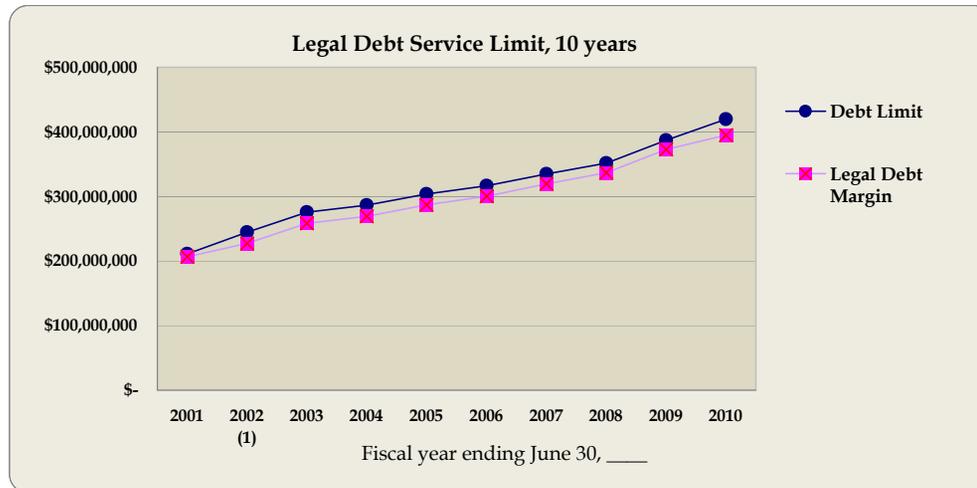
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.



Legal Debt Service Margin Information
June 30, 2010
Last Ten Years

Debt Capacity
Schedule 13

	FISCAL YEAR ENDING JUNE 30, _____									
	2001	2002 (1)	2003	2004	2005	2006	2007	2008	2009	2010
Total Assessed Valuation	\$ 5,633,534,414	6,525,446,839	7,349,582,506	7,636,849,442	8,098,392,444	8,439,815,620	8,934,356,839	9,381,942,948	10,324,430,171	11,189,939,944
Conversion Percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted Assessed Valuation	1,408,383,604	1,631,361,710	1,837,395,627	1,909,212,361	2,024,598,111	2,109,953,905	2,233,589,210	2,345,485,737	2,581,107,543	2,797,484,986
Debt Limit Percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt Limit	211,257,541	244,704,256	275,609,344	286,381,854	303,689,717	316,493,086	335,038,381	351,822,861	387,166,131	419,622,748
Debt Applicable to Limit - General Obligation Bonds	4,435,000	17,485,000	17,275,000	16,930,000	16,500,000	16,050,000	15,575,000	15,070,000	14,535,000	24,487,472
Legal Debt Margin	\$ 206,822,541	227,219,256	258,334,344	269,451,854	287,189,717	300,443,086	319,463,381	336,752,861	372,631,131	395,135,276
Debt Applicable to Limit as a Percentage of Debt Limit	97.9%	92.9%	93.7%	94.1%	94.6%	94.9%	95.4%	95.7%	96.2%	94.2%



Source: County of San Mateo, Assessed Valuation Reports

Notes:

(1) The City issued 2002 General Obligation Bonds

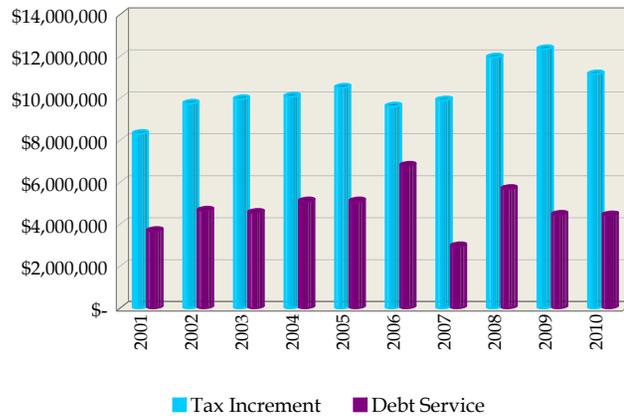


Pledged Revenue Coverage-Community Development Agency
 June 30, 2010
 Last Ten Years

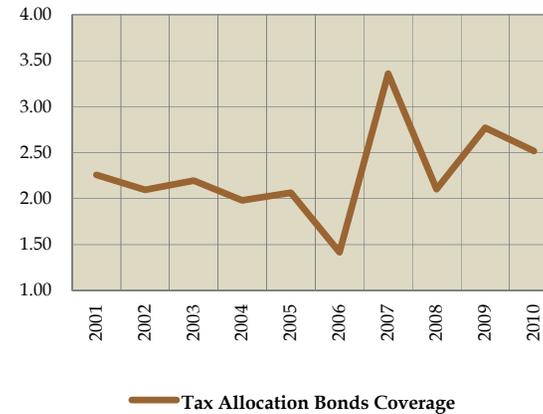
Debt Capacity:
 Schedule 14

Fiscal Year	Tax Ending	Debt Service		Total Debt Service	Tax Allocation Bonds Coverage
		Increment	Principal		
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	5,384,928	6,789,928	1.42
2007	9,907,272	- ⁽¹⁾	2,948,006	2,948,006	3.36
2008	11,953,189	1,610,000	4,075,322	5,685,322	2.10
2009	12,345,579	1,680,000	2,776,371	4,456,371	2.77
2010	11,149,849	1,745,000	2,682,517	4,427,517	2.52

