

CITY OF MENLO PARK CALIFORNIA

Comprehensive Annual Financial Report



Menlo Park Celebrates 150 years of train service

For the Fiscal Year Ended June 30, 2013

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2013



CITY OF MENLO PARK, CALIFORNIA

PREPARED BY
THE FINANCE DEPARTMENT

Drew Corbett
Finance Director

Geoffrey Buchheim
Financial Services Manager

This report is printed on recycled paper.

City of Menlo Park
For the year ended June 30, 2013

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

December 17, 2013

Honorable Mayor
Members of the City Council
and Residents 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, 2013. 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 the City's principal officials. The financial section includes the independent auditor's report, basic financial statements, notes to basic financial statements, required supplementary information, and supplementary information on non-major funds. 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 introduction, 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 in the financial section of this document, immediately following the report of the independent auditors.

Background

The City of Menlo Park is located in San Mateo County, midway between the cities of San Francisco and San Jose. It is an area 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 still among the highest in the area, reflecting the desirability of living in the community. Now home to the headquarters of social networking giant Facebook, other major companies that have facilities in Menlo Park include the Rosewood Hotel, TE Corporation (formerly Tyco), E*Trade Financial, SRI International, Sunset Publishing, 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 any applicable component units. Component units are legally separate entities for which the primary government is financially accountable. Prior to the dissolution of the Community Development Agency on January 31, 2012, it was reported as a blended component unit of the primary government. Activities of the Successor Agency acting on behalf of the former Community Development Agency are now reported as a Private-Purpose Trust Fund in the financial statements, and as such, 2012-13 is the first fiscal year in which the financial statements reflect only activities of the primary government and no component unit activity.

The City of Menlo Park provides a varied range of services, including police protection, public works (engineering, streets, parks, 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. Sanitary sewer services are also provided by a special district, the West Bay Sanitary Sewer District.

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 engaged them in helping to determine fiscal priorities going forward. 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.

This budget refinement was beneficial in weathering the 2007-09 national economic recession. Nonetheless, the severe downturn compelled the City to develop and employ various long-term strategies focusing on preparedness for recovery. Blended with shorter-term cost reductions, these strategies limited the recession's impact on the City's reserves while maintaining quality community services. The City was also able to substantially maintain its annual \$2.1 million investment in infrastructure - the amount needed to maintain the City's current infrastructure in its current condition - to prevent deterioration of these assets and the higher future cost that accompanies deferred maintenance.

The State's budget woes have continued to provide additional uncertainty to municipal funding. Midway through fiscal year 2011-12, the State successfully litigated the dissolution of redevelopment agencies statewide, effective February 1, 2012. This funding "realignment" presented a severe challenge to the City's ability to develop a balanced budget while still providing needed services and improvements in the redevelopment area. Further, the timing of the dissolution threatened a burgeoning recovery; just as revenues and expenditures were moving into alignment, the City's General Fund was required to absorb expenditures that were previously funded with redevelopment tax increment.

Fortunately, revenue recovery in a number of areas, especially property tax and transient occupancy tax, was greater than expected, and the City of Menlo Park appears to have turned a corner into a stable financial state. By the end of 2012-13, the City's budget and long-term forecast reflected operating surpluses for the next five years, which is the result of the better-than-expected revenue results and the actions the City has taken on the expenditure-side to realign those costs to a more sustainable level.

Some of the actions taken in this regard include negotiating wage and benefit concessions from employees, especially as they relate to retirement costs.

Staff will continue to monitor the long-term budget situation, keep the City Council informed of critical economic events, and be proactive in developing plans to promote the City and maintain its financial health. Various revenue options will continue to be explored, along with alternative service delivery models, further operational review, and aggressive pursuit of available federal, state and local funding.

Major Initiatives

FOR THE YEAR: The improving economy has resulted in a renewed interest in development projects and increased business opportunities, which has subsequently created an overall rise in demand for City services. Given the expenditure reductions made in response to the recession, as well as the loss of redevelopment revenue, keeping up with this service demand has been a challenge and has forced the City to remain focused on addressing the basics: Council's priorities and the services and programs that make Menlo Park unique.

The **Department of Administrative Services** continued to evolve its personnel model to best serve other City departments, the Council, and the community. This included filling several key positions in the City Manager's Office such as the Economic Development Manager and the newly created Assistant to the City Manager. The latter position's duties include Council- or City Manager-generated special projects that will help ensure key initiatives get prompt attention. The Human Resources Division welcomed a new Human Resources Director early in the fiscal year, while the Finance Division lost its director in March. The loss of the Finance Director required interim resources to be brought in to assist with budget development and continued work on redevelopment dissolution.

As was the case in the previous fiscal year, the Finance Division worked extensively to deal with the financial and regulatory impact of the loss of redevelopment agencies. The City, as Successor Agency to the former redevelopment agency, is required to pay all enforceable obligations that were in effect as of the signing of the dissolution bill and manage the remaining assets of the former agency until they can be distributed to other units of state and local governments. Regulatory compliance dictates that multiple levels of audit, review, and disclosure be undertaken before action can occur, which leads to dissolution-related transactions taking significant time and City staff effort to complete. This was the case for the sale of an asset of the former Community Development Agency. This property sale was expected to be completed mid-fiscal year; however, it did not get final approval from the State until after the close of fiscal 2013, and this transaction required significant time from senior City staff throughout the process.

The Finance Division and the Human Resources Division also continued to work together on the upgrade of the City's payroll system, which will significantly enhance functionality, stability, and integration with the City's general ledger. This project is in process and is expected to finish during fiscal 2014.

One of the primary areas of focus for the **Community Development Department** during the fiscal year was the update to the 2007-2014 Housing Element, which was completed late in the year and has since been adopted by Council and certified by the State. Work was also initiated on the 2014-2022 Housing Element Update, which is expected to be completed in the Spring of 2014, well ahead of the State-mandated timeline. The second major priority for the Department was managing the significant level of development activity in the City. Development projects that received land use entitlements in the year include the approximately 433,000 square foot Facebook West Campus, a renovated and expanded campus for CS Bio, Inc., conversion of a senior residential facility into a Marriott Residence Inn, renovation and expansion of the Beechwood School campus, and a 26-unit residential development located at 389 El Camino Real. Additionally, land use entitlements are underway for the renovation of the SRI International campus and the Commonwealth Corporate Center, an office development of approximately 250,000 square feet. An improving economy and the Downtown Specific Plan taking effect in July 2012 were major factors driving this level of activity, and with an increase in land use entitlements, as well as plan check submittals for a number of large projects, the Department utilized more contract services to manage the demand and ensure timely processing of requests.

The **Community Services Department** continued refining business plans designed to maximize program capacity and achieve greater cost recovery at the new facilities on the Burgess Campus, especially the Arrillaga Family Gymnastics Center that was completed in May 2012. Results in this area have been impressive, as total cost recovery is at an all-time high of 80%, and reliance on the General Fund has been reduced by over \$1 million over the past five years. In that same timeframe, participant hours have quadrupled, which can be attributed to 30,000 square feet of new recreation-related facilities being constructed, increased operating hours, and improved programming. Overall demand for services remained extremely high in 2012-13, with nearly 1 million participants taking advantage of program opportunities.

The Department also completed a community visioning process for the Belle Haven neighborhood to determine its values and issues, define goals, and identify existing community assets that could be leveraged for future neighborhood improvement. The visioning process is intended ensure that City funds are spent on the services that have the highest priorities for the people receiving them, and the results will be implemented starting in 2013-14.

The **Library** continued to improve its operational efficiency with the installation of an automated materials handling system and a self-check-in terminal. These systems, along with the expanded self-check-out capabilities implemented in the prior year,

allow for faster turnaround of library materials, better utilization of library staff, and a greater overall level of service to library patrons. Overall, the Main Library had total materials circulation of nearly 663,000 in 2012-13, with 95% of checkouts occurring on the new self-check-out terminals.

The **Police Department** underwent significant change in 2012-13, including the hiring of a new Police Chief. Efforts in the Police Department over the past fiscal year have focused on one central theme: keeping residents safe. To support that theme, the Department undertook a number of initiatives, including reviving the bicycle patrol program and motorcycle traffic unit, partnering with Facebook to begin the process of opening a Neighborhood Service Center in the Belle Haven neighborhood, and developing a new departmental organizational structure that enhances service delivery and builds leadership capacity. The latter two efforts are expected to be fully implemented in 2013-14. Further, and despite the loss of its redevelopment funding, the Police Department has maintained the important operations of the Narcotics Enforcement Team (NET) with General Fund resources. The NET serves to combat narcotics and gang violence, partnering with allied agencies for maximum impact in making the community a safer place to live and a desirable place to do business.

During the 2012-13 fiscal year, the **Public Works Department** completed a number of capital improvement projects, including several street and sidewalk projects such as the 2012 Street Resurfacing of Federal Aid Routes, Sidewalk Repair Program and Seminary Oaks Park Pathway, Woodland Sidewalks, Safe Routes to Hillview Middle School, and Alpine Road Bike Improvements. The Department has also continued to look for ways to reduce operating costs and work towards a long-term sustainable budget. Energy retrofits, which have both environmental benefits and cost savings, have been completed in many City facilities, and the transition to LED streetlights continues, with over 650 installed in 2012-13. This takes the total percentage of streetlights converted to LED to nearly 50% Citywide.

Maintenance of the City's infrastructure continues to be a high priority. The CIP Fund, as reflected in the 5-Year Capital Improvement Plan (CIP), has also become the funding tool for long-range planning projects, information systems upgrades, and new or replacement facilities. To that end, one-time revenues received in 2012-13 were utilized to either increase the General Fund's reserves or fund the CIP Fund. Specifically, \$3 million was allocated to cover long-overdue technology upgrades, and \$2 million has been set aside for comprehensive planning efforts. Both of these efforts are expected to get underway in 2013-14. Public Works continues to have staffing challenges within the CIP group, which affects the capacity for completion of approved CIP projects.

FOR THE FUTURE: **Financial Planning and Fiscal Policies**

A vibrant and resilient economy supporting a sustainable City budget is a 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.

Rating agencies recognize the City's financial strength and policies when assigning excellent ratings to Menlo Park general obligation bond issuances. 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 ongoing expenses. To that end, the operating budget includes annual funding for large infrastructure maintenance projects and ongoing retiree medical benefit obligations. In addition, all funds are regularly evaluated in terms of ongoing sustainability to avoid any future burden on the General Fund.

Menlo Park strives to maintain fiscal policies that will provide guidance on preserving its sound financial standing in the long term. Two years ago, a General Fund Reserve Policy was finalized, incorporating requirements of Governmental Accounting Standards Board (GASB Statement No. 54). The policy outlines the City Council's formal commitment of amounts of fund balance to be set aside specifically for emergency (\$6 million) and economic contingencies (\$8 million). The total goal range for the City's unrestricted fund balance is 43 to 55 percent of General Fund expenditures. As of June 30, 2013, the unrestricted fund balance of nearly \$21.4 million represents approximately 50.4 percent of total General Fund expenditures for the 2012-13 fiscal year.

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. Continuing to make this distinction and act accordingly will be critical to maintaining the City's long-term fiscal health. Infrastructure maintenance, comprehensive planning activities, technology upgrades, and storm water programs, in addition to standard City operations, are all part of a comprehensive and sustainable fiscal plan for the City and must be considered as limited resources are allocated.

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.

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 5-Year Capital Improvement Plan and the General Plan will be used in the City's efforts toward 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 relate 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 OUM & Co., LLP Certified Public Accountants and Consultants was selected by the City for this purpose. The auditor's report and *unqualified* opinion on the basic financial statements and combining and individual fund statements is included in the financial section of this report.

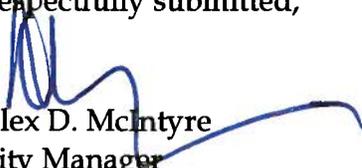
Awards and Acknowledgments. The GFOA of the United States has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended June 30, 2012. In order to be awarded this Certificate, a governmental unit must 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.

Timely and efficient accounting practices, in 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. His diligent work, as

well as the overall contributions from the entire Finance Department, was instrumental in ensuring the successful completion of this document.

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

Respectfully submitted,



Alex D. McIntyre
City Manager



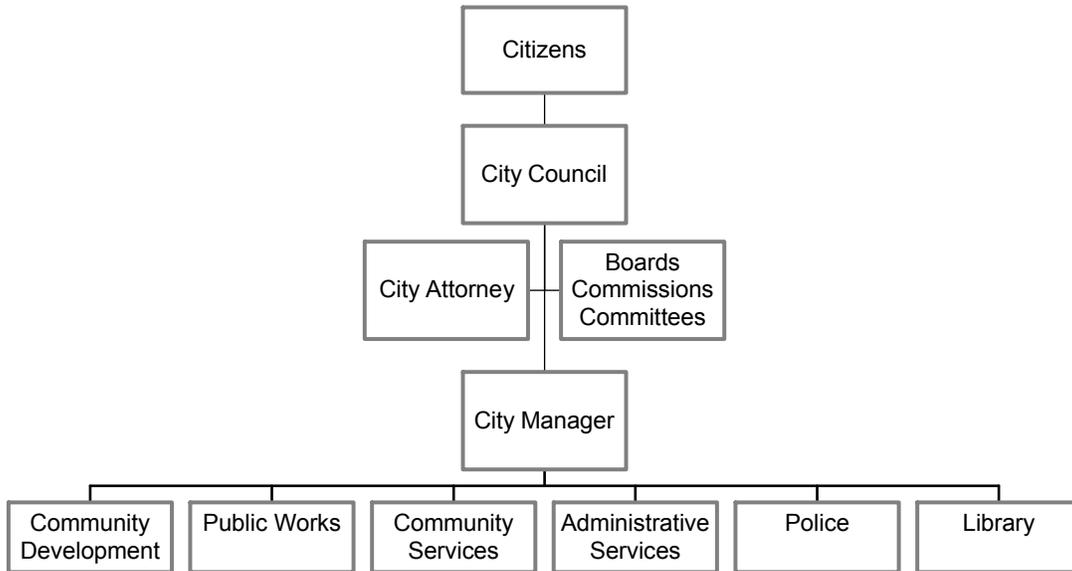
Drew Corbett
Finance Director

INTRODUCTORY SECTION

CITY OF MENLO PARK, CALIFORNIA

ORGANIZATIONAL CHART

JUNE 30, 2013



CITY OF MENLO PARK, CALIFORNIA

LIST OF CITY OFFICIALS

JUNE 30, 2013

CITY COUNCIL

Peter Ohtaki, Mayor

Ray Mueller, Mayor Pro Tem

Richard Cline, Councilmember

Catherine Carlton, Councilmember

Kirsten Keith, Councilmember

ADMINISTRATION AND DEPARTMENT HEADS

City Attorney William McClure

City Manager Alex D. McIntyre

Assistant City Manager Starla Jerome-Robinson

Administrative Services:

Human Resources Director Gina Donnelly

Finance Director Uma Chokkalingam (Interim)

City Clerk Pam Aguilar (Acting)

Community Services Director Cherise Brandell

Police Chief Robert Jonsen

Library Director Susan Holmer

Developmental Services:

Director of Community Development Arlinda Heineck

Director of Public Works Charles Taylor



Government Finance Officers Association

**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, 2012

Executive Director/CEO

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, each major fund, and the aggregate remaining fund information of the City of Menlo Park, California, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information on pages 4 through 17 and 80 through 84 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements 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 do not express an opinion or provide any assurance on them.

Implementation of New Accounting Standards

As disclosed in Note 1 to the financial statements, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions-An Amendment of GASB Statement No. 53*.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

OUM + Co. LLP

San Francisco, California
November 18, 2013



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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2013

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, 2013. 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 Position - The assets of the City exceeded its liabilities at fiscal year ending June 30, 2013 by \$440,094,139. Of this amount, \$49,850,937 was reported as "unrestricted net position" and may be used to meet ongoing obligations.

Changes in Net Position - The City's total net position increased by \$6,536,544 in fiscal year 2012-13. Net position of governmental activities increased by \$6,393,335, which is due in large part to an increase in cash and investments. This increase is net of a prior period adjustment of \$(206,487), primarily related to the correction of payroll expense related to prior years. Net position of the business-type activities increased by \$143,209, reflecting the total year's net income for the Menlo Park Municipal Water District.

Long-Term Debt:

The City's total bonded debt obligations decreased by \$758,813 during fiscal year 2012-13, primarily due to the scheduled annual payments of principal balances of outstanding debt, as follows: a \$360,000 payment was made on the 1996 General Obligation Refunding Bonds, leaving a remaining balance of \$1,215,000 as of June 30, 2013; a \$60,000 payment was made on the 2009A General Obligation Bonds, leaving a remaining balance of \$955,000 as of June 30, 2013; and a \$340,000 payment was made on the 2012 General Obligation Refunding Bonds, leaving a balance of \$9,490,000.

Fund Highlights:

Governmental Funds - Fund Balances - As of the close of fiscal year 2012-13, the City's governmental funds reported a combined ending fund balance of \$69,786,934. This is a \$5,121,075 increase from the prior year, which is primarily the result of an increase in total assets, predominantly in the form of cash and investments. The City's General Fund increased \$1,093,940, with revenues of nearly \$43.5 million and expenditures of \$42.4 million. This includes the annual transfer of over \$2.2 million to support infrastructure maintenance in the Capital Improvement Projects Fund, as well as an additional \$2.7 million transfer to that fund to support priority initiatives such as comprehensive planning and technology upgrades. The surplus is credited primarily to accelerated recovery of many of the General Fund's major revenue sources. The gross increase in fund balance was partially offset by a \$214,287 prior period adjustment to correct for a payroll liability spent but not properly expensed.

Of the total fund balances, \$5.9 million are categorized as “nonspendable”, largely representing amounts associated with loans and notes receivable. In establishing its General Fund Reserve Policy, the City Council set aside \$14 million as “committed” fund balance. Most of the remaining funds are restricted within special revenue funds for specific purposes, capital improvement projects, or debt service. Governmental fund balances that are categorized as “unassigned fund balance” totaled \$4,644,239, reported in the City’s General Fund.

City Highlights:

Economic recovery continued in fiscal year 2012-13, as evidenced by growth in a number of the City’s major revenue sources. This growth, which was above what had been expected, was a welcome occurrence as the City continued to grapple with the impact of the dissolution of redevelopment agencies. For the City of Menlo Park, the loss of tax increment required the General Fund to absorb the impact of critical operations in the former project area that had previously been funded with tax increment. Despite this great challenge, the City’s General Fund was able to absorb these functions while achieving a balanced, sustainable long-term budget. Further, in an attempt to keep spending levels in line with revenues, one-time revenues have been set aside for specific one-time uses and not incorporated into the ongoing revenue baseline. This ensures that the City does not set spending levels on an unsustainable revenue base. In fiscal year 2012-13, this included utilizing one-time revenues to add to the General Fund’s reserve and to transfer to the Capital Improvement Projects Fund to fund technology upgrades and comprehensive planning efforts.

Total governmental fund revenues for 2012-13 were up \$4.4 million over 2011-12, and this increase was driven by the General Fund, which had revenues, excluding transfers and asset sale proceeds, that were up \$3.7 million. This included a \$2.5 million increase in property tax, of which \$1.8 million was one-time revenue, a \$529,000 increase in transient occupancy tax, and a \$762,000 increase for licenses and permits. Investment earnings continued to decline in the governmental funds, as total earnings in 2012-13 were down 46 percent, or over \$500,000. Such returns reflect the leveling off of yields on treasuries and federally-secured investments at historically low rates, the maturity of higher-yielding investments, and the impact of GASB 31, which requires the City to value its portfolio at the market value as of June 30, 2013. This valuation resulted in the City booking an unrealized loss on investments of \$568,250 City-wide. It should be noted that as long as the City keeps its investments to maturity, which is typically what it does, there will be no actual loss on its investments.

Governmental Fund expenditures, excluding transfers and extraordinary gains/losses, dropped approximately \$7.5 million, or 13% percent, in 2012-13. A large portion of this decrease, \$4.8 million, was a reduction in debt-related expenditures attributable former Community Development Agency, whose debt is now reported in a separate private purpose trust fund. Another significant factor in the reduction in expenditures between 2011-12 and 2012-13 was a \$3.7 million decrease in spending on capital outlay.

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 Position and the Statement of Activities and Changes in Net Position

The Statement of Net Position and the Statement of Activities and Changes in Net Position include information about the City as a whole and about its activities. These statements include *all* assets, deferred outflows of resources (if applicable), liabilities, and deferred inflows of resources (if applicable) 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 overall *net position* and changes in that net position year-over-year. Net position is defined as the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, and this is one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net position 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.

It should be noted that reporting the City's *net position* is a change from previous years, which is the result of GASB Statement 63 (GASB 63), *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Previously, the City's financial statements reported *net assets*, which was the difference between total assets and total liabilities. GASB 63 serves to clarify and standardize reporting on the consumption (deferred outflow) or acquisition (deferred inflow) of net assets applicable to future periods. While the City had no assets or liabilities that needed to be reclassified into either deferred outflows of resources or deferred inflows of resources, the City's financial statements now reflect *net position* instead of *net assets*.

In the Statement of Net Position and the Statement of Activities and Changes in Net Position, 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. 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 Position and the Statement of Revenues, Expenses and Changes in Fund Net Position. In addition, a statement of cash flows is provided.

Fiduciary funds - The City is the trustee, or *fiduciary*, for certain funds held in a trustee or agency 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 Position. These activities are excluded from the City's other financial statements because the City cannot use these funds' 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 an employees pension plan schedule of funding.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Statement of Net Position 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 Position. Both statements are condensed below for purposes of this analysis.

City of Menlo Park's Net Position						
	Governmental Activities		Business-Type Activities		Total	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
Current Assets	\$ 73,518,146	\$ 67,673,572	\$ 15,383,944	\$ 15,682,411	\$ 88,902,090	\$ 83,355,983
Noncurrent Assets	12,084,072	12,999,463	-	-	12,084,072	12,999,463
Capital Assets	368,067,145	367,133,028	10,079,682	9,524,216	378,146,827	376,657,244
Total Assets	453,669,363	447,806,063	25,463,626	25,206,627	479,132,989	473,012,690
Current Liabilities	8,751,166	8,823,566	814,639	700,384	9,565,805	9,523,950
Noncurrent liabilities	29,441,799	29,899,439	31,246	31,711	29,473,045	29,931,150
Total liabilities	38,192,965	38,723,005	845,885	732,095	39,038,850	39,455,100
Investments in Capital						
Net of Related Debt	347,050,366	345,357,438	10,079,682	9,524,216	357,130,048	354,881,654
Restricted	17,839,466	14,501,130	15,273,688	15,381,845	33,113,154	29,882,975
Unrestricted	50,586,566	49,224,495	(735,629)	(431,529)	49,850,937	48,792,966
Total Net Position	\$ 415,476,398	\$ 409,083,063	\$ 24,617,741	\$ 24,474,532	\$ 440,094,139	\$ 433,557,595

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 position of \$440,094,139. The largest portion of the City's net position (approximately 81 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 position (8 percent) represents resources that are subject to external restrictions on how they may be utilized. The remaining balance of unrestricted net assets (11 percent) may be used to meet the government's ongoing obligation to citizens and creditors.

Total net position of the City increased \$6,536,544 in the fiscal year ended June 30, 2013. This was primarily related to an increase in in the City's cash position, particularly in the governmental activities.

City of Menlo Park's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
Revenues:						
Program Revenues:						
Charges for Services	\$ 19,197,987	\$ 16,764,073	\$ 6,633,147	\$ 5,750,659	\$ 25,831,134	\$ 22,514,732
Operating Grants and Contributions	1,644,022	2,729,866	-	-	1,644,022	2,729,866
Capital Grants and Contributions	2,353,049	6,922,360	-	-	2,353,049	6,922,360
General Revenue:						
Property Taxes	15,731,889	13,239,856	-	-	15,731,889	13,239,856
Sales Taxes	6,043,870	5,938,310	-	-	6,043,870	5,938,310
Transient Occupancy Taxes	3,468,256	2,939,475	-	-	3,468,256	2,939,475
Other Taxes	4,556,371	4,607,758	-	-	4,556,371	4,607,758
Investment Earnings	647,963	1,133,432	(8,799)	103,480	639,164	1,236,912
Gain on Sale of Assets	524,774	-	-	-	524,774	-
Miscellaneous	130,627	255,185	-	(5,953)	130,627	249,232
Total Revenues:	54,298,808	54,530,315	6,624,348	5,848,186	60,923,156	60,378,501
Expenses:						
General Government	6,332,057	7,386,399	-	-	6,332,057	7,386,399
Public Safety	14,080,936	14,248,362	-	-	14,080,936	14,248,362
Public Works	10,920,198	10,809,670	-	-	10,920,198	10,809,670
Culture and Recreation	11,077,343	9,860,317	-	-	11,077,343	9,860,317
Community Development	4,240,784	6,186,002	-	-	4,240,784	6,186,002
Interest on Long-Term Debt	1,229,193	2,971,231	-	-	1,229,193	2,971,231
Water Operations	-	-	6,299,614	6,112,954	6,299,614	6,112,954
Total Expenses	47,880,511	51,461,981	6,299,614	6,112,954	54,180,125	57,574,935
Incr/Decr in Net Position before Transfers	6,418,297	3,068,334	324,734	(264,768)	6,743,031	2,803,566
Extraordinary gain (loss)	-	28,170,336	-	-	-	28,170,336
Transfers	181,525	170,605	(181,525)	(170,605)	-	-
Changes in Net Position	6,599,822	31,409,275	143,209	(435,373)	6,743,031	30,973,902
Net Position - Beginning of the Year	409,083,063	377,673,787	24,474,532	24,909,905	433,557,595	402,583,692
Prior Period Adjustment	(206,487)	-	-	-	(206,487)	-
Net Position - End of Year	\$ 415,476,398	\$ 409,083,063	\$ 24,617,741	\$ 24,474,532	\$ 440,094,139	\$ 433,557,595

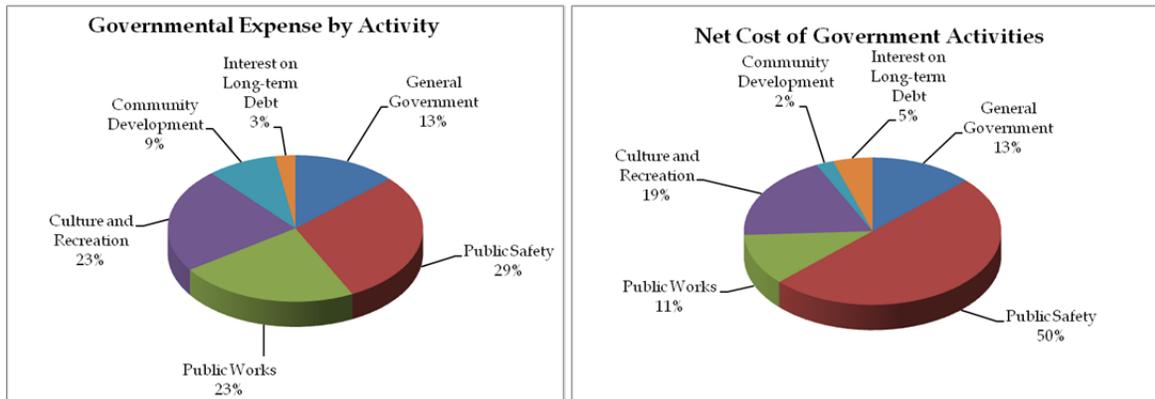
Governmental Activities

Factoring in the impact of a prior period adjustment of \$(206,487), total governmental activities increased the City of Menlo Park's net position by \$6,393,335. While program and general revenues that impact net position remained relatively flat to 2011-12, expenses decreased by nearly \$3.6 million. Over \$1.7 million of this amount was a reduction in interest on long-term debt related to the former Community Development Agency, which is now entirely reported as a private-purpose trust fund. Community Development-related expenses were also down, which was also a function of the dissolution of the Community Development Agency, as well as less environmental impact report-related activity. The overall decrease was partially offset by increases in Culture and Recreation and Public Works, which are discussed in more detail in the next paragraph.

Operationally, the recovery from the economic downturn continued in 2012-13, with general revenue sources such as property tax and transient occupancy tax seeing solid growth. Additionally, Citywide development activity and increased demand for Community Services programs drove an increase in service charge revenues. As previously noted, overall revenues that impacted net position remained relatively flat year-over-year, as the revenue increases previously discussed were offset by reductions in grant revenues and investment earnings.

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 Position. The first pie chart reflects expenses incurred in each area as a percentage of the total expense of governmental activities

(\$47,880,511 in fiscal year 2012-13). The second pie chart compares the relative net cost after applying program revenues derived from each area's activity. The total net cost of governmental activities (\$24,685,453 in fiscal year 2012-13) must be funded out of the City's general revenues – primarily taxes and investment earnings. Areas with the highest program revenues (i.e., Public Works and Culture and Recreation) are able to offset relatively more costs than activities that have fewer opportunities to derive program revenues (such as Public Safety). Capital contributions served to increase program revenues sufficiently to offset all the costs pertaining to Culture and Recreation.



Business Type Activities

The final net position for business-type activities in 2012-13 was \$24,617,741. Total program revenues for business-type activities (operation of the Menlo Park Municipal Water District) were \$6,633,147, which consisted solely of charges for services related to water usage and capital surcharge fees. Total expenses for the business-type activities were \$6,299,614 during 2012-13, nearly all of which were related to water operations. Overall net position increased by \$143,209 in 2012-13, which considers the \$333,533 operating surplus discussed above, minus \$181,525 in transfers out for administrative overhead charges and \$8,799 in net negative investment earnings. The net negative investment earnings were the result of an unrealized loss on investments that was reported for 2012-13.

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.

There are four major funds in the Governmental Funds category. Below is a table with a comparison of the fund balance for each of these four funds between 2011-12 and 2012-13, as well as a consolidated comparison of all of the non-major governmental funds for the same time period.

<u>Governmental Fund Balances</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Increase (Decrease) From 2011-12</u>
General Fund	\$ 22,377,648	\$ 21,497,995	879,653
Housing Fund	320,347	312,474	7,873
Below Market Rate Housing Fund	10,629,904	10,947,253	(317,349)
General Capital Improvement Project Fund	13,978,152	8,992,118	4,986,034
Other Governmental Funds	22,480,883	22,916,019	(435,136)
TOTAL	<u>\$ 69,786,934</u>	<u>\$ 64,665,859</u>	<u>\$ 5,121,075</u>

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 fund balance of the City's General Fund was \$22,377,648, an increase of \$879,653 from the prior year. The rise in fund balance (4.1 percent) was due to revenue growth exceeding expectations, partially as the result of one-time revenues, which allowed the General Fund to absorb certain critical operating expenditures that had previously been covered by redevelopment tax increment, as well as make an additional \$2.7 million transfer to the Capital Improvement Projects Fund to support technology and comprehensive planning efforts. This transfer was in addition to the originally programmed transfer to the Capital Improvement Projects Fund for annual infrastructure maintenance.

Although \$1 million of the fund balance was categorized as "nonspendable", the City's General Fund Reserve Policy sets aside ("committed") \$6 million for emergency contingencies and \$8 million to mitigate the effects of major economic uncertainties. The reserve policy affirms the Council's desire to limit use of General Fund balances to address unanticipated, one-time needs or opportunities, and establishes a goal range for the City's unrestricted fund balance (including commitments and assignments of fund balance) of 43-55 percent of General Fund expenditures. As of June 30, 2013, the City's General Fund unrestricted fund balance equaled 50.4 percent of the fund's total expenditures for the year.

The considerable increase in the City's total General Fund balance reflects positive operating results for the fiscal year that were mostly anticipated in the fund's budget. Key factors in the General Fund's operations are discussed further in General Fund Budgetary Highlights, later in this report.

Below Market Rate Housing Fund Balance

The Below Market Rate Housing Fund became a major fund for financial statement purposes starting in fiscal year 2011-12, based on the assets of the fund relative to the City's total governmental fund assets. The BMR Housing Program was established in 1987 to increase the housing supply for people who live and/or work in Menlo Park and have limited income per the limits established by San Mateo County. The program requires the provision of BMR units or in-lieu fees for certain

development projects. State law requires that all BMR in-lieu fees be committed to affordable housing development within five years of collection. During the 2012-13 fiscal year, the fund had revenue that included \$365,000 of BMR in-lieu fees and expenditures of over \$700,000 for the overall administration of the BMR program and settlement of a dispute related to the interest in a BMR property.

General Capital Improvement Project Fund Balance

The General Capital Improvement Project Fund is also a major fund for financial statement purposes, based on the relative amount of assets in the fund. In 2012-13, fund expenditures were \$3.1 million and included work on major projects such as street resurfacing, LED streetlight conversions, and improvements to City buildings. Total fund balance increased nearly \$5 million, to almost \$14 million, in 2012-13, which is predominantly the result of an additional \$2.7 million transfer from the General Fund to fund future technology upgrades and comprehensive planning efforts, and \$2.3 million in one-time service charges for large development projections (Facebook and Stanford). It is not unusual for this particular fund to accumulate reserves because of the nature of the fund itself. Major capital and infrastructure projects, such as street resurfacing, require significant capital outlays and are most cost effective when done in large segments. To stabilize the impact on the General Fund, which funds many of these projects, annual transfers are made and reserves are accumulated to then be appropriated as large-scale projects are scheduled to begin.

Housing Fund

As Successor Agency for both housing and non-housing activities of the former redevelopment agency, the City transferred all loans of the former CDA Housing Fund to the City's own, newly established Housing Fund in 2011-12. In previous years, the CDA Housing Fund had received twenty percent of all the tax increment revenues of the former Agency to advance low- and moderate-income housing programs in the area. Per dissolution law, all future tax increment revenues will go to the County, and any unencumbered funds of the former agency will be distributed to other taxing agencies once recognized obligations have been paid. Therefore, the current Housing Fund exists to account for the housing loans of the former Agency. Net revenues from loan payments may go back to the fund to provide further loans or to other qualifying housing programs. The Housing Fund is considered a major fund for financial statement purposes based on the relative amount of liabilities in the fund; however, activity in the fund was limited in 2012-13, with only \$12,788 expended for program administration.

Other Governmental Funds Balances

At the end of the 2012-13 fiscal year, the total fund balance of the City's 28 non-major governmental funds was \$22,480,883. This represents a slight (2%) reduction in fund balance year-over-year.

The fund balances consist of 24 special revenue funds, 2 debt service funds and 2 capital projects funds. Within the special revenue funds, ten fund balances increased over the course of the fiscal year, while fourteen experienced a drop. The largest fund increase (nearly \$700,000) was experienced in the City's Recreation In-Lieu Fund and was the result of fees generated from a large residential housing project. The Highway Users Tax Fund had the largest decrease in fund balance, nearly \$1.3, which was primarily the result of \$1.6 million in capital outlay expenditures, well above the base tax revenue amount of nearly \$784,000.

Other significant changes in fund balance included increases of over \$530,000 in the Landfill Post-Closure Fund and \$330,000 in the Solid Waste Service Fund, and a decrease of over \$500,000 in the

Construction Impact Fee Fund. The decrease in the Construction Impact Fee Fund was projected, as planned capital outlay expenditures were greater than service charge revenues.

