

Menlo Park Fire Protection District



*For Fiscal Year Ended June 30, 2013
Comprehensive Annual Financial Report
Menlo Park, California*





MENLO PARK FIRE PROTECTION DISTRICT
MENLO PARK, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2013

Prepared By:
Administrative Services



MENLO PARK FIRE PROTECTION DISTRICT
Comprehensive Annual Financial Report
For the Year Ended June 30, 2013

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MENLO PARK FIRE PROTECTION DISTRICT

PRINCIPAL OFFICERS

BOARD OF DIRECTORS

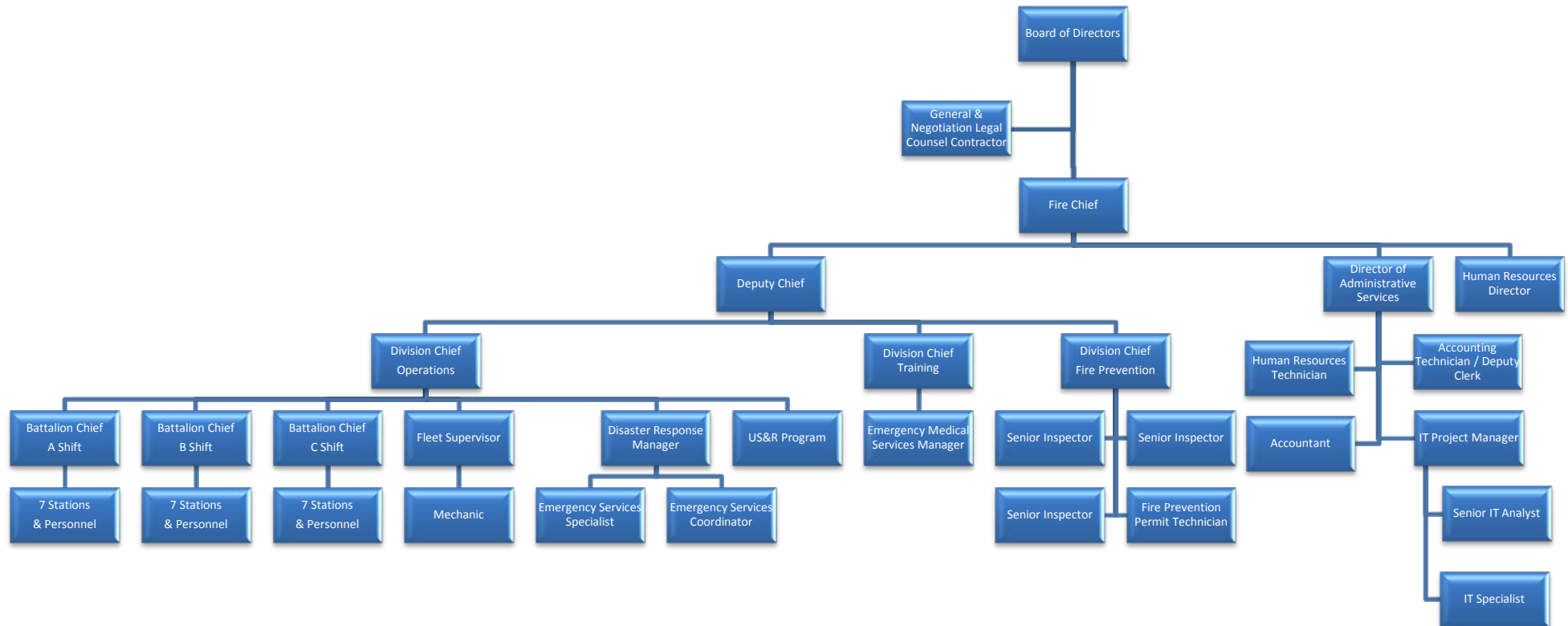
President	.....	Stephen Nachtsheim
Vice President	.....	Jack Nelson
Director	.....	Rex Ianson
Director	.....	Virginia Chang Kiraly
Director	.....	Rob Silano

PRINCIPAL STAFF (Organizational Chart Order)

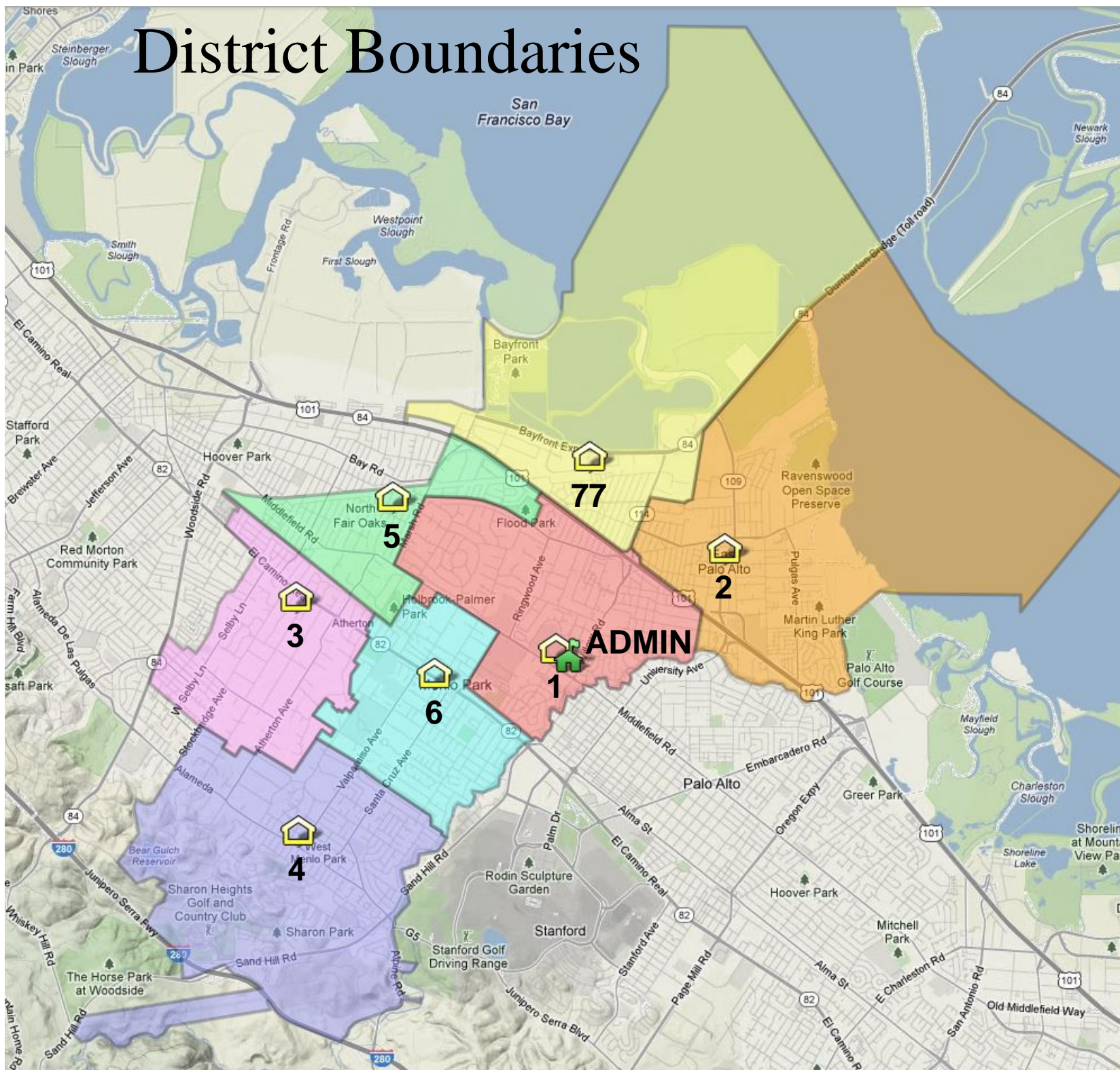
Fire Chief	.....	Harold Schapelhouman
Director of Admin. Svcs	.....	Michele Braucht
Deputy Chief	.....	Vacant
Division Chief (Operations)	.....	Frank Fraone
Division Chief (Training)	.....	Manny Navarro
Division Chief (Fire Marshal)	.....	Vacant
Battalion Chief	.....	Michael Shaffer
Battalion Chief	.....	Ben Marra
Battalion Chief	.....	Jim Stevens

MENLO PARK FIRE PROTECTION DISTRICT ORGANIZATIONAL CHART

Revised on 6-30-2012



District Boundaries



**Administration and
Fire Prevention Office**
170 Middlefield Road
Menlo Park, CA 94025

Station 1
300 Middlefield Road
Menlo Park, CA 94025

Station 2
2290 University Avenue
East Palo Alto, CA 94303

Station 3
32 Almedral Avenue
Atherton, CA 94027

Station 4
3322 Alameda De Las Pulgas
Menlo Park, CA 94025

Station 5
4101 Fairoaks Avenue
Menlo Park, CA 94025

Station 6
700 Oak Grove Avenue
Menlo Park, CA 94025

Station 77
1467 Chilco Avenue
Menlo Park, CA 94025

MENLO PARK FIRE PROTECTION DISTRICT



Administration & Fire Prevention Office
170 Middlefield Road, Menlo Park



Station 1
300 Middlefield Road, Menlo Park



Station 2
2290 University Avenue, East Palo Alto



Station 3
32 Almedral Avenue, Atherton



Station 4
3322 Alameda De Las Pulgas, Menlo Park



Station 5
4101 Fair Oaks Avenue, Menlo Park



Station 6
700 Oak Grove Avenue, Menlo Park



Station 77
1467 Chilco Avenue, Menlo Park



Menlo Park Fire Protection District

Fire Chief

Harold Schapelhouman

300 Middlefield Road • Menlo Park, CA 94025 • Tel: 650.688.8400 • Fax: 650.323.9129

Website: www.menlofire.org • Email: mpfd@menlofire.org

Board of Directors

Stephen Nachtsheim

Jack Nelson

Rex Ianson

Virginia Chang Kiraly

Rob Silano

September 13, 2013

Board of Directors

Menlo Park Fire Protection District

170 Middlefield Road

Menlo Park, California 94025

Honorable Members of the Board:

I am pleased to submit the Menlo Park Fire Protection District's Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2013, to you and to the residents of the District.

This report has been prepared by the Administrative Services Division following the guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA) and is in conformance with generally accepted accounting principles for state and local governmental entities established by the Governmental Accounting Standards Board (GASB). Responsibility for the accuracy, completeness and fairness of the presented data and the clarity of presentation, including all disclosures, rests with the management of the District. The information in this report is intended to present the reader with a comprehensive view of the District's financial position and the results of its operations for the fiscal year ending June 30, 2013, along with additional disclosures and financial information designed to enable the reader to gain an understanding of the District's financial position and activities.

This report was prepared as prescribed in Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (GASB 34). GASB No. 34 requires a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found in the financial section of this report.

The Reporting Entity and Its Service

History of the Menlo Park Fire Protection District

When the brass bell that hung in the first firehouse in Menlo Park on Merrill Street rang, Menlo Park Hose Company No. 1 sprang into action. A horse-drawn wagon was pulled from the small wooden structure at the end of Santa Cruz Avenue, to await a team of horses. Then the race was on from the livery stable to the site of the emergency. The first of the two all-volunteer express fire companies that arrived at the scene was paid for the use of its horses that hauled the hose wagon to the fire. There were seventeen volunteers members in total serving Menlo Park at the time and responses to fire incidents could be chaotic.



On September 16, 1915, a note of order was introduced to the community when a group of sixty-two residents petitioned the San Mateo County Board of Supervisors to approve the formation of a Special District to provide fire services to the area and thus the Menlo Park Fire Protection District was created.

The boundaries of the fire district eventually followed lines similar to those drawn for the original incorporation of Menlo Park, which included Fair Oaks, (later Atherton) and Ravenswood, (later East Palo Alto). The original incorporation of the City of Menlo Park was approved on March 23, 1874, making it the second incorporated city in San Mateo County. This incorporation, which was undertaken primarily to provide a quick way to raise money for road repairs, was short-lived and had been undone by 1876. A second incorporation effort was initiated in 1923 and would have included what is now the Town of Atherton. The residents of Atherton, however, had incorporation ideas of their own and beat Menlo Park representatives to the County Courthouse to file incorporation papers by only minutes. The residents of Menlo Park delayed the submission of its incorporation petition and the city was not finally incorporated until 1927. East Palo Alto remained as an unincorporated area until 1983. The Menlo Park Fire District is thus actually older than the three cities it protects.

Three years after the Fire District was formed a new firehouse was put into service and it housed an electrically operated siren, replacing the old brass bell. The new firehouse, which was a brick building at 1077 Merrill Street in Menlo Park, served as the main firehouse for the District until 1955, when operations were moved to what is now Fire Station 1, at 300 Middlefield Road.

The District has been served by many Fire Chiefs. The first of these was Fire Chief Frank P. Roach, a volunteer. Four years after the District's formation, Fred Whitaker became the first paid Fire Chief in 1919. Whitaker was a retired captain from the San Francisco Fire Department who brought with him an extensive background in fire fighting techniques. During the first nine years of Whitaker's tenure, there was only one paid firefighter, Leslie Brown, who had been hired in 1918. He worked a demanding schedule of twenty-four hours a day, seven days a week for very meager wages. He was ultimately promoted to Assistant Chief. The paid staff remained at two until 1928, when a second paid firefighter joined the payroll.

When Chief Whitaker left the district in 1932, Thomas F. Cuff, a former Berkeley Fire Department captain, assumed the Chief's position. He headed the department until 1955. The Menlo Park Firefighters' Association has named its antique fire apparatus "Old Tom" in his honor.

George B. Carter followed Chief Whitaker. He started his forty-four year career with the District in 1928. Before his retirement in 1972, Carter had worked his way up through the ranks and was promoted to Fire Chief in 1955.



In 1972, the Chief's position was filled by Robert Whitney who, like Carter, ascended through the ranks, starting his career with the district in 1946. He was succeeded by Vince Del Pozzo in 1978, another career Menlo Park firefighter.

Following Chief Del Pozzo's retirement in 1984, Winfred Baker won the top position, but served for less than a year. Several interim Fire Chiefs served the District until Jack Bennett was hired as Chief in 1985, after completing a career with the Los Angeles City Fire Department, having retired from that agency as Assistant Chief.

Bennett served until his retirement in 1992, and was replaced by Rick Tye, who was Chief of the Marysville Fire Department prior to his appointment to the Menlo Park Fire Protection District's position. It was toward the end of Chief Bennett's term and during Chief Tye's that the District began training paramedics. The District was the first fire agency in San Mateo County to have paramedics on each fire engine, beginning on December 19, 1994. Engineer Paramedic Michael Cochrane administered the first Advanced Life Support treatment to a pediatric patient in respiratory distress four minutes into the morning of that first day.

In November of 1998, the Board of Directors hired Chief Miles Julihn, who retired in 2002. In September of 2002, the Board appointed Paul S. Wilson as the Fire Chief. He served for not quite three years. On August 22, 2005, Douglas Sporleder was appointed as the District's Fire Chief. Chief Sporleder retired from the District and was followed by the District's current Fire Chief, Harold Schapelhouman. Chief Schapelhouman joined the District in 1981, and was appointed Fire Chief in January of 2007. Chief Schapelhouman suffered a tragic accident while working in his yard in May of 2013 and has been on a medical leave of absence since that time. During his absence, the District has been very capably led by two Interim Fire Chiefs. Chief Sporleder returned and served for three months. In late August of 2013, Chief Daniel T. Belville, who previously served as fire chief of several Peninsula cities including San Mateo and Foster City, stepped in on an interim basis and continues to provide the District Board and employees with leadership and stability.

Over the years, the population of the Menlo Park Fire Protection District has grown significantly, and stations have been added as new communities formed. The District boundaries grew to cover approximately seventeen square miles by the 1940's. In recent years, much of the marshland and bay water area has been added to the District's responsibilities, enlarging the District's geographic area to thirty square miles. The District provides emergency response services from seven fire stations. The seventh fire station was added in the eastern portion of the City of Menlo Park in 1997.

On October 12, 1993, the Menlo Park Fire Protection District entered into an agreement with the Federal Emergency Management Administration (FEMA) and the State of California and became the sponsoring agency for California Task Force 3 Urban Search and Rescue. The Task Force provides critical emergency response services as one of twenty-eight teams that comprise the National Search and Rescue Response System. Chief Schapelhouman led the District's deployment to New York in response to the September 11th tragedy and to the District's deployment to New Orleans during the aftermath of hurricane Katrina. The Menlo Park Fire Protection District's Task Force 3 has a distinguished record of response to the nation's most significant recent emergencies.

The District Today

The Menlo Park Fire Protection District is a Special District as defined under the Fire Protection District Law of 1987, Health and Safety Code Section 13800, of the State of California. The Board of Directors consists of five locally elected citizens, who serve four-year terms. Any resident of the District who is a registered voter may run for a Board seat. Elections are held every two years, on the years ending in odd numbers. In November of 2013, three seats will be on the ballot. The Board President and the Vice President are elected by the Board from its own ranks and serve for one-year terms. The Board meets once a month in the classroom at Fire Station 1.

The District has 112.60 full time equivalent employees (FTE). Of this total, 98 provide direct fire services. These frontline District employees are supported by 14.60 staff members who provide day-to-day administrative and financial services, maintain and manage the District's fleet of vehicles, and oversee emergency preparedness, including the management of citizen volunteers in the Community Emergency Response Team (CERT) program.

The District is responsible for providing the highest level of emergency and non-emergency services to the community in an effort to protect and preserve life and property from the impact of fire, disaster, injury and illness. The Menlo Park Fire Protection District protects a growing population of over 90,000 residents with seven fire stations, strategically placed to minimize response times. Within the District's response area are Facebook, the office of the United States Geological Survey (USGS), the Veteran's Affairs Hospital (VA), and the Stanford Research Institute (SRI). As the primary first responder, the Menlo Park Fire Protection District answers approximately 7,431 calls that are reported to the National Fire Incident Reporting System (NIFRS) and 1,069 other calls that are not tracked by NIFRS, totaling 8,500 calls per year. Emergency call dispatching is provided through a countywide consolidated Fire Dispatch Center. Menlo Park Fire is also the proud sponsor of California Task Force 3, an Urban Search and Rescue Program affiliated with the Federal Emergency Management Agency (FEMA). In the past the Task Force has responded to Hurricanes Frances, Ivan, Dennis, Katrina, Ernesto and Gustav. The Fire District provides a wide range of emergency services consisting of fire suppression, rescue, emergency medical services, emergency preparedness, public education, arson investigation, and fire and hazardous materials inspections.



In March 2012, with the adoption by the Board of Directors of Resolution #1516-2012, the District began providing fire protection services to the Stanford Linear Accelerator Center (SLAC) under a memorandum of agreement. The scope of assistance, as defined in the agreement, includes the provision by the District of fire suppression, technical rescue, and emergency medical services within the SLAC Service Area, upon receiving a request from Stanford University for such services. The scope of assistance is determined based on an incident-by-incident basis and the volume of calls and type of response. The District's fire suppression activities include responses to structural, wild land, and vehicular fires. The District also provides management, planning, and training services to SLAC. The District receives fees on a monthly basis related to ongoing, site specific reviews, training, and preparation. Basic emergency services are not subject to a fee, unless they involve significant incidents lasting over two hours. Such services are billed at rates set within the agreement.

District Comprehensive Annual Financial Report

Maze and Associates, a firm of certified public accountants, have audited the District's financial statements. The independent audit provides the reader reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2013, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used, and evaluating the overall financial statement presentation. Based upon the audit, the independent auditors concluded that there was reasonable basis for rendering an unqualified opinion that the District's financial statements for the fiscal year ended June 30, 2013 are fairly presented in conformity with generally accepted accounting principles (GAAP). The independent auditor's report is presented with the financial section of this report.