Tax Increment & Debt Service
 10 years



Tax Allocation Bonds Coverage Ratios
 10 years



Source: City of Menlo Park

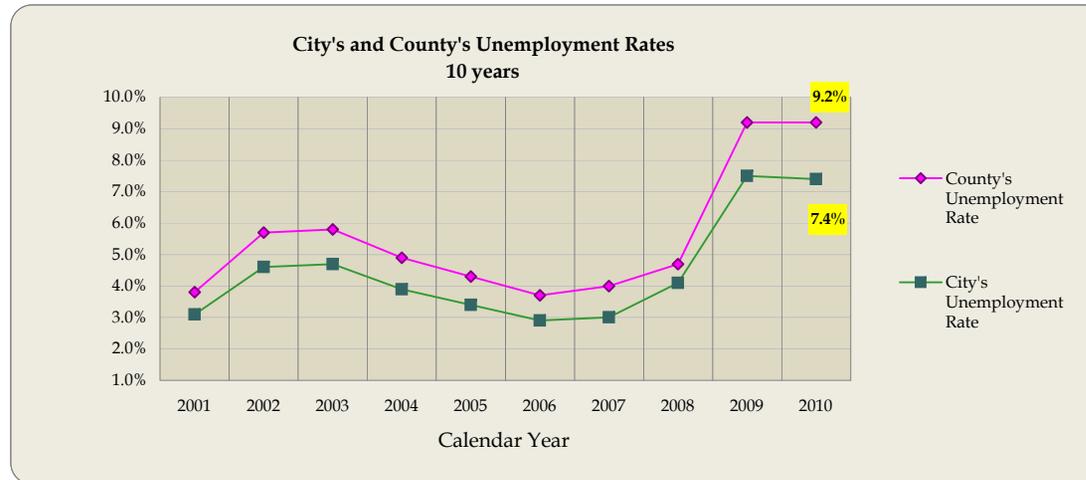
(1) No principal due, the bonds were refinanced in 2006.



Demographic and Economic Statistics
 June 30, 2010
 Last Ten Years

Demographic and
 Economic
 Information:
 Schedule 15

Calendar Year	City of Menlo Park		County of San Mateo		K-12 Public School Enrollments (5)
	Population (1)	City's Unemployment Rate (2)	County's Unemployment Rate (3)	Personal Income Per Capita (4)	
2001	30,785	3.1%	3.8%	55,634	3,955
2002	31,262	4.6%	5.7%	53,315	3,919
2003	30,798	4.7%	5.8%	52,289	4,033
2004	30,671	3.9%	4.9%	56,697	4,109
2005	30,648	3.4%	4.3%	59,213	4,120
2006	30,750	2.9%	3.7%	66,839	4,124
2007	31,146	3.0%	4.0%	71,753	4,177
2008	31,490	4.1%	4.7%	73,839	4,297
2009	31,865	7.5%	9.2%	n/a	4,498
2010	32,185	7.4%	9.2%	n/a	4,477



Source:

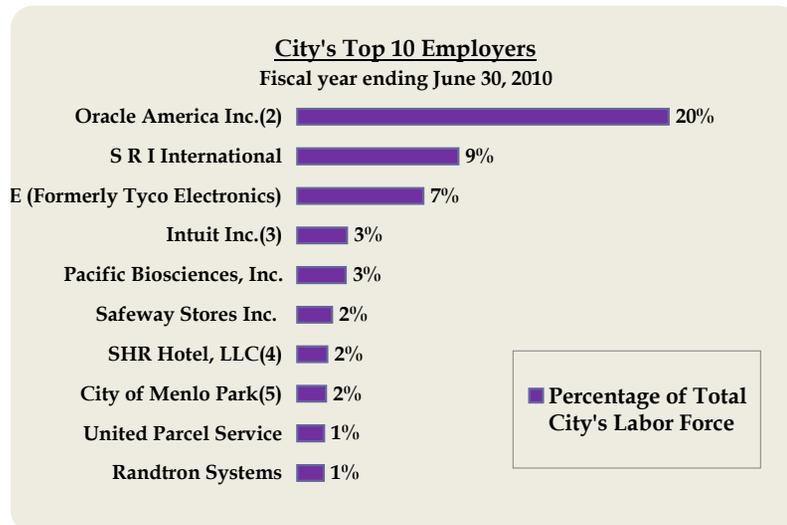
- (1) State of California Department of Finance, Demographic Research Unit
- (2) California Labor Market Information, EDD, labormarketinfo.edd.ca.gov, September 17, 2010 March 2009 Benchmark
- (3) California Labor Market Information, EDD, labormarketinfo.edd.ca.gov, August 20, 2010 March 2009 Benchmark
- (4) US Department of Commerce, Bureau of Economic Analysis, bea.gov
- (5) California Department of Education, Education Demographics Office, Enrollment Over Time - Data Quest, Menlo-Atherton High School and Menlo Park City Elementary