Proprietary Funds

Proprietary Funds are comprised of enterprise funds and internal service funds. The City has one enterprise operation, which is 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 position of the fund at June 30, 2013 was \$24,617,741, an increase of \$143,209 from the prior fiscal year. This modest overall increase was the result of net income of \$251,366 in the Water Operating Fund, and a \$108,157 net loss in the Water Capital 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. The Water Fund Reserve Policy anticipated the need for transfers/loans from the capital fund to maintain the operating fund during this period of water rate increases. The total transfer amount in 2012-13 from the capital fund to the operating fund was \$755,962. Further, a capital surcharge was established in 1990 to fund major water capital projects; the surcharge netted the Water Capital Fund \$675,404 in fiscal year 2012-13.

The City uses internal service funds to account for four major administrative activities: Workers' Compensation Insurance, General Liability Insurance, Retiree Medical Benefits, 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. The Vehicle Replacement Fund collected "charges for services" of \$247,505 in 2012-13 from the departments and programs that utilize the assets being replaced to provide for the cost of anticipated vehicle purchases. Departmental charges received in the Workers' Compensation Insurance Fund (\$500,000) were not sufficient to meet the actuarially determined costs of current and past claims charged to the funds, as evidenced by the net loss (\$726,224) reported in this fund for the fiscal year. While this fund maintained a positive net position, collections from departments in future years will need to be increased to ensure there are adequate funds to cover expenses going forward. The General Liability Fund's collections exceeded its overall expenses by \$207,662, which positively impacted its net position as of June 30, 2013.

The Retiree Medical Benefits 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. In fiscal year 2012-13 these costs were \$639,544; however, collections only yielded \$576,862, which resulted in an operating loss of \$62,682. Charges to operating departments to fund the Retiree Medical Benefits Fund are adjusted each year to cover the anticipated cost for providing ongoing retiree medical benefits, and these charges will be adjusted in the current year to better align collections with operating expenses.

Fiduciary Operations

Fiduciary Fund Financial Statements are presented in the Basic Financial Statements separately from the Government Wide Financial Statements. Prior to 2011-12, the City's only fiduciary funds were agency funds, used to account for certain assets held on behalf of others. As the City's role is purely custodial in these cases, all assets reported in the agency funds are offset by a liability to the party on whose behalf they are held. Total assets of the agency funds held by the City increased from \$411,987 to \$587,278, which was due largely to the receipt of refundable cash bonds held for current development projects and increased prepaid accounts in the Payroll Revolving Fund.

A new private-purpose trust fund was established in 2011-12 to account for the activities related to the dissolution of the former Community Development Agency of the City of Menlo Park. As previously discussed, the former redevelopment agency was eliminated by State law as of February 1, 2012. All assets and obligations (including long-term debt) of the former agency were transferred to the City, as Successor Agency, as of that date. Housing loans are reported as assets in that governmental fund, but all other assets and liabilities are held in trust capacity in the new fiduciary fund. Unlike agency funds, trust funds report an "income statement". As such, the activity of the Successor Agency Trust from 2012-13 is reported in the Statement of Changes in Fiduciary Net Position. Because the transferred debt exceeded the transferred assets of the former agency when this trust was established, the fund ended the 2011-12 fiscal year with a net position of (\$26,844,414). Continued disposition of assets of the former community development agency in 2012-13 led to another extraordinary loss in the amount of (\$17,149,614). As of June 30, 2013, the fund's net position was (\$41,333,002). It is important to note, however, that because the net negative position is primarily a function of long-term liabilities (debt service), which will be paid by future property tax revenues in the former redevelopment project area, there is no impact on the primary government's current or future financial position. Further, as of June 30, 2013, there was a remaining asset (property) totaling \$5.7 million that was in the process of being sold. The sale was completed early in fiscal year 2013-14, and sale proceeds were remitted to the County for disbursement to applicable taxing agencies. This sale will be reflected in the financial statements for fiscal year ending June 30, 2014.

DEBT ADMINISTRATION

As of June 30, 2013, the City's debt obligations were comprised of General Obligation Bonds. These bonds include the 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, 2013 was \$1,215,000. The bonds are paid from special assessments to property owners within the City. In addition, the City has two outstanding issuances of "Measure T" bonds, approved by voters in 2001, to finance certain parks and recreation improvements. The balance of the original 2002 General Obligation Bonds issuance (\$11,165,000) was refinanced through a direct placement sale of 2012 General Obligation Bonds in January 2012. The refinancing allowed for lower interest rates, which will provide debt service savings of nearly \$2.5 million over the remaining life of the original obligation. The balance of these bonds at June 30, 2013 was \$9,490,000. The second issuance of these "Measure T" bonds was sold on July 1, 2009, adding \$10,440,000 to the amount of bonds outstanding. At June 30, 2013, the outstanding balance of these bonds was \$10,315,000. Of this 2009 issuance, \$955,000 is outstanding on Series A tax exempt bonds. The remaining \$9,360,000 is the principal outstanding on Series B taxable Build America Bonds (BABs). The decision to include BABs in the 2009 financing allowed the City to generate an additional \$1,049,000 over the tax exempt bonds.

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. With the dissolution of redevelopment agencies in 2012, this bonded debt is no longer reported in the Government Wide Financial Statements. These obligations are included in Fiduciary Fund Financial Statements.

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 \$5,782,181 at June 30, 2013.

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2013 amounts to \$378,146,827, net of accumulated depreciation of \$89,667,910. 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 \$1,481,783 from the prior year as a result of capital asset additions of \$7,495,734 offset with depreciation charges (\$5,763,553) and net retirements of assets (\$250,398). Detailed information on the City's capital assets can be found in Note 5 of this report.

GENERAL FUND BUDGETARY HIGHLIGHTS

The 2012-13 fiscal year adopted budget for the General Fund reflected an operating deficit, as revenue estimates (\$40,439,669), inclusive of transfers in, fell short of adopted appropriations (\$41,545,040), inclusive of transfers out, by \$1,105,371. The adopted expenditure budget was increased over the course of the fiscal year to include purchase orders and other commitments from the prior year, as well as any other Council-approved budget adjustments. The most significant expenditure budget adjustment was the inclusion of an additional \$2.7 million transfer to the Capital Improvement Projects Fund to provide funding for City-wide technology and comprehensive planning initiatives. The final adjusted budget amount was \$44,718,080. As the fiscal year progressed, revenue estimates were also adjusted to reflect more current information. Final adjusted revenue estimates for 2012-13 were \$41,156,382, which resulted a estimated General Fund operating deficit of \$3,561,698.

Overall, the General Fund closed the 2012-13 fiscal year with an operating surplus of \$879,653. This was the result of revenues coming in higher than expected and savings in operating expenditures, both of which are discussed further below.

General Fund Revenues

Economic recovery continued in 2012-13, as the General Fund experienced year-over-year revenue growth for the third consecutive year. Overall, revenues, including transfers and asset sales, totaled \$43,459,835, which was a nearly \$4.4 million (11%) increase over 2011-12. Property tax, transient occupancy tax, and licenses and permits led the way, with 19%, 18%, and 21% growth, respectively.

It is important to note, however, that a large portion of the growth in property tax was related to one-time revenue. Specifically, \$1.8 million of the \$2.5 million year-over-year growth in property tax was attributable to residual revenues due to the City resulting from the dissolution of the former Community Development Agency. Transient occupancy tax growth was the result of the voter-approved increase to the tax rate from 10% to 12%, which became effective January 1, 2013, as well as increasing occupancy rates. Licenses and permits were up primarily due to Facebook's \$800,000 payment for its sales tax in lieu fee, and service charges were up 5% due to higher utilization of Community Services Department programs and facility rentals. Total sales tax revenues were only up 1.8%; however, that increase does not reflect actual activity, as the State's "Triple Flip" transaction skews the data. Revenues received from actual activity, both point-of-sale transactions in Menlo Park and distributions from the County and State pools, were up 6% and are a better reflection of economic conditions. Finally, the City received \$767,000 in one-time revenue from the sale of a property.

There were year-over-year declines for two revenue sources, intergovernmental revenues and interest income. Intergovernmental revenues were down over 25% from the previous year, which was the result of the expiration of a contract the City of Menlo Park had with a neighboring jurisdiction for police dispatch services. Interest income was also down over 25%, which was primarily due to an unrealized loss in investment value of the City's portfolio. This loss, however, does not affect the City's cash position, as this was simply a transaction to reflect that difference between the value of the City's investment portfolio on June 30, 2013, and the value at which the individual investments were purchased. Because the City typically holds investments to maturity, it earns actual interest income while it holds the investments and then receives its principal back at maturity, and thus, there is no actual loss.

General Fund Expenditures

Total General Fund expenditures, including transfers out and comprehensive planning activities, totaled \$42,365,895 and were nearly 14%, or over \$5 million, higher in 2012-13 than they were in 2011-12. \$2.7 million of this amount was the previously mentioned additional transfer to the Capital Improvement Projects Fund, and \$1.1 million of this amount was related to comprehensive planning activity, which primarily consisted of the update to the Housing Element. The remaining increase was the result of departmental operations, and the largest year-over-year increases were in Public Works, Community Services, and Administrative Services. This increases were due to a variety of factors, including vacant positions being filled; higher costs for maintenance-related items such as utilities and gasoline; enhanced utilization of contract services, particularly in Public Works; and greater demand for Community Services programs, which also generated additional revenue.

While overall expenditures were up over 2011-12, total expenditures were lower than budgeted amounts by nearly \$2.4 million. This is entirely the result of operating savings in each of the departments, about 40% of which was in the form of compensation savings and another 25% came from savings in the services category of expenditures.

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 for the past few years has been weak, relative to the significant degree of the downturn. Because the San Francisco Bay Area has added jobs at a faster rate than the state and the nation, with the bulk of the growth in Silicon Valley, Menlo Park has been able to maintain fiscal stability throughout the slow recovery. Property taxes and transient occupancy taxes remain bright

spots in the revenue picture, as real estate values in the area continue to buck national trends and local hotels recover both rate and occupancy levels to pre-recession levels. Further, the increased hotel tax rate from 10% to 12% has also had a significant impact on transient occupancy tax revenues. Sales tax – the City’s second-largest general revenue source – has been slow to recover from the recession; however, sales tax-generating activity in 2012-13 was strong, and the forecast is favorable going forward. As the City pursues comprehensive planning efforts and citywide zoning ordinance amendments that encourage economic vitality in the downtown area, the El Camino Real corridor, and commercial/light industrial areas of Menlo Park, there is expected to be a corresponding positive impact on sales tax revenue. With that said, the City is heavily reliant on business-to-business transactions to generate sales tax revenues, which leads to volatility. So while the forecast is favorable going forward, it will be important to temper expectations and ensure the inevitable volatility is considered in the long-term projections.

Business activity continues to gain momentum across sectors, and development activity is significant. There are a number of large-scale projects at various stages of development, including development of the Facebook East Campus and the Facebook West Campus. The latter will complete the social media giant’s headquarters with a 433,000 square foot building on top of surface parking. Further, Facebook’s presence has spurred additional development – both commercial and residential – on Menlo Park’s accessible east side, including the former redevelopment area.

Additionally, the Downtown/El Camino Real Specific Plan has prompted interest in the replacement of existing buildings on El Camino Real – current and former auto dealerships – with a new mixed-use development consisting of offices, housing and retail. Having weathered the financial meltdown of 2008, banks, investment funds, venture capitalists, and others are also eager to reestablish their foothold in Menlo Park’s economy.

Going forward, the City of Menlo Park is on solid financial footing. With strong recovery continuing for many of its major revenues sources and a reset expenditure baseline that incorporates the cost containment strategies implemented over the past several years, including compensation concessions from employees, the City’s budget is structurally balanced with a forecast of modest surpluses over the next five years. What’s most impressive, however, is that all of this has been achieved while also setting aside funds for critical one-time needs such as technology upgrades and comprehensive planning efforts, as well as maintaining extremely healthy reserves.

While in an enviable financial position, the City cannot rest on its laurels and must continue to focus its efforts on priority fiscal initiatives such as adequate funding of infrastructure, careful comprehensive planning, and optimization of business and residential development opportunities. Further, as new long-term needs are identified, the appropriate resources to meet those needs must also be identified.

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 Position
June 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 69,781,029	\$ 14,365,004	\$ 84,146,033
Receivables:			
Accounts	2,426,173	969,727	3,395,900
Interest	248,533	49,213	297,746
Due from other governments	888,616	-	888,616
Deposits and prepaid items	173,795	-	173,795
Total current assets	<u>73,518,146</u>	<u>15,383,944</u>	<u>88,902,090</u>
Noncurrent assets:			
Restricted cash and investments	-	-	-
Real estate held for resale	733,597	-	733,597
Notes receivable	11,304,402	-	11,304,402
Deferred charges	46,073	-	46,073
Capital assets			
Non-depreciable	234,693,418	3,377,442	238,070,860
Depreciable, net	133,373,727	6,702,240	140,075,967
Total capital asset	<u>368,067,145</u>	<u>10,079,682</u>	<u>378,146,827</u>
Total noncurrent assets	<u>380,151,217</u>	<u>10,079,682</u>	<u>390,230,899</u>
Total assets	<u>453,669,363</u>	<u>25,463,626</u>	<u>479,132,989</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Current liabilities:			
Accounts payable	2,211,132	750,802	2,961,934
Accrued payroll	1,139,667	29,946	1,169,613
Interest payable	460,650	-	460,650
Deposits	1,263,146	12,354	1,275,500
Unearned revenue	1,323,457	-	1,323,457
Net OPEB liability	110,470	-	110,470
Claims payable due within one year	677,066	-	677,066
Compensated absences due within one year	744,618	21,537	766,155
Landfill postclosure care due within one year	202,147	-	202,147
Long-term debt due within one year	618,813	-	618,813
Total current liabilities	<u>8,751,166</u>	<u>814,639</u>	<u>9,565,805</u>
Noncurrent liabilities:			
Claims payable due in more than one year	2,377,646	-	2,377,646
Compensated absences due in more than one year	1,086,153	31,246	1,117,399
Landfill postclosure care due in more than one year	5,580,034	-	5,580,034
Long-term debt due in more than one year	20,397,966	-	20,397,966
Total noncurrent liabilities	<u>29,441,799</u>	<u>31,246</u>	<u>29,473,045</u>
Total liabilities	<u>38,192,965</u>	<u>845,885</u>	<u>39,038,850</u>
DEFERRED INFLOWS OF RESOURCES			
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	347,050,366	10,079,682	357,130,048
Restricted for:			
Capital projects	14,394,634	15,273,688	29,668,322
Debt service	1,943,354	-	1,943,354
Special projects	1,501,478	-	1,501,478
Unrestricted	50,586,566	(735,629)	49,850,937
Total net position	<u>\$ 415,476,398</u>	<u>\$ 24,617,741</u>	<u>\$ 440,094,139</u>

See accompanying Notes to Basic Financial Statements.

City of Menlo Park
Statement of Activities and Changes in Net Position
For the year ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 6,332,057	\$ 3,125,908	\$ 9,965	\$ -	\$ 3,135,873
Public safety	14,080,936	1,579,674	173,068	-	1,752,742
Public works	10,920,198	6,924,069	602,745	610,485	8,137,299
Culture and recreation	11,077,343	3,873,165	858,244	1,742,564	6,473,973
Community development	4,240,784	3,695,171	-	-	3,695,171
Interest on long-term debt	1,229,193	-	-	-	-
Total governmental activities	47,880,511	19,197,987	1,644,022	2,353,049	23,195,058
Business-type activities:					
Water	6,299,614	6,633,147	-	-	6,633,147
Total business-type activities	6,299,614	6,633,147	-	-	6,633,147
Total primary government	\$ 54,180,125	\$ 25,831,134	\$ 1,644,022	\$ 2,353,049	\$ 29,828,205

General Revenues:

Taxes:

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

Total taxes

Investment earnings

Gain on the sale of capital assets

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning of year, as previously reported

Prior period adjustment (Note 23)

Net position - end of year

See accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (3,196,184)	\$ -	\$ (3,196,184)
(12,328,194)	-	(12,328,194)
(2,782,899)	-	(2,782,899)
(4,603,370)	-	(4,603,370)
(545,613)	-	(545,613)
(1,229,193)	-	(1,229,193)
<u>(24,685,453)</u>	<u>-</u>	<u>(24,685,453)</u>
-	333,533	333,533
-	333,533	333,533
<u>(24,685,453)</u>	<u>333,533</u>	<u>(24,351,920)</u>
15,731,889	-	15,731,889
6,043,870	-	6,043,870
16,667	-	16,667
3,468,256	-	3,468,256
1,848,480	-	1,848,480
2,691,224	-	2,691,224
<u>29,800,386</u>	<u>-</u>	<u>29,800,386</u>
647,963	(8,799)	639,164
524,774	-	524,774
130,627	-	130,627
181,525	(181,525)	-
<u>31,285,275</u>	<u>(190,324)</u>	<u>31,094,951</u>
6,599,822	143,209	6,743,031
409,083,063	24,474,532	433,557,595
(206,487)	-	(206,487)
<u>\$ 415,476,398</u>	<u>\$ 24,617,741</u>	<u>\$ 440,094,139</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.

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.

Housing Special Revenue Fund - Established to service the low to moderate income housing loans created by the former Community Development Agency. The loans were transferred to this fund upon the dissolution of the Agency.

General Capital Improvement Project Fund - Utilizes an annual City General Fund transfer to provide adequate funding for maintenance of the City's current infrastructure.

City of Menlo Park
Balance Sheet
Governmental Funds
June 30, 2013

	Major Funds					
	General Fund	Below Market Rate Housing Special Revenue Fund	Housing Special Revenue Fund	General Capital Improvement Project Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
Cash and investments	\$ 23,296,114	\$ 5,949,007	\$ 91,265	\$ 14,337,130	\$ 22,451,567	\$ 66,125,083
Restricted cash and investments	-	-	-	-	-	-
Receivables:						
Accounts	1,882,005	-	-	47,484	458,695	2,388,184
Interest	147,854	20,304	-	-	67,894	236,052
Notes	990,000	3,941,609	5,450,791	-	922,002	11,304,402
Due from other governments	608,579	-	-	-	280,037	888,616
Deposits and prepaid items	15,376	-	-	-	2,396	17,772
Due from other funds	110,673	-	-	-	-	110,673
Real estate held for resale	-	733,597	-	-	-	733,597
Total assets	27,050,601	10,644,517	5,542,056	14,384,614	24,182,591	81,804,379
Deferred outflows of resources	-	-	-	-	-	-
Total assets and deferred outflows of resources	\$ 27,050,601	\$ 10,644,517	\$ 5,542,056	\$ 14,384,614	\$ 24,182,591	\$ 81,804,379
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 1,151,137	\$ 14,613	\$ 62	\$ 384,250	\$ 599,329	\$ 2,149,391
Accrued payroll and related liabilities	1,035,214	-	696	22,212	78,153	1,136,275
Due to other funds	-	-	-	-	2,224	2,224
Deposits	1,178,144	-	-	-	85,000	1,263,144
Deferred revenue	1,308,458	-	5,220,951	-	937,002	7,466,411
Total liabilities	4,672,953	14,613	5,221,709	406,462	1,701,708	12,017,445
Deferred inflows of resources	-	-	-	-	-	-
Fund Balances:						
Nonspendable	1,005,376	4,675,206	229,840	-	2,396	5,912,818
Restricted:						
Special programs	-	5,954,698	90,507	-	18,033,341	24,078,546
Capital improvement	-	-	-	13,978,152	2,501,792	16,479,944
Debt service	-	-	-	-	1,943,354	1,943,354
Committed	14,000,000	-	-	-	-	14,000,000
Assigned, reported in:						
General fund	2,728,033	-	-	-	-	2,728,033
Capital project funds	-	-	-	-	-	-
Unassigned, reported in:						
General fund	4,644,239	-	-	-	-	4,644,239
Special revenue funds	-	-	-	-	-	-
Total fund balances	22,377,648	10,629,904	320,347	13,978,152	22,480,883	69,786,934
Total liabilities, deferred inflows of resources, and fund balances	\$ 27,050,601	\$ 10,644,517	\$ 5,542,056	\$ 14,384,614	\$ 24,182,591	\$ 81,804,379

See accompanying Notes to Basic Financial Statements.

City of Menlo Park
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2013

Total Fund Balances - Total Governmental Funds \$ 69,786,934

Amounts reported for Governmental Activities in the Statement of Net Position were different because:

Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet.

Non-depreciable (net of real estate held for resale in special revenue funds)	234,693,418
Depreciable (net of internal service fund capital assets of \$3,106,709)	213,563,609
Accumulated depreciation/amortization (net of internal service fund of \$2,677,057)	(80,619,534)

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. (460,650)

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. 46,073

Net OPEB liabilities are not due and payable in the current period, and therefore are not recorded in the governmental funds (110,470)

Deferred revenues recorded in governmental fund financial statements in the amount of \$7,466,411, less actual unearned revenue recorded on the Government-wide financial statements in the amount of \$1,323,458, resulting from activities in which revenues were earned but funds were not available are reclassified as revenues in the Government-Wide Financial Statements. 6,142,954

Landfill postclosure care costs do not require current financial resources and are not reported as a liability in the governmental fund financials statements. (5,782,181)

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 \$2,402 short-term, and \$3,484 long-term.

Long-term liabilities - due within one year:	
Compensated absences payable	(742,217)
Long-term debt	(618,813)
Long-term liabilities - due in more than one year:	
Compensated absences payable	(1,082,669)
Long-term debt	(20,397,966)

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 Position. 1,057,910

Net Position of Governmental Activities \$ 415,476,398

City of Menlo Park
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2013

	Major Funds					Total Governmental Funds
	General Fund	Below Market Rate Housing Special Revenue Fund	Housing Special Revenue Fund	General Capital Improvement Project Fund	Non-Major Governmental Funds	
REVENUES:						
Taxes:						
Secured property taxes	\$ 14,854,925	\$ -	\$ -	\$ -	\$ -	\$ 14,854,925
Unsecured property taxes	351,099	-	-	-	-	351,099
Other property taxes	525,865	-	-	-	-	525,865
Sales taxes	6,043,870	-	-	-	-	6,043,870
Other taxes	6,328,728	-	-	83,264	1,595,968	8,007,960
Special assessments	-	-	-	-	2,831,235	2,831,235
Licenses and permits	4,447,630	-	-	-	397,411	4,845,041
Fines and forfeitures	998,259	-	-	-	-	998,259
Use of money and property	568,051	21,241	12,051	-	(6,867)	594,476
Intergovernmental	866,287	-	-	376,485	1,034,057	2,276,829
Charges for services	7,088,160	365,823	8,610	2,342,000	3,420,671	13,225,264
Other	22,700	-	-	-	179,437	202,137
Total revenues	42,095,574	387,064	20,661	2,801,749	9,451,912	54,756,960
EXPENDITURES:						
Current:						
General government	5,202,191	-	-	-	2,221	5,204,412
Public safety	13,784,282	-	-	-	46,736	13,831,018
Public works	5,043,865	-	-	-	3,130,937	8,174,802
Culture and recreation	8,615,694	-	-	-	399,253	9,014,947
Community development	3,814,000	-	-	-	123,710	3,937,710
Urban development and housing	67,393	206,518	12,788	-	-	286,699
Capital outlay	344,245	497,895	-	3,095,341	3,967,324	7,904,805
Debt service:						
Principal	-	-	-	-	760,000	760,000
Interest and fiscal charges	-	-	-	-	1,255,585	1,255,585
Total expenditures	36,871,670	704,413	12,788	3,095,341	9,685,766	50,369,978
REVENUES OVER (UNDER) EXPENDITURES	5,223,904	(317,349)	7,873	(293,592)	(233,854)	4,386,982
OTHER FINANCING SOURCES (USES):						
Transfers in	597,406	-	-	5,279,626	214,600	6,091,632
Transfers out	(5,494,225)	-	-	-	(415,882)	(5,910,107)
Proceeds from sale of assets	766,855	-	-	-	-	766,855
Total other financing sources (uses)	(4,129,964)	-	-	5,279,626	(201,282)	948,380
Net change in fund balances	1,093,940	(317,349)	7,873	4,986,034	(435,136)	5,335,362
FUND BALANCES:						
Beginning of year, as previously reported	21,497,995	10,947,253	312,474	8,992,118	22,916,019	64,665,859
Prior period adjustment (Note 23)	(214,287)	-	-	-	-	(214,287)
End of year	<u>\$ 22,377,648</u>	<u>\$ 10,629,904</u>	<u>\$ 320,347</u>	<u>\$ 13,978,152</u>	<u>\$ 22,480,883</u>	<u>\$ 69,786,934</u>

See accompanying Notes to Basic Financial Statements.

City of Menlo Park

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Position For the year ended June 30, 2013

Net Change in Fund Balances - Total Governmental Funds \$ 5,335,362

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 Position, 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 changes recorded in the internal service funds of \$97,458. 6,634,514

Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Position, 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 \$163,143 recorded in the internal service funds. (5,399,914)

Proceeds from the sale of capital assets provide current financial resources but have no effect on net position (766,855)

The net gain on the disposal of capital assets does not effect current financial resources but increases net position 524,774

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. (274,536)

Expenses to accrue for long-term compensated absences and OPEB liability (asset) is reported in the Government-Wide Statement of Activities and Changes in Net Position, 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 119,018

Net change in OPEB asset (105,523)

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

Long-term debt repayments 760,000

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. (1,187)

Expenses for landfill postclosure costs are expenditures in the Governmental Fund Financial Statements but reduce the liability in the Government-Wide Financial Statements. 219,613

Interest expense on long-term debt was reported in the Government-Wide Statement of Activities and Changes in Net Position, 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. 27,579

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. (473,023)

Change in Net Position of Governmental Activities \$ 6,599,822

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 Position
Proprietary Funds
June 30, 2013

	Major Enterprise Fund Water Fund	Governmental Activities Internal Service Funds
ASSETS		
Current assets:		
Cash and investments	\$ 14,365,004	\$ 3,655,946
Receivables:		
Accounts	969,727	37,989
Interest	49,213	12,479
Deposits and prepaid expenses	-	156,023
Due from other funds	956,746	
Total current assets	<u>16,340,690</u>	<u>3,862,437</u>
Capital assets:		
Non-depreciable	3,377,442	-
Depreciable, net	6,702,240	429,652
Total capital assets	<u>10,079,682</u>	<u>429,652</u>
Total assets	<u>26,420,372</u>	<u>4,292,089</u>
DEFERRED OUTFLOWS OF RESOURCES		
Total deferred outflows of resources	<u>-</u>	<u>-</u>
LIABILITIES		
Current liabilities:		
Accounts payable	750,802	61,741
Accrued payroll	29,946	3,392
Deposits	12,354	-
Due to other funds	956,746	108,449
Claims payable, due within one year	-	677,066
Compensated absences, due within one year	21,537	2,401
Total current liabilities	<u>1,771,385</u>	<u>853,049</u>
Noncurrent liabilities:		
Claims payable, due in more than one year	-	2,377,646
Compensated absences, due in more than one year	31,246	3,484
Total noncurrent liabilities	<u>31,246</u>	<u>2,381,130</u>
Total liabilities	<u>1,802,631</u>	<u>3,234,179</u>
DEFERRED INFLOWS OF RESOURCES		
Total deferred inflows of resources	<u>-</u>	<u>-</u>
NET POSITION		
Net investment in capital assets	10,079,682	429,652
Restricted for:		
Capital projects	15,273,688	-
Unrestricted	(735,629)	628,258
Total net position	<u>\$ 24,617,741</u>	<u>\$ 1,057,910</u>

See accompanying Notes to Basic Financial Statements.

City of Menlo Park
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the year ended June 30, 2013

	Major Enterprise Fund Water Fund	Governmental Activities Internal Service Funds
OPERATING REVENUES:		
Charges for services	\$ 6,612,463	\$ 2,124,268
Connection fees	20,684	-
Total operating revenues	6,633,147	2,124,268
OPERATING EXPENSES:		
Cost of sales and services	5,778,525	-
Personnel services	-	92,308
General and administrative	320,593	267,798
Insurance	-	2,101,052
Depreciation	200,496	163,143
Total operating expenses	6,299,614	2,624,301
OPERATING INCOME (LOSS)	333,533	(500,033)
NONOPERATING REVENUES (EXPENSES):		
Investment income (loss)	(8,799)	(3,765)
Gain on sale of equipment	-	30,775
Total nonoperating revenues	(8,799)	27,010
INCOME (LOSS) BEFORE OPERATING TRANSFERS	324,734	(473,023)
TRANSFERS:		
Transfers in	755,962	-
Transfers out	(937,487)	-
Contributions	-	-
Total transfers	(181,525)	-
Net income (loss)	143,209	(473,023)
NET POSITION:		
Beginning of year	24,474,532	1,530,933
End of year	\$ 24,617,741	\$ 1,057,910

See accompanying Notes to Basic Financial Statements.

City of Menlo Park
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2013

	Major Enterprise Fund Water Fund	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers/other funds	\$ 6,355,586	\$ 2,124,268
Cash payment to suppliers	(5,629,062)	(1,981,542)
Cash payments for general and administrative	(439,671)	-
Cash paid to employees	-	(90,746)
Cash receipts other	-	24,650
Net cash provided (used) by operating activities	286,853	76,630
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers from other funds	522,745	-
Transfers to other funds	(704,270)	-
Contributions	-	97,620
Net cash provided (used) by noncapital financing activities	(181,525)	97,620
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(641,100)	(128,078)
Proceeds from disposal of capital assets	-	30,237
Net cash provided (used) by capital and related financing activities	(641,100)	(97,841)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	(8,799)	(3,989)
Net cash provided (used) by investing activities	(8,799)	(3,989)
Net increase (decrease) in cash and cash equivalents	(544,571)	72,420
CASH AND CASH EQUIVALENTS:		
Beginning of year	14,909,575	3,583,526
End of year	<u>\$ 14,365,004</u>	<u>\$ 3,655,946</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 333,533	\$ (500,033)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	200,496	163,143
Changes in current assets and liabilities:		
Accounts receivable	(248,451)	(7,087)
Prepaid expenses	-	(11,023)
Accounts payable	10,041	(88,764)
Accrued payroll	(6,542)	448
Insurance claims payable	-	516,592
Compensated absences	3,176	3,354
Deposits	(5,400)	-
Total adjustments	(46,680)	576,663
Net cash provided (used) by operating activities	\$ 286,853	\$ 76,630

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
Combining Statement of Fiduciary Net Position
June 30, 2013

	Total Successor Agency Trust Fund	Agency Funds
ASSETS		
Current assets:		
Cash and investments:		
Held with City	\$ 2,641,339	\$ 313,126
Held with trustees	10,604,183	-
Prepays	-	274,152
Deferred charges	1,212,635	-
Real estate held for resale	5,694,977	-
Total assets	20,153,134	587,278
DEFERRED OUTFLOWS OF RESOURCES		
Interest rate swap	10,725,738	-
LIABILITIES		
Liabilities:		
Accounts payable	38,115	-
Accrued payroll	-	145,334
Interest payable	184,695	-
Deposits	108,891	441,944
Deferred revenue	1,946,054	-
Long-term debt:		
Due within one year	1,888,521	-
Due in more than one year	57,319,860	-
Total liabilities	61,486,136	587,278
DEFERRED INFLOWS OF RESOURCES		
Accumulated increase in fair value of hedging derivatives	10,725,738	-
NET POSITION		
Held in trust for private purpose	(41,333,002)	-
Total net position	\$ (41,333,002)	\$ -

City of Menlo Park
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	Agency Funds
	<u> </u>
ASSETS	
Cash and cash equivalents	\$ 313,126
Prepays	274,152
	<u> </u>
Total assets	<u>587,278</u>
LIABILITIES	
Accrued payroll	145,334
Deposits	441,944
	<u> </u>
Total liabilities	<u>587,278</u>
NET POSITION	<u>\$ -</u>

See accompanying Notes to Basic Financial Statements.

City of Menlo Park
Statement of Fiduciary Net Position
Private-Purpose Trust Fund - Successor Agency
June 30, 2013

	<u>Total Successor Agency Funds</u>
ASSETS	
Current assets:	
Cash and investments:	
Held with City	\$ 2,641,339
Held with trustees	10,604,183
Interest receivable	-
Deferred charges	1,212,635
Real estate held for sale	5,694,977
Total assets	<u>20,153,134</u>
DEFERRED OUTFLOWS OF RESOURCES	
Interest rate swap	<u>10,725,738</u>
LIABILITIES	
Liabilities:	
Accounts payable	38,115
Interest payable	184,695
Deposits	108,891
Deferred revenue	1,946,054
Long-term debt:	
Due within one year	1,888,521
Due in more than one year	57,319,860
Total liabilities	<u>61,486,136</u>
DEFERRED INFLOW OF RESOURCES	
Accumulated increase in fair value of hedging derivatives	<u>10,725,738</u>
NET POSITION	
Held in trust for other governments	<u>(41,333,002)</u>
Total net position	<u>\$ (41,333,002)</u>

City of Menlo Park
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund - Successor Agency
For the Period Ending June 30, 2013

	<u>Total Successor Agency Funds</u>
Additions:	
Property taxes	\$ 5,570,955
Investment earnings	225,783
Other	1,540,656
Total additions	<u>7,337,394</u>
Deductions:	
Program expenses of former redevelopment agency	15,750
Administrative expenses	71
Interest and fiscal agency expenses of former redevelopment agency	4,215,635
Other	1,540,656
Total deductions	<u>5,772,112</u>
Extraordinary gain(loss)	<u>(17,149,614)</u>
Change in net position	<u>(15,584,332)</u>
Net position - beginning of the year	(26,844,414)
Prior period adjustment (Note 23)	1,095,744
Net position - end of the year	<u>\$ (41,333,002)</u>

City of Menlo Park
Notes to Basic Financial Statements
For the year ended June 30, 2013

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 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.

As of June 30, 2013, the City did not have any component units, because as of February 1, 2012, the Community Development Agency of the City of Menlo Park (Agency) was dissolved through State Assembly Bill 1X 26, which dissolved redevelopment agencies throughout the state of California. The Successor Agency was created to serve, in a fiduciary capacity, as custodian for the assets and to wind down the affairs of the former Agency. The Successor Agency operates under the auspices of a legislatively formed oversight board who has authority over its financial affairs and supervises its operations and timely dissolution. Its assets are held in trust for the benefit of the taxing entities within the former Agency boundaries and as such are not available for City use. Certain assets, primarily loans receivable, have been retained by the City, as it has taken over the housing functions of the former Agency. All remaining assets were transferred to the Successor Agency of the former Community Development Agency. The Successor Agency is reported in the City’s financial statements as a fiduciary private-purpose trust fund.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

A. Reporting Entity, Continued

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 Position and a Statement of Activities and Changes in Net Position. 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 Position. The Statement of Activities presents changes in net position.

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 Position 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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus

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.

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 position as presented in these statements to the net position 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.

Below Market Rate Housing Fund - Utilized to account for fees collected from developers of ten 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.

Housing Special Revenue Fund - Established to service the low and moderate income housing loans created by the former Community Development Agency. The loans were transferred to this fund upon dissolution of the Agency.

General Capital Improvement Project Fund - Utilizes General Fund transfers to provide adequate funding for the maintenance of the City's current infrastructure and other non-recurring initiatives.

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 position. 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, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, 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 Position, a Statement of Revenues, Expenses and Change in Net Position, 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 Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. 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 non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating 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, 2013

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 Position. 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.