This Comprehensive Annual Financial Report is presented in five sections:

1. Introductory section, which includes the transmittal letter and general information.
2. Management's Discussion and Analysis.
3. The Basic Financial Statements, including the government-wide and the fund financial statements, along with notes to the financial statements.
4. Required supplemental information.
5. Statistical information.

This Comprehensive Annual Financial Report will be submitted to the Government Finance Officers Association (GFOA) for consideration to be awarded its Achievement of Excellence in financial reporting certification. This award is granted only to entities whose reports meet the highest standards of municipal financial reporting.

Accounting System and Budgetary Control

The District's accounting records are maintained on a modified accrual basis. Revenues are recorded when both measurable and available, and expenditures are recorded when goods or services are received.

The District's budget is adopted by resolution prior to the Special District State-mandated deadline of October 1st. The District targets the final meeting in June for the annual adoption of the budget, tying the process to the fiscal year. Revenues and expenditures in the General Fund are authorized in the final budget resolution at the fund level. The Division Chiefs are held accountable at the Division level, by major expenditure categories. Debt Service Funds Transfers In are budgeted based on the average total coupon payment, less the final two payments, which are part of the reserve balance requirement. Capital projects are budgeted at the individual project level. The California Urban Search and Rescue Task Force 3 is budgeted based upon a cooperative agreement in compliance with the restrictions of the grant.

Amounts set aside as reserves or designations in a fund which in the opinion of the Board are no longer necessary, amounts appropriated as contingencies in a fund, transfers between budget units, and other budgetary designations may be created, eliminated, revised in amount, or otherwise amended by an affirmative vote of three members of the Board at any regular or special meeting. By Resolution #1458-2011 and 1505-2011, in June 2011, the Board of Directors authorized the adoption of a formal fund balance policy and the reclassification of the District's fund balance to comply with GASB Statement No. 54. The Fund Balance Policy is designed to strengthen the District's oversight of reserve funds and to ensure that the District is optimally positioned to respond to fiscal downturns.

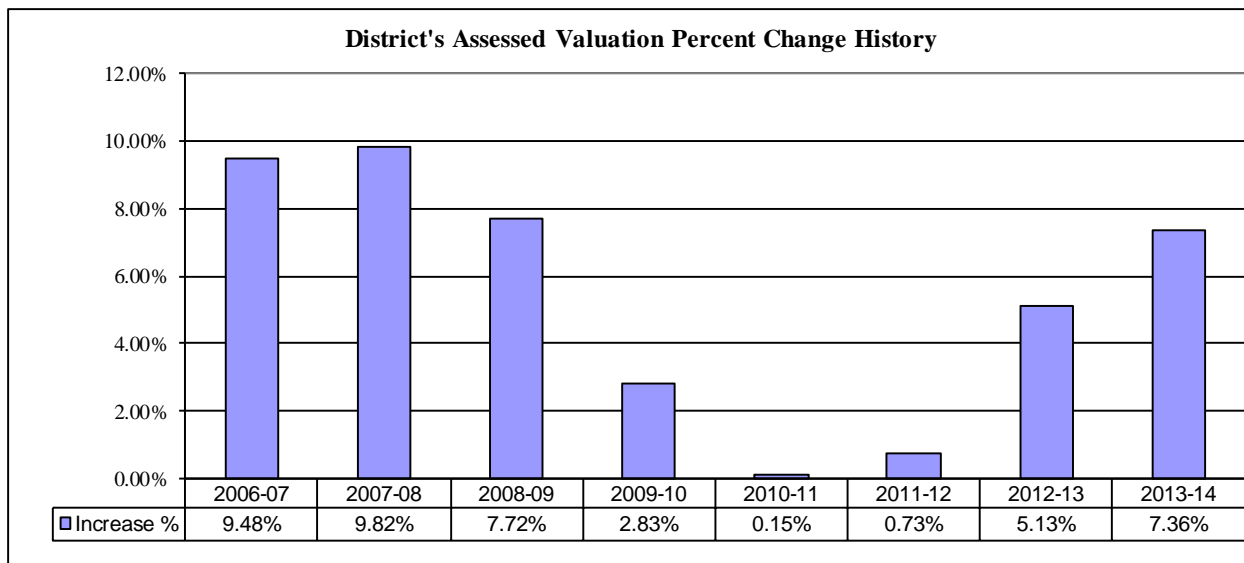
Internal Control

In order to comply with Statement on Auditing Standards (SAS) No. 114, regarding the auditors' communication with those charged with governance, on August 6, 2008, the Board of Directors appointed the District's Finance Committee, which is comprised of two Board members, to act as a point of contact for communication with the District auditors and established a process for the Board Members to receive full disclosure of the District's audit results. At the year ended, June 30, 2013, the auditors had no comments or findings to report to the Audit Committee.

Leveraging the limited staff resources available, the District has put in place all reasonable checks and balances and taken steps to the accuracy of internal accounting control. Internal accounting controls are designed to provide reasonable assurance. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Local Economic Factors

The District enjoyed the financial benefits associated with a strengthening local and State economy during 2012-13. The District is dependent on property taxes to support operations. In 2012-13, the net property tax revenue accounted for almost 94% of operating revenue received. The improvement in the economy directly impacts the District's property tax base. For the prior two fiscal years (2010-11 and 2011-12) growth in the assessed valuation roll was minimal, leading to a flattening in property tax receipts. In 2012-13, however, assessed value grew by over five percent and the District's property tax revenues followed suit. This growth has continued into the 2013-14 fiscal year and the San Mateo County Assessor's Office is projecting continued growth for 2014-15. The following chart demonstrates eight years of assessed valuation history for the District.



Exemplifying the recovery of the local economy is the social networking service, Facebook, which moved to the city of Menlo Park in 2011. The firm entered into a fifteen year building lease with the Oracle Corporation, with an option to purchase the property after five years. Facebook has undertaken a major redevelopment of the property and the District is in the process of working closely with the company on the construction of its West campus, which consists of 433,656 square feet. With a growing number of employees and a growing campus, Facebook has helped the local economy tremendously. The Fire District has received permit fees and other fees, such as a Traffic Pre-emption device fee, and provides fire services and emergency services as needed.

Another local economic factor concerns the former Redevelopment Agencies (RDA's) of the Cities of Menlo Park and East Palo Alto. As part of the 2011-12 State budget adoption process, ABX1 26 (the Dissolution Act) and ABX1 27 (the Voluntary Program Act) were enacted into law and fundamentally restructured California Community Redevelopment Law. The Dissolution Act immediately suspended all new redevelopment activities and provided for the orderly dissolution of all existing RDA's, including Menlo Park's RDA, which was formed in 1981, and East Palo Alto's RDA which was formed in 1990. These two agencies were dissolved through the formation of Successor Agencies. The District is directly impacted by the State's actions.

Upon dissolution of an RDA, all of its assets and liabilities reverted to the "Successor Agency," usually sponsored by the city which originally formed the RDA. The Successor Agency plays a key day-to-day role in assuring that the existing obligations of the former RDA are properly paid and that the agency's properties and other assets are properly disposed of. An Oversight Board was created for every RDA to oversee the actions of the Successor Agencies. The State Department of Finance has the authority to overturn any action by any Oversight Board. Each Oversight Board of a Successor Agency has seven members: two appointed by the County Board of Supervisors, one by the Mayor, one by the largest Special District taxing entity in the former RDA, one by the County school Superintendent, one by the local Community College Chancellor, and one former RDA employee appointed by the Mayor/Board of Supervisors.

As the largest Special District in both the Menlo Park and East Palo Alto RDA communities, the Menlo Park Fire Protection District appointed one member to each of the RDA Successor Agencies' Oversight Boards. The Fire District now receives pass through property tax payments annually from the County Controller's Office on behalf of the RDA's. While the continued receipt of these funds is uncertain, the District does benefit from the pass-through revenues and has included \$1.4 million in estimated revenues from this source for 2013-14. Because of their uncertain future, these revenues are treated as one-time in nature and are used to support one-time undertakings, such as capital projects.

Management's Discussion and Analysis, which follows this Introductory Section, includes an extensive discussion on the District's property tax base and other economic factors.

Fiscal & Financial Planning

The Board of Directors places a high priority on closely monitoring the impact of the economy on the District's finances and upon the District's ability to maintain current service levels, meet infrastructure needs, and to build and maintain healthy reserve balances. The Board is committed to a fiscally responsible decision-making process. The budget preparation and adoption process is guided by several basic fiscal tenets:

- ☒ Ongoing operating expenditures are to be paid with ongoing operating revenues.
- ☒ Services provided by District Staff that have a cost recovery element should be as close to a 100% cost recovery as is feasible.
- ☒ Alternate revenue sources such as grants are encouraged with the caveat that the associated expenditures have a limited life equal to that of the revenue source.
- ☒ Paid time off balances, such as annual leave, will be funded at 100% pay out values per Memorandum(s) of Understanding and compensation and benefit plans effective at the end of the each fiscal year.

The District has incorporated these tenets into its fiscal strategies and uses them to set fiscally responsible short- and long-term goals. The District continues to provide a high level of reliable service to the public. Despite the economic downturn that troubled the last two fiscal years, the District's reserves are healthy and its long-term financial outlook is strong. Fire stations have not been closed. Fire Engines have not been taken out of service. Employees have not been laid off or furloughed. Service levels have been maintained. Effective leadership and prudent fiscal practices continue to ensure that the community the District serves will receive the service level that it has come to expect.

Awards and Acknowledgments

The Government Finance Officers Association of the United States of America and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Menlo Park Fire Protection District for its comprehensive annual financial report for the year ended June 30, 2012. This was the third year the District has achieved this prestigious fiscal award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR). This report must satisfy both generally accepted accounting principles and applicable legal requirements.

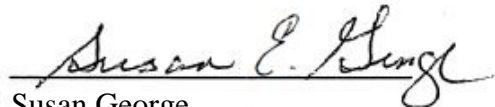
The Menlo Park Fire Protection District believes that submitting the District's CAFR for award consideration provides reassurance to readers of the CAFR of the document's quality and accountability.

I would like to thank all the members of the District's staff who were involved in the preparation of the 2012-13 CAFR and who continue to provide outstanding support to the day-to-day financial management of the District. I am especially grateful for the dedication, expertise, and hard work of Accountant Fariba Ghahremani. Her efforts and output are greatly appreciated.

I would also like to acknowledge the accounting firm of Maze and Associates, which was instrumental in assisting the District in preparing this document.

Finally, I would like to thank the Board of Directors, the Finance Committee, and the Fire Chief for their continuing support of the District's efforts to achieve excellence in financial reporting.

Respectfully submitted,

A handwritten signature in cursive script, reading "Susan E. George". The signature is written in dark ink and is positioned above the printed name.

Susan George
Interim Director of Administrative Services



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Menlo Park Fire
Protection District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the Board of Directors
Menlo Park Fire Protection District
Menlo Park, California

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Menlo Park Fire Protection District (District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District'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 the 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 District'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 District'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 and each major fund of the District as of June 30, 2013, and the respective changes in financial position and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Management adopted the provisions of the following Governmental Accounting Standards Board Statement, which became effective during the year ended June 30, 2013 that resulted in certain changes in nomenclature on the financial statements:

Statement 63 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. See note 1J to the financial statements for relevant disclosures.

The emphasis of this matter does not constitute a modification to our opinions.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a 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 generally accepted auditing standards 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 District's basic financial statements as a whole. The Introductory Section, Supplemental Information, and Statistical Section as listed in the Table of Contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 Supplemental Information is 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2013 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Pleasant Hill, California
September 13, 2013



MENLO PARK FIRE PROTECTION DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2013

INTRODUCTION

The following provides an overview and analysis of fiscal operations during the fiscal year ended June 30, 2013 for the Menlo Park Fire Protection District. The Management's Discussion and Analysis (MD&A) is to be read in conjunction with the annual Transmittal Letter and the Basic Financial Statements. Management's Discussion and Analysis is a component of the Comprehensive Annual Financial Report.

FISCAL YEAR 2012-13 FINANCIAL HIGHLIGHTS

Government-wide:

- The District ended its fiscal year with a total net position of \$61.2 million.
- Total program expenses, including depreciation and interest on long-term debt, were \$27.7 million.
- Total program revenues were \$2.5 million.
- Total general revenues were \$35.9 million.
- Net position increased by \$10.8 million over the prior year.

General Fund:

- The General Fund operating revenues exceeded expenses by \$9.6 million, before Transfers Out to other funds of \$3.6 million are considered.
- Total fund balances for the General Fund increased by \$6.1 million during 2012-13.
- The actual revenues received in the General Fund were \$5.0 million, or 17%, more than the original budgeted amount and in line with the final budgeted amount.
- Actual expenditures were \$1.7 million, or 6.5%, less than the original budget amount and in line with the final budgeted amount.
- As of June 30, 2013, the total fund balance for the General Fund was \$42.8 million, of which \$23.2 million was Committed and \$19.4 million was Assigned.
- As of June 30, 2013, the Unassigned fund balance for the General Fund was \$0.21 million, or 0.6% of total revenue.

OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

This Comprehensive Annual Financial Report is presented in five sections:

1. Introductory section, which includes the transmittal letter and general information.
2. Management's Discussion and Analysis.
3. The Basic Financial Statements, including the government-wide and the fund financial statements, along with notes to the financial statements.
4. Required supplemental information.
5. Statistical information.

The Basic Financial Statements

The Basic Financial Statements are comprised of Government-wide Financial Statements and Fund Financial Statements. These two sets of financial statements provide the reader with two different viewpoints of the District's financial activities and financial position.

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Government-wide Financial Statements provide a longer-term view of the District's activities as a whole, and comprise the Statement of Net Position and the Statement of Activities. The Statement of Net Position provides information about the financial position of the District as a whole, including all its capital assets and long-term liabilities on a full accrual basis, similar to that used by private corporations. The Statement of Activities provides information about all of the District's revenues and/or expenses for each of the District's programs. The Statement of Activities explains in detail the change in Net Position for the fiscal year.

All of the District's activities are required to be grouped into government activities and business type activities. All of the amounts in the Statement of Net Position and the Statement of Activities are separated into governmental activities and business-type activities in order to provide a summary of these two activities of the District as a whole. In the case of the Menlo Park Fire Protection District, there are no business-type activities as of June 30, 2013.

The Statement of Net Position and the Statement of Activities present information about the following:

Governmental activities – All of the District's basic services are considered to be governmental activities, specifically public safety. These services are supported by general District revenues such as taxes, and by specific program revenues, such as permit fees.

Business-type activities - Enterprise activities are reported here. They would include activities such as water, sewer, and utilities. Unlike governmental services, these services are supported by charges paid by users based on the level of use of the service. The District does not have any business-type activities at this time.

Governmental-wide financial statements are prepared on an accrual basis, which means they measure the flow of all economic resources of the District as a whole.

Fund Financial Statements report the District's operations in more detail than the governmental-wide statements and focus primarily on the short-term activities of the District's general fund and other major funds. The Fund Financial Statements measure only current revenues, current expenses and fund balances. They exclude capital assets, long-term debt, and other long-term amounts.

Major funds account for the major financial activities of the District and are presented individually, while the activities of non-major funds are presented in summary, with subordinate schedules presenting the detail for each of these other funds. Major funds are explained below.

Fund financial statements provide detailed information about each of the District's most significant funds, called major funds. The concept of major funds, and the determination of which are major funds, was established by Governmental Accounting Standards Board Statement No. 34 (GASB 34) and replaces the concept of combining like funds and presenting them in total. Instead, each major fund is presented individually, with all non-major funds summarized and presented only in a single column. Major funds present the major activities of the District for the fiscal year, and may change from year-to-year as a result of changes in the pattern of the District's activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Also, as reflected in the balance sheet of the governmental funds and in the notes to the financial statements, in June of 2011, the District implemented several changes in the structure of the District's fund balance to comply with GASB 54. The new reserve policy distinguishes fund balances between amounts that are considered non-spendable, such as fund balances associated with inventories, and other amounts classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. In June 2012, the District's Board of Directors strengthened the reserve policies to ensure that the District is optimally positioned to respond to fiscal downturns. The reclassification of unassigned fund balances will support long term fiscal planning by the Board of Directors.

Governmental Fund Financial Statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund Financial Statements. Unlike the Government-wide Financial Statements, Governmental Fund Financial Statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Since the District's internal service funds provide goods and services only to the District's governmental activities, these funds are eliminated at fiscal year-end. Any related profit or loss is disclosed as designation of fund balance.

Enterprise Funds – The Menlo Park Fire Protection District does not have any Enterprise Funds at this time.

Proprietary Funds – The Menlo Park Fire Protection District does not have any Proprietary Funds at this time.

Fiduciary Funds – These funds are used to account for the assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The Menlo Park Fire Protection District does not have any Fiduciary Funds at this time.

Notes to the Financial Statements

Notes to the Financial Statements provide additional information that is essential to an understanding of the data provided in the Government-wide and Fund Financial Statements.

Supplemental Information

Required supplemental information follows the basic financial statements and includes a budgetary comparison schedule which includes reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the General Fund as presented in the governmental fund financial statements.

Combining and Individual Fund Statements and Schedules

Combining and individual Fund Statements and schedules provide information for non-major governmental funds, and special revenue funds. The District does not have non-major governmental funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Government-wide Financial Analysis

Net position may serve over time as an indicator of the District's financial position. Chart 1 provides a comparison of the District's net position as of June 30th for fiscal years 2012 and 2013. The year-to-year increase in net position was 21.4%.

**Chart 1 – Governmental Activities
Net Position (000's)**

	2011-12	2012-13	Inc/(Dec) \$	Inc/(Dec) %
Cash and Investments	\$ 48,838	\$ 56,815	\$ 7,977	16.3%
Other Assets	1,588	2,754	1,166	73.4%
Capital Assets, Net of Depreciation	17,531	18,437	906	5.2%
Total Assets	\$ 67,957	\$ 78,006	\$ 10,049	14.8%
Current Liabilities	\$ 2,551	\$ 2,035	\$ (516)	-20.2%
Long-term Liabilities	14,989	14,785	(204)	-1.4%
Total Liabilities	\$ 17,540	\$ 16,820	\$ (720)	-4.1%
Net Position:				
Net Investment in Capital Assets	\$ 5,776	\$ 6,682	\$ 906	15.7%
Restricted:				
Debt Service	1,085	1,085	-	0.0%
Capital Projects	1,125	-	(1,125)	-100.0%
Unrestricted	42,431	53,419	10,988	25.9%
Total Net Position	\$ 50,417	\$ 61,186	\$ 10,769	21.4%
Net Position as % of Total:				
Invested in Capital	11.5%	10.9%		
Restricted	4.4%	1.8%		
Unrestricted	84.2%	87.3%		
Total	100.0%	100.0%		

As Chart 1 demonstrates, almost 11% of the District's net position is invested in capital assets (e.g., land, buildings, general governmental infrastructure, equipment, etc.) less any related outstanding debt used to acquire those assets. The District uses these capital assets to support its ongoing services to the community, so these assets are not available for future spending. Over 87% of the District's net position consists of unrestricted funds that may be used to support the District's on-going operations and obligations.

Chart 2 provides a second accounting of net position, reporting and comparing revenues and expenses for the same two fiscal years.

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

**Chart 2 – Governmental Activities
Statement of Activities (000's)**

	2011-12	2012-13	Inc/(Dec) \$	Inc/(Dec) %
Program Revenues				
Operating Grants and Contributions	\$ 872	\$ 1,424	\$ 552	63.3%
Charges for Services	904	1,115	211	23.3%
General Revenues				
Property Taxes	30,809	32,501	1,692	5.5%
Use of Money and Property	139	130	(9)	-6.5%
Other Revenue	506	3,251	2,745	542.5%
Total Revenues	\$ 33,230	\$ 38,421	\$ 5,191	15.6%
Public Safety - Fire	\$ 25,229	\$ 26,883	\$ 1,654	6.6%
Interest on Long-term Debt	770	768	(2)	-0.3%
Total Program Expenses	\$ 25,999	\$ 27,651	\$ 1,652	6.4%
Change in Net Position	\$ 7,231	\$ 10,770	\$ 3,539	48.9%
Net Position July 1st	43,185	50,416	7,231	16.7%
Net Position, June 30th	\$ 50,416	\$ 61,186	\$ 10,770	21.4%

Almost \$5.2 million of the increase in the District's net position in 2012-13 was attributable to an increase of the same amount in Government-wide revenues. During the fiscal year, the District did not have any special items or unanticipated revenue to report.