Principal Employers
June 30, 2010
Current Fiscal Year and Nine Years Prior

Demographic
Economic
Information:
Schedule 16

<u>City's Principal Employers</u> ⁽¹⁾	<u>Rank</u>	<u>2009-10</u>		<u>2000-2001</u>	
		<u>Total Employees</u>	<u>Percentage of Total City's Labor Force</u>	<u>Total Employees</u>	<u>Percentage of Total City's Labor Force</u>
Oracle America Inc. ⁽²⁾	1	3,114	20%	3,166	19%
S R I International	2	1,350	9%	1,181	7%
TE (Formerly Tyco Electronics)	3	1,057	7%	1,040	6%
Intuit Inc. ⁽³⁾	4	417	3%	-	0%
Pacific Biosciences, Inc.	5	406	3%	-	0%
Safeway Stores Inc.	6	291	2%	251	2%
SHR Hotel, LLC ⁽⁴⁾	7	250	2%	-	0%
City of Menlo Park ⁽⁵⁾	8	241	2%	241	1%
United Parcel Service	9	224	1%	177	1%
Randtron Systems	10	222	1%	160	1%
Top 10 Employers		7,572	49%	6,216	37%
Total Employment of the City's Labor Force ⁽⁶⁾		15,500	100%	16,700	100%



Source:

- (1) City of Menlo Park, Finance, Business License, HdI Business License System, calendar year, non-profit organizations' data is not available
- (2) Formerly Sun Microsystems, Inc.
- (3) Intuit's business license started in 2008
- (4) SHR Hotel LLC's business license started in 2009
- (5) City of Menlo Park, Personnel, number of FTE as of fiscal year ending June 30th
- (6) State of California, Employment Development Department, Labor Force, June 2001 and 2010

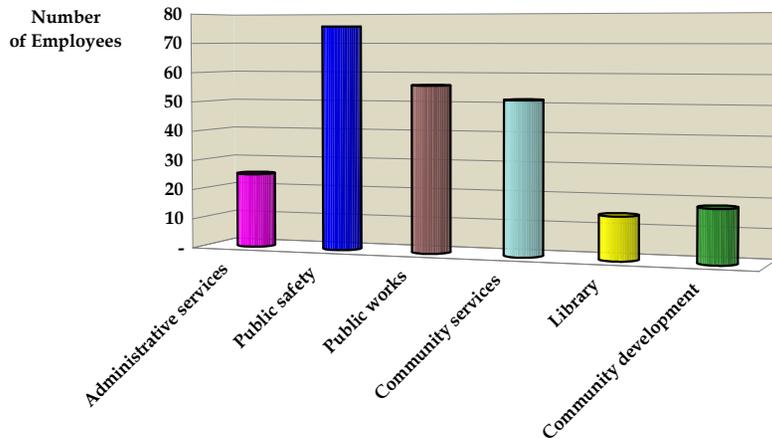


Full Time Equivalent City Employees by Function
 June 30, 2010
 Last Ten Years

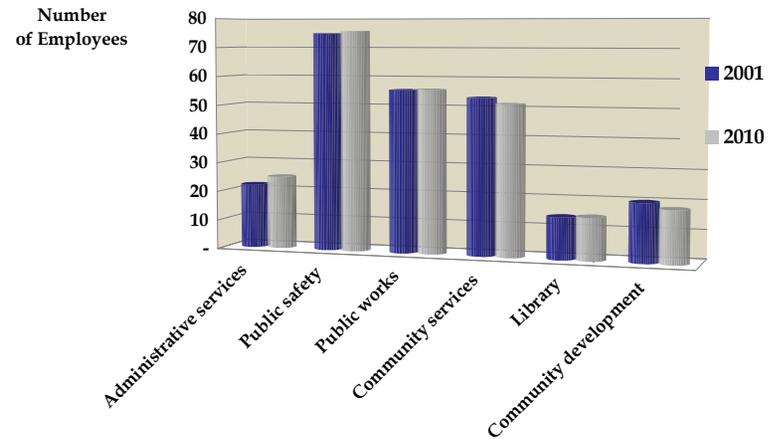
Demographic and
 Economic
 Information:
 Schedule 17

Full-Time Equivalent Employees										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General government										
Administrative services	22.00	22.50	23.50	24.50	21.50	21.50	21.50	25.35	25.35	25.00
Public safety	75.00	76.00	75.50	71.50	70.50	70.50	69.50	76.00	76.00	75.75
Public works	55.75	55.75	60.75	56.75	53.25	54.25	56.25	57.25	57.25	56.00
Culture and recreation										
Community services	53.50	55.50	64.25	61.50	52.50	52.75	49.75	49.25	50.75	51.50
Library	14.25	14.25	17.00	16.00	15.75	15.75	15.75	15.75	15.25	14.50
Community development	20.00	20.00	19.50	17.50	16.50	17.50	18.00	19.15	19.15	18.00
Total	240.50	244.00	260.50	247.75	230.00	232.25	230.75	242.75	243.75	240.75