The City also maintains fiduciary funds (private-purpose trust funds) for the Successor Agency to the former Community Development Agency. Private-purpose trust funds include a Statement of Net Position and a Statement of Changes in Net Position.

C. Use of Restricted and Unrestricted Net Position

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Cash and Investments, Continued

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.

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 \$5,000. 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 infrastructure 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.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Capital Assets, Continued

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. Real Estate Held for Resale

Real property held for resale is carried at the lower of cost or estimated net realizable value.

G. 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 Position.

H. Net Position and Fund Balances

In the government-wide financial statements, net position is classified in the following categories:

Net investment in capital assets - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

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

Unrestricted- This amount is all net assets that do not meet the definition of "net investment in capital assets" or "restricted."

Fund Financial Statements

In the fund financial statements, fund balances are in classifications, as defined by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in the governmental funds. Fund balances are classified in the following categories:

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

H. Net Position and Fund Balances, Continued

Nonspendable - Items that cannot be spent because they are not in spendable form, such as prepaid items and inventories, items that are legally or contractually required to be maintained intact, such as principal of an endowment or revolving loan funds.

Restricted - Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors, such as through debt covenants, grantors, contributors, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation.

Committed - Committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations that the government imposes upon itself at its highest level of decision making, normally the governing body through council resolutions, etc., and that remain binding unless removed in the same manner. The City Council is considered the highest authority for the City.

Assigned - Assigned fund balances encompassed the portion of net fund resources reflecting the government's intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for the purpose. The City Council has given the authorization to the City Manager to assign any net fund resources.

Unassigned - This category is for any balances that have no restrictions placed upon them.

In June 2011, the City Council updated the fund balance policy for net position and fund equity. Due to the nature of the restrictions of Nonspendable and Restricted fund balances, the policy focuses on financial reporting of unrestricted fund balance, or the last three categories listed above. As the highest level of decision-making authority, City Council may commit fund balances for specific purposes pursuant to constraints imposed by formal actions taken, such as an ordinance or resolution. The policy delegates the authority to assign fund balance amounts to be used for specific purposes to the City Manager for the purpose of reporting these amounts in the annual financial statements. Restricted fund balances will be expended before unrestricted fund balances when expenditures are incurred for purposes for which both are available. Unrestricted fund balances will be exhausted in the order of assigned, unassigned and committed when expenditures are incurred for which any of these fund balances are available.

I. 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.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

J. 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. However, the General Fund is liable for 90% of the total city-wide compensated absence liability. 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, 2013.

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

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

K. 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	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.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. 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."

M. New Pronouncements

For the fiscal year ended June 30, 2013, the City has implemented the following Governmental Accounts Standards Board (GASB) Statements:

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* ("GASB 63"), which is effective for financial statements for periods beginning after December 31, 2011. The objective of GASB 63 is to clarify where deferred outflows and deferred inflows of resources should be reported in the statement of net position and the balance sheet. It will provide users with information about how past transactions that are not assets or liabilities will continue to impact a government's financial statements in the future periods. Under these new standards, consolidated financial statements will include deferred outflows of resources and deferred inflows of resources ("deferrals"), in addition to assets and liabilities, and will report net position instead of net assets.

In June 2011, the GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions-An Amendment of GASB Statement No. 53*. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2011. The adoption of this standard had no effect on the City's financial statements for the year ended June 30, 2013.

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 April 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB 65"), which is effective for financial statements for periods beginning after December 31, 2012. GASB 65 reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, this statement recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources. The City is reviewing the impact of the adoption of GASB 65 for the fiscal year ending June 30, 2014.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

M. New Pronouncements, Continued

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 (“GASB 68”)*. The primary objective of GASB 68 is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. GASB 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. Statement 68 requires the liability of employers and nonemployer contributing entities to employees for defined benefit pensions (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees’ past periods of service (total pension liability), less the amount of the pension plan’s fiduciary net position. This will result in requiring employers to recognize an unfunded pension obligation (i.e., the “net pension liability”) as a balance sheet liability in their government-wide basic financial statements. Governments will also have to enhance note disclosures and schedules of required supplementary information. GASB 68 is effective for fiscal year June 30, 2015. The City is currently evaluating the impact of adopting this GASB Standard.

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.

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

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

2. CASH AND INVESTMENTS, Continued

A. Authorized Investments

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, 2013 from the fiscal year ended June 30, 2012, amounted to a decrease of \$568,250.

B. Deposits

At June 30, 2013, the carrying amount of the City's deposits was \$1,369,017 and the bank balances were \$1,625,113. 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, 2013.

	<u>Government-Wide Statement of Net Position</u>			<u>Fund Financials</u>	
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>	<u>Fiduciary Funds</u>	
	<u>Activities</u>	<u>Activities</u>		<u>Statement of</u>	
				<u>Net Position</u>	<u>Total</u>
Cash and investments	<u>\$ 69,781,029</u>	<u>\$ 14,365,004</u>	<u>\$ 84,146,033</u>	<u>\$ 2,954,465</u>	<u>\$ 87,100,498</u>
Restricted cash and investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,604,183</u>	<u>\$ 10,604,183</u>

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, 2013

2. CASH AND INVESTMENTS, Continued

C. Risks Disclosures, Continued

As of June 30, 2013, 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	\$ 1,369,017	\$ 1,369,017	\$ -	\$ -	\$ -	\$ -
Petty cash	6,340	6,340	-	-	-	-
Securities of U.S. Government:						
U.S. Treasury T-notes	4,032,618	2,005,860	1,003,242	-	1,023,516	-
U.S. instrumentality	19,550,720	-	5,094,190	2,006,310	4,631,188	7,819,032
Local Agency Investments Funds	37,078,439	37,078,439	-	-	-	-
Corporate notes	25,063,364	4,317,003	9,496,639	3,810,830	5,519,044	1,919,848
Total	\$ 87,100,498	\$ 44,776,659	\$ 15,594,071	\$ 5,817,140	\$ 11,173,748	\$ 9,738,880

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, 2013, the City's pooled cash and investments had the following maturities:

<u>Maturity</u>	<u>Percentage of Investment</u>
Less than one year	51%
One to two years	18%
Two to three years	7%
Three to four years	13%
Four to five years	11%

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 30% of the City's total portfolio. 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.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

2. CASH AND INVESTMENTS, Continued

C. Risks Disclosures, Continued

Issuer	Type	Ratings	
		Standard & Poor's	Moody's
FNMA	U.S. Instrumentality	AA+	Aaa
FHLMC	U.S. Instrumentality	AA+	Aaa
U.S. Treasury	T-Note	AA+	Aaa
FHLB	U.S. Instrumentality	AA+	Aaa
GE Capital	Corporate bond	AA+	A1
Pfizer Inc	Corporate bond	AA	A1
Well Fargo	Corporate bond	A+	A2
IBM Corp	Corporate bond	AA-	Aa3
3M Company	Corporate bond	AA-	Aa2
Berkshire Hathaway	Corporate bond	AA	Aa2
Berkshire Hathaway Finance	Corporate bond	AA	Aa2
Apple Inc	Corporate bond	AA+	Aa1
Google Inc	Corporate bond	AA	Aa2

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, 2013 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, 2013, the City had \$37,068,312 invested in LAIF, which had invested 1.88% of the pool investment funds in Structured Notes and Asset-Back Securities. LAIF determines fair value of its

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

2. CASH AND INVESTMENTS, Continued

D. External Investment Pool, Continued

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, 2013, 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, 2013, the City's investment in LAIF at fair value amounted to \$37,078,439 using a LAIF fair value factor of 1.000273207.

E. Successor Agency Pooled Cash and Investments

Cash and investments consisted of \$2,641,339 at June 30, 2013. The Agency pools cash from all sources and all funds with the City so that it can be invested at the maximum yield, consistent with safety and liquidity, while individual funds can make expenditures at any time. Restricted cash and investments amounted to \$10,604,183. These are funds held by fiscal agents to service outstanding bonds of the former Community Development Agency.

3. RECEIVABLES

A. Accounts Receivable

As of June 30, 2013, accounts receivable consisted of the following:

	Governmental Activities	Business-Type Activities	Total
Taxes:			
Occupancy taxes	\$ 1,091,922	\$ -	\$ 1,091,922
Utility taxes	87,179	-	87,179
Total taxes	1,179,101	-	\$ 1,179,101
Franchise fees	224,891	-	224,891
Rental income	55,304	-	55,304
General government charges	36,633	-	36,633
Public works charges	171,062	-	171,062
Community development fees	373,594	-	373,594
Recreation programs	14,343	-	14,343
Water service fees	-	969,727	969,727
Shuttle program revenues	364,548	-	364,548
Library service fees	6,697	-	6,697
Total accounts receivable	\$ 2,426,173	\$ 969,727	\$ 3,395,900

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

3. RECEIVABLES, Continued

B. Notes Receivable

As of June 30, 2013, notes receivable consisted of the following:

	Notes Receivable
Major Funds:	
General Fund	\$ 990,000
Below Market Rate Housing	3,941,609
Housing Fund	5,450,791
Total major funds	<u>10,382,400</u>
Other Governmental Funds:	
Community Development Block Grant	836,963
Emergency repair loan (ERL)	85,039
Total special revenue funds	<u>922,002</u>
Total notes receivable	<u><u>\$ 11,304,402</u></u>

City Manager Housing

As part of the employment agreement with the City Manager, effective March 2012, the City Council has authorized a loan evidenced by two notes totaling \$1.1 million 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 3.5% per annum, or, at the option of the City Manager, he may pay 2% per annum interest only, and 1.5% per annum would be deferred until the ultimate sale of the property or payment of the loans. The notes are due and payable within 24 months of termination of employment or within 12 months if he no longer resides in the property. One of the notes, in the amount of \$110,000, was repaid as of June 30, 2012. The outstanding balance of the remaining note at June 30, 2013, was \$990,000.

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, 2013, were \$836,963. Since the funds have not been legally vested with the City as of June 30, 2013, these funds are reported as deferred revenue.

Housing Fund

With the dissolution of the Menlo Park Community Development Agency (Agency) as of February 1, 2012, the City has assumed all the loans from the Agency.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

3. RECEIVABLES, Continued

B. Notes Receivable, Continued

The City assumed a loan the Agency made 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, 2013, was \$19,500.

The City also assumed a loan the Agency made to Mid-Peninsula Housing Coalition for the purchase of a five-unit apartment building for very low-income households. The loan carries a 3% simple interest rate per annum, with payments made from residual receipts of the property. The outstanding balance at June 30, 2013, was \$89,749.

The City has housing rehabilitation loans to eight eligible participants. Loans bear no or very low interest and are not due until the property changes ownership. The outstanding balance of these loans at June 30, 2013, was \$451,892.

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 of 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, 2013, was \$4,889,650. Menlo Gateway is to make annual payments on the loan as defined in the promissory note.

Total Housing Fund loans at June 30, 2013, amounted to \$5,450,791.

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, 2013, were \$2,092,562.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

3. RECEIVABLES, Continued

B. Notes Receivable, Continued

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, 2013, were \$85,039.

HIP Housing Development Corporation Loan

On July 20, 2012, the City entered into a promissory note with HIP Housing Development Corporation (HIP), a California nonprofit corporation, in which the City loaned funds totaling \$1,849,047 to assist HIP in financing the acquisition of property at 1157-1161 Willow Road. The promissory note is non-interest bearing, and is due on the 55th anniversary of the note. If no events of default have occurred under the promissory note, as defined, then the City will forgive the promissory note. The promissory note is secured by a deed of trust on the property.

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, 2013, deferred revenues in the government-wide financial statements were as follows:

	Governmental Activities
Recreation summer programs	\$ 462,536
Deferred grant revenue	15,000
Library donations	35,620
Planning deferred	752
MCC deferred	902
Percent for art deferred	8,647
Development agreement deferred	800,000
Total	<u><u>\$ 1,323,457</u></u>

B. Fund Financial Statements

At June 30, 2013, 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:

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

3. UNEARNED/DEFERRED REVENUE, Continued

B. Fund Financial Statements, Continued

Governmental Funds:

	<u>Special Revenue Funds</u>			Total
	General Fund	Housing Fund	Non-Major Funds	
Recreation Summer Programs	\$ 462,536	\$ -	\$ -	\$ 462,536
Development agreement	800,000	-	-	800,000
Planning deferred	752	-	-	752
Library donations	35,620	-	-	35,620
Percent for art deferred	8,647	-	-	8,647
Peninsula Partnership grant	-	-	15,000	15,000
MCC deferred	903	-	-	903
Menlo Gateway loan	-	4,889,650	-	4,889,650
CDBG loans	-	-	836,963	836,963
Emergency repair loans	-	-	85,039	85,039
Mid Peninsula loans	-	331,301	-	331,301
Total	\$ 1,308,458	\$ 5,220,951	\$ 937,002	\$ 7,466,411

C. Successor Agency

As of June 30, 2013, the Successor Agency has \$1,946,054 in unearned revenue. This amount represents allocated revenue from the County of San Mateo to the Successor Agency to provide for the enforceable obligations of the former Community Development Agency for the period of July 1, 2013 through December 31, 2013.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

5. CAPITAL ASSETS

A. Government-Wide Financial Statements

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

	Balance June 30, 2012 (as restated)	Additions	Retirements	Reclass	Balance June 30, 2013
Governmental Activities:					
Capital assets, not being depreciated/amortized:					
Land	\$ 199,262,056	\$ -	\$ (5,751)	\$ -	\$ 199,256,305
Land improvements	32,900,109	-	-	-	32,900,109
Construction in progress	2,112,344	1,299,728	(225,146)	(649,922)	2,537,004
Total capital assets, not being depreciated/amortized	234,274,509	1,299,728	(230,897)	(649,922)	234,693,418
Capital assets, being depreciated/amortized:					
Buildings	76,591,580	166,208	-	4,972	76,762,760
Shared use facilities	2,600,000	-	-	-	2,600,000
Equipment	6,929,594	485,939	(350,749)	-	7,064,784
Other improvements	16,259,990	140,000	(29,207)	-	16,370,783
Infrastructure	110,974,228	4,647,897	(2,395,084)	644,950	113,871,991
Total capital assets, being depreciated/amortized	213,355,392	5,440,044	(2,775,040)	649,922	216,670,318
<i>Less accumulated depreciation/amortization for:</i>					
Buildings	(15,191,874)	(1,557,698)	-	-	(16,749,572)
Shared use facilities	(260,000)	(104,000)	-	-	(364,000)
Equipment	(5,646,138)	(356,982)	350,232	-	(5,652,888)
Other improvements	(4,568,506)	(791,547)	10,223	-	(5,349,830)
Infrastructure	(54,822,555)	(2,752,830)	2,395,084	-	(55,180,301)
Total accumulated depreciation/amortization	(80,489,073)	(5,563,057)	2,755,539	-	(83,296,591)
Total capital assets, being depreciated/amortized, net	132,866,319	(123,013)	(19,501)	649,922	133,373,727
Governmental activities capital assets, net	\$ 367,140,828	\$ 1,176,715	\$ (250,398)	\$ -	\$ 368,067,145

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

5. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

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

General government	\$ 583,130
Public safety	143,013
Public works	2,880,597
Culture and recreation	1,953,199
Community development	3,118
Total depreciation expense - governmental departments	\$ 5,563,057

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

	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013
Business Activities:				
Capital assets, not being depreciated/amortized:				
Land	\$ 1,066,454	\$ -	\$ -	\$ 1,066,454
Construction in progress	1,555,026	755,962	-	2,310,988
Total capital assets, not being depreciated/amortized	2,621,480	755,962	-	3,377,442
Capital assets, being depreciated/amortized:				
Buildings	4,159,460	-	-	4,159,460
Equipment	542,565	-	-	542,565
Infrastructure	8,371,534	-	-	8,371,534
Total capital assets, being depreciated/amortized	13,073,559	-	-	13,073,559
<i>Less accumulated depreciation/amortization for:</i>				
Buildings	(1,546,722)	(83,189)	-	(1,629,911)
Equipment	(469,065)	(12,811)	-	(481,876)
Infrastructure	(4,155,036)	(104,496)	-	(4,259,532)
Total accumulated depreciation/amortization	(6,170,823)	(200,496)	-	(6,371,319)
Total capital assets, being depreciated/amortized, net	6,902,736	(200,496)	-	6,702,240
Business activities capital assets, net	\$ 9,524,216	\$ 555,466	\$ -	\$ 10,079,682

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

5. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

Depreciation expense for all proprietary funds was \$200,496 for the year ended June 30, 2013, which was recorded in the City's water business-type activity.

B. Successor Agency -Real Estate Held for Resale

As of June 30, 2013, the Successor Agency is holding \$5,694,977 in capital assets to be liquidated and the proceeds sent to the County. The entire amount consists of land held by the former Community Development Agency for low and moderate income housing. The Successor Agency is in the process of selling the 2.2 acre tract of land.

6. LONG-TERM DEBT

A. Long-Term Obligations

Summary of changes in long-term debt transactions for the year ended June 30, 2013 was as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013	Due within one year
<u>Governmental Activities</u>					
1996 General Obligation Refunding Bonds	\$ 1,575,000	\$ -	\$ (360,000)	\$ 1,215,000	\$ 380,000
2009A General Obligation Bonds	1,015,000	-	(60,000)	955,000	60,000
2009B General Obligation Bonds	9,360,000	-	-	9,360,000	-
Premium on 2009 General Obligation Bonds	67,474	-	(2,499)	64,975	2,499
2012 General Obligation Refunding Bonds	9,830,000	-	(340,000)	9,490,000	180,000
Discount on 2012 General Obligation Bonds	(71,882)	-	3,686	(68,196)	(3,686)
Total governmental activities	<u>\$ 21,775,592</u>	<u>\$ -</u>	<u>\$ (758,813)</u>	<u>\$ 21,016,779</u>	<u>\$ 618,813</u>
<u>Fiduciary Activities</u>					
2006 Las Pulgas Project Tax Allocation Bonds	\$ 63,705,000	\$ -	\$ (1,950,000)	\$ 61,755,000	\$ 2,030,000
Deferred amount of refunding of the 2006 Las Pulgas Project Tax Allocation Bonds	(2,432,130)	-	128,007	(2,304,123)	(128,007)
Discount on 2006 Las Pulgas Project Tax Allocation Bonds	(255,968)	-	13,472	(242,496)	(13,472)
Total fiduciary activities	<u>\$ 61,016,902</u>	<u>\$ -</u>	<u>\$ (1,808,521)</u>	<u>\$ 59,208,381</u>	<u>\$ 1,888,521</u>

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

6. LONG-TERM DEBT, Continued

A. Long-Term Obligations, Continued

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.

Outstanding bonds maturing on or before August 1, 2008, are subject to optional redemption prior to maturity at the option of the City, in whole or in part, at any time, from any available source of funds thereof at redemption prices of 100 percent of the principal amount, plus accrued interest to the date fixed for redemption.

The annual debt service requirements to maturity for the 1996 General Obligation Refunding Bonds Outstanding at June 30, 2013, were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 380,000	\$ 51,250	\$ 431,250
2015	405,000	31,625	436,625
2016	430,000	10,750	440,750
Total	<u>\$ 1,215,000</u>	<u>\$ 93,625</u>	<u>\$ 1,308,625</u>

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.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

6. LONG-TERM DEBT, Continued

A. Long-Term Obligations, Continued

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.

The annual debt service requirements to maturity for the 2009 General Obligation Bonds outstanding at June 30, 2013, were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 60,000	\$ 699,935	\$ 759,935
2015	65,000	696,810	761,810
2016	65,000	693,560	758,560
2017	70,000	690,185	760,185
2018	75,000	686,560	761,560
2019-2023	420,000	3,372,925	3,792,925
2024-2028	540,000	3,244,325	3,784,325
2029-2033	680,000	3,040,325	3,720,325
2034-2038	5,685,000	1,963,943	7,648,943
2039	2,655,000	188,312	2,843,312
Total	<u>\$ 10,315,000</u>	<u>\$ 15,276,880</u>	<u>\$ 25,591,880</u>

2012 General Obligation Bonds

In January 2012, the City of Menlo Park issued General Obligation Bonds in a par amount of \$9,380,000 for the purpose of refunding at lower interest rates the City's outstanding Series 2002 General Obligation Bonds. The bonds bear an interest rate of 3.75% annually between January 2012 and August 1, 2032. The bonds mature on August 1 of each year starting in 2013 and ending 2032 in amounts ranging from \$180,000 to \$640,000. No amount of the bonds are to mature before August 1, 2012. Interest is paid 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, 2013

6. LONG-TERM DEBT, Continued

A. Long-Term Obligations, Continued

The annual debt service requirements to maturity for the 2012 General Obligation Bonds outstanding at June 30, 2013, were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 180,000	\$ 355,875	\$ 535,875
2015	535,000	349,125	884,125
2016	555,000	329,063	884,063
2017	355,000	308,250	663,250
2018	365,000	294,938	659,938
2019-2023	2,055,000	1,258,125	3,313,125
2024-2028	2,475,000	841,875	3,316,875
2029-2033	2,970,000	342,563	3,312,563
Total	\$ 9,490,000	\$ 4,079,814	\$ 13,569,814

B. Prior Years' Defeased Obligations

1996 and 2000 Tax Allocation Bonds

During fiscal year 2005-2006, the City's former 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 of the City.

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, 2013, was \$55,390,000.

2002 General Obligation Bonds

As noted previously, 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. In January 2012, the City issued \$9,830,000 in 2012 General Obligation Bonds for the purpose of refunding the 2002 General Obligation bonds, and the 2002 General Obligation Bonds have been 100% defeased and the liability has been removed from long-term debt. Additionally, the City placed \$1,460,000 into escrow. The balance of the defeased bonds outstanding as of June 30, 2013, was \$10,855,000. Future debt service payments were reduced by \$2,349,066 with a present value savings of \$999,288.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

6. LONG-TERM DEBT, Continued

C. Fiduciary Fund Long Term Obligations

2006 Las Pulgas Project Tax Allocation Bonds

In May 2006, the former Community Development Agency of the City of Menlo Park, now the Successor Agency, 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 former Agency's Las Pulgas Community Development Project Area. The bonds are repayable from the former Agency's 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. Other than the net interest receipts and expenditures resulting from the swap agreement, no amounts are recorded in the basic financial statements.

Terms:

Former Community Development Agency of the City of Menlo Park Swap Portfolio						
Bond Issue	Initial Notional Amount	Counter-party	Fixed Rate Paid	Variable Rate Received	Swap Termination Date	Counterparty Credit Ratings Moody's/S&P/Fitch
Tax Allocation Refunding Series 2006	\$72,430	Piper Jaffray with guarantee from Morgan Stanley Capital Services	6.632 %	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 6.632% includes the 3.794% base swap rate plus the 2.75% liquidity fee plus the 0.0875% remarketing fee.

Fair Value: At June 30, 2013, the swap had a negative fair value of (\$10,725,738). 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.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

6. LONG-TERM DEBT, Continued

C. Fiduciary Fund Long Term Obligations, Continued

Credit Risk: As of June 30, 2013, 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.

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, 2013, were as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 2,030,000	\$ 2,342,985	\$ 4,372,985
2015	2,105,000	2,265,966	4,370,966
2016	2,190,000	2,186,103	4,376,103
2017	2,785,000	2,103,014	4,888,014
2018	2,895,000	1,997,351	4,892,351
2019-2023	16,330,000	8,245,311	24,575,311
2024-2028	19,675,000	4,903,745	24,578,745
2029-2031	13,745,000	1,056,060	14,801,060
Total	\$ 61,755,000	\$ 25,100,535	\$ 86,855,535

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

6. LONG-TERM DEBT, Continued

C. Fiduciary Fund Long Term Obligations, Continued

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 2013 was a total of \$13,472 was recorded in the Successor Agency trust fund for the period ending June 30, 2013.

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 2013 was a total of \$128,007 which was recorded in the Successor Agency trust fund for the period ending June 30, 2013.

Event Disclosure: On April 23, 2008, the Agency remarketed its outstanding Series 2006 Bonds, substituting the preexisting State Street line of credit for a State Street direct-pay letter of credit. This letter of credit effectively “wrapped” around the preexisting Ambac Assurance Corporation bond insurance policy, providing additional credit enhancement on the Bonds. The Ambac 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 rated demand bonds (VRDBs). The swap associated with the Bonds, entered into with Piper Jaffray at the original issuance of the Bonds, remains in effect.

7. COMPENSATED ABSENCES

Compensated absences at June 30, 2013, were as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013	Estimated Due Within One Year	Estimated Due in More than One Year
Governmental Activities	\$ 1,950,564	\$ 833,398	\$ (953,191)	\$ 1,830,771	\$ 744,618	\$ 1,086,153
Business-Type Activities	52,285	28,759	(28,261)	52,783	21,537	31,246
Total compensated absences	\$ 2,002,849	\$ 862,157	\$ (981,452)	\$ 1,883,554	\$ 766,155	\$ 1,117,399

As stated before, the General contributes to over 90% of the compensated absences liability for the governmental activities.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

8. RISK MANAGEMENT

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

Complete financial statements for the BCJPIA may be obtained from 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 internal service funds. No claim settlement has exceeded the coverage amounts in place for any of the years shown. The amount of claims due in one year from June 30, 2013, is estimated to total \$677,066.

Changes in the balances of the City's claims liabilities during the years ended June 30, 2013, 2012, and 2011 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
2010-2011	\$ 1,940,657	\$ 781,438	\$ (598,656)	\$ 2,123,439
2011-2012	2,123,439	865,749	(451,068)	2,538,120
2012-2013	2,538,120	1,064,707	(548,115)	3,054,712

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

9. INTERFUND TRANSACTIONS

Interfund receivables and payables at June 30, 2013, 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, 2013, is as follows:

Due to other funds	Due from other funds		
	General Fund	Water Capital Improvement Fund	Total
Governmental Activities:			
OPEB Internal Service Fund	\$ 108,449	\$ -	\$ 108,449
Peninsula Partnership Fund	2,224	-	2,224
Business-Type Activities:			
Water Operating Fund	-	956,746	956,746
TOTAL	\$ 110,673	\$ 956,746	\$ 1,067,419

All Due To/From Other Funds were established as of June 30, 2013, to cover short-term negative cash balances.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

9. INTERFUND TRANSACTIONS, Continued

Interfund Transfers

Interfund transfers for the year ended June 30, 2013, were as follows:

		Transfers In						
		Governmental Activities						
		General Fund	Landscaping/ Tree Assessment Fund	Literacy Grants Fund	Capital Improvement- General Fund	Business- type-Activities - Water Operating Fund	Fiduciary Activities-Private Purpose Trust Fund- Redevelopment Obligation Retirement	Total
Transfers Out	Governmental Activities:							
	General Fund	\$ -	\$ 159,600	\$ 55,000	\$ 5,279,626	\$ -	\$ -	\$ 5,494,226
	CDA Dissolution Fund	-	-	-	-	-	-	-
	Landscape/Tree Assessment Fund	63,259	-	-	-	-	-	63,259
	Sidewalk Assessment Fund	19,003	-	-	-	-	-	19,003
	Stormwater Management Fund	36,088	-	-	-	-	-	36,088
	Highway Users Tax Fund	208,333	-	-	-	-	-	208,333
	Garbage Service Fund	42,628	-	-	-	-	-	42,628
	Downtown Parking Permits Fund	25,291	-	-	-	-	-	25,291
	Bedwell-Bayfront Park Landfill Fund	7,899	-	-	-	-	-	7,899
	Bedwell-Bayfront Park Mt. Operation Fund	12,680	-	-	-	-	-	12,680
	Misc Trust Fund	700	-	-	-	-	-	700
		415,881	159,600	55,000	5,279,626	-	-	5,910,107
	Business-Type Activities:							
	Water Fund - Operating	181,525	-	-	-	-	-	181,525
Water Fund - Capital	-	-	-	-	755,962	-	755,962	
	181,525	-	-	-	755,962	-	937,487	
Fiduciary Fund Activities:								
Redevelopment Dissolution Fund	-	-	-	-	-	1,540,656	1,540,656	
	-	-	-	-	-	1,540,656	1,540,656	
Total	\$ 597,406	\$ 159,600	\$ 55,000	\$ 5,279,626	\$ 755,962	\$ 1,540,656	\$ 8,388,250	

The most significant transfers were from the Successor Agency Dissolution Fund to the Successor Agency Obligation Retirement Fund in the amount \$1,540,656, which was used to cover the shortfall in the County's Property Tax Trust Fund; a transfer from the Water Capital Fund to the Water Operating Fund for operational expenditures; and a transfer of \$5,279,626, which includes funds from significant one-time revenues, 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, 2013

10. FUND BALANCE

In the fund financial statements, governmental funds report restriction of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. The various committed and assigned balances are established by actions of the City Council and Management and can be increased, reduced or eliminated by similar actions. The following are the classifications that were implemented according to GASB 54 at June 30, 2013:

	General Fund	Below Market Rate Housing Special Revenue	Housing Fund Special Revenue	General Capital Improvement Project Fund	Non-Major Governmental Funds	Total
Nonspendable:						
Deposits and prepaid items \$	15,376	\$ -	\$ -	\$ -	\$ 2,396	\$ 17,772
Housing loans	-	3,941,609	229,840	-	-	4,171,449
Real estate held for sale	-	733,597	-	-	-	733,597
Notes receivable	990,000	-	-	-	-	990,000
Total nonspendable	1,005,376	4,675,206	229,840	-	2,396	5,912,818
Committed to:						
Emergency contingency	6,000,000	-	-	-	-	6,000,000
Economic stabilization	8,000,000	-	-	-	-	8,000,000
Total committed	14,000,000	-	-	-	-	14,000,000
Assigned to:						
Infrastructure maintenance	2,340,000	-	-	-	-	2,340,000
Comprehensive planning	-	-	-	-	-	-
GASB 31 adjustment	-	-	-	-	-	-
Other purposes	388,033	-	-	-	1,104,691	1,492,724
Capital improvements	-	-	-	13,978,152	2,501,792	16,479,944
Debt service	-	-	-	-	1,943,354	1,943,354
Specific revenue sources	-	5,954,698	90,507	-	16,928,650	22,973,855
Total assigned	2,728,033	5,954,698	90,507	13,978,152	22,478,487	45,229,877
Unassigned:						
General fund	4,644,239	-	-	-	-	4,644,239
Special revenue funds	-	-	-	-	-	-
Total unassigned	4,644,239	-	-	-	-	4,644,239
Total Fund Balance	\$ 22,377,648	\$ 10,629,904	\$ 320,347	\$ 13,978,152	\$ 22,480,883	\$ 69,786,934

Nonspendable Amounts - represents amounts that cannot be spent or appropriated because they are not in spendable form or are legally or contractually required to be maintained intact.

Committed Amounts - represent amounts that are only to be used for specific purposes pursuant to the constraints imposed by formal action of the City Council. The committed amounts cannot be used for any other purposes unless the Council removes or changes the specified use by taking the same action it used to previously commit those amounts.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

10. FUND BALANCE, Continued

Assigned Amounts - represents funds that are constrained by the City's intent to be used for a specific purpose.

Infrastructure Maintenance - represents funds intended to be used for the long-term cost of maintaining the City's infrastructure.

GASB 31 Adjustment - represents funds identifying that portion of fund balance that is the result of unrealized investment gains as it does not represent funds available for operations.

Other Purposes - represents funds intended for various commitments such as encumbrances.

Capital Improvements - represents funds set aside for capital improvements.

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

Designated for Special Revenue Sources - represents funds designated for special programs and services in the City's Special Revenue Funds.

11. NET POSITION

The government-wide and proprietary fund financial statements utilize a net position presentation. The components of net position are categorized as net investment in capital assets, restricted and unrestricted.

Net Investment in Capital Assets: 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: 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: This category represents net assets of the City, not restricted for any project or other purpose.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

12. OTHER FUND DISCLOSURES

Expenditures over Appropriations

The following funds had an excess of expenditures over appropriations:

Major:	
Below Market Rate Housing Fund	\$ 143,598
Housing Fund	12,788
Non-Major:	
Special Revenue Funds:	
Narcotic Seizure Fund	\$ 4,331
Peninsula Partnership Fund	49,222

The Below Market Rate Housing fund experienced additional expenses due to a settlement paid to a lending bank in regards to a below market rate unit. The Housing Fund experienced additional rehabilitation loan expenses during the fiscal year due to the dissolution of the former Community Development Agency, exceeding the fund's budget by \$12,788.

The Narcotic Seizure Fund experienced additional capital outlay with the purchase of new equipment, exceeding the fund's budget by \$4,331. The Peninsula Partnership Special Revenue Fund exceeded appropriations by \$49,222 due to additional services to be provided that were required by the grantor. These additional services were required by the grantor later in the fiscal year. These costs will be offset by additional grant revenues in the next fiscal year.

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.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

13. PUBLIC EMPLOYEE RETIREMENT SYSTEM, Continued

Funding Policy

Participants are required to contribute 6.25%, 7%, or 8% for miscellaneous and 9% or 11% for safety employees of their annual covered salary. The City is required to contribute at an actuarially determined rate; the current rate is 16.821% for miscellaneous employees, and 24.706% for safety employees, of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Cost

For the fiscal year ended June 30, 2013, the City's annual pension cost of \$3,356,213 for PERS was equal to the City's required and actual contribution. The required contribution was determined as part of the June 30, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions were as follows:

	Miscellaneous	Safety
Valuation date	June 30, 2010	June 30, 2010
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	17 years as of the valuation date	19 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	3.55% to 14.45% depending on age, service, and type of employment	3.55% 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 and annual production growth of 0.25%.	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and and annual production growth of 0.25%.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

13. PUBLIC EMPLOYEE RETIREMENT SYSTEM, Continued

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

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2011	\$ 3,920,409	100%	\$ -
June 30, 2012	3,350,411	100%	-
June 30, 2013	3,356,213	100%	-

Funded Status of Plan – Miscellaneous Employees

Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Normal Accrued Liability	Unfunded (Overfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded (Overfunded) Liability as a Percentage of Covered Payroll
2010	\$ 69,144,459	\$ 79,542,433	\$ 10,397,974	86.9%	\$ 13,491,814	77.1%

** 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.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

14. OTHER POST-EMPLOYMENT BENEFITS, Continued

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

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

Retiree Health Benefit Credits (RHBC): Employees 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 the City's Annual Required Contribution (ARC) every year. For fiscal year 2012-13, the City contributed \$635,477, including \$544,903 in benefit payments and a \$90,574 deposit to CERBT. The City's ARC was \$739,000 for fiscal year 2012-13. The difference between the ARC and actual contributions of \$103,523 will be recovered in subsequent fiscal years following the results of the June 30, 2013 actuarial valuation.