The following provides an overview of the components of this 15.6% increase in revenues:

- **Property Taxes:** The District's total net property taxes increased by almost \$1.7 million, or 5.5%. This was the net result of several factors. An increase in assessed valuation within San Mateo County of about 4.8% represents the source of the bulk of the revenue growth. Additionally, the District's net Educational Revenue Augmentation Fund (ERAF) Rebate was 17.7% higher than in 2011-12. The revenue received from this source can fluctuate significantly from year-to-year. Redevelopment Agency revenues from the Successor Agencies had mixed results in 2012-13: the City of Menlo Park's decreased by 2.5% while the City of East Palo Alto's increased by 16.0%. Finally, Homeowners' Property Tax Relief (HOPTR) revenues increased by 1.1%. Additional discussion of the District's property tax revenues is included later in this MD&A in the discussion of General Fund performance.
- **Operating Grants and Contributions:** Revenues were more than \$550,000 greater in 2012-13 than in 2011-12. This reflects the fact that in the fiscal year 2011-12, the Federal Emergency Management Administration (FEMA) grant for the District's federally funded Urban Search & Rescue Program was delayed, requiring the Program Manager and the Grant Manager to curtail and postpone program spending.
- **Charges for Services:** With the gradual improvement in the local economy, development activity increased during 2012-13, and the District received about four hundred more permit applications and plan reviews as a result, leading to a related increase in fees associated with the District's review and processing responsibilities.
- **Other Revenue:** During 2012-13, San Mateo County distributed unencumbered "Other Funds and Accounts" it had received from the Successor Agencies of a former Redevelopment Agency, as well as the former "Low and Moderate Income Housing"

MANAGEMENT’S DISCUSSION AND ANALYSIS, CONTINUED

funds that had been set aside by the Redevelopment Agencies prior to their dissolution by the State.

- **Use of Money and Property:** Revenue from interest earnings decreased by about \$9,000, or 6.5%, in 2012-13 because the rate of return earned by the District on idle funds decreased even further during the fiscal year. The Local Agency Investment Fund (LAIF) interest rate for June 2012 was at 0.36% and for June 2013 it was 0.24%.

Chart 3 illustrates the percentage of total revenues that each individual revenue source comprises. Property taxes are the most significant source of District revenues, representing almost 85% of total revenues.

**Chart 3 – Governmental Activities
2012-13 Revenues by Source**

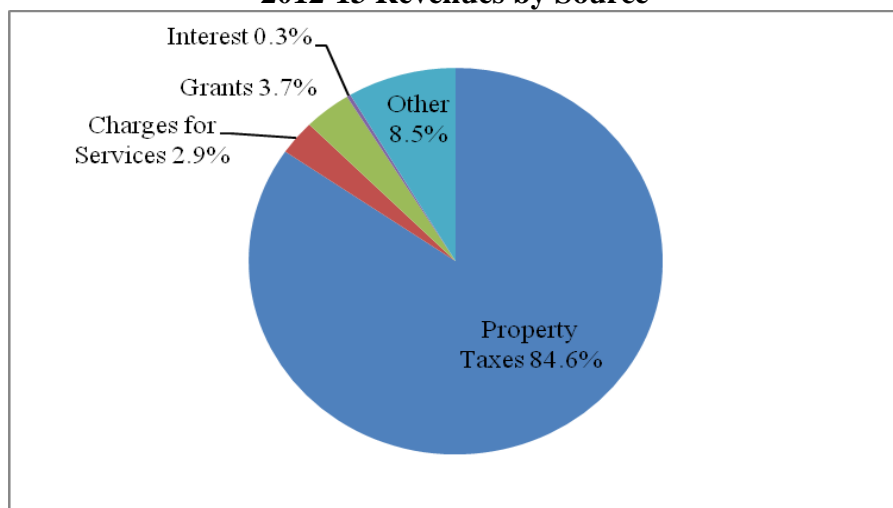
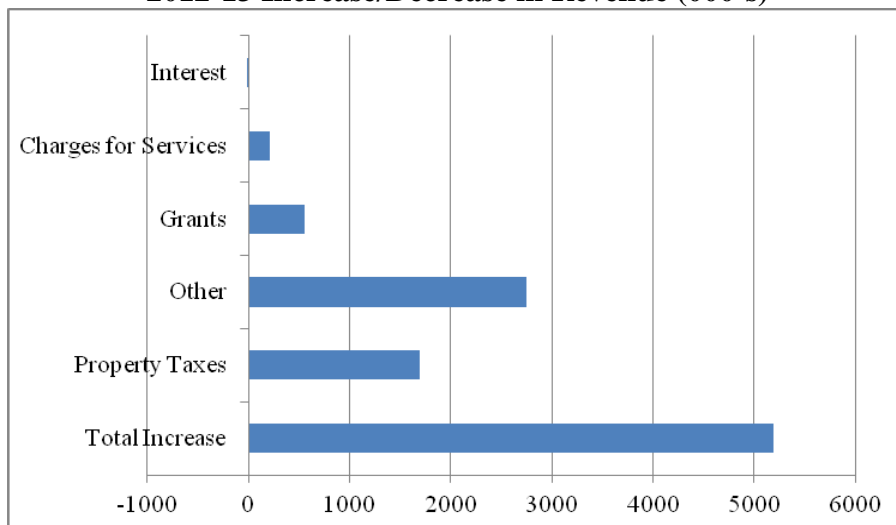


Chart 4 provides a graphic depiction of the change in total revenue from 2011-12 to 2012-13, for each revenue source.

**Chart 4 Governmental Activities
2012-13 Increase/Decrease in Revenue (000's)**



MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

As Chart 2, illustrates, total program expenses within governmental activities increased by 6.4%, from just under \$26 million to \$27.7 million, a 1.7 million increase. The most significant increase in expenses was for Public Safety, which includes all of the operating costs of the District's core services. Public Safety expenses were \$26.9 million in 2012-13, which is just over 97% of total governmental activities expenses. Chart 5 provides further detail about the program expenses of the District, comparing 2011-12 and 2012-13.

**Chart 5 – Governmental Activities
Expense Detail Comparison (000's)**

	2011-12	2012-13	Inc/(Dec) \$	Inc/(Dec) %
Salaries and Benefits	\$ 19,720	\$ 20,400	\$ 680	3.4%
Services and Supplies	4,601	5,568	967	21.0%
Total Public Safety - Fire	\$ 24,321	\$ 25,968	\$ 1,647	6.8%
Depreciation	\$ 909	\$ 915	\$ 6	0.7%
Interest on Long-term Debt	770	768	(2)	-0.3%
Total Program Expenses	\$ 26,000	\$ 27,651	\$ 1,651	6.4%

During 2012-13, total program expenses experienced a net increase of almost \$1.7 million, or 6.4%. The following factors provide an explanation for this increase:

- **Salaries and Benefits:** Salaries and benefits increased by almost \$700,000, or 3.4% in 2012-13. The primary reason for this increase is the significant adjustment to Compensated Absences in 2011-12. The Extended Sick Leave Bank was closed out with a portion of the balance transferred to the Annual Leave Bank, and the remainder cashed out in FY 2012-13. Also the cost of benefits increased year-over-year for active employees and retirees.
- **Services and Supplies:** Expenses were almost \$1 million higher in this category than in 2011-12. The areas that required this increased expenditure included outlays for emergency and communications equipment, maintenance and repairs, and higher general insurance claims.
- **Annual Depreciation:** The expense increased slightly, by 0.7%, because of the additions of improvements and the purchase of new fixed assets, such as vehicles.
- **Long-term Debt Interest Expense:** There was a slight decrease in the required interest expense payment for the Series A Certificates of Participation (COPS), for which the principal payments started in 2012-13.

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

The District's Fund Financial Statements

As previously noted, the District uses fund accounting to ensure and demonstrate compliance with finance related requirements.

Performance of Governmental Funds

The focus of the District's governmental funds is to provide information on the near-term inflows, outflows, and balances of spendable reserves. Such information is useful in assessing the District's financing requirements. In particular, the unreserved fund balance may serve as a useful measure of the District's new resources at the end of each fiscal year.

The total fund balances for the District's Governmental Funds as of June 30, 2013, was \$57.3 million, an increase of \$9.9 million, or 20.9% higher than at June 30, 2012. Chart 6 provides a comparison of the balance sheets for the Governmental Funds at June 30th for both 2011-12 and 2012-13.

**Chart 6 – Governmental Funds
Balance Sheet Comparison (000's)**

	2011-12	2012-13	Inc/(Dec) \$	Inc/(Dec) %
Cash and Investments	\$ 48,838	\$ 57,900	\$ 9,062	18.6%
Other Assets	534	829	295	55.2%
Total Assets	\$ 49,372	\$ 58,729	\$ 9,357	19.0%
Current Liabilities	\$ 1,556	\$ 888	\$ (668)	-42.9%
Deferred Inflows of Resources:				
Unavailable Revenue - Grants	378	497	119	31.5%
Total Liabilities & Deferred Inflows	\$ 1,934	\$ 1,385	\$ (549)	-28.4%
Fund Balances:				
Nonspendable	2	7	5	250.0%
Restricted	2,210	1,085	(1,125)	-50.9%
Committed	29,026	36,686	7,660	26.4%
Assigned	14,735	19,358	4,623	
Unassigned	1,465	207	(1,258)	
Total Fund Balance	\$ 47,438	\$ 57,343	\$ 9,905	20.9%

As Chart 6 demonstrates, as of June 30, 2013, just over \$57 million of the fund balances for the District's Governmental Funds are allocated to several major categories, with \$36.7 million in "Committed" fund balances and \$19.4 million in "Assigned" fund balances.

The District's governmental funds include three "Major" funds: the General Fund, the Capital Improvement Fund, and the Debt Service Fund. A separate discussion of each provides a better understanding of the District's financial position.

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

The General Fund

The General Fund is the general or main operating fund of the District. During the 2012-13 fiscal year, the total fund balance of the General Fund increased by \$6.1 million, or 16.5%. As of June 30, 2013, the total fund balance was \$42.8 million. Chart 7 provides a two-year comparison of the Balance Sheet for the General Fund.

**Chart 7 – General Fund
Two-year Balance Sheet Comparison (000's)**

	2011-12	2012-13	Inc/(Dec) \$	Inc/(Dec) %
Cash and Investments	\$ 37,505	\$ 43,317	\$ 5,812	15.5%
Other Assets	533	829	296	55.5%
Total Assets	\$ 38,038	\$ 44,146	\$ 6,108	16.1%
Current Liabilities	\$ 953	\$ 878	\$ (75)	-7.9%
Deferred Inflows of Resources:				
Unavailable Revenue - Grants	378	497	119	31.5%
Total Liabilities & Deferred Inflows	\$ 1,331	\$ 1,375	\$ 44	3.3%
Fund Balances:				
Nonspendable	2	7	5	250.0%
Committed	20,506	23,199	2,693	13.1%
Assigned	14,735	19,358	4,623	
Unassigned	1,465	207	(1,258)	
Total Fund Balance	\$ 36,708	\$ 42,771	\$ 6,063	16.5%

In order to analyze the factors leading to the General Fund's increase in total fund balance, a review of the elements of the Statement of Revenues, Expenditures, and Changes in Fund Balance is essential. Chart 8 provides a two-year comparison of General Fund revenues and Chart 12 provides the same two-year comparison of General Fund expenses.

**Chart 8 – General Fund
Two-year Revenue Comparison (000's)**

Category	2011-12	2012-13	Inc/(Dec) \$	Inc/(Dec) %
Property Taxes	\$ 30,810	\$ 32,500	\$ 1,690	5.5%
Licenses and Permits	719	918	199	27.7%
Charges for Services	185	197	12	6.5%
Rents	99	128	29	29.3%
Grants	30	227	197	656.7%
Interest	135	130	(5)	-3.7%
Other Revenue	160	483	323	201.9%
Total Revenues	\$ 32,138	\$ 34,583	\$ 2,445	7.6%

Because the General Fund revenues are the primary source of funding support for the District, the performance of its revenues have been briefly discussed in the preceding Government-wide Financial Analysis. The importance of property tax revenues to the District, however, warrants

MANAGEMENT’S DISCUSSION AND ANALYSIS, CONTINUED

additional discussion of this source, as it provides ninety-four percent of the District’s current resources. Property tax revenues grew by 5.5%, or about \$1.7 million, in 2012-13. The property tax revenue included in Chart 8 is a net number, including all components, such as secured, unsecured, and prior year tax receipts. It also included the net Educational Revenue Augmentation Fund (ERAF) impact upon property taxes. This is the difference between what the County shifts away from the District in property taxes for the schools and what is rebated back to the District for prior year “excess” shifts away. Chart 9 demonstrates the net ERAF impact for 2011-12 and 2012-13.

Chart 9 – Net ERAF Impact

Description	2011-12	2012-13
ERAF Shift	(\$3,564,958)	(\$3,767,448)
ERAF Rebate	2,119,523	2,577,891
Net Impact	(\$1,445,435)	(\$1,189,557)

The current secured and unsecured property tax portions of total property tax revenues are the most significant sources of these revenues. They are directly derived from the assessed value of the properties within the District’s jurisdiction and the tax levy limitations of Proposition 13 and later related legislation.

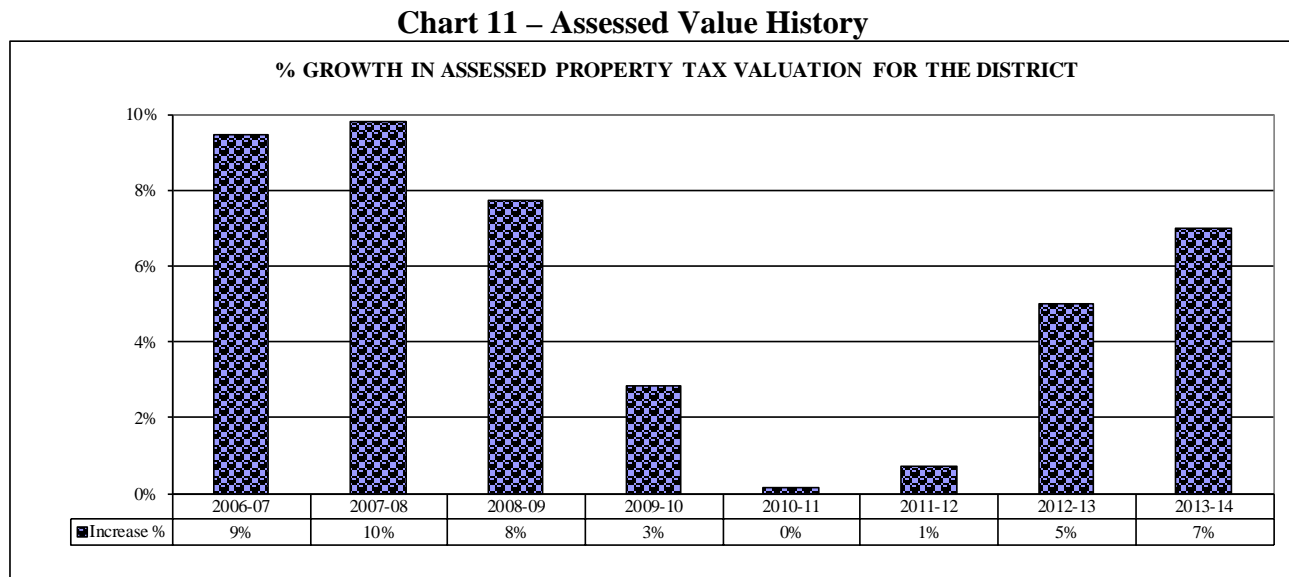
In August of each year, the District receives a report from the San Mateo County Office of the Controller certifying the total value of assessable property within the District. The following chart provides a nine year history of the net total value of assessable property as reported to the District by San Mateo County and the year-over-year growth rates. As shown, the rate of growth in the assessed valuation was robust in the years leading up to the recessionary years that were experienced fiscal years 2008 through 2011. During the recent major economic downturn, there were two years (2010-11 and 2011-12) when the rate of growth was less than one percent. For fiscal years 2012-13 and 2013-14, the economy started to recover and there was significant growth in the assessed property values within the District’s jurisdictions. County officials are forecasting continued improvement in the local real estate market for 2014-15 and there are signs that development is again strongly on the upswing. This bodes well for the District’s General Fund health.

Chart 10 – Assessed Value History (\$)

Fiscal Year	Assessed Value	Inc/(Dec) \$	Inc/(Dec) %
2013-14	24,390,832,683	1,672,320,029	7.36%
2012-13	22,718,512,654	1,109,558,784	5.13%
2011-12	21,608,953,870	156,490,290	0.73%
2010-11	21,452,463,580	32,464,438	0.15%
2009-10	21,419,999,142	589,283,525	2.83%
2008-09	20,830,715,617	1,492,194,228	7.72%
2007-08	19,338,521,389	1,728,495,837	9.82%
2006-07	17,610,025,552	1,525,461,860	9.48%
2005-06	16,084,563,692	-	-

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Chart 11 graphically illustrates the assessed value history provided in Chart 10.



The 5.5% increase in the District's property tax revenues is thus directly tied to the growth in the property assessment rolls. Based upon current economic trends and projections, it is likely to continue its healthy 2012-13 performance into the next fiscal year(s).

The General Fund supports the District's day-to-day operations. In 2012-13, General Fund expenditures grew by about \$500,000, or 2%, as is shown in Chart 10.

**Chart 12 – General Fund
Two-year Expenditure Comparison (000's)**

Category	2011-12	2012-13	Inc/(Dec) \$	Inc/(Dec) %
Salaries and Benefits	\$ 19,957	\$ 19,784	\$ (173)	-0.9%
Services and Supplies	4,248	5,033	785	18.5%
Capital Outlay	244	128	(116)	-47.5%
Total Expenses	\$ 24,449	\$ 24,945	\$ 496	2.0%

Salaries and benefits accounted for 79.3% of General Fund expenditures in 2012-13, and experienced a slight decrease, which is attributable to the vacant positions. In the last fiscal year, the District modified many of its personnel rules, including those related to employee leave banks. It consolidated the Extended Sick Leave (ESL) allowance into an Annual Leave allowance and eliminated the ESL accrued bank according to a formula. A limited portion of the ESL bank could be transferred into the Annual Leave Bank and any accrued allowance above the allowed limit was cashed out in 2012-13. With this prior year history factored in, 2012-13 Salaries and Benefits expenditures actually increased slightly, by about 2%, in keeping with minor increases in benefit costs.

The General Fund's ending fund balance increase, as is demonstrated in Chart 13, is the result of the net impact of the performance of its revenues and expenditures, adjusted for net Other Financing Uses, which are primarily transfers out to other funds.