Full Time Equivalent Employees
 Fiscal year ending June 30, 2010



Full Time Equivalent Employees
 2001 and 2010



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Operating Indicators by Demand Level of Service, by Function/Program
 June 30, 2010
 Last Ten Years

Operating Information:
 Schedule 18

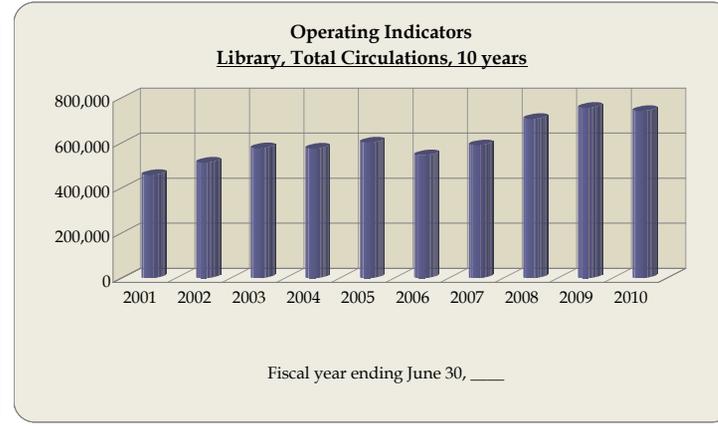
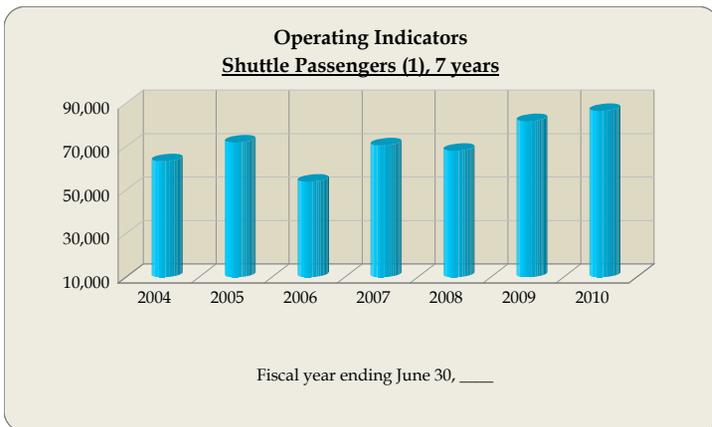
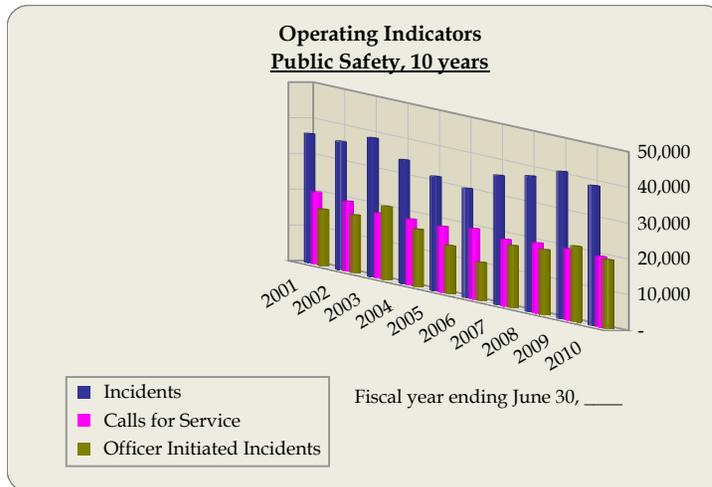
FISCAL YEAR ENDING JUNE 30, _____											
FUNCTION/PROGRAM		<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Public Safety	Incidents	36,132	35,907	38,856	34,676	31,977	30,597	36,206	37,997	41,200	39,217
	Calls for Service	20,282	19,658	18,299	18,516	18,467	19,806	18,721	19,736	20,015	19,840
	Officer Initiated Incidents	15,850	16,249	20,557	16,160	13,510	10,791	17,485	18,261	21,185	19,377
Public Works	<u>Transportation:</u>										
	Shuttle Passengers (1)	n/a	n/a	n/a	63,387	71,963	53,978	70,712	68,201	81,837	86,503
Public Works	<u>Engineering:</u>										
	Encroachment Permits Issued	319	305	294	257	266	275	274	319	310	289
Culture and Recreation	<u>Parks and recreation:</u>										
	Number of Activity Hours Provided(2)	10,327	10,239	9,863	9,762	9,649	9,571	21,902	119,674	37,869	48,270
	Participants(3)	65,039	43,480	22,108	17,157	17,229	40,400	31,659	39,106	61,514	64,762
	<u>Library:</u>										
	Books Volumes held	136,103	140,942	134,047	134,294	136,590	143,351	142,735	149,927	151,650	146,429
	Video/DVD held	5,799	7,500	8,749	10,048	11,650	12,569	11,092	15,148	14,989	13,688
	Books Volumes added	11,332	11,480	13,850	9,394	9,153	4,992	9,587	7,613	15,162	9,826
Total Circulations	457,658	513,560	577,170	575,023	602,548	545,764	590,261	707,073	756,808	742,555	
Community Development	<u>Building Permits Issued:</u>										
	Residential - Count	734	679	707	970	761	824	745	787	652	667
	Residential -Value (\$1000s)	41,732	34,417	34,163	56,527	44,819	55,404	70,643	84,006	51,761	42,033
	Commercial - Count	206	145	153	210	161	155	185	170	187	160
	Commercial -Value (\$1000s)	68,413	64,675	73,280	25,199	24,425	44,428	112,118	73,820	42,435	32,419
	Accessory -Count	179	132	136	94	84	107	99	99	74	87
	Accessory -Value (\$1000s)	2,559	2,134	2,866	1,820	4,552	1,062	1,290	2,337	1,039	1,188
	Building Inspections Conducted	5,624	11,377	10,713	10,215	10,159	10,522	10,036	11,197	10,532	8,797
	<u>Housing and Redevelopment:</u>										
	Below Market Rate-Units sold	0	0	2	1	0	0	7	16	5	2
	Below Market Rate-Units resold	0	0	0	1	0	0	1	0	0	1
	Housing Rehabilitation-New loans	12	13	7	9	3	5	0	0	5	0
	Housing Rehab Loans-Cumulative (\$)	2,168,928	2,284,738	2,337,511	2,276,512	2,129,896	2,205,021	1,744,741	1,459,047	1,440,877	1,340,433
	Housing Rehab Homes-Cumulative Count	99	95	91	73	64	58	47	41	41	36
	RDA - Housing Rehabilitation-New loans(4)	-	-	-	-	-	-	-	-	-	4
RDA - Housing Rehab Loans-Cumulative (\$)	-	-	-	-	-	-	-	-	-	193,000	
RDA - Housing Rehab Homes-Cumulative Count	-	-	-	-	-	-	-	-	-	4	
Administration Services	<u>Finance:</u>										
	New Business License Applications	1,162	593	510	527	481	469	649	708	564	676