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.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

14. OTHER POST-EMPLOYMENT BENEFITS, Continued

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	\$ 739,000
Interest on net OPEB obligation	(8,000)
Adjustment to annual required contribution	10,000
Annual OPEB cost (expense)	<u>741,000</u>
Contributions made	(90,574)
Benefit payments	<u>(544,903)</u>
Increase (decrease) in net OPEB obligation	105,523
Net OPEB obligation - beginning of year	4,947
Net OPEB obligation - end of year	<u><u>\$ 110,470</u></u>

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

Fiscal Year Ended June 30,	OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation/ (Asset)
2011	\$ 631,950	108%	\$ (161,403)
2012	552,650	77%	4,947
2013	635,477	86%	110,470

Funded Status

The funded status of the plan as of June 30, 2011 (the date of the most recent actuarial valuation), was as follows:

	<u>Total</u>
Actuarial Accrued Liability (AAL)	\$ 11,873,000
Actuarial Value of Plan Assets	11,891,000
Unfunded Actuarial Accrued Liability (UAAL)	<u>(18,000)</u>
Funded Ratio (Actuarial value of plan assets/AAL)	100.2%
Covered Payroll (active plan members)	\$ 18,752,000
UAAL as a Percentage of Covered Payroll	-0.10%

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

14. OTHER POST-EMPLOYMENT BENEFITS, Continued

A valuation of the City's OPEB obligation must be performed biennially. The City's most recent valuation was prepared with data as of June 30, 2011. 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.

In the June 30, 2011 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 7.25% investment rate of return (net of administrative expenses), a 3.0% general inflation increase, and annual pre-Medicare eligible healthcare cost trend rates for medical of 9.0% in 2013 (actual 2012 premium rates were used) decreasing to 5.0% over eight years. The post-Medicare eligible healthcare trend stated 0.4% higher for 2013. 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 7.2%.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

15. LANDFILL POST-CLOSURE CARE, Continued

The City's outstanding future post-closure care costs were estimated at \$5,782,181 at June 30, 2013. 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 2013:

	Balance July 1, 2012	Deletions	Balance June 30, 2013	Due within one year	Due in more than one year
Governmental Activities	\$ 6,001,794	\$ (219,613)	\$ 5,782,181	\$ 202,147	\$ 5,580,034

16. COMMUNITY DEVELOPMENT AGENCY OF THE CITY OF MENLO PARK

The former 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. During the fiscal year 2011-12, the Agency was dissolved in accordance to State Assembly Bill 1X26. All assets of the Agency were transferred to the Successor Agency private-purpose trust fund. More information on the Successor Agency can be found in Note 17.

17. SUCCESSOR AGENCY TRUST FOR THE FORMER COMMUNITY DEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1x 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Menlo Park that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

17. SUCCESSOR AGENCY TRUST FOR THE FORMER COMMUNITY DEVELOPMENT AGENCY,
Continued

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the “successor agency” to hold the assets of the former redevelopment agency until they are distributed to other units of state and local government. On January 10, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number 6043.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011), all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

During fiscal year 2012-13, the Successor Agency was in the process of liquidating the former Community Development Agency’s assets and remitting them to the County to be distributed among the affected taxing districts. The remittance these assets as of June 30, 2013, was reported in the private-purpose trust fund as an extraordinary loss.

The detail of the extraordinary loss recognized in the fiduciary fund financial statement related to the transfer of assets to the County of San Mateo is expanded as follows:

Total extraordinary loss reported in the fiduciary funds for remittance of Low and Moderate Income Housing Fund -	\$ 5,577,679
Total extraordinary loss reported in the fiduciary funds for remittance of Other Funds Assets -	<u>11,571,935</u>
Decrease to net assets of the Successor Agency Trust Fund as a result of remittance to the County of San Mateo -	<u><u>\$ 17,149,614</u></u>

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

17. SUCCESSOR AGENCY TRUST FOR THE FORMER COMMUNITY DEVELOPMENT AGENCY, Continued

As of June 30, 2013, the Successor Agency was still in possession of the former Community Development Agency capital assets (real estate held for resale) valued at \$5,694,977. These assets consisted solely of land and the Successor Agency was awaiting approval of its Long Range Property Management Plan by the State of California Department of Finance, and is reflected as real estate held for resale on the accompanying Statement of Fiduciary Net Position.

18. 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, 2013, 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.

19. LITIGATION

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

20. ENCUMBRANCES/COMMITMENTS

The City had various commitments totaling \$3,191,007 as of June 30, 2013. The most significant commitments are for capital improvement projects which include but are not limited to Street Resurfacing Project, Bedwell Bayfront Park Gas Leachate System and Alpine Road Bike Path Construction. All commitments are evidenced by contractual agreements with contractors. The encumbrances listed by fund are as follows:

Major:	
General Fund	\$ 388,033
Below Market Rate Housing Fund	8,754
General Capital Improvement Fund	1,661,970
Non-Major Funds	<u>1,132,250</u>
Total	<u><u>\$ 3,191,007</u></u>

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

21. 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, 2013, each member entity contributed \$108,000 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, 2013

21. 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, Recology San Mateo County (Recology) 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, 2020, Recology operates the facilities and is paid compensation based on costs, a provision for profit and incentives for cost savings and performance.

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

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

22. NEGATIVE FUND BALANCE

As of June 30, 2013, the Peninsula Partnership Grant Fund has a negative fund balance of \$31,680. 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 Literacy Grants Fund has a negative fund balance of \$4,483. The grant funding from the State was reduced late in the fiscal year while the City was committed to make expenditures. The shortfall will be made up in subsequent fiscal years.

23. PRIOR PERIOD ADJUSTMENTS

The City recorded a prior period adjustments totaling \$206,487, to decrease the beginning governmental activities net position. The adjustments relate to not recording payroll liabilities in previous years in the amount \$214,287 and the purchase of property in 1958 for \$7,800.

City of Menlo Park
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2013

23. PRIOR PERIOD ADJUSTMENT, Continued

The City as the Successor Agency for the former Community Development Agency recorded a prior period adjustment in the fiduciary funds in the amount of \$1,095,744. This adjustment increased the beginning balance of the private purpose trust fund and reflects an error in calculating the interest payable on debt at June 30, 2012.

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**REQUIRED
SUPPLEMENTARY INFORMATION**

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City of Menlo Park
Required Supplementary Information
For the year ended June 30, 2013

BUDGETARY PRINCIPLES

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

1. City Council identifies the priority projects/programs for the budget at a study session with public input. The City Council annually adopts the budget for the ensuing fiscal year generally prior to July 1.
2. The City Manager is authorized to transfer budgetary amounts within a single fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.
3. Legally adopted budgets and formal budgetary integration is employed as a management control device during the year for the general fund, special revenue funds, debt service funds, and capital projects funds. Proprietary funds and Agency funds are not budgeted.
4. Budgets for the general, special revenue and capital projects funds are adopted on a basis consistent with GAAP.
5. Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller, returned to the taxpayers through revised tax rates or revised fee schedules, or an excess in one year may be offset against a deficit in the following year. For the fiscal year ended June 30, 2011, 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, 2013

Budgetary Comparison Schedule, General Fund

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Secured property taxes	\$ 12,735,000	\$ 13,010,000	\$ 14,854,925	\$ 1,844,925
Unsecured property taxes	430,000	350,000	351,099	1,099
Other property taxes	493,000	493,000	525,865	32,865
Sales taxes	6,330,000	6,280,000	6,043,870	(236,130)
Other taxes	6,380,000	6,365,000	6,328,728	(36,272)
Licenses and permits	4,266,465	4,326,465	4,447,630	121,165
Fines and forfeitures	1,085,200	991,400	998,259	6,859
Use of money and property	770,018	752,018	568,051	(183,967)
Intergovernmental	911,263	838,130	866,287	28,157
Charges for services	6,370,600	7,080,246	7,088,160	7,914
Other	29,050	31,050	22,700	(8,350)
Total revenues	39,800,596	40,517,309	42,095,574	1,578,265
EXPENDITURES:				
Current:				
General government	5,522,403	5,792,001	5,202,191	589,810
Public safety	14,674,472	14,399,392	13,784,282	615,110
Public works	5,219,367	5,427,931	5,043,865	384,066
Culture and recreation	8,997,188	8,915,459	8,615,694	299,765
Community development	4,312,314	4,522,314	3,814,000	708,314
Urban development and housing	43,842	57,742	67,393	(9,651)
Capital outlay	311,126	438,913	344,245	94,668
Total expenditures	39,080,712	39,553,752	36,871,670	2,682,082
REVENUES OVER (UNDER) EXPENDITURES	719,884	963,557	5,223,904	4,260,347
OTHER FINANCING SOURCES (USES):				
Transfers in	639,073	639,073	597,406	(41,667)
Transfers out	(2,464,328)	(5,164,328)	(5,494,225)	(329,897)
Proceeds from sale of assets	-	-	766,855	766,855
Total other financing sources (uses)	(1,825,255)	(4,525,255)	(4,129,964)	395,291
Net change in fund balance	\$ (1,105,371)	\$ (3,561,698)	1,093,940	\$ 4,655,638
FUND BALANCE:				
Beginning of year			21,497,995	
Prior period adjustment (Note 23)			(214,287)	
End of year			\$ 22,377,648	

City of Menlo Park
Required Supplementary Information, Continued
For the year ended June 30, 2013

Budgetary Comparison Schedule, Below Market Rate Housing Special Revenue Fund

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 21,241	\$ 21,241
Charges for services	-	-	365,823	365,823
Total revenues	-	-	387,064	387,064
EXPENDITURES:				
Current:				
Urban development and housing	65,576	65,576	206,518	(140,942)
Capital outlay	55,239	495,239	497,895	(2,656)
Total expenditures	120,815	560,815	704,413	(143,598)
REVENUES OVER (UNDER) EXPENDITURES	(120,815)	(560,815)	(317,349)	243,466
Net change in fund balance	\$ (120,815)	\$ (560,815)	(317,349)	\$ 243,466
FUND BALANCE:				
Beginning of year			10,947,253	
End of year			<u>\$ 10,629,904</u>	

City of Menlo Park
Required Supplementary Information, Continued
For the year ended June 30, 2013

Budgetary Comparison Schedule, Housing Special Revenue Fund

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 12,051	\$ 12,051
Charges for services	-	-	8,610	8,610
Total revenues	-	-	20,661	20,661
EXPENDITURES:				
Current:				
Community development	-	-	-	-
Urban development and housing	-	-	12,788	(12,788)
Capital outlay	-	-	-	-
Total expenditures	-	-	12,788	(12,788)
REVENUES OVER (UNDER) EXPENDITURES	-	-	7,873	7,873
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	\$ -	\$ -	7,873	\$ 7,873
FUND BALANCE:				
Beginning of year			312,474	
End of year			\$ 320,347	

City of Menlo Park
Required Supplementary Information, Continued
For the year ended June 30, 2013

Budgetary Comparison Schedule, General Capital Improvement Capital Project Fund

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Other taxes	\$ 78,300	\$ 78,300	\$ 83,264	\$ 4,964
Intergovernmental	-	934,629	376,485	(558,144)
Charges for services	-	2,683,000	2,342,000	(341,000)
Total revenues	78,300	3,695,929	2,801,749	(894,180)
EXPENDITURES:				
Capital outlay	7,882,247	9,607,935	3,095,341	6,512,594
Total expenditures	7,882,247	9,607,935	3,095,341	6,512,594
REVENUES OVER (UNDER) EXPENDITURES	(7,803,947)	(5,912,006)	(293,592)	5,618,414
OTHER FINANCING SOURCES (USES):				
Transfers in	2,249,728	4,949,728	5,279,626	329,898
Total other financing sources (uses)	2,249,728	4,949,728	5,279,626	329,898
Net change in fund balance	\$ (5,554,219)	\$ (962,278)	4,986,034	\$ 5,948,312
FUND BALANCE:				
Beginning of year			8,992,118	
End of year			<u>\$ 13,978,152</u>	

City of Menlo Park
Required Supplementary Information, Continued
For the year ended June 30, 2013

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	Unfunded (Overfunded) Liability as a Percentage of Covered Payroll
2007	\$ 56,842,197	\$ 64,016,741	\$ 7,174,544	88.8%	\$ 12,810,019	56.0%
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	69,144,459	79,542,433	10,397,974	86.9%	13,491,814	77.1%
2011	73,863,432	85,715,937	11,852,505	86.2%	13,490,012	87.9%
2012	78,392,509	90,386,805	11,994,296	86.7%	12,847,225	93.4%

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 June 30, 2011.

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%
6/30/2011	\$ 11,891,000	\$ 11,873,000	\$ (18,000)	100.2%	\$ 18,752,000	-0.1%

SUPPLEMENTARY INFORMATION

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NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds:

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

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

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

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

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.

Transportation 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.

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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.

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.

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 as well as the retirement of the former Community Development Agency's Series 2006 Refunding bonds.

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NON-MAJOR GOVERNMENTAL FUNDS

Capital Projects Funds:

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

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.

City of Menlo Park
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2013

	Special Revenue				
	Highway Users Tax	Federal Revenue Sharing	Landscape/ Tree Assessment	Sidewalk Assessment	Landfill Post-Closure
ASSETS					
Cash and investments	\$ 2,049,757	\$ 43,705	\$ 310,993	\$ 392,445	\$ 3,549,524
Restricted cash and investments	-	-	-	-	-
Receivables:					
Accounts	-	-	13,253	-	63,151
Interest	6,995	149	-	-	12,129
Notes	-	85,039	-	-	-
Due from other governments	-	-	2,300	-	-
Deposits and prepaid items	-	-	-	-	2,396
Due from other funds	-	-	-	-	-
Total assets	\$ 2,056,752	\$ 128,893	\$ 326,546	\$ 392,445	\$ 3,627,200
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 7,196	\$ -	\$ 9,316	\$ 77,465	\$ 25,867
Accrued payroll and related liabilities	2,869	-	12,165	1,987	302
Due to other funds	-	-	-	-	-
Deposits	-	-	-	-	-
Deferred revenue	-	85,039	-	-	-
Total liabilities	10,065	85,039	21,481	79,452	26,169
Fund Balances:					
Deposits and prepaid items	-	-	-	-	2,396
Housing loans	-	-	-	-	-
Notes receivable	-	-	-	-	-
Total nonspendable	-	-	-	-	2,396
Restricted:					
GASB 31 adjustment	-	-	-	-	-
Special programs and services	1,971,588	41,054	294,958	305,745	2,993,687
Capital improvements	-	-	-	-	-
Debt service	-	-	-	-	-
Other purposes	75,099	2,800	10,107	7,248	604,948
Total restricted	2,046,687	43,854	305,065	312,993	3,598,635
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	2,046,687	43,854	305,065	312,993	3,601,031
Total liabilities and fund balances	\$ 2,056,752	\$ 128,893	\$ 326,546	\$ 392,445	\$ 3,627,200

(Continued)

Special Revenue

County	Transportation Tax	Public Library	Literacy Grants	Narcotic Seizure	Transportation Impact Fees	Downtown Parking Permits	Storm Drainage Fees	Solid Waste Service
	\$ 855,626	\$ 100,739	\$ 8,896	\$ 40,977	\$ 2,732,673	\$ 2,935,147	\$ 120,664	\$ 935,239
	-	-	-	-	-	-	-	-
	377,191	-	-	-	-	-	-	-
	2,921	-	-	-	9,357	9,987	402	2,924
	-	-	-	-	-	-	-	-
	105,081	-	-	-	-	-	-	8,995
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	<u>\$ 1,340,819</u>	<u>\$ 100,739</u>	<u>\$ 8,896</u>	<u>\$ 40,977</u>	<u>\$ 2,742,030</u>	<u>\$ 2,945,134</u>	<u>\$ 121,066</u>	<u>\$ 947,158</u>
	\$ 197,199	\$ -	\$ 249	\$ -	\$ 10,826	\$ 7,040	\$ 8,173	\$ 1,756
	19,726	-	13,130	-	3,101	2,858	-	6,135
	-	-	-	-	-	-	-	-
	45,000	-	-	-	40,000	-	-	-
	-	-	-	-	-	-	-	-
	<u>261,925</u>	<u>-</u>	<u>13,379</u>	<u>-</u>	<u>53,927</u>	<u>9,898</u>	<u>8,173</u>	<u>7,891</u>
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	1,031,568	100,739	(4,483)	40,977	2,674,110	2,927,568	101,114	914,457
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	47,326	-	-	-	13,993	7,668	11,779	24,810
	<u>1,078,894</u>	<u>100,739</u>	<u>(4,483)</u>	<u>40,977</u>	<u>2,688,103</u>	<u>2,935,236</u>	<u>112,893</u>	<u>939,267</u>
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	<u>1,078,894</u>	<u>100,739</u>	<u>(4,483)</u>	<u>40,977</u>	<u>2,688,103</u>	<u>2,935,236</u>	<u>112,893</u>	<u>939,267</u>
	<u>\$ 1,340,819</u>	<u>\$ 100,739</u>	<u>\$ 8,896</u>	<u>\$ 40,977</u>	<u>\$ 2,742,030</u>	<u>\$ 2,945,134</u>	<u>\$ 121,066</u>	<u>\$ 947,158</u>

(Continued)

City of Menlo Park
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2013

	Special Revenue				
	Bay Area Air Quality Management	Storm Water Management	Peninsula Partnership Grant	Supplemental Law Enforcement Service	Construction Impact Fees
ASSETS					
Cash and investments	\$ 2,589	\$ 271,980	\$ -	\$ 16,837	\$ 2,222,481
Restricted cash and investments	-	-	-	-	-
Receivables:					
Accounts	-	-	-	-	-
Interest	9	-	-	57	7,562
Notes	-	-	-	-	-
Due from other governments	-	5,200	-	46,766	-
Deposits and prepaid items	-	-	-	-	-
Due from other funds	-	-	-	-	-
Total assets	\$ 2,598	\$ 277,180	\$ -	\$ 63,660	\$ 2,230,043
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 2,934	\$ 10,936	\$ 13,626	\$ 123,998
Accrued payroll and related liabilities	-	6,669	3,520	-	2,969
Due to other funds	-	-	2,224	-	-
Deposits	-	-	-	-	-
Deferred revenue	-	-	15,000	-	-
Total liabilities	-	9,603	31,680	13,626	126,967
Fund Balances:					
Nonspendable:					
Deposits and prepaid items	-	-	-	-	-
Housing loans	-	-	-	-	-
Notes receivable	-	-	-	-	-
Total nonspendable	-	-	-	-	-
Restricted:					
GASB 31 adjustment	-	-	-	-	-
Special programs and services	2,598	260,327	(31,680)	43,847	-
Capital improvements	-	-	-	-	2,085,310
Debt service	-	-	-	-	-
Other purposes	-	7,250	-	6,187	17,766
Total restricted	2,598	267,577	(31,680)	50,034	2,103,076
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	2,598	267,577	(31,680)	50,034	2,103,076
Total liabilities and fund balances	\$ 2,598	\$ 277,180	\$ -	\$ 63,660	\$ 2,230,043

(Continued)

Special Revenue						Debt Service	
Bedwell Bayfront Park Maintenance	Recreation In-Lieu	Sharon Hills Park	Vintage Oaks Landscape	Community Development Block Grant	Miscellaneous Trust	Library GO Bond 1990	Recreation GO Bond 2002
\$ 695,795	\$ 1,160,543	\$ 79,277	\$ 86,051	\$ 702,014	\$ 897,121	\$ 909,106	\$ 916,323
-	-	-	-	-	-	-	-
-	-	-	-	-	5,100	-	-
2,361	3,961	271	294	-	868	3,103	3,127
-	-	-	-	836,963	-	-	-
-	-	-	-	-	-	118	111,577
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 698,156</u>	<u>\$ 1,164,504</u>	<u>\$ 79,548</u>	<u>\$ 86,345</u>	<u>\$ 1,538,977</u>	<u>\$ 903,089</u>	<u>\$ 912,327</u>	<u>\$ 1,031,027</u>
\$ 1,212	\$ -	\$ -	\$ 1,688	\$ 1,728	\$ 98,120	\$ -	\$ -
799	-	-	-	-	1,923	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	836,963	-	-	-
<u>2,011</u>	<u>-</u>	<u>-</u>	<u>1,688</u>	<u>838,691</u>	<u>100,043</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
676,705	1,164,504	79,548	84,657	633,186	621,876	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	912,327	1,031,027
19,440	-	-	-	67,100	181,170	-	-
<u>696,145</u>	<u>1,164,504</u>	<u>79,548</u>	<u>84,657</u>	<u>700,286</u>	<u>803,046</u>	<u>912,327</u>	<u>1,031,027</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
696,145	1,164,504	79,548	84,657	700,286	803,046	912,327	1,031,027
<u>\$ 698,156</u>	<u>\$ 1,164,504</u>	<u>\$ 79,548</u>	<u>\$ 86,345</u>	<u>\$ 1,538,977</u>	<u>\$ 903,089</u>	<u>\$ 912,327</u>	<u>\$ 1,031,027</u>

(Continued)

City of Menlo Park
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2013

	Capital Projects		Total Non-Major Governmental Funds
	Library Addition	Measure T 2002 GO Bond	
ASSETS			
Cash and investments	\$ 125,939	\$ 289,126	\$ 22,451,567
Restricted cash and investments	-	-	-
Receivables:			
Accounts	-	-	458,695
Interest	430	987	67,894
Notes	-	-	922,002
Due from other governments	-	-	280,037
Deposits and prepaid items	-	-	2,396
Due from other funds	-	-	-
Total assets	\$ 126,369	\$ 290,113	\$ 24,182,591
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 599,329
Accrued payroll and related liabilities	-	-	78,153
Due to other funds	-	-	2,224
Deposits	-	-	85,000
Deferred revenue	-	-	937,002
Total liabilities	-	-	1,701,708
Fund Balances:			
Nonspendable:			
Deposits and prepaid items	-	-	2,396
Housing loans	-	-	-
Notes receivable	-	-	-
Total nonspendable	-	-	2,396
Restricted:			
GASB 31 adjustment	-	-	-
Special programs and services	-	-	16,928,650
Capital improvements	126,369	290,113	2,501,792
Debt service	-	-	1,943,354
Other purposes	-	-	1,104,691
Total restricted	126,369	290,113	22,478,487
Assigned	-	-	-
Unassigned	-	-	-
Total fund balances	126,369	290,113	22,480,883
Total liabilities and fund balances	\$ 126,369	\$ 290,113	\$ 24,182,591

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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, 2013

	Special Revenue				
	Highway Users Tax	Federal Revenue Sharing	Landscape/ Tree Assessment	Sidewalk Assessment	Landfill Post-Closure
REVENUES:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	783,719	-	-	-	-
Special assessments	-	-	643,520	114,576	-
Licenses and permits	-	-	-	-	-
Use of money and property	(5,014)	560	-	-	13,790
Intergovernmental	-	-	26,990	-	-
Charges for services	-	10,917	2,300	-	749,377
Other	-	-	-	-	-
Total revenues	778,705	11,477	672,810	114,576	763,167
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	232,144	-	672,517	90,728	217,608
Culture and recreation	-	-	-	-	-
Community development	-	-	-	-	-
Urban development and housing	-	-	-	-	-
Capital outlay	1,605,982	-	583	176,512	4,229
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Cost of issuance	-	-	-	-	-
Total expenditures	1,838,126	-	673,100	267,240	221,837
REVENUES OVER (UNDER) EXPENDITURES	(1,059,421)	11,477	(290)	(152,664)	541,330
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	159,600	-	-
Transfers out	(208,333)	-	(63,259)	(19,003)	(7,899)
Proceeds from sale of fixed assets	-	-	-	-	-
Bond proceeds	-	-	-	-	-
Payment to bond escrow account	-	-	-	-	-
Discount on issuance of bonds	-	-	-	-	-
Total other financing sources (uses)	(208,333)	-	96,341	(19,003)	(7,899)
Extraordinary gain (loss)	-	-	-	-	-
Net change in fund balances	(1,267,754)	11,477	96,051	(171,667)	533,431
FUND BALANCES:					
Beginning of year	3,314,441	32,377	209,014	484,660	3,067,600
End of year	\$ 2,046,687	\$ 43,854	\$ 305,065	\$ 312,993	\$ 3,601,031

(Continued)

Special Revenue

County Transportation Tax	Public Library	Literacy Grants	Narcotic Seizure	Transportation Impact Fees	Downtown Parking Permits	Storm Drainage Fees	Solid Waste Service
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
812,249	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	397,411	-	-
(422)	-	-	-	(2,262)	(1,946)	(94)	(630)
598,770	-	33,968	-	120,000	-	-	8,995
54,804	-	-	-	176,058	-	5,945	528,775
-	-	66,000	14,281	-	-	-	80,207
<u>1,465,401</u>	<u>-</u>	<u>99,968</u>	<u>14,281</u>	<u>293,796</u>	<u>395,465</u>	<u>5,851</u>	<u>617,347</u>
-	-	-	-	-	-	-	2,221
-	-	-	14,331	-	9,154	-	-
1,217,162	-	-	-	103,855	71,524	-	242,210
-	1,583	174,753	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
161,588	-	-	-	420,305	5,413	80,972	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,378,750</u>	<u>1,583</u>	<u>174,753</u>	<u>14,331</u>	<u>524,160</u>	<u>86,091</u>	<u>80,972</u>	<u>244,431</u>
<u>86,651</u>	<u>(1,583)</u>	<u>(74,785)</u>	<u>(50)</u>	<u>(230,364)</u>	<u>309,374</u>	<u>(75,121)</u>	<u>372,916</u>
-	-	55,000	-	-	-	-	-
-	-	-	-	-	(25,292)	-	(42,628)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	55,000	-	-	(25,292)	-	(42,628)
-	-	-	-	-	-	-	-
<u>86,651</u>	<u>(1,583)</u>	<u>(19,785)</u>	<u>(50)</u>	<u>(230,364)</u>	<u>284,082</u>	<u>(75,121)</u>	<u>330,288</u>
992,243	102,322	15,302	41,027	2,918,467	2,651,154	188,014	608,979
<u>\$ 1,078,894</u>	<u>\$ 100,739</u>	<u>\$ (4,483)</u>	<u>\$ 40,977</u>	<u>\$ 2,688,103</u>	<u>\$ 2,935,236</u>	<u>\$ 112,893</u>	<u>\$ 939,267</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, 2013

	Special Revenue				
	Bay Area Air Quality Management	Storm Water Management (NPDES)	Peninsula Partnership	Supplemental Law Enforcement Services	Construction Impact Fee
REVENUES:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-	-
Special assessments	-	330,575	-	-	-
Licenses and permits	-	-	-	-	-
Use of money and property	(15)	-	-	35	(2,792)
Intergovernmental	-	5,656	138,950	100,728	-
Charges for services	-	-	-	-	691,793
Other	-	-	11,600	-	-
Total revenues	(15)	336,231	150,550	100,763	689,001
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	23,251	-
Public works	-	203,654	-	-	-
Culture and recreation	-	-	156,843	-	-
Community development	-	-	-	-	-
Urban development and housing	-	-	-	-	-
Capital outlay	-	-	-	82,719	1,205,492
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Cost of issuance	-	-	-	-	-
Total expenditures	-	203,654	156,843	105,970	1,205,492
REVENUES OVER (UNDER) EXPENDITURES	(15)	132,577	(6,293)	(5,207)	(516,491)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	-	(36,088)	-	-	-
Proceeds from sale of assets	-	-	-	-	-
Bond proceeds	-	-	-	-	-
Payment to bond escrow account	-	-	-	-	-
Discount on issuance of bonds	-	-	-	-	-
Total other financing sources (uses)	-	(36,088)	-	-	-
Extraordinary gain (loss)	-	-	-	-	-
Net change in fund balances	(15)	96,489	(6,293)	(5,207)	(516,491)
FUND BALANCES:					
Beginning of year	2,613	171,088	(25,387)	55,241	2,619,567
End of year	\$ 2,598	\$ 267,577	\$ (31,680)	\$ 50,034	\$ 2,103,076

(Continued)

Special Revenue						Debt Service	
Bedwell Bayfront Park Maintenance	Recreation In-Lieu	Sharon Hills Park	Vintage Oaks Landscape	Community Development Block Grant	Miscellaneous Trust	Library GO Bond 1990	Recreation GO Bond 2002
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	399,192	1,343,372
-	-	-	-	-	-	-	-
(601)	(1,588)	(41)	(71)	-	(244)	(1,434)	(3,814)
-	-	-	-	-	-	-	-
-	896,000	-	-	795	302,307	-	1,600
-	-	-	-	-	7,349	-	-
<u>(601)</u>	<u>894,412</u>	<u>(41)</u>	<u>(71)</u>	<u>795</u>	<u>309,412</u>	<u>397,758</u>	<u>1,341,158</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
50,445	-	11,644	17,446	-	-	-	-
-	-	-	-	-	60,224	550	5,300
-	-	-	-	-	123,710	-	-
-	-	-	-	-	-	-	-
-	200,000	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	360,000	400,000
-	-	-	-	-	-	69,750	1,185,835
-	-	-	-	-	-	-	-
<u>50,445</u>	<u>200,000</u>	<u>11,644</u>	<u>17,446</u>	<u>-</u>	<u>183,934</u>	<u>430,300</u>	<u>1,591,135</u>
<u>(51,046)</u>	<u>694,412</u>	<u>(11,685)</u>	<u>(17,517)</u>	<u>795</u>	<u>125,478</u>	<u>(32,542)</u>	<u>(249,977)</u>
-	-	-	-	-	-	-	-
(12,680)	-	-	-	-	(700)	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>(12,680)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(700)</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
<u>(63,726)</u>	<u>694,412</u>	<u>(11,685)</u>	<u>(17,517)</u>	<u>795</u>	<u>124,778</u>	<u>(32,542)</u>	<u>(249,977)</u>
759,871	470,092	91,233	102,174	699,491	678,268	944,869	1,281,004
<u>\$ 696,145</u>	<u>\$ 1,164,504</u>	<u>\$ 79,548</u>	<u>\$ 84,657</u>	<u>\$ 700,286</u>	<u>\$ 803,046</u>	<u>\$ 912,327</u>	<u>\$ 1,031,027</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, 2013

	Capital Projects		Total Non-Major Governmental Funds
	Library Addition	Measure T 2002 GO Bond	
REVENUES:			
Property taxes	\$ -	\$ -	\$ -
Other taxes	-	-	1,595,968
Special assessments	-	-	2,831,235
Licenses and permits	-	-	397,411
Use of money and property	(168)	(116)	(6,867)
Intergovernmental	-	-	1,034,057
Charges for services	-	-	3,420,671
Other	-	-	179,437
Total revenues	(168)	(116)	9,451,912
EXPENDITURES:			
Current:			
General government	-	-	2,221
Public safety	-	-	46,736
Public works	-	-	3,130,937
Culture and recreation	-	-	399,253
Community development	-	-	123,710
Urban development and housing	-	-	-
Capital outlay	13,858	9,671	3,967,324
Debt service:			
Principal	-	-	760,000
Interest	-	-	1,255,585
Cost of issuance	-	-	-
Total expenditures	13,858	9,671	9,685,766
REVENUES OVER (UNDER) EXPENDITURES	(14,026)	(9,787)	(233,854)
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	214,600
Transfers out	-	-	(415,882)
Proceeds from sale of fixed assets	-	-	-
Bond proceeds	-	-	-
Payment to bond escrow account	-	-	-
Discount on issuance of bonds	-	-	-
Total other financing sources (uses)	-	-	(201,282)
Extraordinary gain (loss)	-	-	-
Net change in fund balances	(14,026)	(9,787)	(435,136)
FUND BALANCES:			
Beginning of year	140,395	299,900	22,916,019
End of year	\$ 126,369	\$ 290,113	\$ 22,480,883

(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, 2013

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other Taxes	\$ 882,643	\$ 882,643	\$ 783,719	\$ (98,924)
Use of money and property	10,000	10,000	(5,014)	(15,014)
Intergovernmental			-	-
Total revenues	892,643	892,643	778,705	(113,938)
EXPENDITURES:				
Current:				
Public works	316,430	316,430	232,144	84,286
Capital outlay	1,671,549	1,671,549	1,605,982	65,567
Total expenditures	1,987,979	1,987,979	1,838,126	149,853
REVENUES OVER (UNDER) EXPENDITURES	(1,095,336)	(1,095,336)	(1,059,421)	(35,915)
OTHER FINANCING SOURCES (USES):				
Transfers out	(250,000)	(250,000)	(208,333)	41,667
Total other financing sources (uses)	(250,000)	(250,000)	(208,333)	41,667
Net change in fund balance	\$ (1,345,336)	\$ (1,345,336)	(1,267,754)	\$ 77,582
FUND BALANCE:				
Beginning of year			3,314,441	
End of year			\$ 2,046,687	

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, 2013

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 1,000	\$ 1,000	\$ 560	\$ (440)
Charges for services	1,000	1,000	10,917	9,917
Total revenues	2,000	2,000	11,477	9,477
EXPENDITURES:				
Current:				
Urban development and housing	2,800	2,800	-	2,800
Total expenditures	2,800	2,800	-	2,800
Net change in fund balance	\$ (800)	\$ (800)	11,477	\$ 12,277
FUND BALANCE:				
Beginning of year			32,377	
End of year			\$ 43,854	

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, 2013

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ 566,055	\$ 566,055	\$ 643,520	\$ 77,465
Intergovernmental	13,000	13,000	26,990	13,990
Charges for services	3,300	3,300	2,300	(1,000)
Total revenues	582,355	582,355	672,810	90,455
EXPENDITURES:				
Current:				
Public works	835,413	835,713	672,517	163,196
Capital outlay	9,000	9,000	583	8,417
Total expenditures	844,413	844,713	673,100	171,613
REVENUES OVER (UNDER) EXPENDITURES	(262,058)	(262,358)	(290)	(262,068)
OTHER FINANCING SOURCES (USES):				
Transfers in	159,600	159,600	159,600	-
Transfers out	(63,259)	(63,259)	(63,259)	-
Total other financing sources (uses)	96,341	96,341	96,341	-
Net change in fund balance	\$ (165,717)	\$ (166,017)	96,051	\$ 262,068
FUND BALANCE:				
Beginning of year			209,014	
End of year			\$ 305,065	

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, 2013

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ 190,025	\$ 190,025	\$ 114,576	\$ (75,449)
Total revenues	<u>190,025</u>	<u>190,025</u>	<u>114,576</u>	<u>(75,449)</u>
EXPENDITURES:				
Current:				
Public works	32,708	42,158	90,728	(48,570)
Capital outlay	<u>379,313</u>	<u>369,863</u>	<u>176,512</u>	<u>193,351</u>
Total expenditures	<u>412,021</u>	<u>412,021</u>	<u>267,240</u>	<u>144,781</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(221,996)</u>	<u>(221,996)</u>	<u>(152,664)</u>	<u>(220,230)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(19,003)</u>	<u>(19,003)</u>	<u>(19,003)</u>	<u>-</u>
Total other financing sources (uses)	<u>(19,003)</u>	<u>(19,003)</u>	<u>(19,003)</u>	<u>-</u>
Net change in fund balance	<u>\$ (240,999)</u>	<u>\$ (240,999)</u>	<u>(171,667)</u>	<u>\$ 69,332</u>
FUND BALANCE:				
Beginning of year			<u>484,660</u>	
End of year			<u>\$ 312,993</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, 2013

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 60,000	\$ 45,000	\$ 13,790	\$ (31,210)
Charges for services	700,000	750,000	749,377	(623)
Total revenues	760,000	795,000	763,167	(31,833)
EXPENDITURES:				
Current:				
Public Works	457,972	507,972	217,608	290,364
Capital outlay	25,000	475,000	4,229	470,771
Total expenditures	482,972	982,972	221,837	761,135
REVENUES OVER (UNDER) EXPENDITURES	277,028	(187,972)	541,330	(792,968)
OTHER FINANCING SOURCES (USES):				
Transfers out	(7,899)	(7,899)	(7,899)	-
Total other financing sources (uses)	(7,899)	(7,899)	(7,899)	-
Net change in fund balance	\$ 284,927	\$ (180,073)	533,431	713,504
FUND BALANCE:				
Beginning of year			3,067,600	
End of year			\$ 3,601,031	