MANAGEMENT’S DISCUSSION AND ANALYSIS, CONTINUED

**Chart 13 – General Fund
Two-year Net Fund Balance Comparison (000’s)**

Category	2011-12	2012-13	Inc/(Dec) \$	Inc/(Dec) %
Total Revenues	\$ 32,138	\$ 34,583	\$ 2,445	7.6%
Total Expenditures	24,449	24,945	496	2.0%
Excess of Revenues over Expenditures	\$ 7,689	\$ 9,638	\$ 2,941	38.2%
Net Other Financing Uses	(8,947)	(3,575)	\$ 5,372	-60.0%
Net Change in Fund Balance	(1,258)	6,063	8,313	-660.8%
Fund Balance at Beginning of Year	37,966	36,708	\$ (1,258)	-3.3%
Fund Balance at End of Year	\$ 36,708	\$ 42,771	\$ 6,063	16.5%

The “Other Financing Uses” in 2011-12 included an \$8.018 million transfer to the Capital Improvement Fund and a \$950,000 transfer to the Debt Service Fund, offset by \$21,000 from the sale of capital assets. In 2012-13, the total decreased by over sixty percent, the result of a smaller transfer to the Capital Improvement Fund. As is discussed in the next section of this MD&A, the 2012-13 transfer to the Capital Improvement Fund was only \$2.6 million.

The General Fund’s 2012-13 was, in summary, quite healthy, reflecting the recovering local and State economies.

Capital Improvement Fund

The District’s Capital Improvement Fund is used to account for the acquisition and/or construction of all major governmental general capital assets. Chart 14 provides a two-year comparison of the fund’s performance.

**Chart 14 – Capital Improvement Fund
Two-year Performance Comparison**

Category	2011-12	2012-13	Inc/(Dec) \$
Revenues:			
Interest	\$ 3,254	\$ 206	\$ (3,048)
Other Revenue	-	2,413,582	2,413,582
Total Revenues	\$ 3,254	\$ 2,413,788	\$ 2,410,534
Expenditures:			
Capital Outlay	1,501,978	1,368,400	(133,578)
Total Expenses	\$ 1,501,978	\$ 1,368,400	\$ (133,578)
Excess of Revenues over Expenditures	(1,498,724)	1,045,388	2,544,112
Transfers In	\$ 8,018,100	\$ 2,625,200	\$ (5,392,900)
Net Change in Fund Balance	6,519,376	3,670,588	(2,848,788)
Fund Balance at Beginning of Year	2,373,326	8,892,702	6,519,376
Fund Balance at End of Year	\$ 8,892,702	\$ 12,563,290	\$ 3,670,588

The Capital Improvement Fund’s ending fund balances grew by almost \$3.7 million, a 41.3% increase. This growth is the result of two factors:

MANAGEMENT’S DISCUSSION AND ANALYSIS, CONTINUED

- ☑ During 2012-13, the San Mateo County’s Controller distributed funds from the unencumbered “Other Funds and Accounts” it had received from the Successor Agencies of a former Redevelopment Agency (RDA), pursuant to the State’s prior year action to eliminate and wind down RDA’s across the State. The County also distributed the Low and Moderate Income Housing funds that the RDA’s were required to establish while in operation. The RDA’s were required to set twenty percent of its tax increment revenues for the housing fund. The District allocated these one-time monies, in the amount of \$2.4 million, to the Capital Improvement Fund to support the construction of Fire Stations #2 and #6.
- ☑ A total of just over \$2.6 million was transferred to the fund from the District’s General Fund for the support of the Station # 2 Project.

The District has a fairly vital Capital Improvement Program and is continually seeking new one-time funds to support the projects it desires to undertake. On November 27, 2007, the District Board approved the purchase of three properties through the adoption of Resolution Nos. 1186-07 and 1187-07. These properties were dedicated to the rebuilding of Fire Station #2 in East Palo Alto, which has the highest priority, and the rebuilding of Fire Station #6 in downtown Menlo Park. Fire Station #1 is slated for a remodeling project in order to repurpose the space in that building that was freed up when the Administration and Fire Prevention Divisions’ offices were relocated to 170 Middlefield Road in January of 2010. In 2012-13, Phase II of the Fire Station #2 project was well underway and Phase III was scheduled for 2013-14, with anticipated completion in 2014-15.

Debt Service Fund

The District’s Debt Service Fund is used to account for the principal, interest, and related cost of debt payments. Chart 15 provides a two-year comparison of the fund’s performance.

**Chart 15 – Debt Service Fund
Two-year Performance Comparison**

Category	2011-12	2012-13	Inc/(Dec) \$
Revenues:			
Interest	\$ 91	\$ 100	\$ 9
Other Revenue	226,411	226,410	(1)
Total Revenues	\$ 226,502	\$ 226,510	\$ 8
Expenditures:			
Services and Supplies	1,900	1,900	-
Principal Payment	-	235,000	235,000
Interest and Fiscal Agent Charges	769,867	767,527	(2,340)
Total Expenses	\$ 771,767	\$ 1,004,427	\$ (2,340)
Excess of Revenues over Expenditures	(545,265)	(777,917)	(232,652)
Transfers In	\$ 950,100	\$ 950,100	\$ -
Net Change in Fund Balance	404,835	172,183	(232,652)
Fund Balance at Beginning of Year	1,432,356	1,837,191	404,835
Fund Balance at End of Year	\$ 1,837,191	\$ 2,009,374	\$ 172,183

The fund balance of the Debt Service Fund increased by just under \$200,000, or 9.4%. This reflects a decision made by the District in 2010-11. A methodology was developed that year that established the annual transfer of the average coupon payments from the General Fund to the

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Debt Service Fund. Certificates of Participation Series B principal payments are not due until fiscal year 2023-24 and the payment amounts increase thereafter. In order to mitigate the future impact on the General Fund, the Board of Directors approved a constant average payment to the Debt Service Fund. These transfers will create a reserve in the Debt Service Fund, providing for much higher payments in the future without a negative fiscal impact on the General Fund. Additional information about the District's debt and its administration is available both in a later section of the MD&A and in Note 5 to the Basic Financial Statements.

Governmental Funds – Fund Balance Designations

Chart 16 provides a further breakdown of the fund balances outlined in Chart 6, again comparing fiscal years 2011-12 and 2012-13.

**Chart 16 – Governmental Funds
Fund Balance Detail Comparison (000's)**

	2011-12	2012-13	Inc/(Dec) \$	Inc/(Dec) %
Nonspendable:				
Total Nonspendable	\$ 2	\$ 7	\$ 5	250.0%
Restricted:				
Capital Improvements	\$ 1,125	\$ -	\$ (1,125)	-100.0%
Debt Service	1,085	1,085	-	0.0%
Total Restricted	\$ 2,210	\$ 1,085	\$ (1,125)	-50.9%
Committed:				
Budgetary Deficit	\$ 5,485	\$ 7,422	\$ 1,937	35.3%
Cash Flow Management	8,875	8,874	(1)	0.0%
FEMA Deployments	3,000	3,000	-	0.0%
Communications Equipment	287	325	38	13.2%
Emergency Equipment	679	723	44	6.5%
Rolling Stock	2,164	2,756	592	27.4%
Fire Station Replacement	-	99	99	--
Encumbrances	15	-	(15)	-100.0%
Capital Improvements	7,768	12,563	4,795	61.7%
Debt Service	752	924	172	22.9%
Total Committed	\$ 29,025	\$ 36,686	\$ 7,661	26.4%
Assigned:				
Compensated Absences	\$ 3,871	\$ 4,021	\$ 150	3.9%
Future PERS Payments	5,840	7,306	1,466	25.1%
General Services	901	984	83	9.2%
Information Technology	428	469	41	9.6%
Other Post Employment Benefits	2,109	4,691	2,582	122.4%
Workers' Compensation	1,586	1,750	164	10.3%
Encumbrances	-	137	137	--
Total Assigned	\$ 14,735	\$ 19,358	\$ 4,623	31.4%
Total Unassigned	\$ 1,465	\$ 207	\$ (1,258)	-85.9%
Total Fund Balance	\$ 47,437	\$ 57,343	\$ 9,906	20.9%

By Resolutions #1458-2011 and 1505-2012, the Board of Directors authorized the adoption of a formal fund balance policy and the reclassification of the District's fund balances to comply with

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Governmental Accounting Standards Board (GASB) Statement No. 54. The District's financial statements for governmental funds are comprised of five fund balance classifications as recommended by that statement, as follows:

- *Non-spendable*—fund balance amounts that are not in a spendable form or are required to be maintained intact.
- *Restricted*—fund balance amounts that can be used only for the specific purpose(s) stipulated by external resource providers, such as creditors, grantors, contributors, laws, regulations, or enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.
- *Committed*—fund balance amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Commitments may be changed or lifted only by the government's highest level of authority taking the same formal action that imposed the constraints originally. The Board of Directors is considered the highest authority for the District.
- *Assigned*—fund balance amounts constrained by the government's intent that they be used for a specific purpose. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for the purpose. The Board of Directors has given the authorization to the Fire Chief and/or the Director of Administrative Service to assign any net fund resources.
- *Unassigned*— residual fund balance amounts not contained in the other classification and technically available for any purpose.

Restricted Funds: As of June 30, 2013, the District had about \$1.1 million in Restricted Funds, attributable to the Debt Service Fund and held in trust for future debt service payments.

Committed Funds: As of June 30, 2013, the District had \$36.7 million in Committed Funds. The District Board has established, via resolution, a Reserve for Cash Flow Management and a Budgetary Deficit Fund. The former was developed to ensure adequate cash flow during a non-routine shortfall of at least 20% of operating revenues. The latter provides a source of resources for future fiscal years' budgets if the District should suffer from an unanticipated financial shortfall or deficit. Other significant Committed Funds are set aside for capital improvements, rolling stock, equipment, and emergency deployments. Additional discussion of cash flow management follows in this MD&A.

Assigned Funds: As of June 30, 2013, the District had \$19.4 million in Assigned Funds. These funds have been primarily earmarked to offset District liabilities for its potential obligations to California Public Employees' Retirement System (CalPERS) for retirement/pension liabilities, for Other Post Employment Benefits due to District retirees and future retirees, for the cost of compensated absences, and for potential Workers' Compensation liabilities. Additional discussion of CalPERS obligations follows in the next sections of this MD&A.

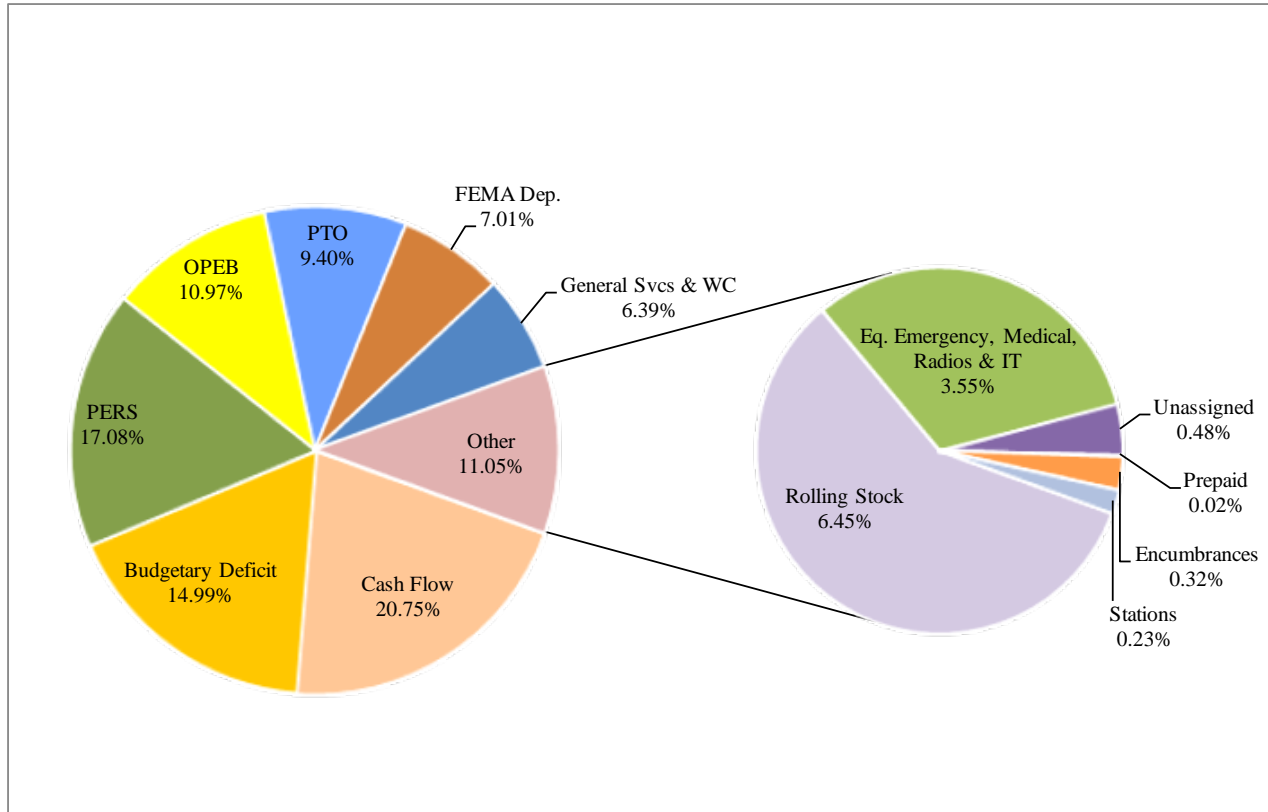
Unassigned Funds: Just over \$200,000 was available in Unassigned Funds as of June 30, 2013.

The District's policies and practices concerning its fund balance designations are guided by prudent and conservative financial management tenets and provide the District with the guarantee of fiscal stability as it continues to develop its long-term financial plan. Having adequate fund balances has helped the District's achieve a current financial rating of AA+. As

MANAGEMENT’S DISCUSSION AND ANALYSIS, CONTINUED

Standard & Poor’s Rating Service affirmed “its AA+ long-term rating, with a stable outlook.” Chart 17 provides a graphic depiction of the fund balance specific designations.

**Chart 17 – General Fund
Fund Balance Distribution**



CalPERS Obligations

As Chart 16 denotes, \$7.3 million has been assigned to support California Public Employees’ Retirement System (CalPERS) obligations. Although the District accumulated reserves during the economic expansions from the late 1990’s to the mid-2000’s, it continues to be confronted with the same dilemma facing other local governments throughout California. Pension costs have risen statewide because of changes in benefit levels and investment losses in the CalPERS portfolio during the recent economic downturn. On an annual basis, the employer contribution rate to CalPERS has increased and will continue to rise. On April 17, 2013, CalPERS issued Circular Letter No. 200-005-12, in which the CalPERS Board of Administration approved a recommendation to change the actuarial policies and methods governing the administration of employer retirement plans. In order to ensure that the retirement liability is adequately funded, CalPERS is planning to change the discount rate (economic assumptions) and the assumption related to the mortality rate (actuarial assumptions). The proposed changes would impact local agencies participating in CalPERS starting in fiscal year 2015-16. In response to future increases in its CalPERS obligation, the District’s Board has adopted a budget philosophy that sets the annual employer contribution rate for safety employees at 35% and at 15% for non-safety employees.

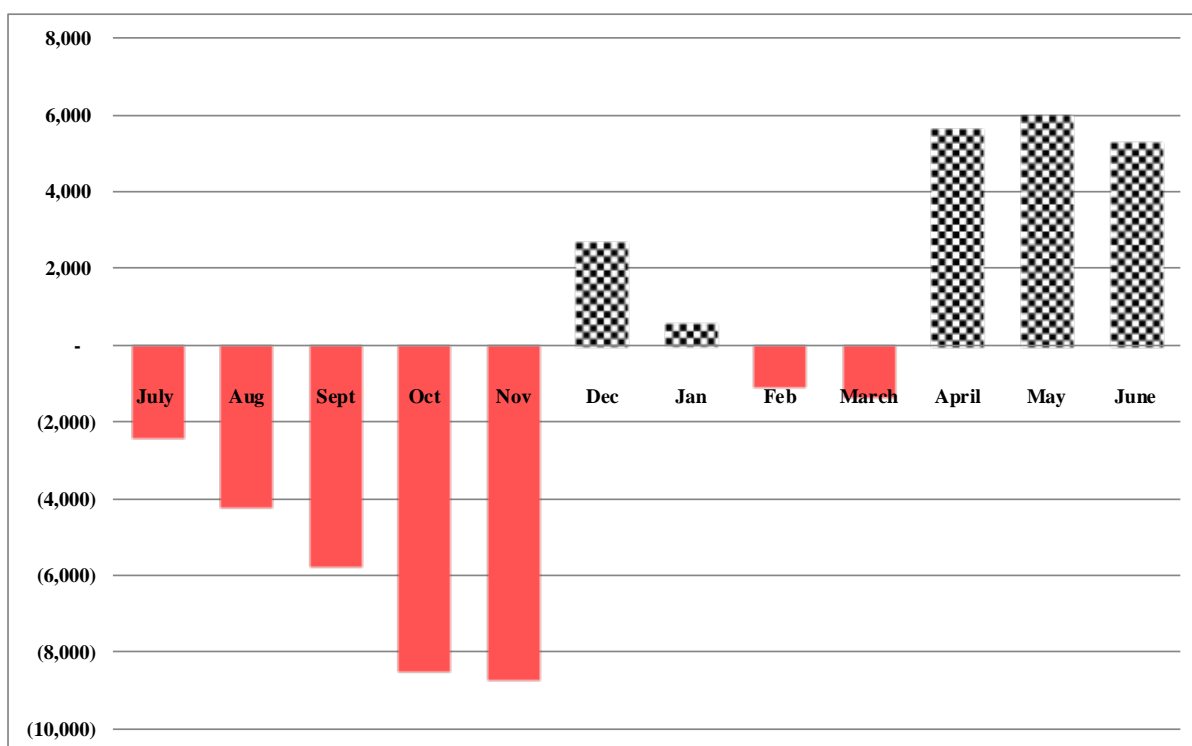
MANAGEMENT’S DISCUSSION AND ANALYSIS, CONTINUED

The actual contribution rates are applied during the course of each fiscal year and any savings that results from the difference in the budget and the actual rates is set aside for future use. Once the actual employer rates increase above the budgeted 35% and 15% levels, the PERS Stabilization Fund Balance will be used to mitigate the effects on the General Fund.

Cash Flow Management

The primary source of revenue to the District is secured property tax. These revenues are distributed to the District twice a year by the San Mateo County Office of the Controller. Cash flow management is a significant and carefully managed process for the District. The balance in the reserve as of the end of the fiscal year, June 30, 2013 was \$8.9 million. The following chart shows the impact on the monthly cash flow, based on actual expenditures and the receipt of secured property tax revenues in December 2012 and April 2013.

**Chart 18 – General Fund
2012-13 Cash Flow (000’s)**



MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Capital Assets

As of June 30, 2013, the District had \$18.4 million in net capital assets, an increase of 5% over the prior year. The increase is primarily due to the construction of Fire Station #2 in the City of East Palo Alto, Phase II of which was near completion by the end of the fiscal year. Capital equipment expenditures increased due to the replacement of old and obsolete technology used for emergency calls and to provide life saving medical procedures. Federal Emergency Management Administration (FEMA) equipment was updated, based upon the Congressional mandate for water operations, a search communication kit, satellite phones, and hazardous material detection equipment. Note 3 to the Basic Financial Statements shows the detail of capital asset activity. The following chart identifies the specific governmental activities:

**Chart 19 – Governmental Activities
Capital Assets (000's)**

	FY Ended 6/30/2012	FY Ended 6/30/2013	Inc/(Dec) \$	Inc/(Dec) %
Capital Assets:				
Land	\$ 5,090	\$ 5,090	\$ -	0.0%
Construction in Progress	2,013	3,364	1,351	67.1%
Buildings & Improvement	12,130	12,290	160	1.3%
Vehicles	5,565	5,611	46	0.8%
Vehicles - FEMA	1,507	1,507	-	0.0%
Furniture & Equipment	1,353	1,409	56	4.1%
Furniture & Equipment - FEMA	151	279	128	84.8%
Accumulated Depreciation	(10,279)	(11,113)	(834)	8.1%
Total Capital Assets	\$ 17,530	\$ 18,437	\$ 907	5.2%
Annual Depreciation Expense:				
Structures & Improvements	\$ 342	\$ 348	\$ 6	1.8%
Vehicles	364	366	2	0.5%
Vehicles - FEMA	57	57	-	0.0%
Furniture & Equipment	127	116	(11)	-8.7%
Furniture & Equipment - FEMA	19	28	9	47.4%
Total Accumulated Depreciation	\$ 909	\$ 915	\$ 6	0.7%

All capital assets are valued at historical cost, or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at estimated fair market value on the date contributed. Assets with a value of \$5,000 or more are recorded as capital assets. All capital assets are depreciated over estimated useful lives, using the straight line method.