(Continued)



Operating Indicators by Demand Level of Service, by Function/Program
 June 30, 2010
 Last Ten Years

Operating Information:
 Schedule 18



Source: City of Menlo Park

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.

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

⁽³⁾ Park and Recreation: Differences in department programming from year to year result in substantial variances in some totals.

⁽⁴⁾ Redevelopment Agency-Housing Rehabilitation started in fiscal year 2009-2010



Capital Asset Statistics by Function
 June 30, 2010
 Last Ten Years

Operating Information:
 Schedule 19

<u>Functions</u>		FISCAL YEAR ENDING JUNE 30, _____									
		<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General government	Civic Center-Administration	1	1	1	1	1	1	1	1	1	1
Public Safety	Police Stations	1	1	1	1	2	2	2	2	2	2
Public Works	Streets (miles)	101	101	101	101	101	101	101	101	101	101
	Streetlights	1,659	1,659	1,659	1,659	1,718	1,718	1,718	1,718	1,718	1,719
	Traffic Signals	22	22	22	22	22	22	22	22	22	22
	Water (1,000 gallons)	3,557	3,557	3,557	3,557	3,363	3,363	3,556	3,805	3,337	2,582
	- Capacity per day (millions of gallons)	4	4	3	4	4	3	4	4	3	3
	- 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	59	59
Parks and Recreation	Child Care Centers	5	5	5	5	5	5	5	5	6	6
	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	13	13	13	13	13	13	13	14	14
	Community Center	1	1	1	1	1	1	1	1	1	1
	Senior Centers	2	2	2	2	2	2	2	2	2	2
	Gymnasium	2	2	2	2	2	2	2	2	2	2
	Pools ⁽¹⁾	4	4	4	4	5	5	5	5	5	5
	Medical Clinic	1	1	1	1	1	1	1	1	1	1
	Gate House	1	1	1	1	1	1	1	1	1	1
Dog Park Areas	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2	2	2	

Source: City of Menlo Park

Notes:

⁽¹⁾ Burgess pools were closed for construction in December 2004 and re-opened in May 2005

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Capital Asset and Infrastructure Statistics by Activities
June 30, 2010
Last Ten Years