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, 2013

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other Taxes	\$ 650,000	\$ 730,000	\$ 812,249	\$ 82,249
Use of money and property	-	-	(422)	(422)
Intergovernmental	587,432	713,182	598,770	(114,412)
Charges for services	44,200	44,200	54,804	10,604
Total revenues	<u>1,281,632</u>	<u>1,487,382</u>	<u>1,465,401</u>	<u>(21,981)</u>
EXPENDITURES:				
Current:				
Public works	1,552,822	1,716,822	1,217,162	499,660
Capital outlay	1,221,122	1,182,872	161,588	1,021,284
Total expenditures	<u>2,773,944</u>	<u>2,899,694</u>	<u>1,378,750</u>	<u>1,520,944</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,492,312)</u>	<u>(1,412,312)</u>	<u>86,651</u>	<u>(1,498,963)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ (1,492,312)</u>	<u>\$ (1,412,312)</u>	86,651	<u>\$ 1,498,963</u>
FUND BALANCE:				
Beginning of year			<u>992,243</u>	
End of year			<u>\$ 1,078,894</u>	

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, 2013

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES:				
Current:				
Culture and recreation	43,862	43,862	1,583	42,279
Total expenditures	43,862	43,862	1,583	42,279
Net change in fund balance	(43,862)	(43,862)	(1,583)	(42,279)
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	<u>\$(43,862)</u>	<u>\$(43,862)</u>	(1,583)	<u>\$ 42,279</u>
FUND BALANCE:				
Beginning of year			<u>102,322</u>	
End of year			<u><u>\$ 100,739</u></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, 2013

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 33,968	\$ 33,968
Other	116,500	116,500	66,000	(50,500)
Total revenues	116,500	116,500	99,968	(16,532)
EXPENDITURES:				
Current:				
Culture and recreation	182,845	182,845	174,753	8,092
Total expenditures	182,845	182,845	174,753	8,092
REVENUES OVER (UNDER) EXPENDITURES	(66,345)	(66,345)	(74,785)	(8,440)
OTHER FINANCING SOURCES (USES):				
Transfers in	55,000	55,000	55,000	-
Transfers out	-	-	-	-
Total other financing sources (uses)	55,000	55,000	55,000	-
Net change in fund balance	\$ (11,345)	\$ (11,345)	(19,785)	\$ (8,440)
FUND BALANCE:				
Beginning of year			15,302	
End of year			\$ (4,483)	

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, 2013

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for current services	\$ 14,000	\$ 14,000	\$ -	\$ (14,000)
Total revenues	14,000	14,000	-	(14,000)
EXPENDITURES:				
Current:				
Public safety	10,000	10,000	14,331	(4,331)
Capital Outlay	-	-	-	-
Total expenditures	10,000	10,000	14,331	(4,331)
REVENUES OVER (UNDER) EXPENDITURES	4,000	4,000	(14,331)	(9,669)
Net change in fund balance	\$ 4,000	\$ 4,000	(50)	\$ (4,050)
FUND BALANCE:				
Beginning of year			41,027	
End of year			\$ 40,977	

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Transportation Impact Fees Special Revenue Fund For the year ended June 30, 2013

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ (2,262)	\$ (2,262)
Intergovernmental	\$ 120,000	\$ 221,000	120,000	(101,000)
Charges for services	10,000	150,000	176,058	26,058
Total revenues	130,000	371,000	293,796	(77,204)
EXPENDITURES:				
Current:				
Public works	241,451	271,979	103,855	168,124
Capital outlay	1,027,224	1,285,377	420,305	865,072
Total expenditures	1,268,675	1,557,356	524,160	1,033,196
Net change in fund balance	\$ (1,138,675)	\$ (1,186,356)	(230,364)	\$ 955,992
FUND BALANCE:				
Beginning of year			2,918,467	
End of year			\$ 2,688,103	

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, 2013

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Licenses and permits	\$ 350,000	\$ 380,000	\$ 397,411	\$ 17,411
Use of money and property	-	-	(1,946)	(1,946)
Total revenues	350,000	380,000	395,465	15,465
EXPENDITURES:				
Current:				
Public safety	24,085	24,085	9,154	14,931
Public works	195,209	195,209	71,524	123,685
Capital outlay	939,654	939,654	5,413	934,241
Total expenditures	1,158,948	1,158,948	86,091	1,072,857
REVENUES OVER (UNDER) EXPENDITURES	(808,948)	(778,948)	309,374	(1,057,392)
OTHER FINANCING SOURCES (USES):				
Transfers out	(25,292)	(25,292)	(25,292)	-
Total other financing sources (uses)	(25,292)	(25,292)	(25,292)	-
Net change in fund balance	\$ (834,240)	\$ (804,240)	284,082	\$ 1,088,322
FUND BALANCE:				
Beginning of year			2,651,154	
End of year			<u>\$ 2,935,236</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, 2013

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ (94)	\$ (94)
Charges for services	5,000	5,000	5,945	945
Total revenues	5,000	5,000	5,851	851
EXPENDITURES:				
Capital outlay	100,000	100,000	80,972	19,028
Total expenditures	100,000	100,000	80,972	19,028
Net change in fund balance	\$ (95,000)	\$ (95,000)	(75,121)	\$ 19,879
FUND BALANCE:				
Beginning of year			188,014	
End of year			\$ 112,893	

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, 2013

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 2,000	\$ 2,000	\$ (630)	\$ (2,630)
Intergovernmental	8,753	48,306	8,995	(39,311)
Charges for services	610,000	610,000	528,775	(81,225)
Other	-	-	80,207	80,207
Total revenues	<u>620,753</u>	<u>660,306</u>	<u>617,347</u>	<u>(42,959)</u>
EXPENDITURES:				
Current:				
General government	329,943	345,066	2,221	342,845
Public works	313,444	330,067	242,210	87,857
Total expenditures	<u>643,387</u>	<u>675,133</u>	<u>244,431</u>	<u>430,702</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(22,634)</u>	<u>(14,827)</u>	<u>372,916</u>	<u>(473,661)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(42,628)	(42,628)	(42,628)	-
Total other financing sources (uses)	<u>(42,628)</u>	<u>(42,628)</u>	<u>(42,628)</u>	<u>-</u>
Net change in fund balance	<u>\$ (65,262)</u>	<u>\$ (57,455)</u>	<u>330,288</u>	<u>\$ 387,743</u>
FUND BALANCE:				
Beginning of year			<u>608,979</u>	
End of year			<u>\$ 939,267</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, 2013

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ (15)	\$ (15)
Intergovernmental	-	-	-	-
Total revenues	-	-	(15)	(15)
EXPENDITURES:				
Current:				
Public works	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balance	\$ -	\$ -	(15)	\$ (15)
FUND BALANCE:				
Beginning of year			2,613	
End of year			<u>\$ 2,598</u>	

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, 2013

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Special assessments	\$ 329,000	\$ 329,000	\$ 330,575	\$ 1,575
Use of money and property	-	-	-	-
Intergovernmental	-	-	5,656	5,656
Charges for services	-	6,000	-	(6,000)
Total revenues	329,000	335,000	336,231	1,231
EXPENDITURES:				
Current:				
Public works	335,797	335,797	203,654	132,143
Capital outlay	21,237	21,237	-	21,237
Total expenditures	357,034	357,034	203,654	153,380
REVENUES OVER (UNDER) EXPENDITURES	(28,034)	(22,034)	132,577	154,611
OTHER FINANCING SOURCES (USES):				
Transfers out	(36,088)	(36,088)	(36,088)	-
Total other financing sources (uses)	(36,088)	(36,088)	(36,088)	-
Net change in fund balance	\$ (64,122)	\$ (58,122)	96,489	\$ 154,611
FUND BALANCE:				
Beginning of year			171,088	
End of year			\$ 267,577	

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, 2013

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 93,500	\$ 103,500	\$ 138,950	\$ 35,450
Other	3,500	3,500	11,600	8,100
Total revenues	97,000	107,000	150,550	43,550
EXPENDITURES:				
Current:				
Culture and recreation	97,621	107,621	156,843	(49,222)
Capital outlay	-	-	-	-
Total expenditures	97,621	107,621	156,843	(49,222)
Net change in fund balance	\$ (621)	\$ (621)	(6,293)	\$ (5,672)
FUND BALANCE:				
Beginning of year			(25,387)	
End of year			\$ (31,680)	

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, 2013

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 35	\$ 35
Intergovernmental	100,000	100,000	100,728	728
Total revenues	100,000	100,000	100,763	763
EXPENDITURES:				
Current:				
Public safety	26,000	26,000	23,251	2,749
Capital outlay	103,783	103,783	82,719	21,064
Total expenditures	129,783	129,783	105,970	23,813
Net change in fund balance	\$ (29,783)	\$ (29,783)	(5,207)	\$ 24,576
FUND BALANCE:				
Beginning of year			55,241	
End of year			\$ 50,034	

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, 2013

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	(2,792)	\$ (2,792)
Charges for services	480,000	600,000	691,793	91,793
Total revenues	480,000	600,000	689,001	89,001
EXPENDITURES:				
Current:				
Public works	70,735	140,735	-	140,735
Capital outlay	1,497,809	1,427,809	1,205,492	222,317
Total expenditures	1,568,544	1,568,544	1,205,492	363,052
Net change in fund balance	\$ 2,048,544	\$ 2,168,544	(516,491)	\$ (2,685,035)
FUND BALANCE:				
Beginning of year			2,619,567	
End of year			\$ 2,103,076	

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, 2013

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ (601)	\$ (601)
Total revenues	-	-	(601)	(601)
EXPENDITURES:				
Current:				
Public works	94,399	94,399	50,445	43,954
Capital outlay	5,000	5,000	-	5,000
Total expenditures	99,399	99,399	50,445	48,954
REVENUES OVER (UNDER) EXPENDITURES	(99,399)	(99,399)	(51,046)	(49,555)
OTHER FINANCING SOURCES (USES):				
Transfers out	(12,680)	(12,680)	(12,680)	-
Total other financing sources (uses)	(12,680)	(12,680)	(12,680)	-
Net change in fund balance	\$ (112,079)	\$ (112,079)	(63,726)	\$ 48,353
FUND BALANCE:				
Beginning of year			759,871	
End of year			<u>\$ 696,145</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, 2013

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ (1,588)	\$ (1,588)
Charges for services	180,000	180,000	896,000	716,000
Total revenues	180,000	180,000	894,412	714,412
EXPENDITURES:				
Current:				
Public works	6,139	6,139	-	6,139
Capital outlay	250,000	250,000	200,000	50,000
Total expenditures	256,139	256,139	200,000	56,139
REVENUES OVER (UNDER) EXPENDITURES	(76,139)	(76,139)	694,412	658,273
Net change in fund balance	\$ 180,000	\$ 180,000	694,412	\$ 514,412
FUND BALANCE:				
Beginning of year			470,092	
End of year			\$ 1,164,504	

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, 2013

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ (41)	\$ (41)
Total revenues	-	-	(41)	(41)
EXPENDITURES:				
Current:				
Public works	13,000	13,000	11,644	1,356
Total expenditures	13,000	13,000	11,644	1,356
Net change in fund balance	\$ (13,000)	\$ (13,000)	(11,685)	\$ 1,315
FUND BALANCE:				
Beginning of year			91,233	
End of year			<u>\$ 79,548</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, 2013

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ (71)	\$ (71)
Total revenues	-	-	(71)	(71)
EXPENDITURES:				
Current:				
Public works	21,840	21,840	17,446	4,394
Total expenditures	21,840	21,840	17,446	4,394
Net change in fund balance	\$ (21,840)	\$ (21,840)	(17,517)	\$ 4,323
FUND BALANCE:				
Beginning of year			102,174	
End of year			\$ 84,657	

City of Menlo Park

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Community Development Block Grant Special Revenue Fund For the year ended June 30, 2013

Budgetary Comparison Schedule, Community Development Block Grant Special Revenue Fund

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES:				
Use of money and property	\$ 18,500	\$ 18,500	\$ -	\$ (18,500)
Intergovernmental	-	-	-	
Charges for services	(18,500)	(18,500)	795	19,295
Total revenues	-	-	795	795
EXPENDITURES:				
Current:				
Urban development and housing	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	\$ -	\$ -	795	\$ 795
FUND BALANCE:				
Beginning of year			699,491	
End of year			\$ 700,286	

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, 2013

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ (244)	\$ (244)
Charges for services	-	-	302,307	302,307
Other	2,000	2,000	7,349	5,349
Total revenues	2,000	2,000	309,412	307,412
EXPENDITURES:				
Current:				
Culture and recreation	114,870	114,870	60,224	54,646
Community development	106,326	106,326	123,710	(17,384)
Capital outlay	4,000	4,000	-	4,000
Total expenditures	225,196	225,196	183,934	41,262
REVENUES OVER (UNDER) EXPENDITURES	(223,196)	(223,196)	125,478	348,674
OTHER FINANCING SOURCES (USES):				
Transfers out	(700)	(700)	(700)	-
Total other financing sources (uses)	(700)	(700)	(700)	-
Net change in fund balance	\$ (223,896)	\$ (223,896)	124,778	\$ 348,674
FUND BALANCE:				
Beginning of year			678,268	
End of year			\$ 803,046	

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, 2013

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Special assessments	\$ 400,000	\$ 400,000	\$ 399,192	\$ (808)
Use of money and property	6,000	6,000	(1,434)	(7,434)
Total revenues	406,000	406,000	397,758	(8,242)
EXPENDITURES:				
Cultural and recreation	450	450	550	(100)
Debt service:				
Principal	260,000	260,000	360,000	(100,000)
Interest	69,750	69,750	69,750	-
Total expenditures	330,200	330,200	430,300	(100,100)
Net change in fund balance	\$ 75,800	\$ 75,800	(32,542)	\$ (108,342)
FUND BALANCE:				
Beginning of year			944,869	
End of year			\$ 912,327	

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, 2013

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Special assessments	\$ 1,400,000	\$ 1,400,000	\$ 1,343,372	\$ (56,628)
Use of money and property	22,000	22,000	(3,814)	(25,814)
Charges for services	22,000	22,000	1,600	(20,400)
Total revenues	1,444,000	1,444,000	1,341,158	(102,842)
EXPENDITURES:				
Culture and recreation	5,900	5,900	5,300	600
Debt service:				
Principal	370,000	370,000	400,000	(30,000)
Interest	1,041,168	1,041,168	1,185,835	(144,667)
Total expenditures	1,417,068	1,417,068	1,591,135	(174,067)
REVENUES OVER (UNDER) EXPENDITURES	26,932	26,932	(249,977)	71,225
OTHER FINANCING SOURCES (USES):				
Bond proceeds	-	-	-	-
Bond issuance cost	-	-	-	-
Payment to bond escrow account	-	(1,460,000)	-	(1,460,000)
Total other financing sources (uses)	-	(1,460,000)	-	(1,460,000)
Net change in fund balance	\$ 26,932	\$ (1,433,068)	(249,977)	\$ 1,183,091
FUND BALANCE:				
Beginning of year			1,281,004	
End of year			\$ 1,031,027	

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, 2013

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ (168)	\$ (168)
Total revenues	-	-	(168)	(168)
EXPENDITURES:				
Current				
Capital outlay	77,292	77,292	13,858	63,434
Total expenditures	77,292	77,292	13,858	63,434
REVENUES OVER (UNDER) EXPENDITURES	(77,292)	(77,292)	(14,026)	63,266
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	\$ (77,292)	\$ (77,292)	(14,026)	\$ 63,266
FUND BALANCE:				
Beginning of year			140,395	
End of year			<u>\$ 126,369</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, 2013

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ (116)	\$ (116)
Total revenues	-	-	(116)	(116)
EXPENDITURES:				
Capital outlay	145,165	145,165	9,671	135,494
Total expenditures	145,165	145,165	9,671	135,494
REVENUES OVER (UNDER) EXPENDITURES	(145,165)	(145,165)	(9,787)	(135,610)
OTHER FINANCING SOURCES (USES):				
Bond proceeds	-	-	-	-
Premium on issuance	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	\$ (145,165)	\$ (145,165)	(9,787)	\$ 135,378
FUND BALANCE:				
Beginning of year			299,900	
End of year			\$ 290,113	

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 Position
Enterprise Funds
June 30, 2013

	Water Operating Fund	Water Capital Improvement Fund	Total Water Funds
ASSETS			
Current assets:			
Cash and investments	\$ 150	\$ 14,364,854	\$ 14,365,004
Receivables:			
Accounts	911,147	58,580	969,727
Interest	-	49,213	49,213
Deposits and prepaid expenses	-	-	-
Due from other funds	-	956,746	956,746
Total current assets	911,297	15,429,393	16,340,690
Capital assets:			
Non-depreciable	3,377,442	-	3,377,442
Depreciable, net	6,702,240	-	6,702,240
Total capital assets	10,079,682	-	10,079,682
Total assets	10,990,979	15,429,393	26,420,372
LIABILITIES			
Current liabilities:			
Accounts payable	617,113	133,689	750,802
Accrued payroll	22,044	7,902	29,946
Deposits	12,354	-	12,354
Compensated absences	15,778	5,759	21,537
Due to other funds	956,746	-	956,746
Total current liabilities	1,624,035	147,350	1,771,385
Noncurrent liabilities:			
Compensated absences	22,891	8,355	31,246
Total noncurrent liabilities	22,891	8,355	31,246
Total liabilities	1,646,926	155,705	1,802,631
NET POSITION			
Net investment in capital assets	10,079,682	-	10,079,682
Restricted for:			
Capital projects	-	15,273,688	15,273,688
Unrestricted	(735,629)	-	(735,629)
Total net position	\$ 9,344,053	\$ 15,273,688	\$ 24,617,741

City of Menlo Park
Combining Schedule of Revenues, Expenses and Changes in Fund Net Position
Enterprise Funds
For the year ended June 30, 2013

	Water Operating Fund	Water Capital Improvement Fund	Total Water Funds
OPERATING REVENUES:			
Water sales	\$ 5,937,059	\$ 675,404	\$ 6,612,463
Connection fees	20,684	-	20,684
Total operating revenues	5,957,743	675,404	6,633,147
OPERATING EXPENSES:			
Cost of sales and services	5,756,020	22,505	5,778,525
General and administrative	320,593	-	320,593
Depreciation	200,496	-	200,496
Total operating expenses	6,277,109	22,505	6,299,614
OPERATING INCOME (LOSS)	(319,366)	652,899	333,533
NONOPERATING REVENUES (EXPENSES):			
Investment income (loss)	(3,705)	(5,094)	(8,799)
Gain (loss) on sale of equipment	-	-	-
Total nonoperating revenues	(3,705)	(5,094)	(8,799)
INCOME (LOSS) BEFORE TRANSFERS	(323,071)	647,805	324,734
TRANSFERS:			
Transfers in	755,962	-	755,962
Transfers out	(181,525)	(755,962)	(937,487)
Total transfers	574,437	(755,962)	(181,525)
Net income (loss)	251,366	(108,157)	143,209
NET POSITION:			
Beginning of year	9,092,687	15,381,845	24,474,532
End of year	<u>\$ 9,344,053</u>	<u>\$ 15,273,688</u>	<u>\$ 24,617,741</u>

City of Menlo Park
Combining Schedule of Cash Flows
Enterprise Funds
For the year ended June 30, 2013

	Water Operating Fund	Water Capital Improvement Fund	Total Water Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers/other funds	\$ 5,685,059	\$ 670,527	6,355,586
Cash payment to suppliers	(5,588,192)	(40,870)	(5,629,062)
Cash payments for general and administrative	(438,087)	(1,584)	(439,671)
Net cash provided (used) by operating activities	(341,220)	628,073	286,853
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	522,745	-	522,745
Transfers out	(181,525)	(522,745)	(704,270)
Net cash provided (used) by noncapital financing activities	341,220	(522,745)	(181,525)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	-	(641,100)	(641,100)
Net cash provided (used) by capital and related financing activities	-	(641,100)	(641,100)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income (loss)	(3,705)	(5,094)	(8,799)
Net cash provided (used) by investing activities	(3,705)	(5,094)	(8,799)
Net increase (decrease) in cash and cash equivalents	(3,705)	(540,866)	(544,571)
CASH AND CASH EQUIVALENTS:			
Beginning of year	3,855	14,905,720	14,909,575
End of year	\$ 150	\$ 14,364,854	\$ 14,365,004
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (319,366)	\$ 652,899	\$ 333,533
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	200,496	-	200,496
Changes in current assets and liabilities:			
Accounts receivable	(224,476)	(23,975)	(248,451)
Accounts payable	13,316	(3,275)	10,041
Accrued payroll	(7,129)	587	(6,542)
Compensated absences	1,339	1,837	3,176
Deposits	(5,400)	-	(5,400)
Total adjustments	(21,854)	(24,826)	(46,680)
Net cash provided (used) by operating activities	\$ (341,220)	\$ 628,073	\$ 286,853

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 Position
Internal Service Funds
June 30, 2013

	Workers' Compensation Insurance	General Liability Insurance	Other Post Employment Benefits	Vehicle Replacement	Total
ASSETS					
Current assets:					
Cash, cash equivalents and investments	\$ 2,664,138	\$ 674,706	\$ -	\$ 317,102	\$ 3,655,946
Receivables:					
Accounts	-	-	6,697	31,292	37,989
Interest	9,093	2,304	-	1,082	12,479
Deposits and prepaid items	110,000	35,000	11,023	-	156,023
Total current assets	<u>2,783,231</u>	<u>712,010</u>	<u>17,720</u>	<u>349,476</u>	<u>3,862,437</u>
Capital assets:					
Depreciable, net	-	-	-	429,652	429,652
Total capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>429,652</u>	<u>429,652</u>
Total assets	<u>2,783,231</u>	<u>712,010</u>	<u>17,720</u>	<u>779,128</u>	<u>4,292,089</u>
LIABILITIES AND NET POSITION					
Liabilities:					
Current Liabilities:					
Accounts payable	55,634	6,107	-	-	61,741
Accrued payroll	2,580	812	-	-	3,392
Due to other funds	-	-	108,449	-	108,449
Claims payable, due within one year	556,250	120,816	-	-	677,066
Compensated absences payable, due within one year	1,939	462	-	-	2,401
Total current liabilities	<u>616,403</u>	<u>128,197</u>	<u>108,449</u>	<u>-</u>	<u>853,049</u>
Claims payable, due in more than one year	2,003,566	374,080	-	-	2,377,646
Compensated absences payable, due in more than one year	2,813	671	-	-	3,484
Total liabilities	<u>2,622,782</u>	<u>502,948</u>	<u>108,449</u>	<u>-</u>	<u>3,234,179</u>
Net Position:					
Net investment in capital assets	-	-	-	429,652	429,652
Unrestricted	160,449	209,062	(90,729)	349,476	628,258
Total net position	<u>\$ 160,449</u>	<u>\$ 209,062</u>	<u>\$ (90,729)</u>	<u>\$ 779,128</u>	<u>\$ 1,057,910</u>

City of Menlo Park
Combining Statement of Revenues, Expenses and Changes in Net Position
Internal Service Funds
For the year ended June 30, 2013

	Workers' Compensation Insurance	General Liability Insurance	Other Post Employment Benefits	Vehicle Replacement	Total
OPERATING REVENUES:					
Charges for services	\$ 500,000	\$ 800,001	\$ 576,862	\$ 247,405	\$ 2,124,268
Total operating revenues	500,000	800,001	576,862	247,405	2,124,268
OPERATING EXPENSES:					
Personnel services	70,589	21,719	-	-	92,308
General and administrative	29,897	136,522	94,641	6,738	267,798
Insurance	1,123,000	433,149	544,903	-	2,101,052
Depreciation	-	-	-	163,143	163,143
Total operating expenses	1,223,486	591,390	639,544	169,881	2,624,301
OPERATING INCOME (LOSS)	(723,486)	208,611	(62,682)	77,524	(500,033)
NONOPERATING REVENUES (EXPENSES):					
Interest and investment earnings (losses)	(2,738)	(949)	224	(302)	(3,765)
Gain (loss) on sale of equipment	-	-	-	30,775	30,775
Total nonoperating revenues (expenses)	(2,738)	(949)	224	30,473	27,010
INCOME (LOSS) BEFORE TRANSFERS	(726,224)	207,662	(62,458)	107,997	(473,023)
TRANSFERS:					
Transfers in	-	-	-	-	-
Contributions	-	-	-	-	-
Total transfers	-	-	-	-	-
NET INCOME (LOSS)	(726,224)	207,662	(62,458)	107,997	(473,023)
NET POSITION:					
Beginning of the year	886,673	1,400	(28,271)	671,131	1,530,933
End of the year	\$ 160,449	\$ 209,062	\$ (90,729)	\$ 779,128	\$ 1,057,910

City of Menlo Park
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2013

	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	\$ 500,000	\$ 800,001	\$ 576,862	\$ 247,405	\$ 2,124,268
Cash paid to suppliers	(636,414)	(663,336)	(674,706)	(7,086)	(1,981,542)
Cash paid to employees	(66,986)	(23,760)	-	-	(90,746)
Cash receipts other	23,843	583	224	-	24,650
Net cash provided (used) by operating activities	(179,557)	113,488	(97,620)	240,319	76,630
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers from other funds	-	-	-	-	-
Contributions	-	-	97,620	-	97,620
Net cash provided (used) by noncapital financing activities	-	-	97,620	-	97,620
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from disposal of equipment	-	-	-	30,237	30,237
Acquisition and construction of capital assets	-	-	-	(128,078)	(128,078)
Net cash provided (used) by capital and related financing activities	-	-	-	(97,841)	(97,841)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment earnings received (paid)	(2,738)	(949)	-	(302)	(3,989)
Net cash provided (used) by investing activities	(2,738)	(949)	-	(302)	(3,989)
Net increase (decrease) in cash cash and cash equivalents	(182,295)	112,539	-	142,176	72,420
Cash, cash equivalents, and investments at beginning of year	2,846,433	562,167	-	174,926	3,583,526
Cash, cash equivalents, and investments at end of year	\$ 2,664,138	\$ 674,706	\$ -	\$ 317,102	\$ 3,655,946

City of Menlo Park
Combining Statement of Cash Flows, Continued
Internal Service Funds
For the year ended June 30, 2013

	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)	\$ (723,486)	\$ 208,611	\$ (62,682)	\$ 77,524	\$ (500,033)
Depreciation	-	-	-	163,143	163,143
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Accounts receivable	(3,356)	(1,748)	(1,635)	(348)	(7,087)
Prepaid expenses	-	-	(11,023)	-	(11,023)
Accounts payable	2,658	(69,142)	(22,280)	-	(88,764)
Payroll liabilities	685	(237)	-	-	448
Insurance claim payable	542,652	(26,060)	-	-	516,592
Compensated absence payable	1,290	2,064	-	-	3,354
Total adjustments	543,929	(95,123)	(34,938)	162,795	576,663
Net cash provided (used) by operating activities	\$ (179,557)	\$ 113,488	\$ (97,620)	\$ 240,319	\$ 76,630

City of Menlo Park
Combining Statement of Net Position
Agency Funds
June 30, 2013

	Refundable Deposits	Cash Bonds Payable	Payroll Revolving	Total Agency Funds
ASSETS				
Cash and investments	\$ 444,044	\$ 900	\$ (131,818)	\$ 313,126
Prepays	-	-	274,152	274,152
Total assets	444,044	900	142,334	587,278
LIABILITIES				
Accounts payable	3,000	-	142,334	145,334
Deposits	441,044	900	-	441,944
Total liabilities	444,044	900	142,334	587,278
NET POSITION	\$ -	\$ -	\$ -	\$ -

City of Menlo Park
Combining Statement of Changes in Net Position
Agency Funds
For the year ended June 30, 2013

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
<u>Refundable Deposits</u>				
Assets:				
Cash and investments	\$ 411,087	\$ 132,457	\$ (99,500)	\$ 444,044
Liabilities:				
Accounts payable	\$ 37,500	\$ 65,000	\$ (99,500)	\$ 3,000
Deposits	373,587	132,457	(65,000)	441,044
Total liabilities	\$ 411,087	\$ 197,457	\$ (164,500)	\$ 444,044
<u>Cash Bonds Payable</u>				
Assets:				
Cash and investments	\$ 900	\$ -	\$ -	\$ 900
Liabilities:				
Deposits	\$ 900	\$ -	\$ -	\$ 900
<u>Payroll Revolving</u>				
Assets:				
Cash and investments	\$ -	\$ 3,814,891	\$ (3,946,709)	\$ (131,818)
Prepays	-	274,152	-	274,152
Total assets	\$ -	\$ 4,089,043	\$ (3,946,709)	\$ 142,334
Liabilities:				
Accounts payable	\$ -	\$ 19,790,514	\$ (19,648,180)	\$ 142,334
<u>Total Agency Funds</u>				
Assets:				
Cash and investments	\$ 411,987	\$ 3,947,348	\$ (4,046,209)	\$ 313,126
Prepays	-	274,152	-	274,152
	\$ 411,987	\$ 4,221,500	\$ (4,046,209)	\$ 587,278
Liabilities:				
Accounts payable	\$ 37,500	\$ 19,855,514	\$ (19,747,680)	\$ 145,334
Deposits	374,487	132,457	(65,000)	441,944
Total liabilities	\$ 411,987	\$ 19,987,971	\$ (19,812,680)	\$ 587,278

City of Menlo Park
Combining Schedule of Net Position
Private-Purpose Trust Fund - Successor Agency
June 30, 2013

	Redevelopment Obligation Retirement Fund	Redevelopment Dissolution Fund	Total Successor Agency Funds
ASSETS			
Current assets:			
Cash and investments:			
Held with City	\$ 2,641,339	\$ -	\$ 2,641,339
Held with trustees	10,604,175	8	10,604,183
Interest receivable	-	-	-
Deferred charges	1,212,635	-	1,212,635
Nondepreciable capital assets	-	5,694,977	5,694,977
Total assets	14,458,149	5,694,985	20,153,134
DEFERRED OUTFLOWS OF RESOURCES			
Interest rate swap instrument	10,725,738	-	10,725,738
LIABILITIES			
Liabilities:			
Accounts payable	38,115	-	38,115
Interest payable	184,695	-	184,695
Deposits	108,891	-	108,891
Deferred revenue	1,946,054	-	1,946,054
Long-term debt:			
Due within one year	1,888,521	-	1,888,521
Due in more than one year	57,319,860	-	57,319,860
Total liabilities	61,486,136	-	61,486,136
DEFERRED INFLOWS OF RESOURCES			
Accumulated increase in fair value of hedging instrument	10,725,738	-	10,725,738
NET POSITION			
Held in trust for other governments	(47,027,987)	5,694,985	(41,333,002)
Total net position	\$ (47,027,987)	\$ 5,694,985	\$ (41,333,002)

City of Menlo Park
Combining Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund - Successor Agency
For the year ended June 30, 2013

	Redevelopment Obligation Retirement Fund	Redevelopment Dissolution Fund	Total Successor Agency
Additions:			
Property taxes	\$ 5,570,955	\$ -	\$ 5,570,955
Investment earnings	196,844	28,939	225,783
Transfer in from Redevelopment Dissolution Fund	1,540,656	-	1,540,656
Total additions	7,308,455	28,939	7,337,394
Deductions:			
Program expenses of former redevelopment agency	15,750	-	15,750
Administrative expenses	71	-	71
Interest and fiscal agency expenses of former redevelopment agency	4,215,635	-	4,215,635
Transfer out to Redevelopment Obligation Retirement Fund	-	1,540,656	1,540,656
Total deductions	4,231,456	1,540,656	5,772,112
Extraordinary gain(loss)	-	(17,149,614)	(17,149,614)
Change in net position	3,076,999	(18,661,331)	(15,584,332)
Net position - beginning of the year	(51,200,730)	24,356,316	(26,844,414)
Prior period adjustment	1,095,744		1,095,744
Net position - end of the year	<u>\$ (47,027,987)</u>	<u>\$ 5,694,985</u>	<u>\$ (41,333,002)</u>



Statistical Section

Fiscal Year 2012-2013

- 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, note disclosures, and required supplementary information regarding the City's overall financial health.