Debt Administration

On December 1, 2009, the Board of Directors adopted Resolution No. 1347-2009, which authorized the issuance of lease financing of certain capital projects with the Public Property Financing Corporation of California. The lease financing provided funds to the District for acquisitions and construction improvement projects. Piper Jaffray, on behalf of the District, conducted lease financing serial certificates offerings in the amount of \$12.0 million, with a

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

premium amount of \$0.22 million on December 8, 2009, closing date of December 23, 2009. A summary of the sources and uses of funds is shown in Chart 20.

**Chart 20 – Governmental Activities
Long-term Debt (000's)**

	Series A		Series B		Total	% of Total
	Certificates		Certificates			
Sources						
Principal Amount of Certificate	\$	3,055	\$	8,935	\$ 11,990	98.2%
Original Issue Premium		225		-	225	1.8%
Total Sources	\$	3,280	\$	8,935	\$ 12,215	100.0%
Uses						
Project Fund Reimbursement	\$	2,918	\$	5,982	\$ 8,900	72.9%
Future CIP Project Funds Available		-		2,000	2,000	16.4%
Reserve Fund		306		779	1,085	8.9%
Cost of Issuance		32		103	135	1.1%
Underwriter's Discount		24		71	95	0.8%
Total Uses	\$	3,280	\$	8,935	\$ 12,215	100.0%

Additional information on the District's long term debt can be found in Note 5 to the Basic Financial Statements.

GENERAL FUND BUDGET HIGHLIGHTS

The budget comparison schedule for the General Fund is located in the Required Supplementary Information section following the Notes to the Financial Statements. Over the course of the fiscal year, the Board of Directors authorized revisions to the adopted budget as more accurate data became available. Significant events included:

- October notice from the County of San Mateo for the actual amount under the Teeter Plan for Property Tax Revenue.
- Grant revenue and expenditures related to the deployment of District staff in support of both the State of California and the Federal Emergency Management Agency.
- New appropriations approved by the District's Board of Directors.
- New/revised estimates resulting from periodic analyses of fiscal activity that were presented to the Finance Committee and forwarded to the Board of Directors.

General Fund Revenues

- Adopted budget was \$29.6 million.
- Year-end budget was \$34.6 million.
- Year-end actual revenue was \$34.6 million.

The District does not budget for prior year property tax adjustments and other revenues such as insurance claims and donations. These are year-by-year activities and may vary greatly in magnitude from year-to-year. Therefore the adopted budget was zero, the revised budget was \$0.7 million and actual receipts were \$0.7 million for these sources. The remaining difference

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

between the adopted budget and the actual revenue is primarily due to an increase in secured property taxes.

General Fund Expenditures

- Adopted budget was \$26.7 million.
- Year-end budget was \$24.9 million.
- Year-end actual expenditure was \$24.9 million.

Expenditure savings were generated in the fiscal year because there have been as many as 10.80 full time equivalent vacancies. These included four Firefighters, six Captains and one Fire Prevention Technician position. At fiscal year-end, 7.00 positions had been vacant for twelve months and one Firefighter position had been vacant for ten months. The Fire Prevention Coordinator position was vacant for eleven months. Also, the District postponed the purchase of a Fire Engine.

Economic Factors and the 2013-14 Budget

The 2013-14 budget was developed by the staff and adopted by the Board of Directors based upon clear budget priorities and philosophy. In reaffirming the budget philosophy for the District, the Board of Directors identified four key policy components:

1. Ongoing operating expenditures are to be paid with ongoing operating revenues.
2. Services provided by District Staff that have a cost recovery element should be as close to a 100% cost recovery as is feasible.
3. Alternate revenue sources such as grants are encouraged with the caveat that the expenditures have a limited life equal to that of the revenue source.
4. Paid time off balances, such as annual leave, will be funded at 100% pay out values per Memorandum(s) of Understanding and compensation and benefit plans effective at the end of each fiscal year.

External Considerations:

The State of California Budget: Although the State's economic outlook has improved for the current fiscal year, continued caution is prudent when considering economic factors that may impact the District's budget. One factor that continues to impact the District's budget philosophy is the **Educational Revenue Augmentation Fund (ERAF) Rebate**. In October of 2003, the San Mateo County Controller announced that there would be a refund to local tax-receiving agencies from excess funds in the ERAF trust fund. These refunds are primarily a result of the local tax base increasing at a rate faster than the increase in the funding limits of the Schools and Community Colleges. Beginning with the 2012-13 budget and based upon advice from the San Mateo County Controller, the District's budgeted revenue projections no longer include the ERAF Rebate as a source of ongoing revenue to the District. In the event that ERAF Rebate funds are received in 2013-14, the Board has earmarked those funds for the Retirees' Supplemental Benefits. This resulted in a reduction to the General Fund Revenue base for 2013-14 of \$2.6 million.

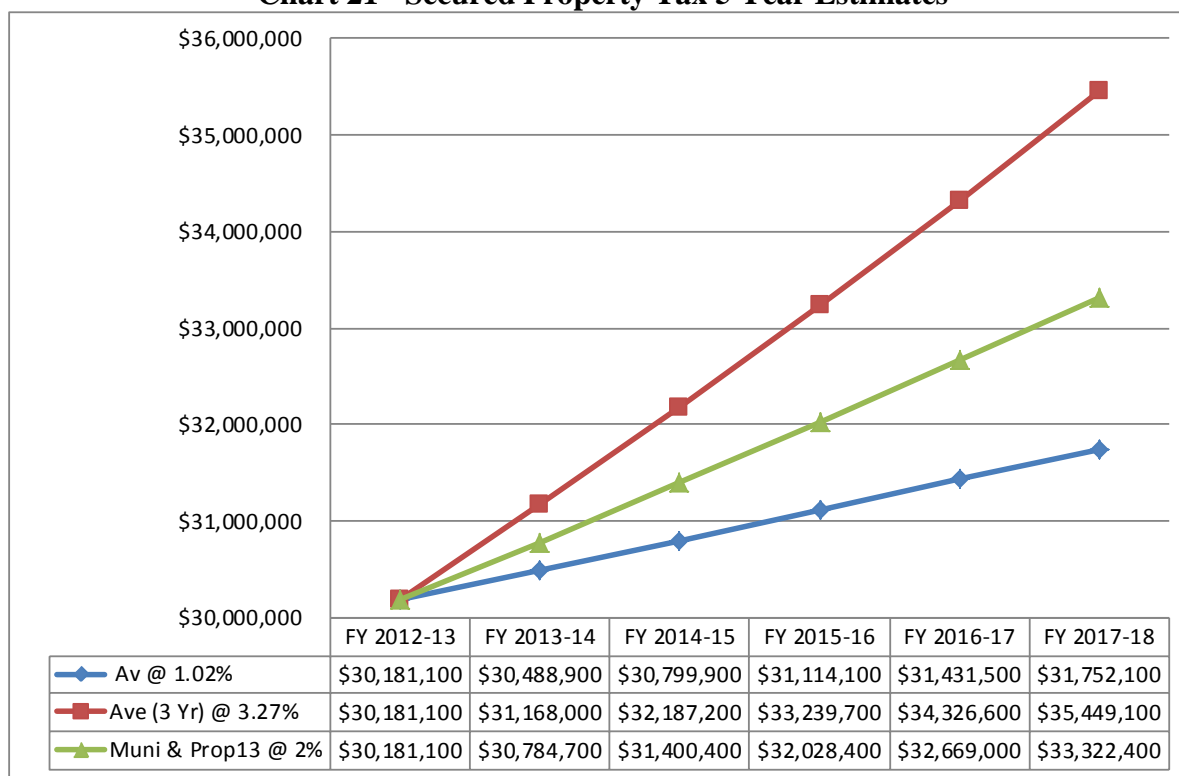
Another factor that must be considered is **Redevelopment Agency (RDA) Revenue**. Annually, the District receives revenue from the Redevelopment Agencies of the Cities of Menlo Park,

MANAGEMENT’S DISCUSSION AND ANALYSIS, CONTINUED

Palo Alto, and East Palo Alto. Effective February 1, 2010, ABX1 26 implemented the State-wide dissolution of all RDA’s. The 2013-14 budget includes an estimate of \$1.4 million from RD revenue, based on the concept that the District will receive the funds as they revert to property tax revenue.

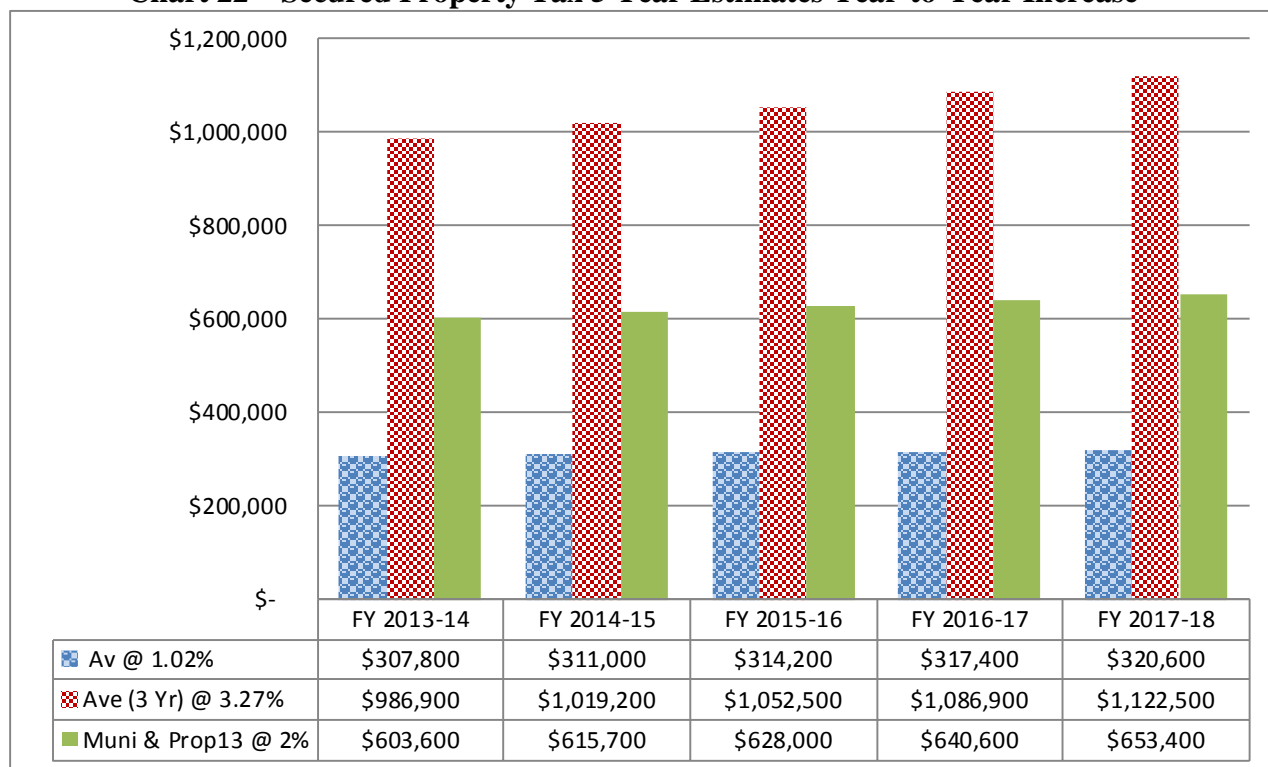
In order to provide a basis for establishing the level of resources available to support the 2013-14 budget, the District’s Finance Committee developed options that would fund an expenditure budget of \$31,075,700. As shown, there were three analytical approaches derived from the San Mateo County projected assessed value (AV) growth rate of 1.02%, an average of the last three years percentage growth rates or 3.27%; and the “mostly likely” estimate or 2% as provide by the contracted property tax consultants Muni Resources. The committee voted to set the growth rate at 1.02%, as estimated by the County. The budgeted amount of the RDA revenues will continue to be received by the District throughout the dissolution of the Agencies, potentially to be reclassified as property tax revenue. The following two charts show the results of the application of each of the above analytical approaches when applied to the current secured property tax of \$30,181,100, consistently for a five year period.

Chart 21 - Secured Property Tax 5 Year Estimates



MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Chart 22 – Secured Property Tax 5 Year Estimates Year-to-Year Increase



CalPERS Safety Group Rates: The recent economic downturn, which hit California particularly hard in many areas, has resulted in a significant reduction in State revenue collections, assessed property valuations, and losses in the CalPERS retirement fund portfolio. The worst period for CalPERS, naturally coincided with the substantial fall in the financial markets starting in late 2007 and going into the March 2009 market lows. During the height of the crisis, with the extraordinary losses, debate arose as to whether CalPERS' assumed return rate of 7.75% was unrealistic and has resulted in a continued need to increase contribution rates in order to maintain adequate funding. While concern remains over the funding of future benefits and the District's contribution rates are likely to rise in the future, CalPERS success in achieving its target rate of return will determine to what extent contribution rates change.

On April 17, 2013, CalPERS issued Circular Letter No. 200-005-12, in which the CalPERS Board of Administration approved a recommendation to change the actuarial policies and methods governing the administration of employer retirement plans. In order to ensure that the retirement liability is adequately funded, CalPERS is planning to change the discount rate (economic assumptions) and the assumption related to the mortality rate (actuarial assumptions). The proposed changes would impact local agencies participating in CalPERS starting in fiscal year 2015-16.

The CalPERS Actuarial Office has provided projections for a sample public agency's safety and miscellaneous plans which should give a close approximation of the impact to the District. The sample projections are based upon the proposed actuarial method changes only.

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Sample Public Agency Safety Plan*

	Year 1	Year 2	Year 3	Year 4	Year 5
Method	15/16	16/17	17/18	18/19	19/20
Current Method	29.3%	29.4%	31.5%	33.0%	33.9%
Recommended Method	30.8%	32.8%	34.8%	36.9%	39.5%

Sample Public Agency Misc. Plan*

	Year 1	Year 2	Year 3	Year 4	Year 5
Method	15/16	16/17	17/18	18/19	19/20
Current Method	16.8%	16.9%	18.1%	19.0%	19.6%
Recommended Method	17.8%	19.0%	20.2%	21.5%	23.0%

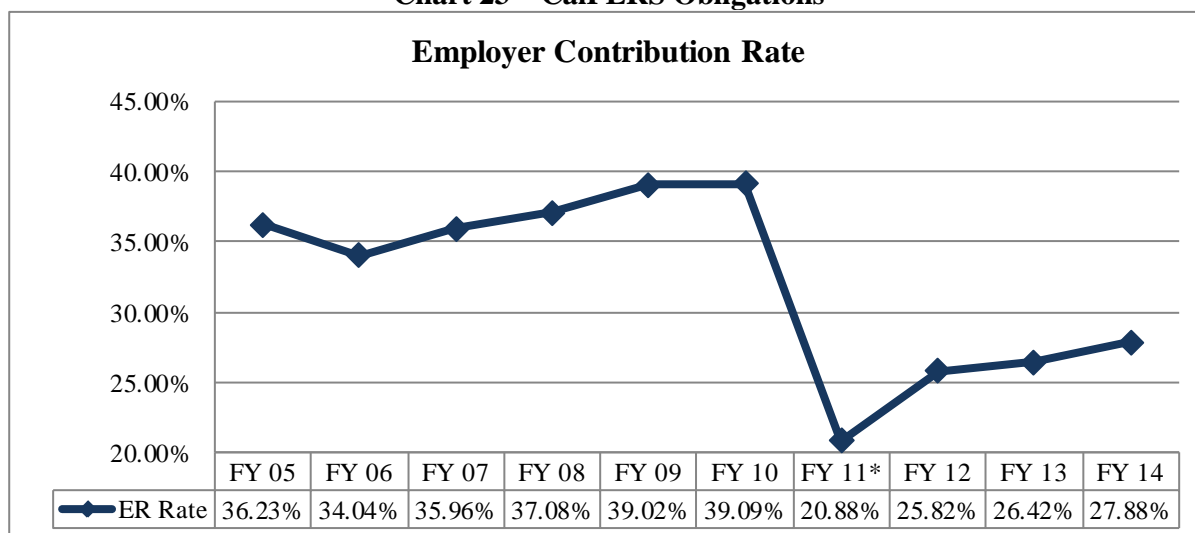
Despite these adjustments, the rate of return on the CalPERS portfolio remains highly uncertain. The District's retirement benefit costs could increase significantly if market conditions become unfavorable. The audited Safety Group Annual Pension Cost for fiscal year 2012-13 was \$2.8 million. This represents the employer's required contribution.

Actual CalPERS Employer Contribution Rate History: At the March 16, 2010 District Board meeting, the Board of Directors adopted Resolution #1361-2010, authorizing a pay down of the Safety Group Side Fund in the amount of \$7 million. The payment was made to CalPERS on April 1, 2010, and this resulted in about a 10% reduction in the Safety Group rate. Resolutions #1388-2010 and #1409-2010 authorized the payoff of the remaining Safety Side Fund obligation.

<u>Side Fund Payments</u>	<u>Date</u>	<u>\$\$ Amount</u>
Payment #1	04/01/10	\$ 7,000,000
Payment #2	06/30/10	3,500,000
Payment #3	01/01/11	2,001,969
Total Side Fund Payments		\$ 12,501,969

The chart below provides the history of the District's contribution rate to CalPERS for the Safety group. The decrease in FY 2010-11 was due to the Safety Group Side Fund obligation payment.,

Chart 23 – CalPERS Obligations



MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

As demonstrated in the chart, the District's contribution rate has increased significantly since 2010-11 because of the performance of the CalPERS investment portfolio and asset valuation. The increase is anticipated to continue given that CalPERS modified its actuarial assumptions in April of 2013, on a more conservative basis.

On June 25th, 2012, the Governmental Accounting Standards Board (GASB) approved Statement No. 68, Accounting and Financial Reporting for Pensions. According to GASB, the objective of the new Statement is to improve financial reporting for pension plans by state and local governmental entities and is effective for fiscal years beginning after June 15, 2014.

Statement No. 68 requires governments providing defined benefit pensions to, for the first time, recognize their long-term obligations for pension benefits as a liability and to more comprehensively and comparatively measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). The Statement calls for immediate recognition of more pension expenses than is currently required. This includes immediate recognition of annual service costs and the interest rate used to calculate the pension liability. It also requires immediate recognition of the effect on the net pension liability of changes in benefit terms. The unfunded portion of a pension liability meets the definition of a liability under the statement, and therefore should be reported. The new standards require that the fair (market) value of assets be used to calculate fiduciary net position, rather than an actuarial value of assets, which is currently used in the calculation of the Net Pension Obligation. The required shift to a fair market basis for valuing pension pool assets significantly increases the District's unfunded liability. Furthermore, this increase is still based upon an assumed 7.5% investment return which may prove to be overly optimistic. Any additional reduction in the assumed rate of return would result in an increase in the estimated unfunded liability.

MOVING FORWARD

The staff and the Board of Directors are committed to the fiscal stability and viability of the District. Although there have been strong signs of an improved local economy and a strengthening of the local housing and development markets within the District's jurisdictions, the Board remains cognizant of the need for cautious optimism as it moves forward. The Board of Directors, therefore, continues to take a prudent and conservative approach when it reviews and adopts its budgets and sets authorized expenditure levels. In order to proactively position the District financially the District's fiscal position is continually evaluated and adjusted to reflect the impact of any economic climate changes.