Operating Information:
Schedule 20

	Fiscal Year Ending	Non-Depreciable				Depreciable					Total Fiscal Year	
		Land	Land Improvement	Real Estate Held for Sale	Construction in Progress	Buildings	Share Use Facilities	Equipment	Other Improvements	Infrastructure		Less: Accumulated Depreciation
Governmental Activities	2001	\$ 8,490,309			7,141,856	29,095,692		7,435,257	11,754,006			\$ 63,917,120
	2002	8,490,309			25,626,382	29,185,487		7,803,067	13,767,101			84,872,346
	2003	221,534,267	32,705,490		1,717,984	39,689,374		5,798,154	3,328,493	97,117,678	(48,625,194)	353,266,246
	2004	221,534,267	32,705,490		9,060,550	39,706,068		5,919,103	3,797,004	97,849,119	(52,039,710)	358,531,891
	2005	221,534,267	32,900,109		8,501,684	39,974,278		6,035,756	5,509,784	102,932,198	(55,468,475)	361,919,601
	2006	205,232,510	32,900,109		968,145	46,658,887		6,201,377	12,081,605	103,885,147	(57,765,455)	350,162,325
	2007	204,949,233	32,900,109		600,561	46,933,785		5,912,705	12,717,853	105,533,229	(61,481,901)	348,065,574
	2008	204,949,233	32,900,109		2,971,197	46,933,785		6,162,913	12,782,089	106,952,666	(65,743,622)	347,908,370
	2009	204,949,233	32,900,109		3,318,133	46,933,785		6,383,215	12,792,366	107,911,764	(69,349,289)	345,839,316
	2010	204,949,233	32,900,109	446,725	5,889,419	47,218,382	2,600,000	6,384,363	12,792,366	108,730,291	(73,724,714)	348,186,174
Business-type Activities	2001	403,675						463,139		8,988,163	(2,804,053)	7,050,924
	2002	403,675						605,104		9,459,197	(3,047,256)	7,420,720
	2003	1,066,454						585,643		8,423,306	(5,043,868)	5,031,535
	2004	1,066,454			262,293	3,945,489		585,643		4,457,930	(5,167,837)	5,149,972
	2005	1,066,454			1,936,034	3,945,489		585,643		4,874,739	(5,288,437)	7,119,922
	2006	1,066,454			183,225	4,141,695		589,093		6,812,639	(5,352,175)	7,440,931
	2007	1,066,454			277,361	4,165,957		589,093		6,812,639	(5,520,161)	7,391,343
	2008	1,066,454			561,544	4,159,460		621,809		6,812,639	(5,689,537)	7,532,369
	2009	1,066,454			793,183	4,159,460		566,303		6,812,639	(5,777,412)	7,620,627
	2010	1,066,454			1,133,544	4,159,460		569,755		6,812,639	(5,951,168)	7,790,684

Source: City of Menlo Park

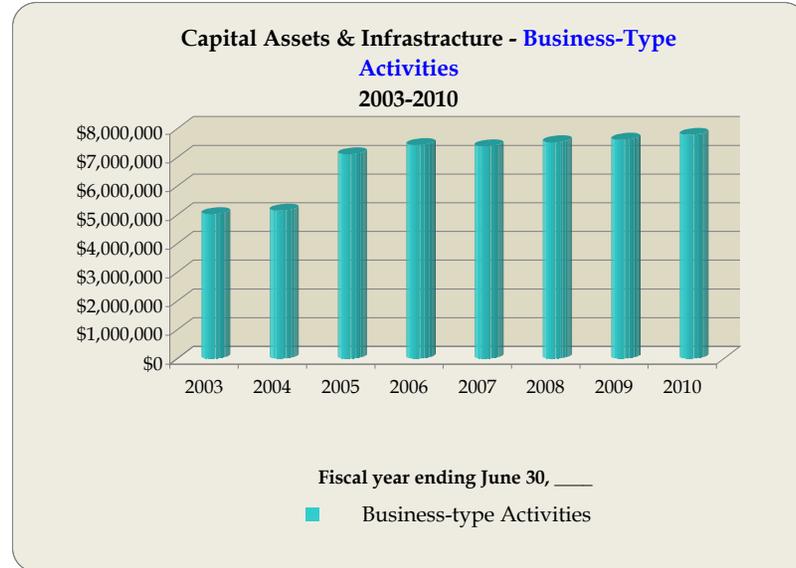
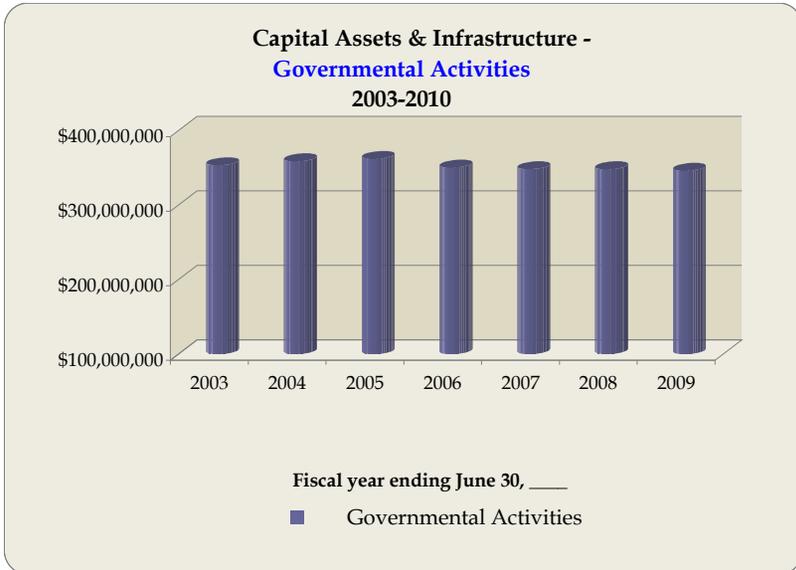
Notes: City started implementing the GASB Statement No. 34 in FY 2002-03. Prior to FY 2002-03, capital assets of the governmental funds were not depreciated and infrastructures were not reported.