Financial Trend	Schedule #
<i>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.</i>	
Net Position by Component	1
Changes in Net Position	2
Fund Balances-Governmental Funds	3
Changes in Fund Balances-Governmental Funds	4
Revenue Capacity	
<i>These schedules contain information to help the readers assess the City of Menlo Park's most significant local revenue resource, property taxes.</i>	
Governmental Funds by Source	5
Governmental Funds Taxes by Type	6
Assessed Valuation, Tax Rates, and Tax Levies	7
Debt Capacity	
<i>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.</i>	
Direct and Overlapping Property Tax Rates	8
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Ratios of Outstanding Debt by Type	11
Direct and Overlapping Debt	12
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<i>These schedules offer demographic and economic indicators to help the readers understand the environment within which the City's financial activities take place.</i>	
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Principal Employers	15
Full Time Equivalent City Employees by Function	16
Operating Information	
<i>These schedules contain service and infrastructure data to help the readers understand how the information in the City's financial reports relate to the services the City provides and the activities it performs.</i>	
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Net Position by Component
Last Ten Fiscal Years

Financial Trend:
Schedule 1

	Fiscal Year Ending June 30, ____									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Government Activities										
Investment in Capital Assets, Net of Related Debt	\$ 271,543,602	\$ 276,025,463	\$ 266,250,790	\$ 260,060,574	\$ 265,272,383	\$ 261,153,596	\$ 259,274,758	\$ 279,942,360	\$ 345,357,433	\$ 347,050,366
Restricted for:										
Capital Projects	36,959,941	37,452,612	16,297,615	17,102,064	20,378,994	18,207,379	19,717,874	14,582,060	9,432,413	14,394,634
Debt Service	1,142,055	1,287,410	8,366,348	10,581,505	10,759,071	12,184,002	12,630,096	12,662,667	2,225,873	1,943,354
Community Development	-	-	6,187,396	5,866,768	6,160,144	6,140,612	6,265,677	-	-	-
Special Projects	<u>2,094,806</u>	<u>2,094,806</u>	<u>4,647,861</u>	<u>809,974</u>	<u>1,034,326</u>	<u>1,203,583</u>	<u>5,857,506</u>	<u>9,176,084</u>	<u>2,842,844</u>	<u>1,501,478</u>
Total Restricted - Government Activities	<u>40,196,802</u>	<u>40,834,828</u>	<u>35,499,220</u>	<u>34,360,311</u>	<u>38,332,535</u>	<u>37,735,576</u>	<u>44,471,153</u>	<u>36,420,811</u>	<u>14,501,130</u>	<u>17,839,466</u>
Total Unrestricted - Government Activities	<u>60,788,071</u>	<u>47,350,857</u>	<u>51,292,783</u>	<u>71,773,633</u>	<u>66,120,512</u>	<u>74,932,478</u>	<u>69,032,234</u>	<u>61,310,616</u>	<u>49,224,495</u>	<u>50,586,566</u>
Total Government Activities	<u>\$ 372,528,475</u>	<u>\$ 364,211,148</u>	<u>\$ 353,042,793</u>	<u>\$ 366,194,518</u>	<u>\$ 369,725,430</u>	<u>\$ 373,821,650</u>	<u>\$ 372,778,145</u>	<u>\$ 377,673,787</u>	<u>\$ 409,083,058</u>	<u>\$ 415,476,398</u>
Business-Type Activities										
Related Debt	\$ 5,149,972	\$ 7,119,922	\$ 7,440,931	\$ 7,391,343	\$ 7,532,369	\$ 7,620,626	\$ 7,790,683	\$ 8,536,711	\$ 9,524,216	\$ 10,079,682
Restricted for:										
Capital Projects	50,413	9,743,217	10,653,717	11,851,559	15,383,875	16,518,953	16,944,216	16,771,000	15,381,845	15,273,688
Special Projects	<u>23,647</u>	-	-	-	-	-	-	-	-	-
Total Restricted - Business-Type Activities	<u>74,060</u>	<u>9,743,217</u>	<u>10,653,717</u>	<u>11,851,559</u>	<u>15,383,875</u>	<u>16,518,953</u>	<u>16,944,216</u>	<u>16,771,000</u>	<u>15,381,845</u>	<u>15,273,688</u>
Total Unrestricted - Business-Type Activities	<u>15,483,043</u>	<u>4,541,177</u>	<u>4,067,282</u>	<u>3,710,223</u>	<u>1,216,854</u>	<u>776,214</u>	<u>144,088</u>	<u>(397,806)</u>	<u>(431,529)</u>	<u>(735,629)</u>
Total Business-Type Activities	<u>\$ 20,707,075</u>	<u>\$ 21,404,316</u>	<u>\$ 22,161,930</u>	<u>\$ 22,953,125</u>	<u>\$ 24,133,098</u>	<u>\$ 24,915,793</u>	<u>\$ 24,878,987</u>	<u>\$ 24,909,905</u>	<u>\$ 24,474,532</u>	<u>\$ 24,617,741</u>

Source: City of Menlo Park

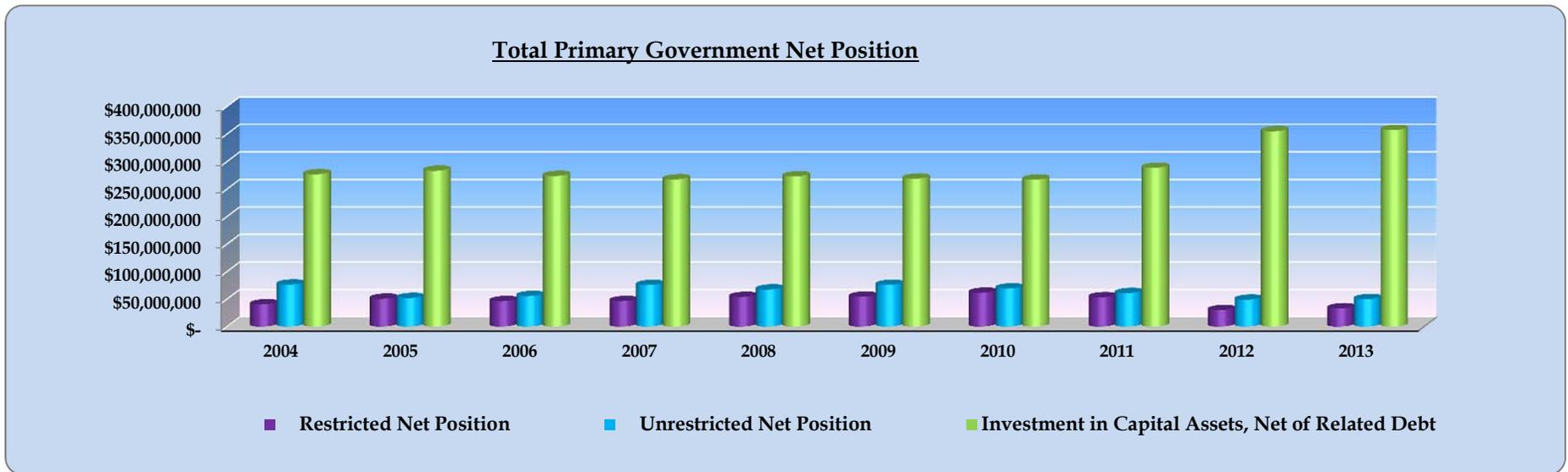
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Net Position by Component Last Ten Fiscal Years

Financial Trend:
Schedule 1

	Fiscal Year Ending June 30, ____									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Primary Government										
Investment in Capital Assets, Net of Related Debt	\$ 276,693,574	\$ 283,145,385	\$ 273,691,721	\$ 267,451,917	\$ 272,804,752	\$ 268,774,222	\$ 267,065,441	\$ 288,479,071	\$ 354,881,649	\$ 357,130,048
Unrestricted Net Position	<u>76,271,114</u>	<u>51,892,034</u>	<u>55,360,065</u>	<u>75,483,856</u>	<u>67,337,366</u>	<u>75,708,692</u>	<u>69,176,322</u>	<u>60,912,810</u>	<u>48,792,966</u>	<u>49,850,937</u>
Investment in Capital Assets & Unrestricted Net Position	352,964,688	335,037,419	329,051,786	342,935,773	340,142,118	344,482,914	336,241,763	349,391,881	403,674,615	406,980,985
Restricted Net Position	<u>40,270,862</u>	<u>50,578,045</u>	<u>46,152,937</u>	<u>46,211,870</u>	<u>53,716,410</u>	<u>54,254,529</u>	<u>61,415,369</u>	<u>53,191,811</u>	<u>29,882,975</u>	<u>33,113,154</u>
Total Primary Government Net Position	<u>\$ 393,235,550</u>	<u>\$ 385,615,464</u>	<u>\$ 375,204,723</u>	<u>\$ 389,147,643</u>	<u>\$ 393,858,528</u>	<u>\$ 398,737,443</u>	<u>\$ 397,657,132</u>	<u>\$ 402,583,692</u>	<u>\$ 433,557,590</u>	<u>\$ 440,094,139</u>
% of Change - from Prior Year	1.6%	-1.9%	-2.7%	3.7%	1.2%	1.2%	-0.3%	1.2%	7.7%	1.5%



Source: City of Menlo Park



Changes in Net Position
Last Ten Fiscal Years

Financial Trend:
Schedule 2

	Fiscal Year Ending June 30, ____									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Primary Government-Program Revenues										
Governmental Activities										
Charges for Services										
General Government	\$ 5,707,675	\$ 4,486,715	\$ 4,649,505	\$ 3,676,393	\$ 3,539,934	\$ 3,123,825	\$ 3,145,514	\$ 2,878,920	\$ 2,830,591	\$ 3,125,908
Public Safety	526,542	1,240,807	1,086,348	1,241,847	5,154,247	1,390,649	1,505,640	1,830,534	1,609,755	1,579,674
Public Works	2,914,762	3,391,517	3,609,732	6,541,634	3,837,839	2,753,607	2,922,929	4,109,836	3,650,442	6,924,069
Culture and Recreation	2,909,707	2,835,631	2,949,807	3,291,723	3,345,055	3,323,877	3,434,135	3,077,788	3,679,129	3,873,165
Community Development	2,868,863	2,377,251	3,897,805	6,170,024	3,952,454	4,145,205	2,122,221	3,408,895	4,994,156	3,695,171
Operating Grants and Contributions	2,418,574	1,712,952	1,681,505	3,251,025	2,369,502	2,428,500	2,557,313	2,185,417	2,729,866	1,644,022
Capital Grants and Contributions (1)	80,579	686,540	268,468	520,156	1,030,839	2,569,003	2,549,779	12,342,612	6,922,360	2,353,049
Total Governmental Activities-Program Revenues	17,426,702	16,731,413	18,143,170	24,692,802	23,229,870	19,734,666	18,237,531	29,834,002	26,416,299	23,195,058
Business-Type Activities										
Charges for Services										
Capital Grants and Contributions	-	462,525	-	-	-	-	-	-	-	-
Total Business-Type Activities Program Revenues	3,754,693	3,768,479	3,567,919	3,881,115	4,483,145	4,352,147	4,258,917	4,935,649	5,750,659	6,633,147
Total Primary Government-Program Revenues	21,181,395	20,499,892	21,711,089	28,573,917	27,713,015	24,086,813	22,496,448	34,769,651	32,166,958	29,828,205
General Revenues & Other Changes in Net Position										
Governmental Activities										
Taxes										
Property Taxes (2)	16,878,085	17,755,873	19,621,262	20,634,276	23,292,838	24,213,136	23,753,592	23,936,578	13,239,856	15,731,889
Sales Taxes	6,580,473	6,057,460	6,503,635	6,799,561	7,676,943	6,865,152	5,499,244	5,988,055	5,938,310	6,043,870
Transient Occupancy Tax	958,795	1,101,929	1,237,697	1,375,914	1,474,119	1,351,578	2,074,486	2,453,981	2,939,475	3,468,256
Other Taxes	2,001,677	3,259,064	2,022,174	2,267,911	3,262,586	3,953,097	3,960,714	4,490,992	4,607,758	4,556,371
Total Taxes	26,419,030	28,174,326	29,384,768	31,077,662	35,706,486	36,382,963	35,288,036	36,869,606	26,725,399	29,800,386
Investment Earnings	1,464,350	2,239,123	3,482,982	5,175,930	6,076,112	4,645,732	2,085,808	1,431,440	1,133,432	647,963
Gain on Sale of Capital Assets	-	-	-	-	-	-	-	-	-	547,749
Miscellaneous	107,531	77,106	212,819	372,534	706,444	193,370	30,125	235,145	255,185	107,652
Transfers	216,700	216,700	227,700	238,700	184,711	198,814	160,814	165,639	170,605	181,525
Extraordinary gain (3)	-	-	-	-	-	-	-	-	28,170,332	-
Total Governmental Activities - General Revenues	28,207,611	30,707,255	33,308,269	36,864,826	42,673,753	41,420,879	37,564,783	38,701,830	56,454,953	31,285,275
Business-type Activities										
Investment Earnings										
Miscellaneous	130,482	333,040	498,773	750,700	957,071	667,230	242,433	135,619	103,480	(8,799)
Transfers	(216,700)	(216,700)	(227,700)	(238,700)	(184,711)	(198,814)	(160,814)	(165,639)	(170,605)	(181,525)
Total Business-Type Activities - General Revenues	(86,218)	116,340	271,073	512,000	772,704	478,416	82,554	(30,020)	(73,078)	(190,324)
Total Primary Government-Program Revenues, General Revenues & Other Changes in Net Position	49,302,788	51,323,487	55,290,431	65,950,743	71,159,472	65,986,108	60,143,785	73,441,461	88,548,833	60,923,156

Source: City of Menlo Park

Notes:

- (1) In fiscal year 2010-11 and 2011-2012, capital contributions include construction of Arrillaga Family Gym, Recreation Center, and Gymnastics Center
- (2) In fiscal year 2005-06, Property tax in lieu of Motor Vehicle License fees was reclassified to Property Taxes.
- (3) In fiscal year 2011-12, extraordinary gain was due to dissolution of the Community Development Agency

(Continued)



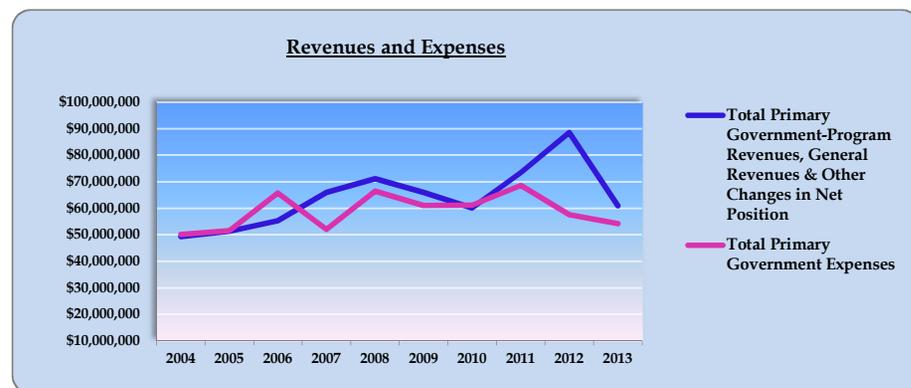
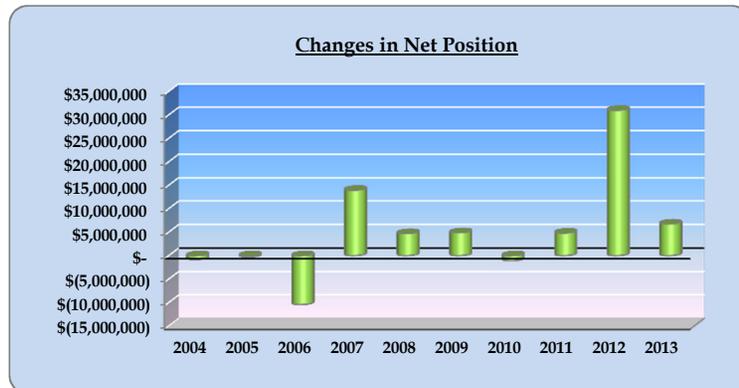
Changes in Net Position
Last Ten Fiscal Years

Financial Trend:
Schedule 2

	Fiscal Year Ending June 30, ____									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental Activities										
General Government	8,375,348	7,322,997	7,761,696	6,857,574	8,145,031	6,507,831	6,353,156	8,845,324	7,386,399	6,332,057
Public Safety (4)	8,010,385	9,196,468	9,092,996	11,191,323	15,763,116	13,755,857	13,605,071	20,707,475	14,248,362	14,080,936
Public Works	9,742,184	11,040,198	10,275,029	9,723,201	12,332,849	10,717,616	10,635,694	10,789,784	10,809,670	10,920,198
Culture and Recreation	7,971,110	7,547,337	7,781,549	8,647,013	11,276,226	9,723,210	9,616,046	9,461,866	9,860,317	11,077,343
Community Development (5)	7,780,767	8,721,659	23,179,192	6,916,391	9,817,989	12,644,222	12,615,612	9,470,060	6,186,002	4,240,784
Interest on Long-Term Debt	4,679,811	4,602,336	4,529,332	5,070,401	5,037,500	3,710,590	4,020,241	4,481,135	2,971,231	1,229,193
Total Governmental Activities Expenses	46,559,605	48,430,995	62,619,794	48,405,903	62,372,711	57,059,325	56,845,819	63,755,644	51,461,981	47,880,511
Business-Type Activities										
Water	3,555,582	3,187,578	3,081,378	3,601,919	4,075,876	4,047,868	4,378,277	4,874,711	6,112,954	6,299,614
Total Business-Type Activities Expenses	3,555,582	3,187,578	3,081,378	3,601,919	4,075,876	4,047,868	4,378,277	4,874,711	6,112,954	6,299,614
Total Primary Government Expenses	50,115,187	51,618,573	65,701,172	52,007,822	66,448,587	61,107,193	61,224,096	68,630,355	57,574,935	54,180,125
Net Revenue (Expenses)										
Governmental Activities	(29,132,903)	(31,699,582)	(44,476,624)	(23,713,101)	(39,142,841)	(37,324,659)	(38,608,288)	(33,921,642)	(25,045,682)	(24,685,453)
Business-type Activities	199,111	580,901	486,541	279,196	407,269	304,279	(119,360)	60,938	(362,295)	333,533
Total Net Revenue (Expenses)	(28,933,792)	(31,118,681)	(43,990,083)	(23,433,905)	(38,735,572)	(37,020,380)	(38,727,648)	(33,860,704)	(25,407,977)	(24,351,920)
Changes in Net Position										
Governmental Activities (6)	(925,292)	(992,327)	(11,168,355)	13,151,725	3,530,912	4,096,220	(1,043,505)	4,780,188	31,409,271	6,599,822
Business-type Activities	112,893	697,241	757,614	791,196	1,179,973	782,695	(36,806)	30,918	(435,373)	143,209
Changes in Net Position	\$ (812,399)	\$ (295,086)	\$ (10,410,741)	\$ 13,942,921	\$ 4,710,885	\$ 4,878,915	\$ (1,080,311)	\$ 4,811,106	\$ 30,973,898	\$ 6,743,031

Notes:

- (4) In Fiscal year 2010-11, City paid off a \$ 7.1 million pension liability for safety employees
- (5) Includes fiscal year 2005-06 transfer of Hamilton Avenue housing and park site from the Community Development Agency of the City to the developers
- (6) Does not include \$206,487 prior period adjustment in 2012-13

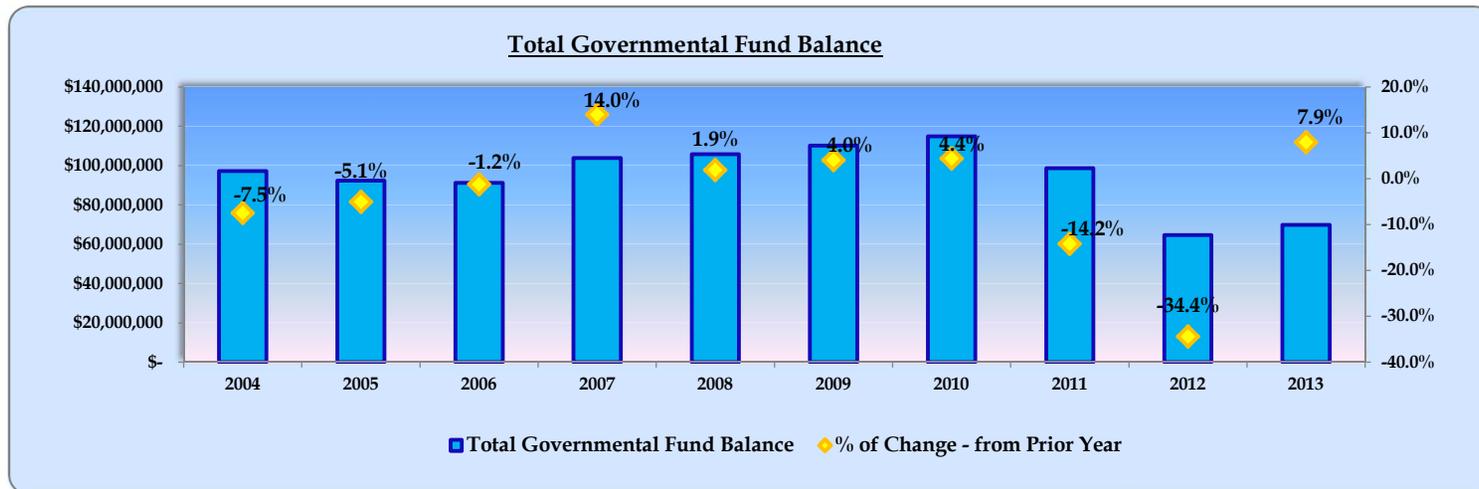




Fund Balances - Governmental Funds
Last Ten Fiscal Years

Financial Trends:
Schedule 3

	Fiscal Year Ending June 30, __									
	2004	2005	2006	2007	2008	2009	2010	2011 *	2012	2013
General Fund										
Nonspendable	\$ 1,313,432	\$ 1,487,329	\$ 1,503,411	\$ 202,244	\$ -	\$ 1,529,495	\$ 1,196,456	\$ 1,435,026	\$ 2,227,593	\$ 1,005,376
Committed	5,351,978	5,106,483	5,865,122	3,000,000	3,000,000	3,000,000	3,000,000	14,000,000	14,000,000	14,000,000
Assigned	2,858,358	3,158,044	3,130,894	2,934,623	3,278,658	3,034,172	2,999,575	2,592,173	3,494,188	2,728,033
Unassigned	22,173,565	22,054,356	25,001,249	29,521,304	21,003,074	19,144,493	18,231,011	1,578,736	1,776,214	4,644,239
General Fund Balance	31,697,333	31,806,212	35,500,676	35,658,171	27,281,732	26,708,160	25,427,042	19,605,935	21,497,995	22,377,648
Other Governmental Funds										
Nonspendable	2,682,348	2,686,585	6,187,396	6,186,018	6,160,144	6,140,612	2,554,413	2,475,807	4,233,517	4,907,442
Restricted	1,142,055	1,287,410	8,366,348	10,581,508	10,759,071	12,184,002	12,630,096	76,633,611	38,934,347	42,501,844
Committed	-	500,000	500,000	-	-	-	-	-	-	-
Assigned	61,680,490	56,509,986	42,674,483	52,333,571	61,727,238	65,056,016	74,302,453	-	-	-
Unassigned	(2,532)	(500,245)	(2,080,256)	(880,527)	(94,386)	-	-	(105,083)	-	-
Total Other Governmental Fund Balance	65,502,361	60,483,736	55,647,971	68,220,570	78,552,067	83,380,630	89,486,962	79,004,335	43,167,864	47,409,286
Total Governmental Fund Balance	\$ 97,199,694	\$ 92,289,948	\$ 91,148,647	\$ 103,878,741	\$ 105,833,799	\$ 110,088,790	\$ 114,914,004	\$ 98,610,270	\$ 64,665,859	\$ 69,786,934
% of Change - from Prior Year	-7.5%	-5.1%	-1.2%	14.0%	1.9%	4.0%	4.4%	-14.2%	-34.4%	7.9%



Source: City of Menlo Park

* GASB 54 "Fund Balance Reporting and Governmental Fund Type Definitions" implemented in 2010-11.

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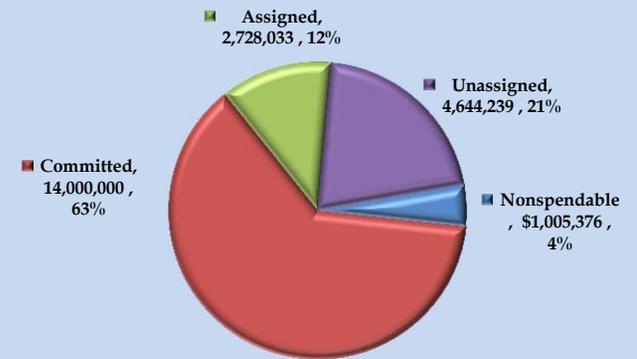


Fund Balances - Governmental Funds
Last Ten Fiscal Years

General Fund and Other Governmental Fund Balances



General Fund Balance - June 30, 2013



Source: City of Menlo Park



Changes in Fund Balances - Governmental Funds
Last Ten Fiscal Years

Financial Trends:
Schedule 4

	Fiscal Year Ending June 30, _____									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Revenues										
Taxes										
Secured property taxes	\$ 14,758,475	\$ 15,771,442	\$ 17,573,221	\$ 18,597,314	\$ 21,081,671	\$ 22,050,255	\$ 21,912,423	\$ 21,810,655	\$ 12,258,233	\$ 14,854,925
Unsecured property taxes	1,579,850	1,378,158	1,330,885	1,337,681	1,752,345	1,817,213	1,422,317	1,577,479	404,916	351,099
Other property taxes(1)	540,255	606,274	717,157	699,280	458,822	345,670	418,851	548,444	576,707	525,865
Sales taxes	6,048,940	6,057,460	6,503,635	6,799,561	7,676,943	6,865,152	5,499,244	5,988,055	5,938,310	6,043,870
Other Taxes(2)	3,340,693	3,521,874	3,761,949	4,664,247	5,878,652	5,214,176	5,940,486	6,774,780	7,530,245	8,007,960
Special assessments	2,549,037	2,362,435	2,433,635	2,537,408	2,661,078	2,894,276	2,824,098	2,818,829	2,862,076	2,831,235
Licenses and permits	2,891,023	2,917,357	3,432,745	3,657,542	4,376,750	3,208,028	3,069,990	3,586,374	4,093,978	4,845,041
Fines and forfeitures	756,678	832,897	792,005	897,568	951,145	1,105,836	1,028,825	953,194	1,067,328	998,259
Use of money and property	1,458,436	2,656,739	3,482,982	5,542,009	6,162,279	4,528,617	1,918,576	1,406,100	1,102,320	594,476
Intergovernmental(1)	3,682,937	4,176,319	2,691,439	2,750,760	3,533,679	3,180,550	3,219,749	2,547,164	2,325,236	2,276,829
Charges for services	7,492,661	6,873,012	8,047,145	13,884,432	10,713,906	10,221,426	8,738,183	10,486,567	11,943,461	13,225,264
Other Revenues	107,530	77,106	212,817	372,534	702,342	186,473	334,959	234,550	270,567	202,137
Total Revenues	45,206,515	47,231,073	50,979,615	61,740,336	65,949,612	61,617,672	56,327,701	58,732,191	50,373,377	54,756,960
Expenditures										
Current										
General Government	7,380,500	6,154,281	6,652,130	5,938,008	6,168,001	6,372,271	6,442,817	6,209,988	4,545,864	5,204,412
Public Safety(3)	7,826,595	9,078,447	8,929,677	11,212,320	12,476,614	13,371,606	13,532,394	20,568,030	13,978,279	13,831,018
Public Works	7,213,412	7,218,664	7,750,882	7,387,498	7,774,129	7,991,160	7,768,455	7,929,428	7,886,059	8,174,802
Culture and Recreation	7,597,970	7,195,048	7,303,573	7,813,935	8,359,386	8,669,415	8,570,915	8,286,639	8,287,074	9,014,947
Rehabilitation Loans	582,200	190,050	400,100	-	-	-	-	-	-	-
Community Development	2,859,800	3,780,494	4,088,283	3,233,905	4,325,628	4,533,291	4,354,345	4,061,407	5,560,374	3,937,710
Urban Development and Housing	4,304,319	4,722,358	4,544,265	3,439,609	4,101,470	4,236,426	7,312,083	5,399,919	614,951	286,699
Capital Outlay	8,928,921	8,346,574	10,260,993	2,989,734	4,545,565	6,405,132	8,314,011	16,030,908	10,215,010	7,904,805
Debt Service										
Principal(4)	1,625,000	1,770,000	1,855,000	475,000	2,115,000	2,215,000	2,305,000	2,420,000	2,570,000	760,000
Interest and Fiscal Charges(5)	4,691,522	4,614,326	6,224,963	3,768,661	4,868,947	3,540,575	3,581,456	4,295,839	4,254,712	1,255,585
Total Expenditures	53,010,239	53,070,242	58,009,866	46,258,670	54,734,740	57,334,876	62,181,476	75,202,158	57,912,323	50,369,978
Revenues over (under) Expenditures	(7,803,724)	(5,839,169)	(7,030,251)	15,481,666	11,214,872	4,282,796	(5,853,775)	(16,469,967)	(7,538,946)	4,386,982

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) In fiscal year 2010-11, the large increase was due to paying off the PERS safety side fund.
- (4) Principal payment due on the 2006 Las Pulgas Tax Allocation Refunding Bonds on January 1, 2008.
- (5) Interest and Fiscal Charges include cost of issuance and bond insurance.

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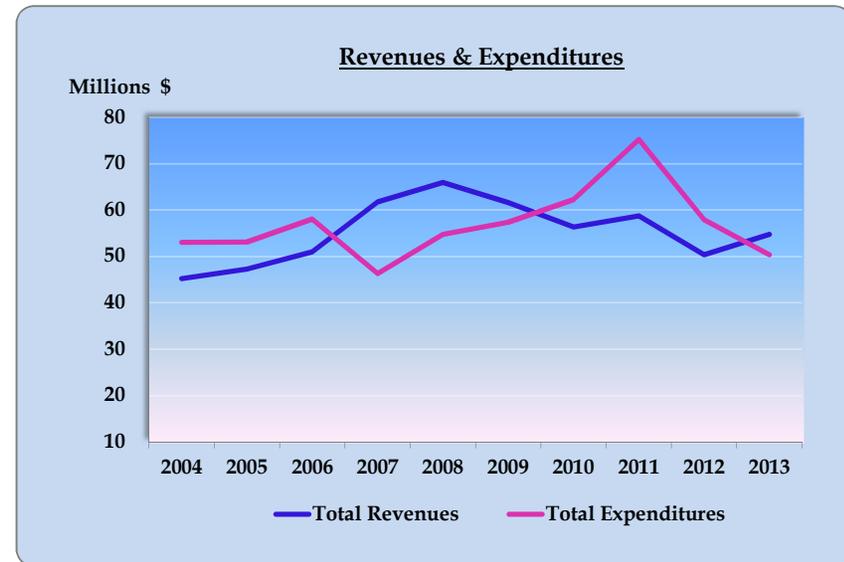
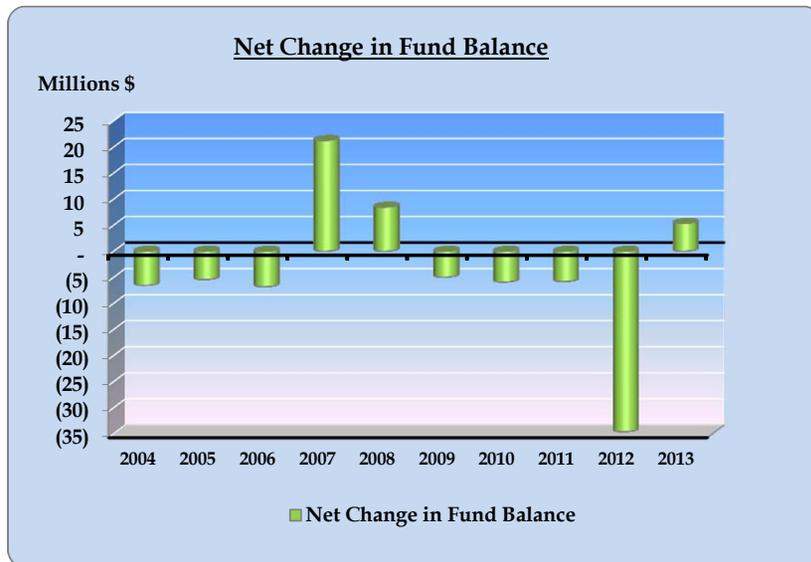
Changes in Fund Balances - Governmental Funds
Last Ten Fiscal Years

Financial Trends:
Schedule 4

	Fiscal Year Ending June 30, _____									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Other Financing Sources (Uses)										
Transfer In	1,374,574	3,443,703	2,831,593	16,376,591	7,551,944	10,799,042	7,159,491	7,297,500	9,722,425	6,091,632
Transfer Out	(1,157,874)	(3,227,003)	(2,614,893)	(16,148,891)	(10,586,019)	(20,058,856)	(7,188,677)	(7,136,686)	(9,551,820)	(5,910,107)
Proceeds from Sale of Fixed/Capital Assets	1,071,091	196,131	15,633	3,985,446	282,503	-	1,381	3,204	-	766,855
Proceeds from Debt Issuance	-	-	-	72,430,000	-	-	-	10,440,000	9,830,000	-
Payment to Escrow Agent	-	-	-	(70,525,172)	-	-	-	-	(11,166,467)	-
Discount on Issuance of Debt	-	-	-	(336,800)	-	-	-	74,971	(73,725)	-
Total Other Financing Sources (Uses)	1,287,791	412,831	232,333	5,781,174	(2,751,572)	(9,259,814)	(27,805)	10,678,989	(1,239,587)	948,380
Extraordinary gain(loss)(6)	-	-	-	-	-	-	-	-	(25,814,163)	-
Net Change in Fund Balance	\$ (6,515,933)	\$ (5,426,338)	\$ (6,797,918)	\$ 21,262,840	\$ 8,463,300	\$ (4,977,018)	\$ (5,881,580)	\$ (5,790,978)	\$ (34,592,696)	\$ 5,335,362
% of Change	-221.8%	-16.7%	25.3%	-412.8%	-60.2%	-158.8%	18.2%	-1.5%	497.4%	-115.4%

Debt Service as Percentage of Non-Capital Expenditures

	<u>14.3%</u>	<u>14.3%</u>	<u>16.9%</u>	<u>9.8%</u>	<u>13.9%</u>	<u>11.3%</u>	<u>10.9%</u>	<u>11.3%</u>	<u>14.3%</u>	<u>4.7%</u>
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Source: City of Menlo Park

(6) In fiscal year 2011-12, extraordinary gain was due to dissolution of the Community Development Agency



Governmental Funds Revenues by Source ⁽¹⁾
Last Ten Fiscal years

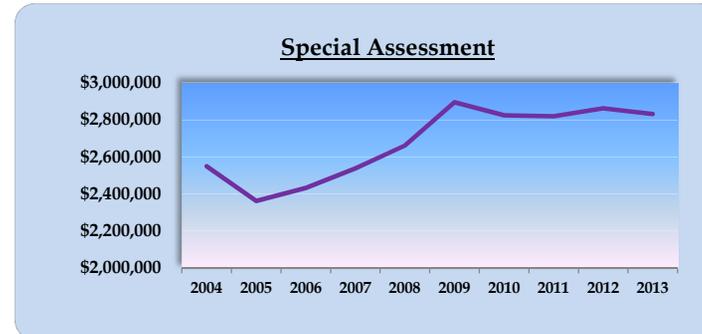
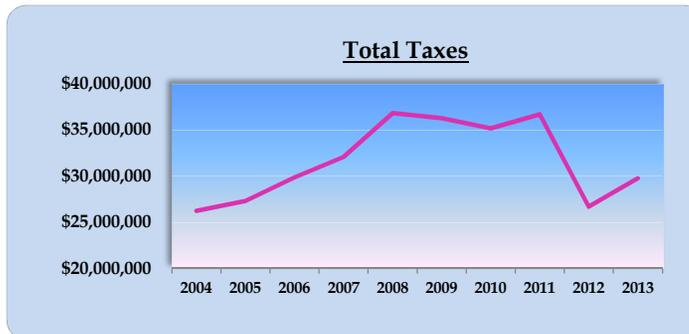
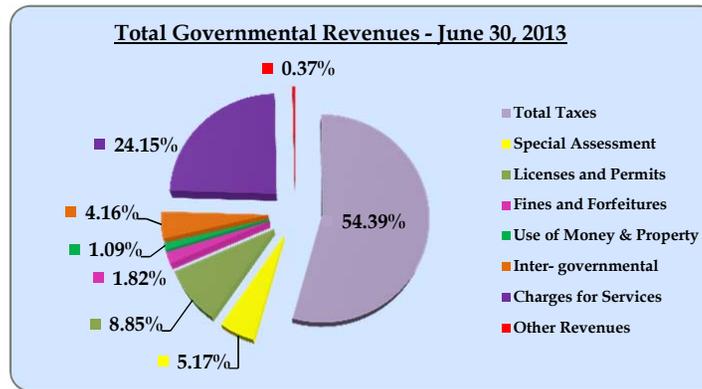
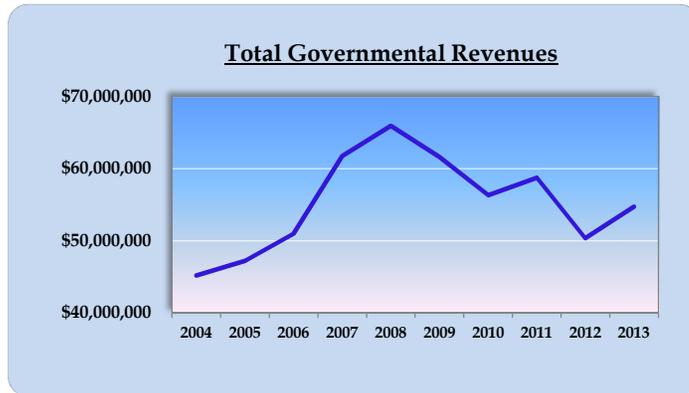
Revenue Capacity:
Schedule 5

Fiscal Year Ending June 30	Total Taxes	Special Assessment	Licenses and Permits	Fines and Forfeitures	Use of Money & Property	Inter- governmental	Charges for Services	Other Revenues	Total Governmental Revenues
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
2011	36,699,413	2,818,829	3,586,374	953,194	1,406,100	2,547,164	10,486,567	234,550	58,732,191
2012	26,708,411	2,862,076	4,093,978	1,067,328	1,102,320	2,325,236	11,943,461	270,567	50,373,377
2013	29,783,719	2,831,235	4,845,041	998,259	594,476	2,276,829	13,225,264	202,137	54,756,960

Source: City of Menlo Park

⁽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.