The following chart applies several basic budget parameters defined by the Board of Directors and economic trend analysis to the FY 2013-14 budgets. This data is used to forecast five years out to FY 2018-19, giving Staff and the Board of Directors a model from which to make both short- and long-term fiscal decisions. As shown, the budget parameters are intended to highlight the need for modifications in future years in order to continue to comply with the District's budgeting philosophy that ongoing expenditures must be fully funded with ongoing revenue sources.

MANAGEMENT’S DISCUSSION AND ANALYSIS, CONTINUED

Chart 24 – Five Year Forecast

REVENUE ASSUMPTIONS								
	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Gross Prop. Tax Growth Rates	-2.78%	1.00%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%
Other Revenues	-2.78%	1.00%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%
EXPENDITURE ASSUMPTIONS								
	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Staff	-2.78%	1.00%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%
Operating Expense	-2.78%	1.00%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%
RESERVE ASSUMPTIONS								
Budgetary Deficit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Cash Flow Management	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

By applying the percentages from the fiscal assumptions stated above, the District will not need to rely on reserves to balance its future years’ budgets. These assumptions can be reviewed and modified each year, as additional fiscal performance is measured.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This Comprehensive Annual Financial Report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the District’s finances. Questions about this report should be directed to the Administrative Services Division, at 170 Middlefield Road, Menlo Park, California, 94025.



MENLO PARK FIRE PROTECTION DISTRICT

STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

The Statement of Net Position and the Statement of Activities summarizes the entire District's financial activities and financial position. They are prepared on the same basis as is used by most businesses, which means they include all the District's assets and all its liabilities, as well as all its revenues and expenses. This is known as the full accrual basis—the effect of all the District's transactions is taken into account, regardless of whether or when cash changes hands, but all material internal transactions between District funds have been eliminated.

The Statement of Net Position reports the difference between the District's total assets and the District's total liabilities, including all the District's capital assets and all its long-term debt. The Statement of Net Position focuses the reader on the composition of the District's net position, by subtracting total liabilities from total assets.

The Statement of Net Position summarizes the financial position of all the District's Governmental Activities in a single column. The District's Governmental Activities include the activities of its General Fund, along with all its Special Revenue, Debt Service and Capital Projects Funds.

The Statement of Activities reports increases and decreases in the District's net position. It is also prepared on the full accrual basis, which means it includes all the District's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund financial statements, which reflect only current assets, current liabilities, available revenues and measurable expenditures.

The format of the Statement of Activities presents the District's expenses first, listed by program. Program revenues—that is, revenues which are generated directly by these programs—are then deducted from program expenses to arrive at the net expense of each governmental program. The District's general revenues are then listed in the Governmental Activities column, as appropriate, and the Change in Net Position is computed and reconciled with the Statement of Net Position.

MENLO PARK FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

ASSETS	<u>Governmental Activities</u>
Cash and investments (Note 2)	\$56,815,497
Restricted cash and investments (Note 2)	1,084,916
Receivables:	
Interest	29,867
Other	781,046
Prepays	7,074
Other assets	10,977
Net OPEB asset (Note 9)	840,090
Capital assets (Note 3):	
Non-depreciable	8,453,820
Depreciable, net	<u>9,983,200</u>
Total assets	<u>78,006,487</u>
LIABILITIES	
Accounts payable	422,327
Accrued liabilities	466,143
Workers compensation claims payable (Note 6B)	
Due within one year	596,019
Due in more than one year	1,062,288
Compensated absences: (Note 1F)	
Due within one year	310,447
Due in more than one year	1,950,201
Long-term liabilities: (Note 5)	
Due within one year	240,000
Due in more than one year	11,515,000
Tax refund payable	<u>258,062</u>
Total liabilities	<u>16,820,487</u>
NET POSITION (Note 7)	
Net investment in capital assets	6,682,020
Restricted for:	
Debt service	1,084,916
Unrestricted	<u>53,419,064</u>
Total Net Position	<u><u>\$61,186,000</u></u>

See accompanying notes to financial statements

MENLO PARK FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Expenses:

Public safety - fire	\$26,883,046
Interest on long-term debt	<u>767,527</u>
Total Program Expenses	<u>27,650,573</u>

Program revenues:

Operating grants and contributions	1,423,594
Charges for services	<u>1,114,934</u>
Total Program Revenues	<u>2,538,528</u>
Net Program Expense	<u>25,112,045</u>

General revenues:

Property taxes	32,500,796
Use of money and property	129,950
Other revenues	<u>3,250,771</u>
Total General Revenues	<u>35,881,517</u>

Change in Net Position	10,769,472
Net Position-Beginning	<u>50,416,528</u>
Net Position-Ending	<u><u>\$61,186,000</u></u>

See accompanying notes to financial statements



FUND FINANCIAL STATEMENTS

The Fund Financial Statements present individual major funds, while non-major funds (if any) are combined in a single column. Major funds are defined generally as having significant activities or balances in the current year.

MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be Major Funds by the District in fiscal 2013.

GENERAL FUND

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

FEMA FUND

The FEMA Fund is used to account separately for funds received and disbursed for federal emergencies. The District participates in a program with the Federal Emergency Management Agency (FEMA) who grants the District money for the reimbursement of certain expenditures allocated for activities performed at the request of the Federal government.

CAPITAL IMPROVEMENT FUND

The Capital Improvement Fund is used to account for the acquisition and/or construction of all major governmental general capital assets.

DEBT SERVICE FUND

The Debt Service Fund is used to account for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

MENLO PARK FIRE PROTECTION DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2013

	General	FEMA	Capital Improvement	Debt Service	Total Governmental Funds
ASSETS					
Cash and investments (Note 2)	\$43,316,984		\$12,574,055	\$924,458	\$56,815,497
Restricted cash and investments (Note 2)				1,084,916	1,084,916
Receivables:					
Interest	29,867				29,867
Other	781,046				781,046
Prepaid items	7,074				7,074
Other assets	10,977				10,977
Total Assets	<u>\$44,145,948</u>		<u>\$12,574,055</u>	<u>\$2,009,374</u>	<u>\$58,729,377</u>
LIABILITIES					
Accounts payable	\$411,562		\$10,765		\$422,327
Accrued liabilities	466,143				466,143
Total Liabilities	<u>877,705</u>		<u>10,765</u>		<u>888,470</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - grants	497,462				497,462
Total Liabilities and Deferred Inflows of Resources	<u>1,375,167</u>		<u>10,765</u>		<u>1,385,932</u>
FUND BALANCES					
Fund Balance (Note 7)					
Nonspendable	7,074				7,074
Restricted				\$1,084,916	1,084,916
Committed	23,198,591		12,563,290	924,458	36,686,339
Assigned	19,358,110				19,358,110
Unassigned	207,006				207,006
Total Fund Balances	<u>42,770,781</u>		<u>12,563,290</u>	<u>2,009,374</u>	<u>57,343,445</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$44,145,948</u>		<u>\$12,574,055</u>	<u>\$2,009,374</u>	<u>\$58,729,377</u>

See accompanying notes to financial statements

MENLO PARK FIRE PROTECTION DISTRICT
Reconciliation of the
GOVERNMENTAL FUNDS -- BALANCE SHEET
with the
STATEMENT OF NET POSITION
JUNE 30, 2013

Total fund balances reported on the governmental funds balance sheet	\$57,343,445
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Amounts reported for Governmental Activities in the Statements of Net Position
are difference from those reported in the Governmental Funds above because of the following:

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.	18,437,020
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LONG-TERM ASSETS AND LIABILITIES

The assets and liabilities below are not due and payable in the current period and therefore are not
reported in the Funds:

Claims payable	(1,658,307)
Compensated absences	(2,260,648)
Long-term debt	(11,755,000)
Net OPEB asset	840,090
Deferred inflow of resources	497,462
Tax refund payable	<u>(258,062)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$61,186,000</u></u>
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See accompanying notes to financial statements

MENLO PARK FIRE PROTECTION DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013

	General	FEMA	Capital Improvement	Debt Service	Total Governmental Funds
REVENUES:					
Property taxes - secured and unsecured	\$32,314,304				\$32,314,304
Property taxes - prior secured and unsecured	15,108				15,108
Menlo Park Las Pulgas Redevelopment Agency taxes	506,686				506,686
Homeowner's property tax relief	186,499				186,499
ERAF rebate	(1,189,557)				(1,189,557)
Redevelopment projects in East Palo Alto	667,756				667,756
Licenses and permits	917,906				917,906
Charges for services - JPA ambulance service (Note 10)	197,028				197,028
Rent revenue	127,857				127,857
Grant revenue	226,645	\$1,077,293			1,303,938
Intergovernmental			\$2,413,582	\$226,410	2,639,992
Interest	129,644		206	100	129,950
Other revenue	482,922				482,922
Total Revenues	34,582,798	1,077,293	2,413,788	226,510	38,300,389
EXPENDITURES:					
Salaries and benefits	19,783,917	99,820			19,883,737
Services and supplies	5,032,613	884,385		1,900	5,918,898
Capital outlay	128,050	93,088	1,368,400		1,589,538
Debt service:					
Principal payment				235,000	235,000
Interest and fiscal agent charges				767,527	767,527
Total Expenditures	24,944,580	1,077,293	1,368,400	1,004,427	28,394,700
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	9,638,218		1,045,388	(777,917)	9,905,689
OTHER FINANCING SOURCES (USES):					
Transfers in (Note 4)			2,625,200	950,100	3,575,300
Transfers (out) (Note 4)	(3,575,300)				(3,575,300)
Total Other Financing Sources (Uses)	(3,575,300)		2,625,200	950,100	
NET CHANGE IN FUND BALANCES	6,062,918		3,670,588	172,183	9,905,689
Fund balances at beginning of year	36,707,863		8,892,702	1,837,191	47,437,756
Fund balances at end of year	\$42,770,781		\$12,563,290	\$2,009,374	\$57,343,445

See accompanying notes to financial statements

MENLO PARK FIRE PROTECTION DISTRICT
Reconciliation of the
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
with the
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

The schedule below reconciles the Net Change in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$9,905,689
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Amounts reported for governmental activities in the Statement of Activities are different because of the following:

CAPITAL ASSETS TRANSACTIONS

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

The capital outlay expenditures are therefore added back to fund balance

Capital outlay	1,589,538
Capital expenditures reported in Services and Supplies	242,655
Net retirements of capital assets are deducted from fund balance	(11,138)
Depreciation expense is deducted from fund balance	(914,731)

LONG-TERM DEBT PROCEEDS AND PAYMENTS

Repayment on the Certificate of Participation is an expenditure in the governmental funds, but in the Statement of Net Position the repayment reduces long-term liabilities.

Repayment of Certificate of Participation principal is added back to fund balance	235,000
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ACCRUAL OF NON-CURRENT ITEMS

The amount below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditure in governmental funds (net change):

Claims payable	(472,235)
Net OPEB asset	(214,024)
Compensated absences	169,521
Deferred inflow of resources	119,656
Tax refund payable	119,541

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$10,769,472</u></u>
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See accompanying notes to financial statements

MENLO PARK FIRE PROTECTION DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES:				
Property taxes - secured and unsecured	\$30,568,100	\$32,314,304	\$32,314,304	
Property taxes - prior secured and unsecured		15,108	15,108	
Menlo Park Las Pulgas Redevelopment Agency secured taxes	647,500	506,686	506,686	
Homeowner's property tax relief	194,200	186,499	186,499	
ERAF rebate	(3,583,200)	(1,189,557)	(1,189,557)	
Redevelopment projects in East Palo Alto	570,200	667,756	667,756	
Licenses and permits	711,000	918,071	917,906	(165)
Charges for services - JPA ambulance service (Note 10)	185,200	197,028	197,028	
Rent revenue	147,900	127,857	127,857	
Grant revenue		225,439	226,645	1,206
Interest	118,200	129,644	129,644	
Other revenue		483,961	482,922	(1,039)
Total Revenues	29,559,100	34,582,796	34,582,798	2
EXPENDITURES:				
Salaries and benefits	21,488,400	19,782,070	19,783,917	(1,847)
Services and supplies	4,217,300	5,027,242	5,032,613	(5,371)
Capital outlay	966,600	128,050	128,050	
Total Expenditures	26,672,300	24,937,362	24,944,580	(7,218)
EXCESS OF REVENUES OVER EXPENDITURES	2,886,800	9,645,434	9,638,218	(7,216)
OTHER FINANCING SOURCES (USES)				
Transfers (out) (Note 4)	(3,575,300)	(3,575,300)	(3,575,300)	
Total Other Financing Sources (Uses)	(3,575,300)	(3,575,300)	(3,575,300)	
NET CHANGE IN FUND BALANCE	(\$688,500)	\$6,070,134	6,062,918	(\$7,216)
Fund balance at beginning of year			36,707,863	
Fund balance at end of year			\$42,770,781	

See accompanying notes to financial statements

MENLO PARK FIRE PROTECTION DISTRICT
FEMA SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES:				
Grant Revenue	\$636,057	\$1,077,293	\$1,077,293	
Total Revenues	636,057	1,077,293	1,077,293	
EXPENDITURES:				
Salaries and benefits	127,607	99,820	99,820	
Services and supplies	508,450	884,385	884,385	
Capital outlay		93,088	93,088	
Total Expenditures	636,057	1,077,293	1,077,293	
NET CHANGE IN FUND BALANCE				
Fund balance at beginning of year				
Fund balance at end of year				

See accompanying notes to financial statements



**MENLO PARK FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
--

A. *Organization and Description*

The Menlo Park Fire Protection District (District) was organized in 1915 and operates under the State of California Health and Safety Code. The District protects around 90,000 residents covering an area of 30 square miles in Southern San Mateo County, which includes the City of Menlo Park, the Town of Atherton, and City of East Palo Alto. The District also covers unincorporated adjacent areas including Dumbarton Oaks, North Fair Oaks, Ravenswood and lands adjacent to Stanford University. The District operates 7 Fire Stations and 1 Fire Prevention and Administration office.

The District also has working agreements with the neighboring Fire departments, Palo Alto, Redwood City, and Woodside Fire District, to provide automatic aid.

A five-member Board of Directors, elected to four-year terms, establishes policy of the District. The present Board consists of Rex Ianson (retired firefighter), Stephen Nachtsheim (retired entrepreneur), Jack Nelson (semi-retired professional), Virginia Chang Kiraly (Corporate Finance) and Rob Silano (Public Safety Expert)

The District has 102 employees. The command staff includes a Fire Chief, three Division Chiefs and three Battalion Chiefs. Each of the division chiefs has a primary function responsibility. The responsibilities include Operations, Training and Fire Prevention. In addition, each Battalion Chief is also a shift supervisor for one of the three suppression shifts.

The District maintains its headquarters at 170 Middlefield Road, Menlo Park, California 94025.

B. *Reporting Entity*

The Menlo Park Fire Protection District is not blended activity of any other governmental unit, thus its financial statements do not include any financial activity of any other agency. It is not a component unit of any other reporting entity.

C. *Basis of Presentation*

The District's combined financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

These Statements require that the financial statements described below be presented.

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary government (the District) and its component unit. These statements include the financial activities of the overall District government. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

**MENLO PARK FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
--

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational needs of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major individual governmental funds, each of which is displayed in a separate column.

D. Major Funds

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The District may also select other funds it believes should be presented as major funds.

The District reported all its governmental funds as major funds in the accompanying financial statements:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources of the District except those required to be accounted for in another fund.

FEMA Fund – The FEMA Fund is used to account separately for funds received and disbursed for federal emergencies. The District participates in a program with the Federal Emergency Management Agency (FEMA) who grants the District money for the reimbursement of certain expenditures allocated for activities performed at the request of the Federal government.

Capital Improvement Fund – The Capital Improvement Fund is used to account for the acquisition and/or construction of all major governmental general capital assets.

Debt Service Fund – The Debt Service Fund is used to account for accumulation of resources and payments made for the principal and interest on long-term debt of governmental funds.

E. Basis of Accounting

The District-wide financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

**MENLO PARK FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable* and *available*. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Governmental capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

F. Compensated Absences

Compensated absences comprise vested vacation, sick, comp time and annual leave. Employees do not gain a vested right to accumulated sick leave, unless they take retirement through PERS or are laid off. The annual leave plan combines vacation and sick leave, which is settled annually. The District's liability for compensated absences is recorded in Governmental Activities. The liability for compensated absences is determined annually. For all governmental funds, amounts expected to be "permanently liquidated," such as what is due to be paid because of a realized employment action, are recorded as fund liabilities; the long-term portion is recorded in the Statement of Net Position.

Compensated absences are liquidated by the fund that has recorded the liability. The long-term portion of governmental activities compensated absences are liquidated primarily by the General Fund.

The changes in compensated absences were as follows:

	Governmental Activities
Beginning Balance, at July 1, 2012	\$2,430,169
Additions	1,555,325
Payments made during fiscal year	(1,724,846)
Ending Balance, at June 30, 2013	<u>\$2,260,648</u>
Current Portion	<u>\$310,447</u>

**MENLO PARK FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
--

G. Budgets and Budgetary Accounting

The Board of Directors adopts a final budget prior to July 1. The budget includes appropriations (budgeted expenditures) on a line-item basis and the means of financing them (budgeted revenues).

These budgets are revised by the District's governing board during the year to give consideration to unanticipated income and expenditures.

A formal budget was used as a management control device during the year for all District funds. The District's budget allocations are based on their chart of accounts, which includes major objects, minor objects and individual appropriation accounts for department, division and expenditure type. Expenditures cannot legally exceed appropriations by major object account.

Budgets are adopted on a basis consistent with generally accepted accounting principles for all funds. The General Fund incurred expenditures in excess of its budget in the amount of \$7,218. Sufficient resources were available within these funds to finance this expenditure.

H. Property Taxes

Revenue is recognized in the fiscal year for which the tax and assessment is levied. The County of San Mateo levies, bills and collects property taxes for the District. Secured property taxes are attached as an enforceable lien on property as of March 1 and are due in two installments, on November 1 and February 1. It becomes delinquent on December 10 and April 10, respectively.

Unsecured property tax is due on July 1 and becomes delinquent on August 31. The term "unsecured" refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the personal property being taxed.

I. Capital Assets and Depreciation

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. Capital assets with a value of \$5,000 or more are recorded as capital assets.

Capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

**MENLO PARK FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
--

Depreciation is provided using the straight-line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The District has assigned the useful lives listed below to capital assets:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Land	N/A
Site Improvements	7-50
Furniture and Equipment	5-20
Vehicles	5-15

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as inflow of resources (revenue) until that time. The District has only one item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

K. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**MENLO PARK FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013**

NOTE 2 – CASH AND INVESTMENTS

A. *Summary of Deposits*

Cash and investments consisted of the following as of June 30, 2013:

	Available for Operations	Restricted	Total
Investments:			
Local Agency Investment Fund	\$49,605,145		\$49,605,145
Cash in banks	7,204,702	\$1,084,916	8,289,618
Petty cash	5,650		5,650
Total cash and investments	<u>\$56,815,497</u>	<u>\$1,084,916</u>	<u>\$57,900,413</u>

B. *Cash in Banks and Revolving Funds*

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the District's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the District's name and places the District ahead of general creditors of the institution.

C. *Policies and Practices*

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates or participation, obligations with first priority; and collateralized mortgage obligations.