(Continued)



Capital Asset and Infrastructure Statistics by Activities
June 30, 2010
Last Ten Years

Operating Information:
Schedule 20

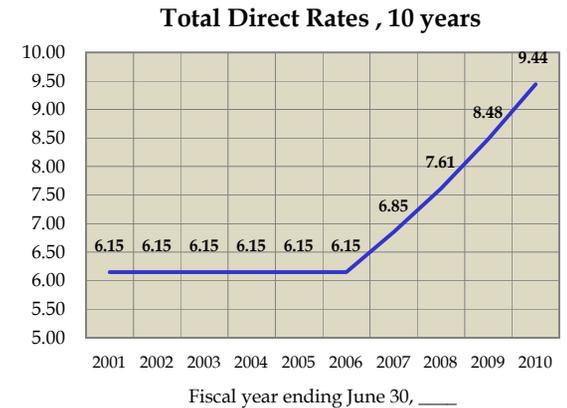
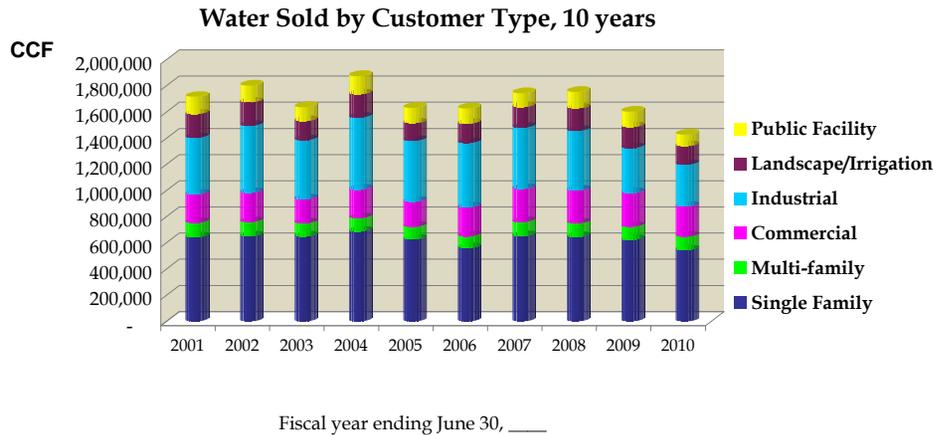




Water Sold by Type of Customer
June 30, 2010
Last Ten Years

Operating Information:
Schedule 21

Water Sold per Fiscal Year Ending June 30, _____										
Type of Customer	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Single Family	642,238	650,434	649,272	687,498	626,255	560,166	652,204	644,785	623,012	543,758
Multi-family	108,747	108,870	100,851	101,149	97,178	89,682	106,339	103,263	98,672	104,032
Commercial	218,946	222,508	182,992	219,354	190,834	221,551	253,596	251,400	258,675	229,159
Industrial	430,755	511,933	452,007	549,563	466,153	491,050	467,379	456,315	343,516	319,117
Landscape/Irrigation	182,525	179,607	144,931	177,958	134,150	148,601	159,097	170,846	160,021	142,781
Public Facility	133,406	129,221	107,918	141,001	118,424	117,785	107,003	127,811	119,814	89,655
Total Water Sold - CCF	1,716,617	1,802,573	1,637,971	1,876,523	1,632,994	1,628,835	1,745,618	1,754,420	1,603,710	1,428,502
Total Direct Rate(*)	6.15	6.15	6.15	6.15	6.15	6.15	6.85	7.61	8.48	9.44



Source: California Water Service Company, City of Menlo Park

Notes:

*Rate based on a minimum monthly service charge based on size plus a charge for water consumed plus a surcharge per unit

Prior year 2007-Monthly charge \$5 plus additional first 5 units charge and surcharge \$1.15

Year 2007-Monthly charge \$5.60 plus additional first 5 units charge and surcharge \$1.25

Year 2008-Monthly charge \$6.26 plus additional first 5 units charge and surcharge \$1.35

Year 2009-Monthly charge \$7.01 plus additional first 5 units charge and surcharge \$1.47

Year 2010-Monthly charge \$7.84 plus additional first 5 units charge and surcharge \$1.60

1 unit is 748 gallons



Water Service Rates
June 30, 2010
Last Ten Years

Operating Information:
Schedule 22

<u>Monthly Base Rate</u>	<u>FISCAL YEAR ENDING JUNE 30, _____</u>									
<u>by Meter Size</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
5/8"	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.00	\$ 5.60	\$ 6.26	\$ 7.01	\$ 7.84
3/4"	5.00	5.00	5.00	5.00	5.00	5.00	5.60	6.26	7.01	7.84
1"	8.00	8.00	8.00	8.00	8.00	8.00	8.95	10.02	11.21	12.54
1-1/2"	16.50	16.50	16.50	16.50	16.50	16.50	18.46	20.66	23.12	25.87
2"	26.50	26.50	26.50	26.50	26.50	26.50	29.65	33.18	37.13	41.55
3"	48.50	48.50	48.50	48.50	48.50	48.50	54.27	60.73	67.96	76.04
4"	75.00	75.00	75.00	75.00	75.00	75.00	83.93	93.91	105.09	117.59
6"	166.50	166.50	166.50	166.50	166.50	166.50	186.31	208.48	233.29	261.06
8"	369.50	369.50	369.50	369.50	369.50	369.50	413.47	462.67	517.73	579.34
10"	820.00	820.00	820.00	820.00	820.00	820.00	917.58	1,026.77	1,148.96	1,285.68
Additional charges (*)										
First 5 units	0.80	0.80	0.80	0.80	0.80	0.80	0.90	1.00	1.12	1.25
Next 6-10 units	1.00	1.00	1.00	1.00	1.00	1.00	1.12	1.25	1.40	1.57
Next 11-25 units	1.20	1.20	1.20	1.20	1.20	1.20	1.34	1.50	1.68	1.88
All units over 25	1.60	1.60	1.60	1.60	1.60	1.60	1.79	2.00	2.24	2.51
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