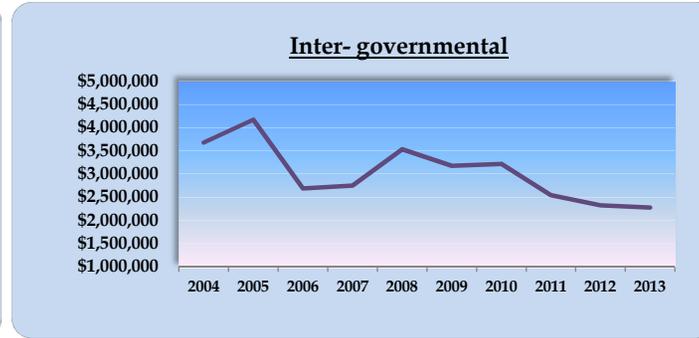
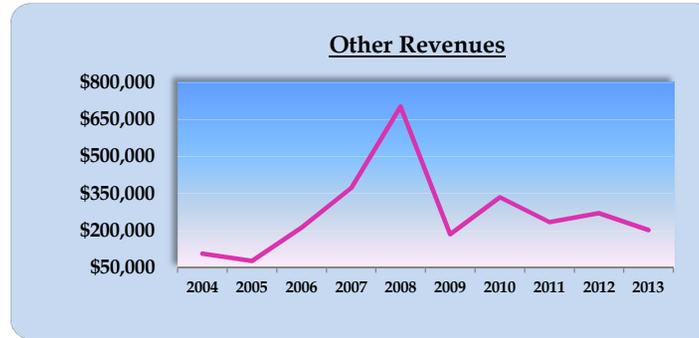
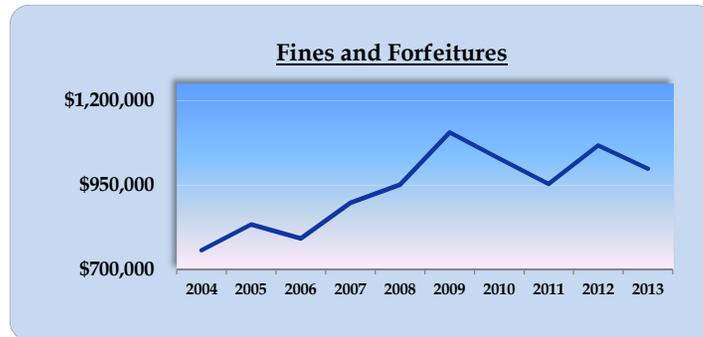
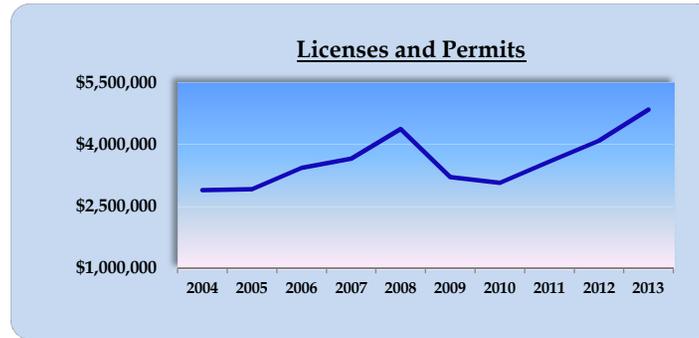
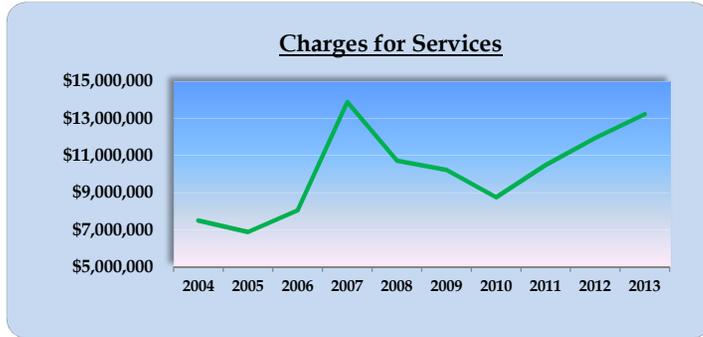


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Governmental Funds Revenues by Source ⁽¹⁾
Last Ten Fiscal years

Revenue Capacity:
Schedule 5



Source: City of Menlo Park

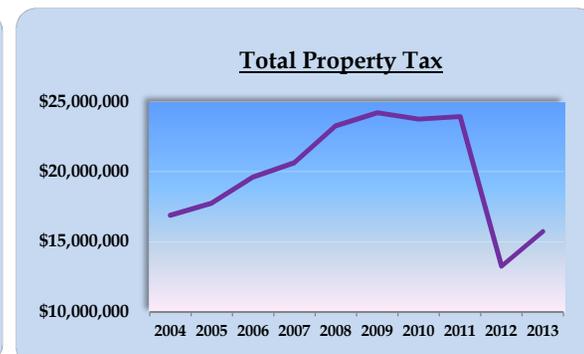
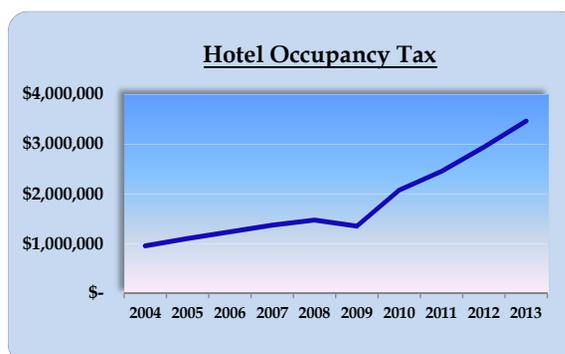
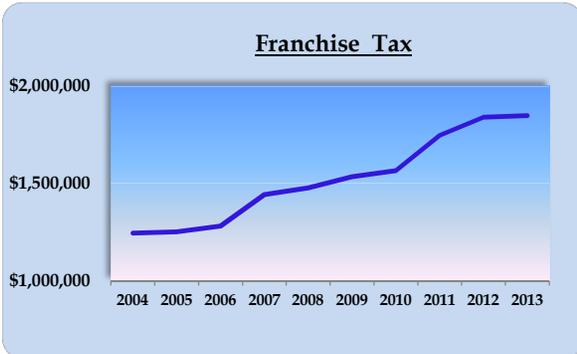
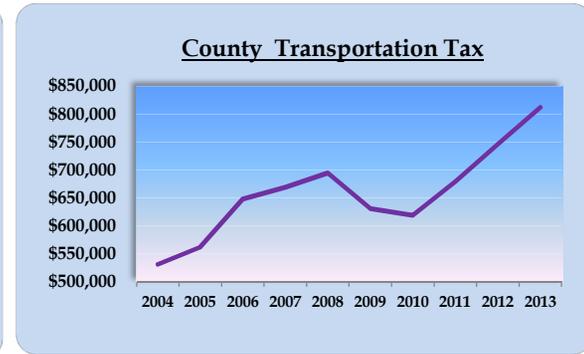
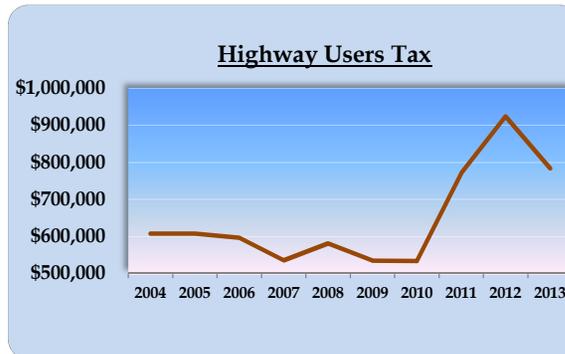
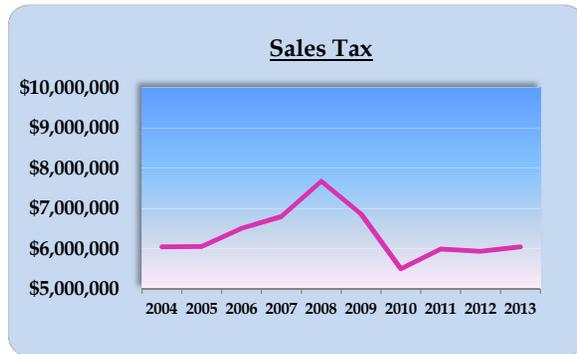


Governmental Funds by Type
Last Ten Fiscal Years

Revenue Capacity:
Schedule 6

Fiscal Year Ending June 30	Highway		County	Franchise	Hotel Occupancy	Utility	Property Tax				Total	Total Governmental Funds
	Sales Tax	Users Tax	Transportation Tax	Tax	Tax	Users Tax (1)	Secured	Unsecured	Transfer Tax	Other	Property Tax	
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	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	21,081,671	1,752,345	386,206	72,616	23,292,838	36,848,433
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
2011	5,988,055	770,967	679,286	1,747,605	2,453,981	1,122,940	21,810,655	1,577,479	457,701	90,743	23,936,578	36,699,412
2012	5,938,310	923,796	746,187	1,840,351	2,939,475	1,080,436	12,258,233	404,916	501,161	75,546	13,239,856	26,708,411
2013	6,043,870	783,719	812,249	1,848,480	3,468,256	1,095,256	14,854,925	351,099	460,683	65,182	15,731,889	29,783,719

Source: City of Menlo Park and County of San Mateo
(1) City implemented Utility Users Tax in April 2007

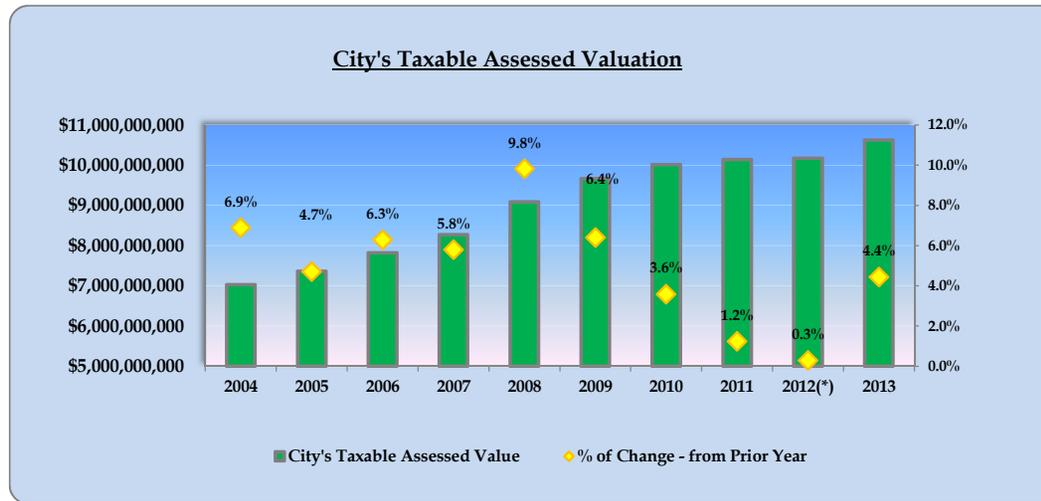




Assessed Valuation, Tax Rates, and Tax Levies
Last Ten Fiscal Years

Revenue Capacity:
Schedule 7

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Secured</u>	<u>Unsecured</u>	<u>Less</u> <u>Exemptions</u>	<u>City's Taxable</u> <u>Assessed Value</u>	<u>% of Change -</u> <u>from Prior Year</u>
2004	\$ 6,521,857,488	\$ 669,542,451	\$ (163,717,503)	\$ 7,027,682,436	6.9%
2005	6,920,718,474	605,826,607	(168,363,050)	7,358,182,031	4.7%
2006	7,377,433,642	628,446,311	(185,070,530)	7,820,809,423	6.3%
2007	7,919,201,296	544,875,879	(189,778,409)	8,274,298,766	5.8%
2008	8,613,253,093	684,419,419	(210,102,184)	9,087,570,328	9.8%
2009	9,144,410,123	745,589,266	(220,706,897)	9,669,292,492	6.4%
2010	9,525,325,520	733,413,542	(242,215,879)	10,016,523,183	3.6%
2011	9,632,437,282	741,119,897	(234,843,253)	10,140,348,118	1.2%
2012(*)	9,701,542,385	712,158,100	(244,456,426)	10,169,244,059	0.3%
2013	10,059,424,137	819,698,175	(258,752,495)	10,620,369,817	4.4%



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.

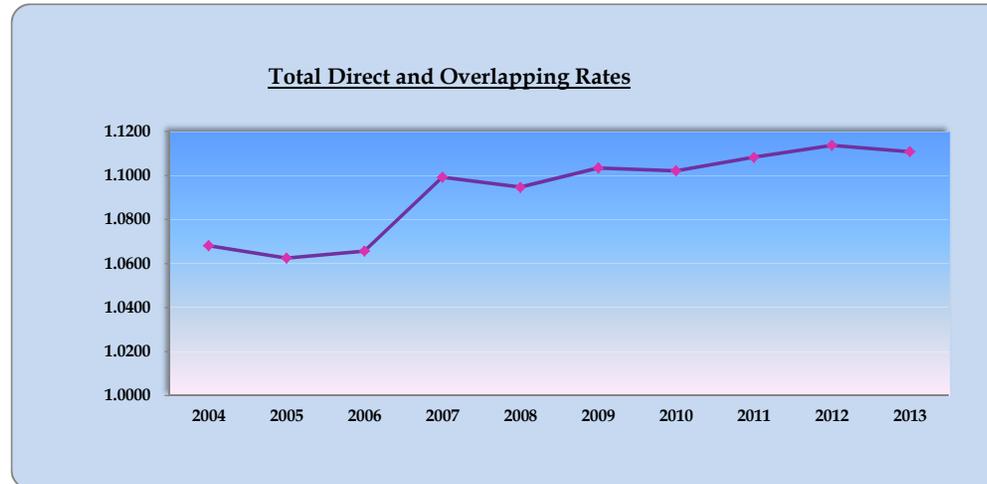
(*) Redevelopment Agency was transferred to Successor Agency due to dissolution



Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

Debt Capacity:
Schedule 8

(Per \$1,000 Assessed Valuation)	Fiscal Year Ending June 30, ____									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
City Direct Rates (1)	0.0024	0.0024	0.0024	0.0024	0.0024	0.0024	0.0024	0.0024	0.0024	0.0024
Overlapping Rates (2)										
San Mateo County	0.9976	0.9976	0.9976	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Menlo Park Elementary	0.0232	0.0233	0.0209	0.0416	0.0384	0.0399	0.0390	0.0410	0.0413	0.0402
San Mateo Junior College	0.0065	0.0065	0.0065	0.0184	0.0171	0.0165	0.0182	0.0193	0.0199	0.0194
Menlo Park Debt Service	0.0060	0.0056	0.0052	0.0052	0.0047	0.0048	0.0046	0.0042	0.0041	0.0038
Menlo Park Parks & Rec Bond	0.0110	0.0131	0.0132	0.0132	0.0140	0.0141	0.0127	0.0127	0.0126	0.0118
Sequoia Union High School District	<u>0.0238</u>	<u>0.0164</u>	<u>0.0223</u>	<u>0.0208</u>	<u>0.0205</u>	<u>0.0282</u>	<u>0.0277</u>	<u>0.0311</u>	<u>0.0358</u>	<u>0.0356</u>
Total Overlapping Rates	<u>1.0681</u>	<u>1.0625</u>	<u>1.0657</u>	<u>1.0992</u>	<u>1.0947</u>	<u>1.1035</u>	<u>1.1022</u>	<u>1.1083</u>	<u>1.1137</u>	<u>1.1108</u>
Total Direct and Overlapping Rates	<u>1.0705</u>	<u>1.0649</u>	<u>1.0681</u>	<u>1.1016</u>	<u>1.0971</u>	<u>1.1059</u>	<u>1.1046</u>	<u>1.1107</u>	<u>1.1161</u>	<u>1.1132</u>
% of Change - from Prior Year	0.7%	-0.5%	0.3%	3.1%	-0.4%	0.8%	-0.1%	0.6%	0.5%	-0.3%



Source:

(1) County of San Mateo, Property Taxes

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

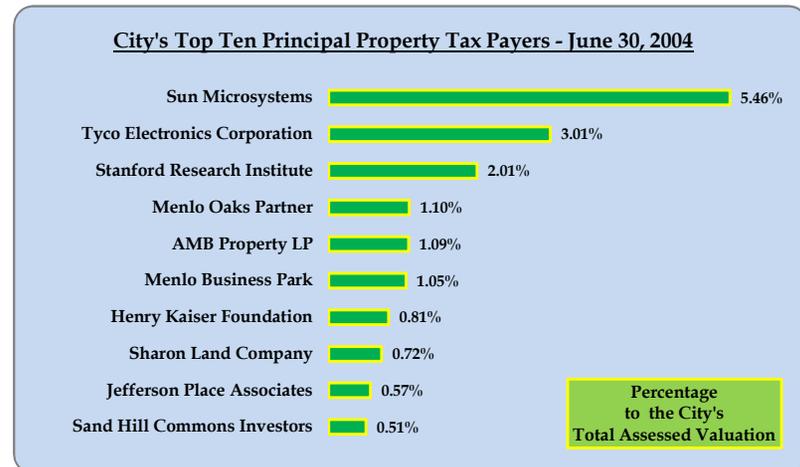
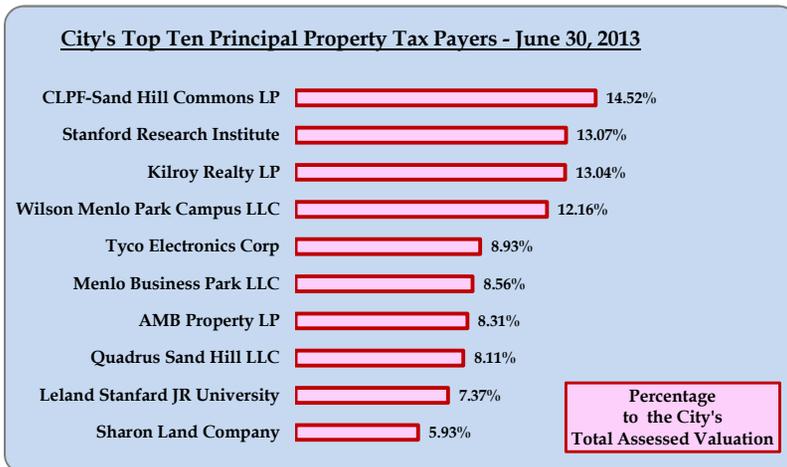


Principal Property Tax Payers
Current Fiscal Year and Ten Years Prior

Debt Capacity:
Schedule 9

FY 2012-2013				
Property Owner	Rank	Taxable Assessed Value	Ratio to Total City's Assessed Valuation	
CLPF-Sand Hill Commons LP	1	\$ 148,850,851	14.52%	
Stanford Research Institute	2	134,037,765	13.07%	
Kilroy Realty LP	3	133,654,195	13.04%	
Wilson Menlo Park Campus LLC	4	124,687,084	12.16%	
Tyco Electronics Corp	5	91,555,022	8.93%	
Menlo Business Park LLC	6	87,754,351	8.56%	
AMB Property LP	7	85,155,448	8.31%	
Quadrus Sand Hill LLC	8	83,164,858	8.11%	
Leland Stanford JR University	9	75,548,929	7.37%	
Sharon Land Company	10	60,807,093	5.93%	
Total Top 10 Taxpayers' Totals		\$ 1,025,215,596	100%	
City's Total Assessed Valuation		\$ 10,620,369,817	100%	

FY 2003-2004				
Property Owner	Rank	Taxable Assessed Value	Ratio to Total City's Assessed Valuation	
Sun Microsystems	1	\$ 383,591,524	5.46%	
Tyco Electronics Corporation	2	211,771,958	3.01%	
Stanford Research Institute	3	141,612,177	2.01%	
Menlo Oaks Partner	4	77,129,798	1.10%	
AMB Property LP	5	76,452,399	1.09%	
Menlo Business Park	6	73,896,134	1.05%	
Henry Kaiser Foundation	7	57,192,756	0.81%	
Sharon Land Company	8	50,595,125	0.72%	
Jefferson Place Associates	9	39,900,000	0.57%	
Sand Hill Commons Investors	10	35,723,135	0.51%	
Total Top 10 Taxpayers' Totals		\$ 1,147,865,006	16.33%	
City's Total Assessed Valuation		\$ 7,028,566,967	100%	



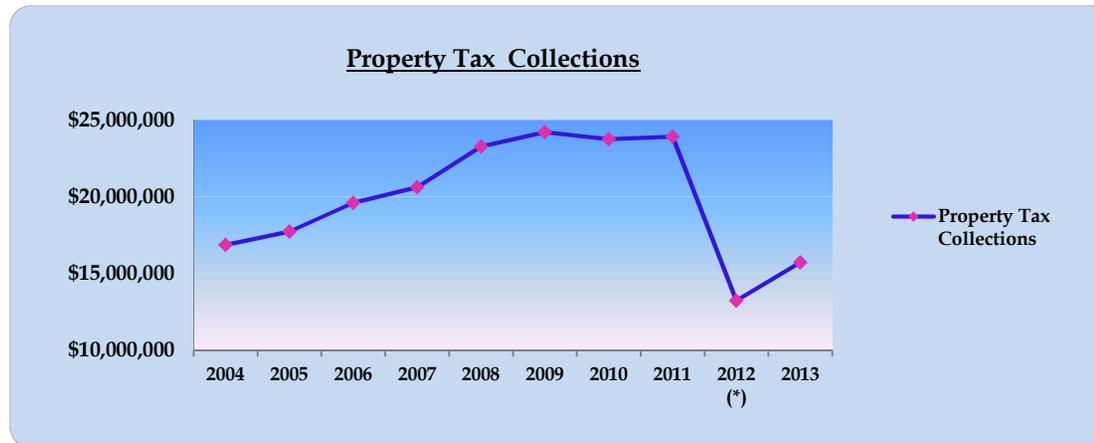
Source:
San Mateo County Tax Roll
California Municipal Statistics Inc



Property Tax Levies and Collections
Last Ten Fiscal Years

Debt Capacity:
Schedule 10

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Property Tax</u> <u>Levies</u>	<u>Property Tax</u> <u>Collections</u>	<u>Percentage</u> <u>of Collections</u>	<u>Subsequent</u> <u>Year Collections</u>	<u>Total</u> <u>Collections</u>	<u>Percentage</u> <u>of Collections</u>
2004	\$ 16,882,035	\$ 16,882,035	100.00%	\$ -	\$ 16,882,035	100%
2005	17,755,874	17,755,874	100.00%	-	17,755,874	100%
2006	19,621,263	19,621,263	100.00%	-	19,621,263	100%
2007	20,634,275	20,634,275	100.00%	-	20,634,275	100%
2008	23,292,838	23,292,838	100.00%	-	23,292,838	100%
2009	24,213,138	24,213,138	100.00%	-	24,213,138	100%
2010	23,753,591	23,753,591	100.00%	-	23,753,591	100%
2011	23,936,578	23,936,578	100.00%	-	23,936,578	100%
2012 (*)	13,239,856	13,239,856	100.00%	-	13,239,856	100%
2013	15,731,889	15,731,889	100.00%	-	15,731,889	100%



Source:

County of San Mateo, Estimated Property Tax Revenue and Estimated Tax Increment Revenue
City of Menlo Park

Notes:

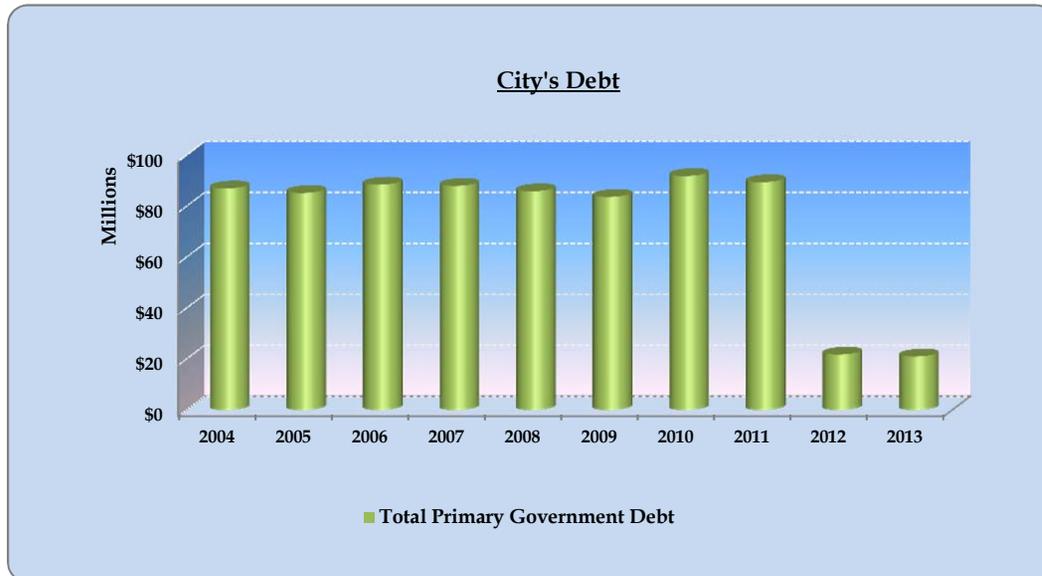
(*) In prior years, property tax levies included property tax increment from their former Community Development Agencies.
The last year of such tax increment received in 2010-11.



Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Debt Capacity:
Schedule 11

Fiscal Year Ending June 30	General Obligation Bonds ⁽¹⁾	Tax Allocation Bonds ⁽⁴⁾	Total Primary Government Debt	Percentage of Personal Income ⁽⁷⁾	Outstanding Debt Per Capita ⁽⁸⁾	Outstanding Debt to Taxable Assessed Value
2004	\$ 16,930,000	\$ 70,070,000	\$ 87,000,000	4.49%	\$ 2,837	1.24%
2005	16,500,000	68,730,000	85,230,000	4.02%	2,781	1.16%
2006	16,050,000	72,430,000 ⁽⁵⁾	88,480,000	3.94%	2,877	1.13%
2007	15,575,000	72,430,000	88,005,000	4.02%	2,826	1.06%
2008	15,070,000	70,820,000	85,890,000	4.17%	2,728	0.95%
2009	14,535,000	69,140,000	83,675,000	3.94%	2,626	0.87%
2010	24,487,472 ⁽²⁾	67,395,000	91,882,472	4.10%	2,853	0.92%
2011	23,874,973	65,585,000	89,459,973	not available	2,760	0.88%
2012	21,775,595 ⁽³⁾	- ⁽⁶⁾	21,775,595	not available	672	0.21%
2013	21,016,779	-	21,016,779	not available	639	0.20%



Source: City of Menlo Park

Notes:

- (1) General Obligation Bonds consists of 1996, 2002, 2009 General Obligation Bonds
- (2) The City issued \$10,440,000 in 2009 General Obligation Bonds
- (3) General Obligation Bonds consists of 1996, 2009, & 2012 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) In fiscal year 2011-12 former Community Redevelopment Agency was dissolved and all debts transferred
- (7) County of San Mateo's personal income per capita
- (8) U.S. Census Bureau, Quickfacts.Census.gov, Population



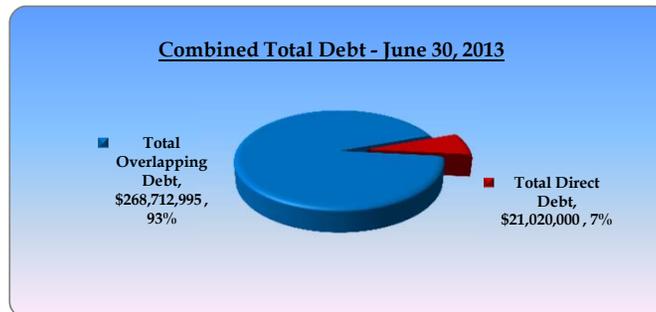
Direct and Overlapping Debt
June 30, 2013

Debt Capacity:
Schedule 12

Fiscal year 2012-13

City Assessed Valuation ⁽¹⁾ \$ 10,662,442,102

	Outstanding Debt 6/30/2013	Percentage Applicable ⁽¹⁾	Estimated Share of Overlapping Debt	Ratio to City's Assessed Valuation
Direct and Overlapping Tax and Assessment Debt				
San Mateo Community College District	\$ 580,659,994	7.195%	\$ 41,778,487	0.39%
Sequoia Union High School District	336,340,000	17.473%	58,768,688	0.55%
Las Lomas School District	14,539,944	35.679%	5,187,707	0.05%
Menlo Park City School District	95,982,583	61.593%	59,118,552	0.55%
Ravenswood School District	10,131,707	41.638%	4,218,640	0.04%
Redwood City School District	43,695,967	2.338%	1,021,612	0.01%
City of Menlo Park	21,020,000	100%	21,020,000	0.20%
Total Direct and Overlapping tax and Assessment Debt			\$ 191,113,686	1.79%
Overlapping General Fund Debt				
San Mateo County General Fund Obligations	\$ 311,729,816	7.195%	\$ 22,428,960	0.21%
San Mateo County Board of Education Certificates of Participation	11,455,000	7.195%	824,187	0.01%
Redwood City School District General Fund Obligations	1,509,017	2.338%	35,281	0.00%
Midpeninsula Regional Park District Certificates of Participation	135,649,717	5.957%	8,080,654	0.08%
Menlo Park Fire Protection District Certification of Participation	11,755,000	46.748%	5,495,227	0.05%
Total Overlapping General Fund Debt			\$ 36,864,309	0.35%
Overlapping Tax Increment Debt - Successor Agency	61,755,000	100%	\$ 61,755,000	0.58%
			\$ 21,020,000	0.20%
			\$ 268,712,995	2.52%
			\$ 289,732,995	2.72%



Source: California Municipal Statistics, Inc.

(1) The percentage of overlapping debt applicable to the City is estimated using taxable assessed property value.

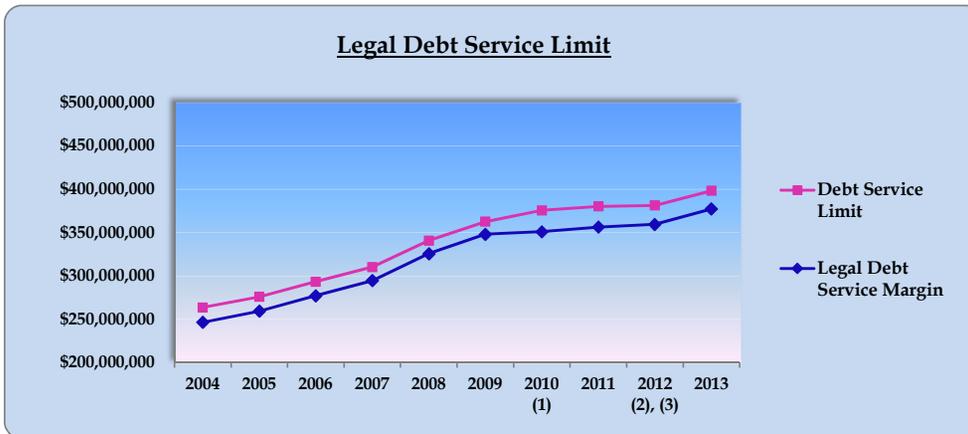
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.