MENLO PARK FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 2 – CASH AND INVESTMENTS (Continued)

The following table summarizes the District's policy related to maturities (interest rate risk), credit quality (credit risk) and concentration of investments:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum In Portfolio	Maximum Investment In One Issuer
Local Agency Investment Fund	N/A	N/A	\$50 million	N/A
		Highest Ranking		
California Asset Management Trust	N/A	Category	\$50 million	N/A
Collateralized Certificate of Deposits	1 year	N/A	20%	N/A
Negotiable Certificates of Deposits	N/A	AA	30%	N/A
		Highest Ranking		
Bankers' Acceptances	180 days	Category	40%	30%
U. S. Treasury Bonds, Notes and Bills	5 years	N/A	None	N/A
U.S. Agency Obligations	5 years	N/A	None	N/A
Repurchase Agreements	30 days	A	20%	N/A
		Highest Ranking		
Commercial Paper	270 days	Category	25%	10%
		Highest Ranking		
Money Market Funds	N/A	Category	20%	N/A
Local Agency Bonds	N/A	N/A	None	N/A

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District maintains an investment with the Local Agency Investment Fund with a fair value of approximately \$50 million. The average weighted maturity for this pool is 278 days.

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by nationally recognized statistical rating organization. As of June 30, 2013, the Local Agency Investment Fund was not rated.

F. Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State of local governmental units pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. Cash in banks is fully insured by the Federal Depository Insurance Corporation and so there is no exposure to custodial credit risk.

MENLO PARK FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 2 – CASH AND INVESTMENTS (Continued)

G. Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. District investments that are greater than 5 percent of the total investments are in either an external investment pool or mutual funds and are therefore exempt.

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2013, is shown below:

	Balance at June 30, 2012	Additions	Retirements	Balance at June 30, 2013
<i>Governmental Activities</i>				
Capital assets not being depreciated:				
Land	\$5,090,013			\$5,090,013
Construction in progress	2,013,503	\$1,350,304		3,363,807
Total capital assets not being depreciated	7,103,516	1,350,304		8,453,820
Capital assets being depreciated:				
Buildings and improvement	12,129,791	208,885	(\$48,249)	12,290,427
Vehicles	5,564,766	89,195	(43,285)	5,610,676
Vehicles - FEMA	1,507,156			1,507,156
Furniture and equipment	1,353,279	56,267		1,409,546
Furniture and equipment - FEMA	151,372	127,542		278,914
Total capital assets being depreciated	20,706,364	481,889	(91,534)	21,096,719
Less accumulated depreciation for:				
Buildings and improvement	5,009,670	347,717	(46,850)	5,310,537
Vehicles	2,875,075	366,441	(33,546)	3,207,970
Vehicles - FEMA	1,322,827	57,122		1,379,949
Furniture and equipment	964,802	115,801		1,080,603
Furniture and equipment - FEMA	106,810	27,650		134,460
Total accumulated depreciation	10,279,184	914,731	(80,396)	11,113,519
Net capital assets being depreciated	10,427,180	(432,842)	(11,138)	9,983,200
Governmental activity capital assets, net	\$17,530,696	\$917,462	(\$11,138)	\$18,437,020

Depreciation expense of \$914,731 was charged to public safety-fire governmental activities.

**MENLO PARK FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013**

NOTE 4 – INTERFUND TRANSACTIONS

Transfers Between Funds

The purpose of the majority of transfers is to reimburse a fund, which has made an expenditure on behalf of another fund. Less often, a transfer may be made to open or close a fund.

Transfers between funds during the fiscal year ended June 30, 2013 were as follows:

Fund Receiving Transfer	Fund Making Transfer	Amount Transferred	
Capital Improvement	General Fund	\$2,625,200	(a)
Debt Service	General Fund	950,100	(b)
		<u>\$3,575,300</u>	

The purpose of the significant transfers that were not routine in nature or consistent with activities of the fund making the transfers is set forth below:

- (a) Transfer was used to fund capital improvement projects.
- (b) Transfer was used to fund debt service.

NOTE 5 – LONG-TERM DEBT

The District incurred long-term debt to finance projects or purchase assets that will have useful lives equal to or greater than the related debt. This debt will be repaid only out of governmental funds but is not accounted for in these funds because this debt does not require an appropriation or expenditure in this accounting period.

A. Change in Long-Term Debt

The District's debt issues and transactions are summarized below:

	Original Issue Amount	Balance June 30, 2012	Retirements	Balance June 30, 2013	Current Portion
Governmental Activity Debt					
2009 Certificates of Participation Series A 2%-5%, due 8/01/22	\$3,055,000	\$3,055,000	\$235,000	\$2,820,000	\$240,000
2009 Certificates of Participation Series B 7%, due 8/01/39	8,935,000	8,935,000		8,935,000	
Total Governmental Activity Debt		<u>\$11,990,000</u>	<u>\$235,000</u>	<u>\$11,755,000</u>	<u>\$240,000</u>

MENLO PARK FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 5 – LONG TERM DEBT (Continued)

B. 2009 Certificates of Participation, Series A and B

On behalf of the District, in December 2009, the Public Property Financing Corporation of California (a nonprofit public benefit corporation) issued Certificates of Participation in the original principal amount of \$11,990,000, bearing interest at 2-7%. Bond proceeds were used to finance a portion of the costs of the acquisition, construction, improvements and/or rehabilitation of facilities and improvements to be owned and operated by the District. Under a non-cancelable lease of these assets extending to August 1, 2039, the District makes annual payments on August 1, from any source of available funds of the District which are sufficient to pay the principal and interest on the 2009 Certificates of Participation. The costs of the assets securing this lease and the balance of the debt evidenced by the 2009 Certificates of Participation have been included in the District's financial statements as this lease is in essence a financing arrangement, with ownership of the financed assets reverting to the District at its conclusion.

The taxable 2009 B Bonds were sold as "Build America Bonds" pursuant to the American Recovery and Reinvestment Act of 2009. The interest on Build America Bonds is not tax-exempt and therefore the bonds carry a higher interest rate. However, this higher interest rate will be offset by a subsidy payable by the United States Treasury equal to 35 percent of the interest payable on the Bonds. The subsidy will be payable on or about the date that the District makes its debt service payments and the total subsidy received in fiscal year 2013 was \$226,410.

C. Debt Service Requirements

The District's debt service requirements are presented below:

For The Year Ending June 30	Principal	Interest
2014	\$240,000	\$761,586
2015	245,000	754,311
2016	255,000	746,811
2017	260,000	739,086
2018	270,000	729,786
2019-2023	1,550,000	3,435,680
2024-2028	1,955,000	2,898,050
2029-2033	2,445,000	2,113,052
2034-2038	3,085,000	1,111,237
2039-2040	1,450,000	106,770
Total payments due	<u>\$11,755,000</u>	<u>\$13,396,369</u>

**MENLO PARK FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013**

NOTE 6 – SELF-INSURANCE

The District did not have any claim settlements that exceeded the insurance coverage in the last three years.

A. General Liability

The District has commercial insurance coverage over its property, portable equipment, comprehensive crime, management liability and automobiles. The District also has excess liability insurance up to \$10,000,000 per occurrence (\$20,000,000 in aggregate). As of June 30, 2013, the accrued general liability claims liability was \$0.

B. Workers' Compensation

The District is self-insured for workers' compensation claims up to the first \$750,000 of each insurance claim. The District has insurance coverage for potential losses in excess of the workers' compensation self-insurance limit. The District has contracted with a workers' compensation administrator to handle its claims. As of June 30, the accrued workers' compensation claims liability was:

	<u>Workers' Compensation</u>
Claims liability June 30, 2011	\$441,630
Incurred claims	1,419,420
Claim payments/credits	<u>(674,978)</u>
Claims liability June 30, 2012	1,186,072
Incurred claims	1,050,487
Claim payments/credits	<u>(578,252)</u>
Total Claims liability June 30, 2013	<u><u>\$1,658,307</u></u>
Estimated current portion	<u><u>\$596,019</u></u>

C. Dental Plan

The District has a self-insured dental plan. The District contributes \$122 per month for each full time employee toward the employee dental plan. The benefit for part time staff is prorated depending upon the number of hours worked. In October for each year, claims are submitted by the District employees to a third party administrator (TPA) for reimbursement on November 30. The District paid \$159,552 to the TPA as of June 30, 2013.

NOTE 7 – NET POSITION AND FUND BALANCES

Net Position is measured on the full accrual basis while Fund Balance is measured on the modified accrual basis.

**MENLO PARK FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013**

NOTE 7 – NET POSITION AND FUND BALANCES (Continued)
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A. *Net Position*

Net Position is the excess of all the District's assets and deferred outflows of resources over all its liabilities and deferred inflows of resources, regardless of fund. The following captions apply only to Net Position, which is determined only at the District-wide level, and are described below:

Net investment in capital assets describes the portion of Net Position which is represented by the current net book value of the District's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulation, laws, or other restrictions which the District cannot unilaterally alter.

Unrestricted describes the portion of Net Position which is not restricted to use.

B. *Fund Balances*

Governmental fund balances represent the net current assets of each fund. Net current position generally represent a fund's cash and receivables, less its liabilities.

The District's fund balances are classified in accordance with Governmental Accounting Standards Board Statement Number 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which requires the District to classify its fund balances based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the District prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

Nonspendable represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as prepaids, notes receivable, and land held for redevelopment are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then nonspendable amounts are required to be presented as a component of the applicable category.

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources.

Committed fund balances have constraints imposed by formal action (i.e. specific resolution or budget adoption) of the Board of Directors which may be altered only by formal action by Resolution of the Board of Directors. Encumbrances and nonspendable amounts subject to council commitments are included along with spendable resources.

MENLO PARK FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

NOTE 7 – NET POSITION AND FUND BALANCES (Continued)

Assigned fund balances are amounts constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed within the District's budget document by the Board of Directors or its designee (Fire Chief or Director of Administrative Services) and may be changed at the discretion of the Board of Directors or its designee. This category includes encumbrances when it is the District's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been restricted or committed.

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

Detailed classifications of the District's Fund Balances, as of June 30, 2013, are below:

Fund Balance Classifications	General Fund	FEMA	Capital Improvement	Debt Service	Total
Nonspendables:					
Items not in spendable form:					
Prepaid Items	\$7,074				\$7,074
Total Nonspendable Fund Balances	<u>7,074</u>				<u>7,074</u>
Restricted for:					
Debt Service				\$1,084,916	1,084,916
Total Restricted Fund Balances				<u>1,084,916</u>	<u>1,084,916</u>
Committed to:					
Budgetary Deficit	7,421,625				7,421,625
Cash Flow Management	8,874,500				8,874,500
FEMA Deployments	3,000,000				3,000,000
Communications/Radios	324,575				324,575
Emergency Medical Equipment	160,028				160,028
Emergency Medical Equipment	563,055				563,055
Emergency Equipment	439,116				439,116
Rolling Stock	2,317,231				2,317,231
Apparatus Rolling Stock	98,461				98,461
Debt Service				924,458	924,458
Admin/Fire Prevention			\$86,813		86,813
Station 1			10,801		10,801
Station 2			10,578,654		10,578,654
Station 6			1,283,160		1,283,160
Station 7			603,862		603,862
Total Committed Fund Balances	<u>23,198,591</u>		<u>12,563,290</u>	<u>924,458</u>	<u>36,686,339</u>
Assigned to:					
Encumbrances	137,332				137,332
PERS-Future PERS Payment	7,305,933				7,305,933
General Services	983,498				983,498
Worker's Compensation	1,749,954				1,749,954
Compensated Absences	4,020,951				4,020,951
Information Technology	469,088				469,088
Retirement Medical	4,691,354				4,691,354
Total Assigned Fund Balances	<u>19,358,110</u>				<u>19,358,110</u>
Unassigned:					
General fund	207,006				207,006
Total Unassigned Fund Balances	<u>207,006</u>				<u>207,006</u>
Total Fund Balances	<u>\$42,770,781</u>		<u>\$12,563,290</u>	<u>\$2,009,374</u>	<u>\$57,343,445</u>

**MENLO PARK FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013**

NOTE 7 – NET POSITION AND FUND BALANCES (Continued)

C. *Stabilization and Contingency Arrangements*

In 2005, the District established a Reserve for Cash Flow Management by Resolution #1103 to maintain a minimum level of funding for stability and credit worthiness. The reserve was designed to designate adequate funding for the annual dry period, future acquisitions and replacement vehicles, facilities, capital equipment, future workers' compensation claims, contractual obligations, encumbrances, debt service requirements and insurance liabilities. The Board of Directors mandated that the District maintain a minimum fund balance of at least 50% of the operating revenues in the General Fund at the fiscal year end. Beginning in fiscal year 2011-12, under resolution #1505-2012, the Reserve for Cash Flow Management was classified as a Committed fund as required by GASB Statement #54. As such, the fund is to be used for non-routine, specific purposes that represent a budgetary shortfall of at least 20% of the overall operating budget will be covered by the fund balance committed for Cash Flow Management and cannot be utilized without prior formal approval by the Board of Directors. In addition, under resolution #1561-2012, the Board directed staff to follow an expenditure-based methodology for determining the required fund balance, rather than the revenue-based method adopted in 2005. As of June 30, 2013, the Reserve for Cash Flow Management had a balance of \$8,874,500.

In June of 2012, the District, by Resolution #1536, replaced two unassigned Reserve Funds, one for Economic Uncertainty and one for Fluctuating Property Tax Growth with a new committed Budgetary Deficit Fund. The balance is equal to the projected excess of budgeted expenditures over budgeted revenues by fund. As of June 30, 2013 the Reserve for Budgetary Deficit Fund had a balance of \$7,421,625. The Fire District has only had to tap into this committed fund once in the last 10 years.

NOTE 8 – PENSION PLAN

A. *CALPERS Safety and Miscellaneous Employees Plans*

Substantially all District employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CALPERS), an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The District's employees participate in the separate Safety (fire) and Miscellaneous (all other) Employee Plans. Benefit provisions under both Plans are established by State statute and District resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CALPERS; the District must contribute these amounts. The District pays employee's contributions as well as its own with the exception of the suppression staff. The Plans' provisions and benefits in effect at June 30, 2013, are summarized as follows:

	Safety	Miscellaneous	Safety New Tier	Miscellaneous New Tier
Hire Date	Prior to January 1, 2013	Prior to January 1, 2013	After January 1, 2013	After January 1, 2013
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life	Monthly for life	Monthly for life
Retirement Age	50	55	57	62
Monthly benefits as a percentage of annual salary	3%	2.7%	2.7%	2.0%
Required employee contribution rates	9%	8%	12.25%	6.25%
Required employer contribution rates	26.416%	15.178%	12.25%	6.25%

**MENLO PARK FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013**

NOTE 8 – PENSION PLAN (Continued)

CALPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the District's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this method is the level amount the employer must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarially accrued liability. The District uses the actuarially determined percentages of payroll to calculate and pay contributions to CALPERS. This results in no net pension obligations or unpaid contributions.

Annual Pension Costs, representing the payment of all contributions required by CALPERS, for the years ended June 30, 2013, 2012 and 2011 amounted to \$3,003,488 \$3,057,309, and \$2,592,193, respectively.

Safety Plan:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	\$2,433,252	100%	---
2012	2,856,183	100%	---
2013	2,776,987	100%	---

Miscellaneous Plan:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	\$158,941	100%	---
2012	201,126	100%	---
2013	226,501	100%	---

CALPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.50% is assumed, including inflation rate at 2.75%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over twenty years. Investment gains and losses are accumulated as they are realized and amortized over a rolling thirty year period.

As required by State law, effective July 1, 2005, the District's Safety and Miscellaneous Plans were terminated, and the employees in those plans were required by CALPERS to join new State-wide pools. One of the conditions of entry to these pools was that the District true-up any unfunded liabilities in the former Plans, either by paying cash or by increasing its future contribution rates through a Side Fund offered by CALPERS. In fiscal year 2011, the District paid off the unfunded liability of the Safety Plan. In 2005 the District satisfied its Miscellaneous Plan's unfunded liability.

**MENLO PARK FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013**

NOTE 8 – PENSION PLAN (Continued)

The Plans' actuarial value (which differs from market value) and funding progress are set forth below at their actuarial valuation date of June 30, 2011:

Safety Plan:

Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2009	\$9,721,675,347	\$8,027,158,724	\$1,694,516,623	82.6%	\$973,814,168	174.0%
2010	10,165,475,166	8,470,235,152	1,695,240,014	83.3%	955,980,815	177.3%
2011	10,951,745,049	9,135,654,246	1,816,090,803	83.4%	949,833,090	191.2%

The District's Safety Plan represents approximately 1.15%, 1.14%, and 1.25% of the State-wide pool for the years ended June 30, 2011, 2010, and 2009, respectively, based on covered payroll of \$10,909,448, \$10,901,592, and \$12,218,708.

Miscellaneous Plan:

Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2009	\$2,140,438,884	\$1,674,260,302	\$466,178,582	78.2%	\$440,071,499	105.9%
2010	2,297,871,345	1,815,671,616	482,199,729	79.0%	434,023,381	111.1%
2011	2,486,708,579	1,981,073,089	505,635,490	79.7%	427,300,410	118.3%

The District's Miscellaneous Plan represents approximately 0.31%, 0.26%, and 0.22% of the State-wide pool for the years ended June 30, 2011, 2010, and 2009, respectively, based on covered payroll of \$1,343,538, \$1,127,876 and \$979,202.

Audited annual financial statements are available from CALPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

B. Deferred Compensation Plan

The District offers its eligible employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all regular employees, permits them to defer a portion of their salary until future years. The deferred compensation is available to employees upon termination, retirement, disability or death.

**MENLO PARK FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013**

NOTE 9 – OTHER POST EMPLOYMENT HEALTH CARE BENEFITS
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The District provides post employment health care benefits for all employees who terminate or retire from the District. Upon termination, the District contributes to the Plan for represented groups and unrepresented groups per their agreement with Post Employment Health Plan. Authorized by Resolution No. 1431-2011, the District pays a monthly allotment of \$442 per month per represented Safety employee to their individual Post Employment Health Plan account.

An employee is eligible for health care coverage if he or she retires within 120 days of separation from employment and receives a monthly retirement allowance. If the member meets this requirement, he or she may continue his or her enrollment at retirement, enroll within 60 days of retirement, or enroll during any open enrollment period. If a member is currently enrolled in a CalPERS health plan and wants to continue enrollment into retirement, the employer will notify CalPERS and the member's coverage will continue into retirement.

At June 30, 2013, 57 retirees participated in the CalPERS Medical Plan. The District currently pays only the PEHMCA portion of the premium.

If the employee is in the IAFF represented group, was hired prior to January 1, 2012, and retires on or after January 1, 2002, with at least 20 years of District service, the District contributes an additional \$250 per month toward the cost of coverage. Election of CalPERS medical coverage is not required to receive this benefit.

If the employee is in the AFSCME represented group or is a non-represented Safety Employee, and retires on or after January 1, 2002, with at least 15 years of District service, the District contributes an additional \$300 per month toward the cost of coverage. Election of CalPERS medical coverage is not required to receive this benefit.

If the employee is a non-represented non-Safety Employee, and retired on or after January 1, 2002, but before January 1, 2012, with at least 15 years of District service, the District contributes an additional \$300 per month toward the cost of coverage. Election of CalPERS medical coverage is not required to receive this benefit.

**MENLO PARK FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013**

NOTE 9 – OTHER POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)

A. *Funding Policy and Actuarial Assumptions*

The District's policy is to partially prefund these benefits by accumulating assets with PARS discussed above along with making pay-as-you-go payments. The annual required contribution (ARC) was determined as part of a June 30, 2013 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 4.89% investment rate of return, (b) 3.25% projected annual salary increase, (c) 4.50% health inflation increases, and (d) inflation rate of 3%. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The District's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis using a 15 year amortization period.

B. *Funding Progress and Funded Status*

Generally accepted accounting principles permits contributions to be treated as OPEB assets and deducted from the Actuarial Accrued Liability when such contributions are placed in an irrevocable trust or equivalent arrangement. During the fiscal year ended June 30, 2013, the District contributed \$0 to the plan. As a result, the District has recorded a Net OPEB Asset, representing the difference between the ARC and the actual contributions, as presented below:

Annual required contribution (ARC)	\$349,497
Interest on Net OPEB Asset	(51,546)
Adjustments to ARC	<u>93,323</u>
Annual OPEB cost	391,274
District's portion of current year premiums paid	<u>(177,250)</u>
(Decrease) in net OPEB obligations	214,024
Net OPEB (asset) at June 30, 2012	<u>(1,054,114)</u>
Net OPEB (asset) at June 30, 2013	<u><u>(\$840,090)</u></u>

The actuarial accrued liability (AAL) representing the present value of future benefits, included in the actuarial study dated June 30, 2013, amounted to \$4,563,112 and is partially funded with assets that had been transferred to PARS as of that date.