Source: City of Menlo Park, Master Fee Schedules

Notes:

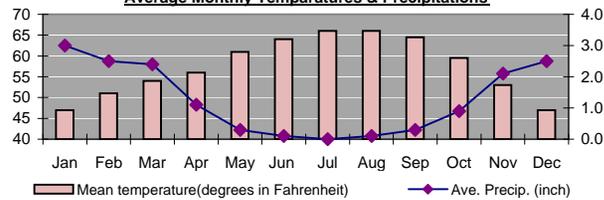
* Additional charge is based on monthly meter readings, one unit is 748 gallons.

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



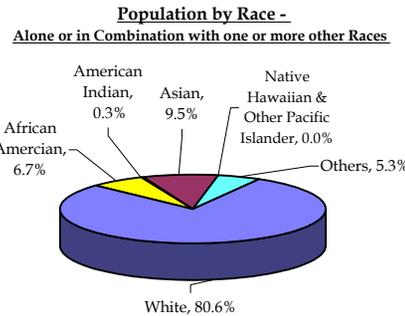
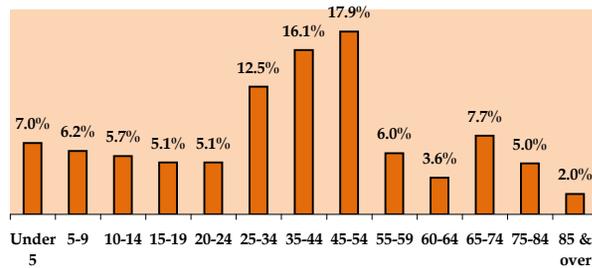
Date of Incorporation	November 23, 1927
Form of Government	Council / Manager
City Council Members	5
City Commissions	10
Arts, Bicycle, Environmental Quality, Finance & Audit, Housing, Las Pulgas, Library, Parks & Recreation, Planning, & Transportation	
Latitude, Longitude	37.45 N, 122.18 W
Elevation	60 feet
Land Area, square miles	18
Sunny Days a year	265
Average Annual Rainfall	15.71"

Average Monthly Temperatures & Precipitations



Demographic Estimates	
Population, January 2009	32,185
People per square miles	1,788
Males	50.0%
Females	50.0%
Median age (years)	40.7

Population by Age Group



Social Characteristics

<i>Language spoken at home - population over age 5 :</i>	
English only	75.4%
Other languages	24.6%
Spanish	14.5%
Other Indo-European languages	4.3%
Asian & Pacific Islander languages	4.3%
Other languages	0.2%
<i>Educational attainment - population 25 years & over :</i>	
High school graduate or higher	92.3%
Bachelor's degrees or higher	67.3%
<i>Disability status - population 5 years & over</i>	
Age 5 & 15 with a disability	5.4%
Age 16 & 64 with a disability	32.3%
Age 65 & over with a disability	6.1%

Housing Characteristics

Total housing units	12,624
Occupied housing units	94.3%
Vacant housing units	5.7%
Owner occupied median value (\$)	1,000,000
Owner occupied	63.8%
Renter occupied	36.2%
Housing units with a mortgage median costs (\$)	3,488
Housing units without a mortgage median costs (\$)	777
Renter occupied units median costs (\$)	1,596

Schools	
Preschools	7
Public schools, K-12	10
Private schools, K-12	9
Adult education institutions	2
Colleges - private	2
College - public	1
Utilities and other services:	
Water Supplier	1
Menlo Park Municipal Water District	
Sewer: West Bay Sanitary District	1
Refuse Removal & Recycling Service	1
Allied Waste Services	
Gas & Electric Service	1
Pacific Gas & Electric	
Telephone Service	1
AT&T / SBC	
Cable Services	2
Comcast	
Matrix Cablevision	
Police protection, stations	2
Menlo Park Fire District, stations	7
Hospitals	2
Medical Clinics	1
Health Support	4
U. S. Post Offices, branches	2
Local attractions, culture & recreation	
Allied Arts Guild	
Menlo Atherton Performance Arts Center	
Stanford Linear Accelerator Center (SLAC)	
Sunset Publishing Corporation	
United States Geological Survey	
Movie theater, the Guild	1
Places of worship	23
Radio station, KCEA-FM, 89.1	1
Local newspaper, the Almanac	1

Source: Menlo Park Chamber of Commerce, City of Menlo Park
 Countrystudies.us/united-states/weather/california/menlo-park.htm
 California Department of Finance, Demographic Research Unit
 U.S. Census Bureau, 2005-2007 American Community Survey