Legal Debt Service Margin Information
Last Ten Fiscal Years

Debt Capacity
Schedule 13

	Fiscal year ending June 30, ____									
	2004	2005	2006	2007	2008	2009	2010 (1)	2011	2012 (2), (3)	2013
City's Taxable Assessed Valuation	\$ 7,027,682,436	7,358,182,031	7,820,809,423	8,274,298,766	9,087,570,328	9,669,292,492	10,016,523,183	10,140,348,118	10,169,244,059	10,620,369,817
Conversion Percentage	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Adjusted Assessed Valuation	\$ 1,756,920,609	1,839,545,508	1,955,202,356	2,068,574,692	2,271,892,582	2,417,323,123	2,504,130,796	2,535,087,030	2,542,311,015	2,655,092,454
Debt Service Limit Percentage	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Debt Service Limit	\$ 263,538,091	275,931,826	293,280,353	310,286,204	340,783,887	362,598,468	375,619,619	380,263,054	381,346,652	398,263,868
Less:										
General Obligation Bonds	16,930,000	16,500,000	16,050,000	15,575,000	15,070,000	14,535,000	24,487,472	23,874,973	21,775,595	21,016,779
Legal Debt Service Margin	\$ 246,608,091	259,431,826	277,230,353	294,711,204	325,713,887	348,063,468	351,132,147	356,388,081	359,571,057	377,247,089
Legal Debt Service Margin as a Percentage of Debt Service Limit	93.6%	94.0%	94.5%	95.0%	95.6%	96.0%	93.5%	93.7%	94.3%	94.7%



Source: County of San Mateo, Assessed Valuation Reports

Notes:

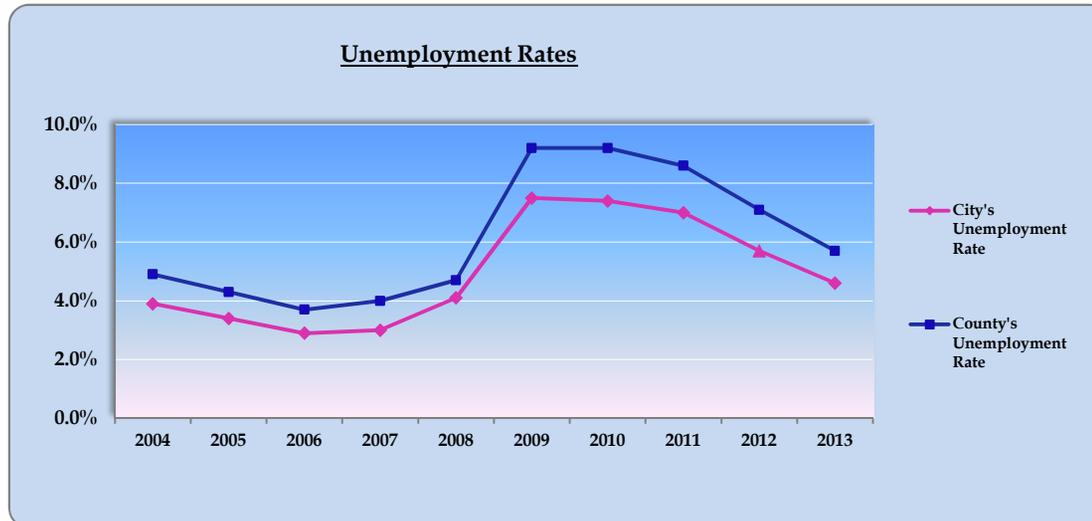
- (1) The City issued 2009 General Obligation Bonds
- (2) The City refinanced 2002 Bonds with issuance of 2012 General Obligation Bonds
- (3) Community Development Agency was transferred to Successor Agency



Demographic and Economic Statistics
Last Ten Fiscal Years

Demographic and
Economic
Information:
Schedule 14

<u>Calendar Year</u>	<u>City's Population</u>	<u>City's Unemployment Rate</u>	<u>County's Unemployment Rate</u>	<u>Personal Income Per Capita</u>	<u>K-12 Public School Enrollments</u>
2004	30,671	3.9%	4.9%	\$ 58,353	4,109
2005	30,648	3.4%	4.3%	63,115	4,120
2006	30,750	2.9%	3.7%	69,107	4,124
2007	31,146	3.0%	4.0%	72,941	4,177
2008	31,490	4.1%	4.7%	70,211	4,297
2009	31,865	7.5%	9.2%	65,414	4,498
2010	32,206	7.4%	9.2%	66,629	4,477
2011	32,412	7.0%	8.6%	69,577	4,678
2012	32,412	5.7%	7.1%	not available	4,719
2013	32,881	4.6%	5.7%	not available	4,835



Source:

U.S. Census Bureau, Quickfacts.Census.gov, Population 2012 Estimate

California Labor Market Information, EDD, labormarketinfo.edd.ca.gov, July 2013

US Department of Commerce, bea.gov, CA1-3 Personal Income Summary, County of San Mateo Per capita personal income 2004-2011

California Department of Education, Data Quest/Enrollment over time, school year 2011-12 Menlo Park Elementary Schools K-12 and Menlo Atherton High School



Principal Employers
Current Fiscal Year and Ten Years Prior

Demographic
Economic
Information:
Schedule 15

<u>City's Principal Employers</u>	<u>2012-2013</u>			<u>2003-2004</u>	
	<u>Rank</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>
Facebook, Inc (*)	1	2865	17%	n/a	n/a
SRI International	2	1421	8%	1,185	8%
TE Corporation	3	747	4%	1,040	7%
SHR Hotel, L.L.C.	4	458	3%	n/a	n/a
E*Trade Financial Corporation	5	370	2%	201	1%
Evale Inc	6	328	2%	47	0%
Pacific Biosciences of California	7	300	2%	17	0%
Safeway Stores Inc	8	264	2%	232	2%
United Parcel Service	9	246	1%	n/a	n/a
City of Menlo Park	10	230	1%	248	2%
Top 10 Employers		7,229	43%	2,970	19%
Total Employment of the City's Labor Force		16,900	100%	15,300	100%



Source:

City of Menlo Park, Finance, Business License, calendar year, non-profit organizations' data is not available

State of California, Employment Development Department, Labor Force Report, Unemployment Rates/Labor Force, June 2004, 2013

Notes:

(*) Moved to Menlo Park in 2012

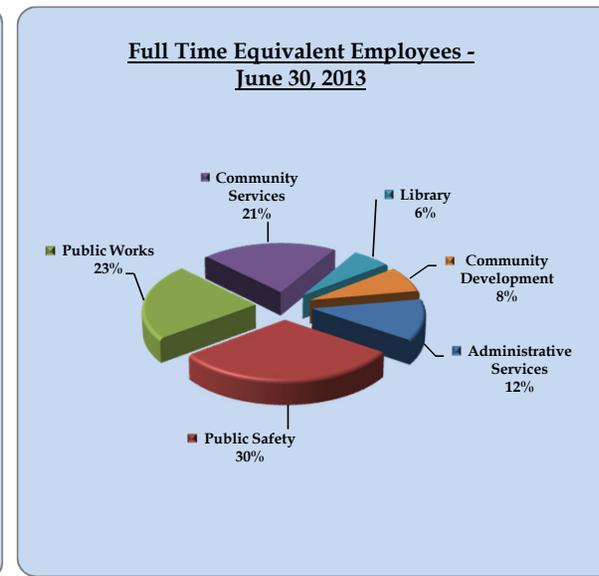
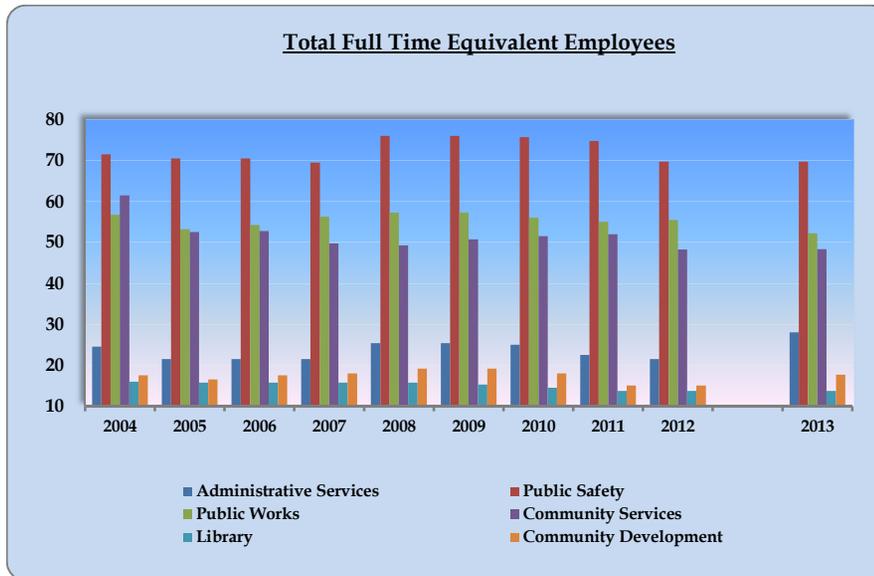
n/a Not Available



Full Time Equivalent City Employees by Function
Last Ten Fiscal Years

Demographic and
Economic
Information:
Schedule 16

<u>FTE by Department</u>	Fiscal year ending June 30, ____									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Administrative Services	24.50	21.50	21.50	21.50	25.35	25.35	25.00	22.50	21.50	28.04
Public Safety	71.50	70.50	70.50	69.50	76.00	76.00	75.75	74.75	69.75 ⁽¹⁾	69.75
Public Works	56.75	53.25	54.25	56.25	57.25	57.25	56.00	55.00	55.50	52.21
Community Services	61.50	52.50	52.75	49.75	49.25	50.75	51.50	52.00	48.25 ⁽²⁾	48.32
Library	16.00	15.75	15.75	15.75	15.75	15.25	14.50	13.75	13.75	13.75
Community Development	17.50	16.50	17.50	18.00	19.15	19.15	18.00	15.00	15.00	17.68
Total Full Time Equivalent Employees	247.75	230.00	232.25	230.75	242.75	243.75	240.75	233.00	223.75	229.75



Source: City of Menlo Park, Human Resources

Remarks:

⁽¹⁾ Reduction of 4.0 FTE San Carlos dispatch during fiscal year 2011-12

⁽²⁾ Reduction of 3.0 FTE Housing Division during fiscal year 2011-12



Operating Indicators by Demand Level of Service, by Function/Program
Last Ten Fiscal Years

Operating Information:
Schedule 17

		Fiscal Year Ending June 30, _____									
<u>FUNCTION/PROGRAM</u>		<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Public Safety	Incidents	34,676	31,977	30,597	36,206	37,997	41,200	39,217	40,675	44,405	41,206
	Calls for Service	18,516	18,467	19,806	18,721	19,736	20,015	19,840	19,752	20,469	22,383
	Officer Initiated Incidents	16,160	13,510	10,791	17,485	18,261	21,185	19,377	20,923	23,936	18,823
Public Works	Transportation:										
	Shuttle Passengers (1)	63,387	71,963	53,978	70,712	68,201	81,837	86,503	83,246	86,004	80,774
	Engineering:										
	Encroachment Permits Issued	257	266	275	274	319	310	289	290	272	300
Culture and Recreation	Parks and recreation:										
	Number of Activity Hours Provided (2)	9,762	9,649	9,571	21,902	119,674	37,869	48,270	37,964	1,662,457	2,403,979 (5)
	Number of recreational activities participants (3)	20,259	20,033	39,987	42,424	237,968	61,514	64,762	88,032	706,830	931,490 (6)
	Library:										
	Books Volumes held	134,294	136,590	143,351	142,735	149,927	151,650	146,429	146,356	150,017	157,155
	Video/DVD held	10,048	11,650	12,569	11,092	15,148	14,989	13,688	14,262	14,728	13,348
	Books Volumes added	9,394	9,153	4,992	9,587	7,613	15,162	9,826	9,587	9,239	11,183
Total Circulations	575,023	602,548	545,764	590,261	707,073	756,808	742,555	726,189	624,699	672,967	
Community Development	Building Permits Issued:										
	Residential Buildings - Count	970	761	824	745	787	652	667	733	655	728
	Residential -Value (\$1000s)	56,527	44,819	55,404	70,643	84,006	51,761	42,033	49,618	44,545	64,932
	Commercial Buildings - Count	210	161	155	185	170	187	160	202	231	229
	Commercial -Value (\$1000s)	25,199	24,425	44,428	112,118	73,820	42,435	32,419	46,756	78,055	61,201
	Accessory Buildings - Count	94	84	107	99	99	74	87	85	73	100
	Accessory -Value (\$1000s)	1,820	4,552	1,062	1,290	2,337	1,039	1,188	1,812	1,925	1,876
	Building Inspection Conducted	10,215	10,159	10,522	10,036	11,197	10,532	8,797	9,928	991	1,088
	Housing and Redevelopment:										
	Below Market Rate - Units sold	1	0	0	8	16	5	2	2	2	1
	Below Market Rate - Units resold	1	0	1	2	0	0	1	3	3	0
	Housing Rehabilitation - New loans	9	3	5	0	0	5	0	0	0	0
	Housing Rehab Loans - Cumulative \$	2,276,512	2,129,896	2,205,021	1,744,741	1,459,047	1,440,877	1,340,433	1,312,380	1,210,372	960,179
	Housing Rehab Homes - Cumulative Count	73	64	58	47	41	41	36	33	32	28
	RDA - Housing Rehabilitation - New loans (4)	-	-	-	-	-	-	4	3	0	0
RDA - Housing Rehab Loans - Cumulative \$	-	-	-	-	-	-	193,000	347,785	337,285	328,676	
RDA - Housing Rehab Homes - Cumulative Count	-	-	-	-	-	-	4	7	7	7	
Administrative Services	Finance:										
	New Business License Applications	527	481	469	649	708	564	308	458	829	811

Source: City of Menlo Park

Note:

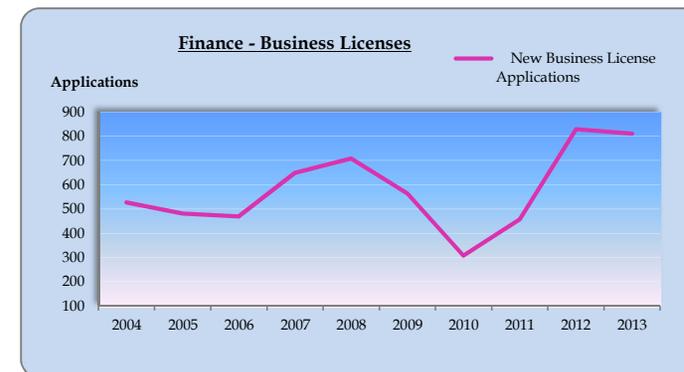
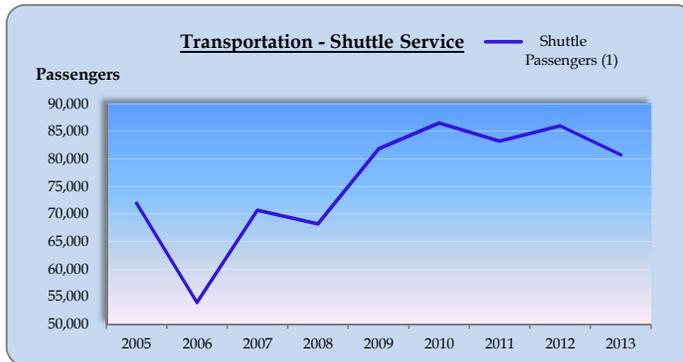
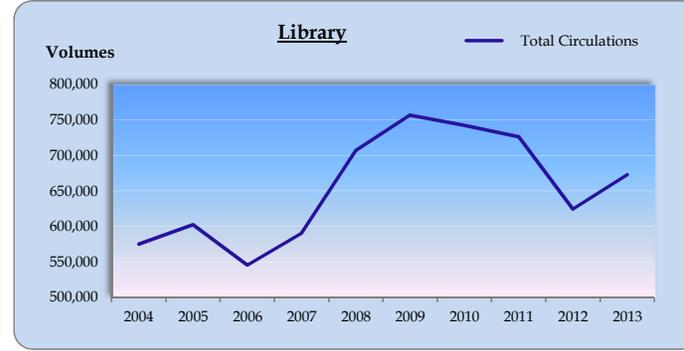
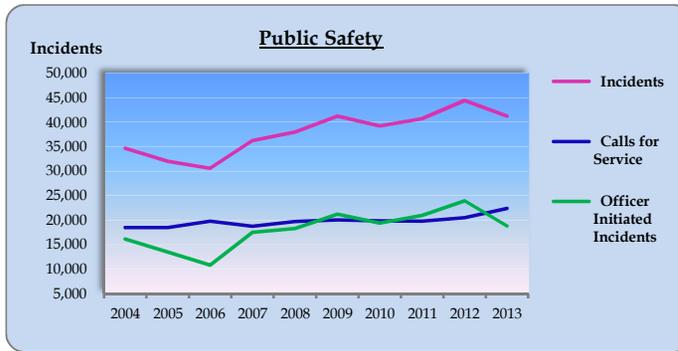
- (1) Public demand of the free shuttles was increased in 2006-07 as a result of frequent promotions of the free service by the City of Menlo Park Transportation Department and the participating companies who promote commute alternatives in peak hours.
- (2) Increased programming in rooms previously used for child care at Burgess and new programs at the Onetta Harris Community Center. The method of calculation may vary from previously submitted information.
- (3) Park and Recreation: Differences in department programming from year to year result in substantial variances in some totals.
- (4) Redevelopment Agency-Housing Rehabilitation Program started in fiscal year 2009-2010, ended in January 2012
- (5) During fiscal year 2011-12, Activity Hour was changed to count every hour each participant in a program or using City service
- (6) During fiscal year 2011-12, Activity Participant was changed to count each visit

(Continued)



Operating Indicators by Demand Level of Service, by Function/Program
Last Ten Fiscal Years

Operating Information:
Schedule 17



Source: City of Menlo Park



Capital Asset Statistics by Function
Last Ten Fiscal Years

Operating Information:
Schedule 18

<u>Function</u>	<u>Facility</u>	<u>Fiscal Year Ending June 30, _____</u>									
		<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Government	Civic Center-Administration	1	1	1	1	1	1	1	1	1	1
	Public Safety	Police Stations	1	2	2	2	2	2	2	2	2
Public Works	Streets (miles)	101	101	101	101	101	101	101	101	100	100
	Streetlights	1659	1718	1718	1718	1718	1718	1719	2233	2233	2233
	Traffic Signals	22	22	22	22	22	22	22	22	22	22
	Water:										
	- Daily average introduced into system (1,000 gallons)	3557	3363	3363	3556	3805	3337	2582	2868	2947	2995
	- Capacity per day (millions of gallons)	4	4	3	4	4	3	3	3	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	59	59	59	59	59	
Parks and Recreation	Child Care Centers	5	5	5	5	5	6	6	6	3	3
	Recreation Center	1	1	1	1	1	1	1	1	1	1
	Library	2	2	2	2	2	2	2	2	2	2
	Parks	13	13	13	13	13	14	14	14	14	14
	Community Centers	2	2	2	2	2	2	2	2	2	2
	Senior Center	2	2	2	2	2	2	2	2	1	1
	Gymnasium	2	2	2	2	2	2	2	2	2	2
	Gymnastics Center	1	1	1	1	1	1	1	1	1	1
	Pools (locations)	2	2	2	2	2	2	2	2	2	2
	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	2	2	2	2	2	2

Source: City of Menlo Park



Capital Asset and Infrastructure Statistics by Activities
Last Ten Fiscal Years

Operating Information:
Schedule 19

Fiscal Year	Non-Depreciable					Depreciable							Combined Total	
	Land	Real Estate	Construction	Total	Share Use			Other		Less: Accumulate	Total			
	Ending Land	Improvement	Held for Sale	in Progress	Non-Depreciable	Buildings	Facilities	Equipment	Improvements	Infrastructure	Depreciation	Depreciable		
Governmental Activities	2004	\$ 221,534,267	\$ 32,705,490	\$ -	\$ 9,060,550	\$ 263,300,307	\$39,706,068	\$ -	\$ 5,919,103	\$ 3,797,004	\$ 97,849,119	\$ (52,039,710)	\$95,231,584	\$358,531,891
	2005	221,534,267	32,900,109	-	8,501,684	262,936,060	39,974,278	-	6,035,756	5,509,784	102,932,198	(55,468,475)	98,983,541	361,919,601
	2006	205,232,510	32,900,109	-	968,145	239,100,764	46,658,887	-	6,201,377	12,081,605	103,885,147	(57,765,455)	111,061,561	350,162,325
	2007	204,949,233	32,900,109	-	600,561	238,449,903	46,933,785	-	5,912,705	12,717,853	105,533,229	(61,481,901)	109,615,671	348,065,574
	2008	204,949,233	32,900,109	-	2,971,197	240,820,539	46,933,785	-	6,162,913	12,782,089	106,952,666	(65,743,622)	107,087,831	347,908,370
	2009	204,949,233	32,900,109	-	3,318,133	241,167,475	46,933,785	-	6,383,215	12,792,366	107,911,764	(69,349,289)	104,671,841	345,839,316
	2010	204,949,233	32,900,109	446,725	5,889,419	244,185,486	47,218,382	2,600,000	6,384,363	12,792,366	108,730,291	(73,724,714)	104,000,688	348,186,174
	2011	204,949,233	32,900,109	648,285	6,979,308	245,476,935	65,959,147	2,600,000	6,464,074	12,878,068	109,994,804	(76,800,272)	121,095,821	366,572,756
	2012	199,254,256	32,900,109	1,643,404	2,112,344	235,910,113	76,591,580	2,600,000	6,929,594	16,259,990	110,974,228	(80,489,073)	132,866,319	368,776,432
	2013	199,256,305	32,900,109	733,597	2,537,004	234,693,418	76,762,760	2,600,000	7,064,784	16,370,783	113,871,991	(83,296,591)	133,373,727	368,067,145
Business-type Activities	2004	\$ 1,066,454	\$ -	\$ -	\$ 262,293	\$ 1,328,747	\$ 3,945,489	\$ -	\$ 585,643	\$ -	\$ 4,457,930	\$ (5,167,837)	\$ 3,821,225	\$ 5,149,972
	2005	1,066,454	-	-	1,936,034	3,002,488	3,945,489	-	585,643	-	4,874,739	(5,288,437)	4,117,434	7,119,922
	2006	1,066,454	-	-	183,225	1,249,679	4,141,695	-	589,093	-	6,812,639	(5,352,175)	6,191,252	7,440,931
	2007	1,066,454	-	-	277,361	1,343,815	4,165,957	-	589,093	-	6,812,639	(5,520,161)	6,047,528	7,391,343
	2008	1,066,454	-	-	561,544	1,627,998	4,159,460	-	621,809	-	6,812,639	(5,689,537)	5,904,371	7,532,369
	2009	1,066,454	-	-	793,183	1,859,637	4,159,460	-	566,303	-	6,812,639	(5,777,412)	5,760,990	7,620,627
	2010	1,066,454	-	-	1,133,544	2,199,998	4,159,460	-	569,755	-	6,812,639	(5,951,168)	5,590,686	7,790,684
	2011	1,066,454	-	-	2,041,278	3,107,732	4,159,460	-	503,003	-	6,812,639	(6,046,123)	5,428,979	8,536,711
	2012	1,066,454	-	-	1,555,026	2,621,480	4,159,460	-	542,565	-	8,371,534	(6,170,823)	6,902,736	9,524,216
	2013	1,066,454	-	-	2,310,988	3,377,442	4,159,460	-	542,565	-	8,371,534	(6,371,319)	6,702,240	10,079,682

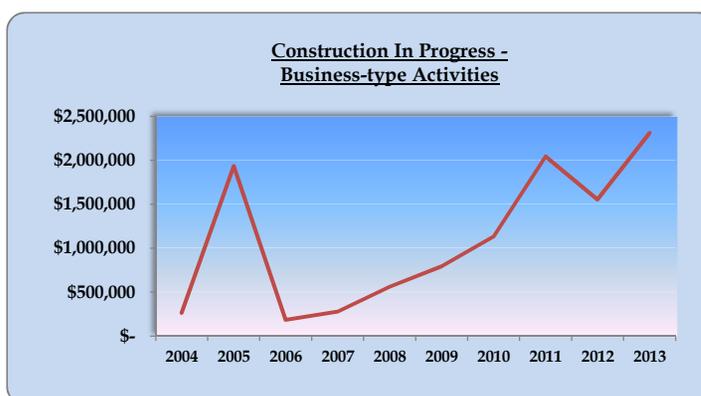
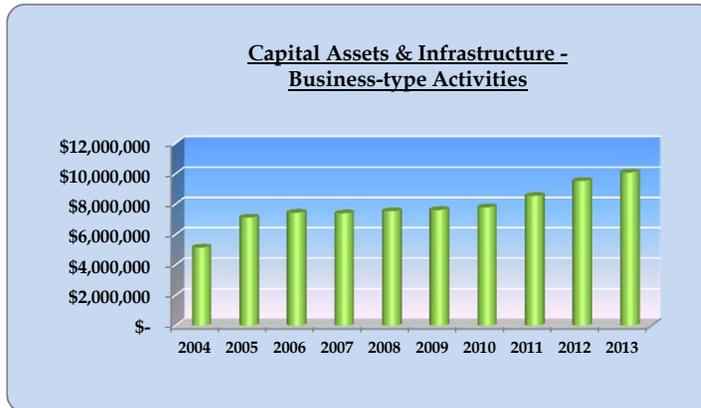
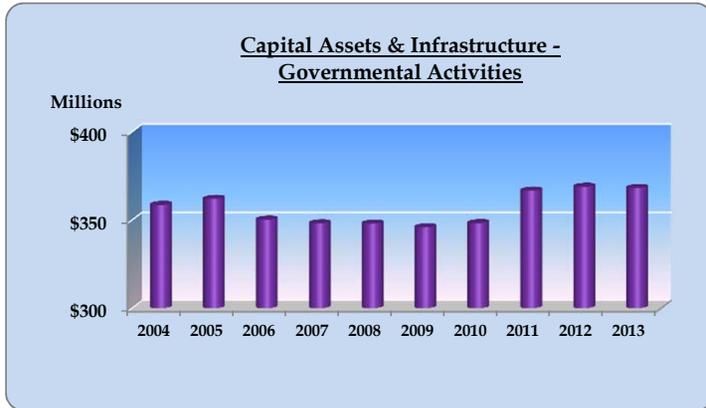
Source: City of Menlo Park

(Continued)



Capital Asset and Infrastructure Statistics by Activities
Last Ten Fiscal Years

Operating Information:
Schedule 19



Source: City of Menlo Park

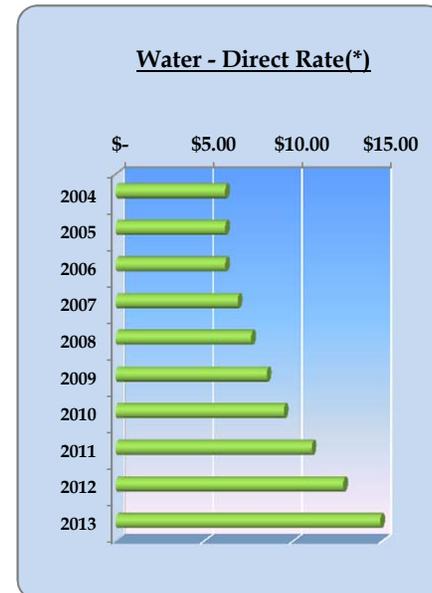
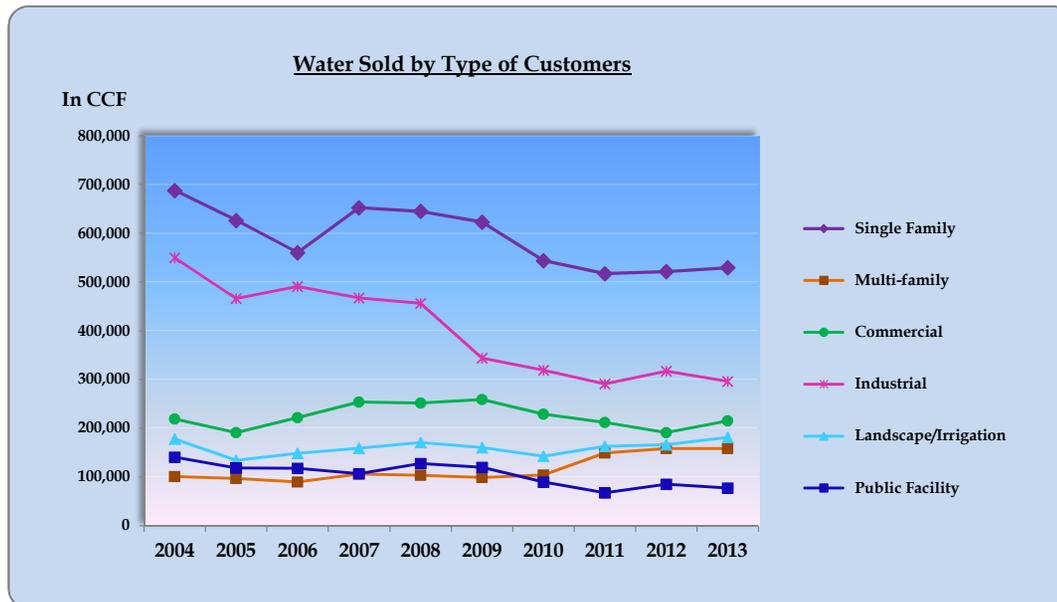


Water Sold by Type of Customer
Last Ten Fiscal Years

Operating Information:
Schedule 20

(in CCF)

<u>Type of Customer</u>	<u>Fiscal year ending June 30, ____</u>										<u>10-year Trend</u>
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	
Single Family	687,498	626,255	560,166	652,204	644,785	623,012	543,758	516,958	521,341	529,161	
Multi-family	101,149	97,178	89,682	106,339	103,263	98,672	104,032	149,228	158,342	158,386	
Commercial	219,354	190,834	221,551	253,596	251,400	258,675	229,159	211,796	190,988	215,162	
Industrial	549,563	466,153	491,050	467,379	456,315	343,516	319,117	291,137	316,857	295,864	
Landscape/Irrigation	177,958	134,150	148,601	159,097	170,846	160,021	142,781	163,080	166,262	181,100	
Public Facility	141,001	118,424	117,785	107,003	127,811	119,814	89,655	67,389	85,474	77,494	
Total Water Sold - CCF	1,876,523	1,632,994	1,628,835	1,745,618	1,754,420	1,603,710	1,428,502	1,399,588	1,439,264	1,457,167	
Direct Rate(*)	\$ 6.15	\$ 6.15	\$ 6.15	\$ 6.85	\$ 7.61	\$ 8.48	\$ 9.44	\$ 11.01	\$ 12.78	\$ 14.86	



Source: California Water Service Company, City of Menlo Park

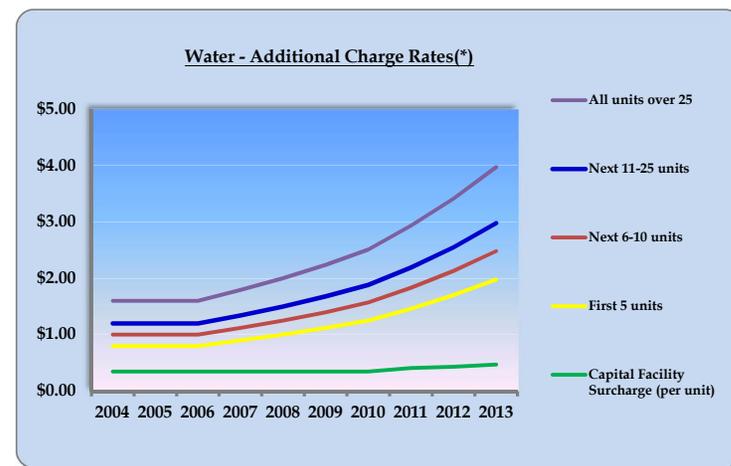
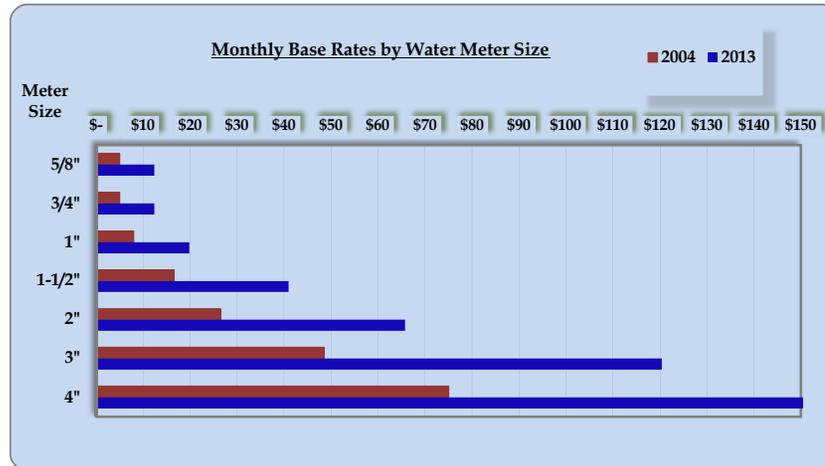
Notes: 1 unit is 748 gallons

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



Water Service Rates
Last Ten Fiscal Years

Monthly Base Rate by Meter Size	Fiscal Year Ending June 30, ____									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
5/8"	5.00	5.00	5.00	5.60	6.26	7.01	7.84	9.14	10.65	12.41
3/4"	5.00	5.00	5.00	5.60	6.26	7.01	7.84	9.14	10.65	12.41
1"	8.00	8.00	8.00	8.95	10.02	11.21	12.54	14.61	17.03	19.85
1-1/2"	16.50	16.50	16.50	18.46	20.66	23.12	25.87	30.15	35.14	40.95
2"	26.50	26.50	26.50	29.65	33.18	37.13	41.55	48.42	56.43	65.77
3"	48.50	48.50	48.50	54.27	60.73	67.96	76.04	88.62	103.27	120.36
4"	75.00	75.00	75.00	83.93	93.91	105.09	117.59	137.04	159.71	186.12
6"	166.50	166.50	166.50	186.31	208.48	233.29	261.06	304.24	354.56	413.20
8"	369.50	369.50	369.50	413.47	462.67	517.73	579.34	675.16	786.83	916.98
10"	820.00	820.00	820.00	917.58	1,026.77	1,148.96	1,285.68	1,498.33	1,746.16	2,034.97
Additional charges (*)										
First 5 units	0.80	0.80	0.80	0.90	1.00	1.12	1.25	1.46	1.70	1.98
Next 6-10 units	1.00	1.00	1.00	1.12	1.25	1.40	1.57	1.83	2.13	2.48
Next 11-25 units	1.20	1.20	1.20	1.34	1.50	1.68	1.88	2.19	2.55	2.98
All units over 25	1.60	1.60	1.60	1.79	2.00	2.24	2.51	2.93	3.41	3.97
Capital Facility Surcharge (per unit)	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.41	0.43	0.47



Source: City of Menlo Park, Master Fee Schedules

Notes: (*) Additional charge is based on monthly meter readings, one unit is 748 gallons.

The Menlo Park Municipal Water District charges an excess-use rate above normal demand.

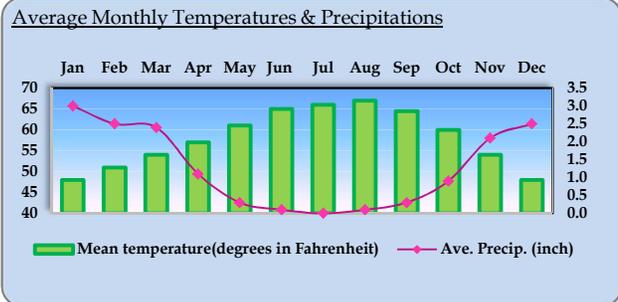


Miscellaneous Statistics

June 30, 2013

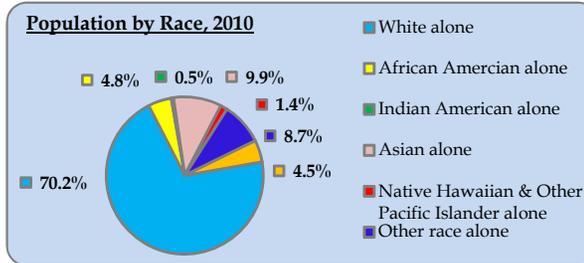
Operating Information:
Schedule 22

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 in square miles, 2010	18
Sunny Days a year	265
Average Annual Rainfall	15.71"



Demographic Profile

Population, 2011 Estimate	32,412
People per square miles, 2010	3,271
Male Persons, 2010	48.1%
Female Persons, 2010	51.9%
Median age (years), 2010	39.0



Social Characteristics

<i>Percentage Speak English only</i>	
Age 5 - 17	17.2%
Age 18-64	65.9%
Age 65+	17.0%
<i>Percentage Speak a language other than English:</i>	
Age 5 - 17	15.2%
Age 18-64	76.7%
Age 65+	8.1%
<i>Education Attainment -Population 25 years and over</i>	
Less than high school graduate	7.2%
High school graduate or equivalent	8.6%
Some college or associate's degree	16.1%
Bachelor's degree	31.0%
Graduate or professional degree	37.0%
<i>Marital Status</i>	
Never married	68.1%
Now married - except separated	52.2%
Divorced or separated	11.8%
Widowed	5.7%
<i>Citizenship Status</i>	
Native, 5 years and over	76.6%
Foreign-born, 5 years and over	23.4%
Naturalized U.S. citizen	9.8%
Not a U.S. citizen	13.7%
<i>Poverty Status in the past 12 months, 2008</i>	
Below poverty level	7.6%
At or above poverty level	92.4%

Housing Characteristics

Total housing units	13,313
Occupied housing units	12,601
Homeownership rate	58.4%
Housing units in multi-unit structures	36.7%
Median value of owner-occupied homes	\$ 1,000,001
Foreign born persons	23.9%

Schools

Preschools	16
Public schools, K-12	6
Private schools, K-12	9
Charter schools	2
Adult education institutions	2
Colleges, public & private	3

Utilities and other services:

Water Services	4
Sewer Service	1
Refuse Removal & Recycling Service	1
Gas & Electricity Service	1
Police protection, stations	2
Menlo Park Fire District, stations	7
Hospitals/Medical Clinics	2
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 (USGS)	
Movie theater, the Guild	1
Clubs/Organizations	13
Places of worship	22

Source: Menlo Park Chamber of Commerce, City of Menlo Park
 CountryStudies.us/united-states/weather/california/menlo-park.htm
 U.S. Census Bureau, 2010 Demographic Profile Data, ACS Demographic & Housing Estimates 2006-2010