**MENLO PARK FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013**

NOTE 9 – OTHER POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)

The Plan's annual required contributions and actual contributions for the last three fiscal years are set forth below:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Percentage of ARC Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
June 30, 2011	\$261,069	\$787,210	302%	(\$911,079)
June 30, 2012	231,009	374,044	162%	(1,054,114)
June 30, 2013	391,274	177,250	45%	(840,090)

The Schedule of Funding Progress presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the past actuarial studies is presented below:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Entry Age Actuarial Accrued Liability (B)</u>	<u>Unfunded (Overfunded) Actuarial Accrued Liability (B - A)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll [(B - A)/C]</u>
April 1, 2009	\$0	\$2,957,498	\$2,957,498	0.00%	\$11,700,800	25.28%
April 1, 2011	823,487	2,967,179	2,143,692	27.75%	11,563,896	18.54%
June 30, 2013	1,812,694	4,563,112	2,750,418	39.72%	11,841,085	23.23%

NOTE 10 – EMERGENCY MEDICAL RESPONSE JPA

In September 1997, the District began its participation with other fire departments of cities and fire districts throughout San Mateo County in the development of a Joint Power Agreement to establish the San Mateo Pre-Hospital Emergency Services Providers Group, which provides pre-hospital emergency services in San Mateo County. The District receives revenue on a monthly basis for the services provided. For the fiscal year ended June 30, 2013, the District received a net amount of \$197,028 for its portion of revenue from the Emergency Medical Response JPA.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. Federal and State Grant Programs

The District participates in Federal and State grant programs. These programs have been audited through the fiscal year ended June 30, 2013 by the District's independent accountants in accordance with the provisions of the federal Single Audit Act as amended and applicable State requirements. No cost disallowances were proposed as a result of these audits; however, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The District expects such amounts, if any, to be immaterial.

**MENLO PARK FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2013**

NOTE 11 – COMMITMENTS AND CONTINGENCIES (Continued)
--

B. Litigation

The District is subject to litigation arising in the normal course of business. In the opinion of the District Attorney there is no pending litigation, which is likely to have a material adverse effect on the financial position of the District.

C. Encumbrances

The District uses an encumbrance system as an extension of normal budgetary accounting for governmental funds. Under this system, purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of applicable appropriations. Encumbrances outstanding at year-end are recorded as restricted, committed or assigned fund balance, depending on the classification of the resources to be used to liquidate the encumbrance, since they do not constitute expenditures or liabilities. Outstanding encumbrances at year-end are automatically reappropriated for the following year. Unencumbered and unexpended appropriations lapse at year-end. Encumbrances outstanding as of June 30, 2013 were \$137,332 in the General Fund.

<p style="text-align: center;">MAJOR GOVERNMENTAL FUNDS, OTHER THAN GENERAL FUND AND SPECIAL REVENUE FUND</p>
--

Capital Improvement Capital Projects Fund – is used to account for financial resources to be used for the acquisition or construction of major capital facilities. Resources are provided by General Fund transfers, bond proceeds, and interest income on unspent funds.

Debt Service Fund – is used to account for accumulation of resources for, and the payment of long-term debt principal, interest and related costs. Resources are provided by General Fund transfers and interest income on unspent funds.

MENLO PARK FIRE PROTECTION DISTRICT
CAPITAL IMPROVEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	Budget	Actual Amounts	Variance with Budget Positive (Negative)
REVENUES:			
Intergovernmental	\$2,413,582	\$2,413,582	
Interest	206	206	
Total Revenues	2,413,788	2,413,788	
EXPENDITURES:			
Capital outlay	1,368,400	1,368,400	
Total Expenditures	1,368,400	1,368,400	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,045,388	1,045,388	
OTHER FINANCING SOURCES (USES)			
Transfer in	2,625,200	2,625,200	
Total Other Financing Sources (Uses)	2,625,200	2,625,200	
NET CHANGE IN FUND BALANCE	\$3,670,588	3,670,588	
Fund balance at beginning of year		8,892,702	
Fund balance at end of year		\$12,563,290	

MENLO PARK FIRE PROTECTION DISTRICT
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget</u>	<u>Actual Amounts</u>	<u>Variance with Budget Positive (Negative)</u>
REVENUE:			
Intergovernmental	\$226,400	\$226,410	\$10
Interest		100	100
Total Revenues	<u>226,400</u>	<u>226,510</u>	<u>110</u>
EXPENDITURES:			
Services and supplies	1,900	1,900	
Debt service:			
Principal Payments	235,000	235,000	
Interest	<u>767,527</u>	<u>767,527</u>	
Total Expenditures	<u>1,004,427</u>	<u>1,004,427</u>	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(778,027)</u>	<u>(777,917)</u>	<u>110</u>
OTHER FINANCING SOURCES:			
Transfer in	<u>950,100</u>	<u>950,100</u>	
NET CHANGE IN FUND BALANCE	<u>\$172,073</u>	172,183	<u>\$110</u>
Fund balance at beginning of year		<u>1,837,191</u>	
Fund balance at end of year		<u>\$2,009,374</u>	



STATISTICAL SECTION

This part of the District's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

Financial Trends

These schedules contain trend information to help the reader understand how the District's financial performance and well being have changed over time:

1. Net Position by Component
2. Changes in Net Position
3. Fund Balances of Governmental Funds
4. Changes in Fund Balances of Governmental Funds

Revenue Capacity

These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax:

1. Assessed Value and Estimated Actual Value of Taxable Property
2. Direct and Overlapping Property Tax Rates
3. Principal Property Taxpayers
4. Property Tax Levies and Collections

Debt Capacity

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future:

1. Ratio of Outstanding Debt by Type

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place:

1. Demographic and Economic Statistics

Operating Information

These schedules contain service data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs:

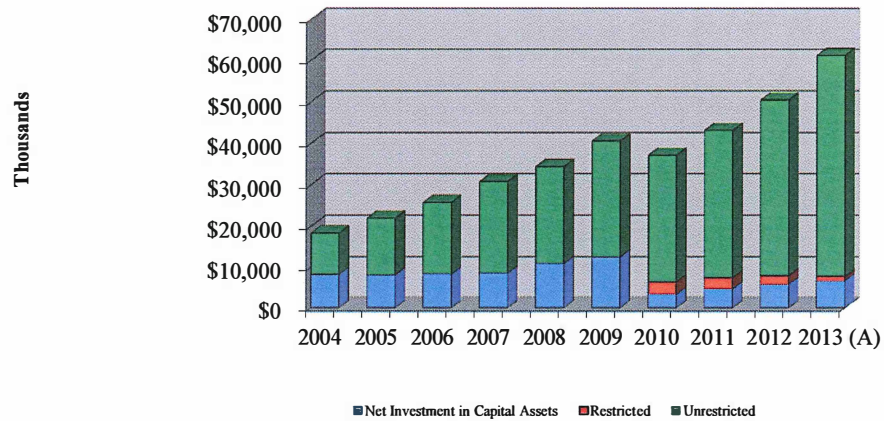
1. Principal Employers – information available only for the City of Menlo Park
2. Full-time Equivalent Employees by Function/Program
3. Operating Indicators
4. Capital Asset Statistics by Function/Program

Sources

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The District implemented GASB Statement 34 in 2004; schedules presenting government-wide information include information beginning in that year.



**MENLO PARK FIRE PROTECTION DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**



	FISCAL YEAR ENDED JUNE 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 (A)
Governmental activities										
Net investment in capital assets	\$8,248,664	\$8,158,568	\$8,351,325	\$8,575,363	\$10,899,127	\$12,531,135	\$3,281,789	\$4,599,421	\$5,775,696	\$6,682,020
Restricted							3,120,636	2,873,309	2,209,876	1,084,916
Unrestricted	10,059,211	13,834,182	17,474,866	22,177,699	23,403,691	28,018,133	30,630,832	35,712,673	42,430,956	53,419,064
Total governmental activities net position	<u>\$18,307,875</u>	<u>\$21,992,750</u>	<u>\$25,826,191</u>	<u>\$30,753,062</u>	<u>\$34,302,818</u>	<u>\$40,549,268</u>	<u>\$37,033,257</u>	<u>\$43,185,403</u>	<u>\$50,416,528</u>	<u>\$61,186,000</u>

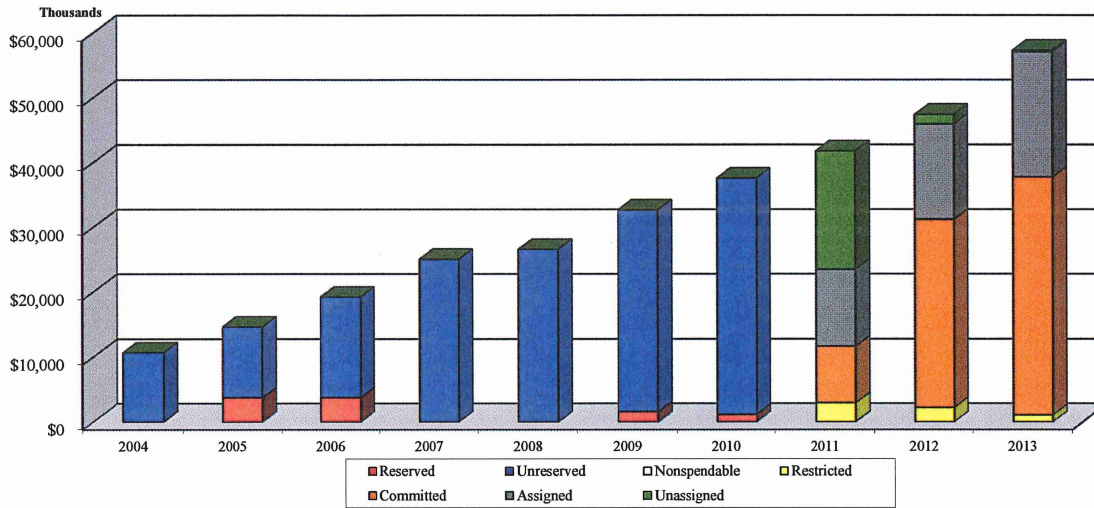
(A) The District implemented the provisions of GASB Statement 63 in fiscal year 2013, which replaced the term "net assets" with the term "net position".

**MENLO PARK FIRE PROTECTION DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	FISCAL YEAR ENDED JUNE 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 (A)
Expenses										
Governmental Activities:										
Public Safety	\$17,945,983	\$18,861,522	\$20,866,048	\$20,539,218	\$24,624,356	\$26,062,237	\$35,057,044	\$25,329,356	\$25,229,433	\$26,883,046
Depreciation - Unallocated	682,341	592,221	639,686	773,090	719,276	764,835	889,008	889,008	769,867	767,527
Total Governmental Activities Expenses	<u>18,628,324</u>	<u>19,453,743</u>	<u>21,505,734</u>	<u>21,312,308</u>	<u>25,343,632</u>	<u>26,827,072</u>	<u>35,946,052</u>	<u>26,218,364</u>	<u>25,999,300</u>	<u>27,650,573</u>
Program Revenues										
Charges for Services:										
Public Safety	406,389	265,903	347,397	267,188	262,862	898,000	751,026	906,383	904,300	1,114,934
Operating Grants and Contributions:										
Public Safety	1,675,188	1,161,590	1,441,724	1,104,766	1,161,274	2,691,651	1,304,364	1,292,507	872,243	1,423,594
Total Government Activities Program Revenues	<u>2,081,577</u>	<u>1,427,493</u>	<u>1,789,121</u>	<u>1,371,954</u>	<u>1,424,136</u>	<u>3,589,651</u>	<u>2,055,390</u>	<u>2,198,890</u>	<u>1,776,543</u>	<u>2,538,528</u>
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Taxes Levied for General Purposes	17,690,819	19,168,489	20,708,072	21,843,503	26,016,797	28,871,188	29,935,412	29,412,338	30,808,906	32,500,796
Investment Earnings	312,207	378,168	628,927	867,048	814,859	440,308	214,790	161,423	138,564	129,950
Premiums Received on Issuance of Long Term Debt							225,165	225,165		
Miscellaneous	932,498	2,159,682	2,364,227	3,386,025	1,667,071	172,375	224,449	597,859	506,412	3,250,771
Special Item:										
Gain (loss) on Sale of Assets	(182,000)	4,786	(151,172)	(17,436)	(18,963)					
Total General Revenues and Other Assets	<u>18,753,524</u>	<u>21,711,125</u>	<u>23,550,054</u>	<u>26,079,140</u>	<u>28,479,764</u>	<u>29,483,871</u>	<u>30,599,816</u>	<u>30,396,785</u>	<u>31,453,882</u>	<u>35,881,517</u>
Change in Net Position	<u>\$2,206,807</u>	<u>\$3,684,875</u>	<u>\$3,833,441</u>	<u>\$6,138,786</u>	<u>\$4,560,268</u>	<u>\$6,246,450</u>	<u>(\$3,290,846)</u>	<u>\$6,377,311</u>	<u>\$7,231,125</u>	<u>\$10,769,472</u>

(A) The District implemented the provisions of GASB Statement 63 in fiscal year 2013, which replaced the term "net assets" with the term "net position".

**MENLO PARK FIRE PROTECTION DISTRICT
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**



	FISCAL YEAR ENDED JUNE 30,						
	2004	2005	2006	2007	2008	2009	2010
General Fund							
Reserved		\$3,755,457	\$3,755,457			\$1,592,699	\$1,174,398
Unreserved	\$10,671,958	9,668,723	15,437,760	\$25,050,884	\$26,697,028	28,194,244	30,733,635
Total General Fund	\$10,671,958	\$13,424,180	\$19,193,217	\$25,050,884	\$26,697,028	\$29,786,943	\$31,908,033
All Other Governmental Funds							
Unreserved, reported in:							
Special revenue funds		\$1,232,137	\$14,449	\$8,985	(\$104,717)		
Capital projects fund						\$2,893,400	\$2,564,152
Debt service fund						15,226	3,104,716
Total all other governmental funds	\$0	\$1,232,137	\$14,449	\$8,985	(\$104,717)	\$2,908,626	\$5,668,868

	FISCAL YEAR ENDED JUNE 30,		
	2011	(b) 2012	2013
General Fund			
Nondisposable	\$50,547	\$2,505	\$7,074
Committed	7,809,136	20,505,679	23,198,591
Assigned	11,834,364	14,734,978	19,358,110
Unassigned	18,271,937	1,464,701	207,006
Total General Fund	\$37,965,984	\$36,707,863	\$42,770,781
All Other Governmental Funds			
Restricted	\$2,873,309	\$2,209,876	\$1,084,916
Committed	932,373	8,520,017	13,487,748
Total all other governmental funds	\$3,805,682	\$10,729,893	\$14,572,664

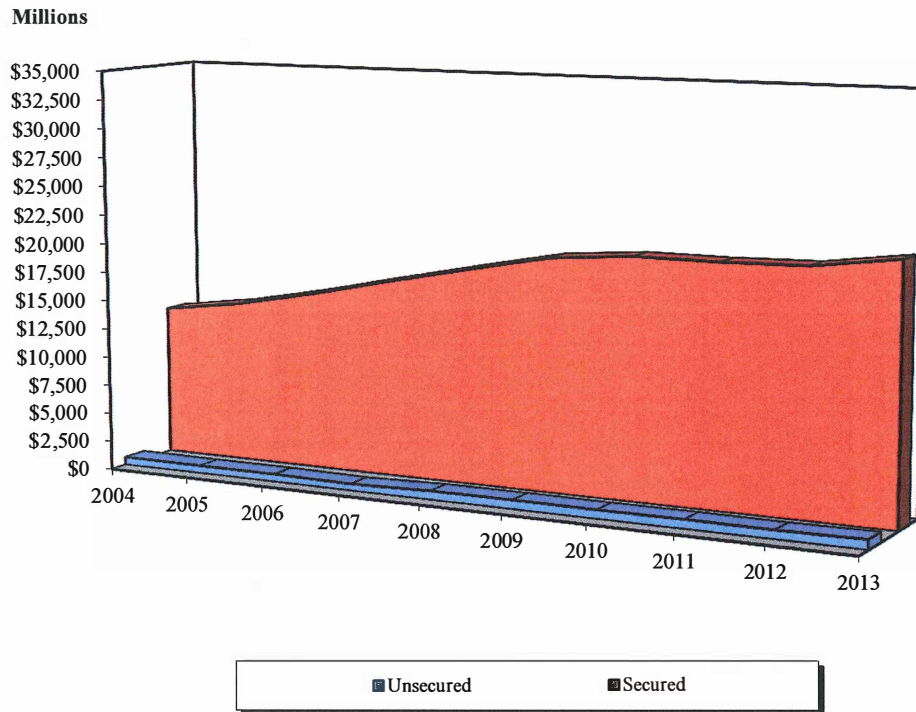
(a) The change in total fund balance for the General Fund and other governmental funds is explained in Management's Discussion and Analysis.

(b) The District implemented the provisions of GASB 54 in fiscal year 2011. Fund balance is presented in accordance with those requirements beginning in that year.

**MENLO PARK FIRE PROTECTION DISTRICT
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	FISCAL YEAR ENDED JUNE 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Property taxes - current secured and unsecured	\$17,505,291	\$18,985,034	\$19,867,765	\$21,602,412	\$26,732,155	\$28,183,521	\$29,702,116	\$29,916,257	\$30,846,354	\$32,314,304
Property taxes - prior secured and unsecured	8,058	10,452	60,388	60,477	14,787	751,067	54,854	67,007	128,336	15,108
Menlo Park Las Pulgas Redevelopment Agency taxes			599,011		696,281	714,950	663,874	647,452	519,713	506,686
Interest	312,207	378,168	628,927	867,048	211,912	440,308	214,790	161,423	138,564	129,950
Homeowner's property tax relief	177,470	173,003	180,908	180,614	(1,638,338)	178,634	182,416	186,271	184,445	186,499
Licenses and permits	192,505	271,772	348,910	568,029	611,933	777,388	560,934	719,171	719,140	917,906
Charges and services - JPA ambulance service	373,140	219,723	276,732	143,024	870,252	120,612	190,092	187,212	185,160	197,028
Rents	33,249	46,180	70,665	124,164	125,892	124,745	134,052	130,847	99,033	127,857
Redevelopment projects in East Palo Alto	1,675,758	472,678	293,343	1,125,421	136,970	757,873	600,228	570,155	575,493	667,756
Grant revenues		1,161,590	1,441,724	1,104,766	1,161,274	2,660,639	1,320,431	1,067,153	734,736	1,303,938
Intergovernmental										2,639,992
ERAF rebate		1,202,008	1,433,297	1,248,486	814,859	(1,714,857)	(1,268,076)	(1,449,036)	(1,445,435)	(1,189,557)
Other revenue	740,023	221,224	843,677	444,089	214,786	47,630	95,892	354,633	386,379	482,922
Total Revenues	21,017,701	23,141,832	26,045,347	27,468,530	29,952,763	33,042,510	32,451,603	32,558,545	33,071,918	38,300,389
Expenditures										
Salary and benefits	15,120,213	15,994,046	17,133,121	17,481,803	19,758,720	20,335,776	30,338,934	20,510,293	20,057,751	19,883,737
Services and supplies	2,550,446	2,231,899	2,904,591	2,854,288	4,956,810	3,901,953	5,397,241	4,660,425	4,847,594	5,918,898
Capital outlay	1,792,885	931,528	1,456,286	1,280,236	4,513,880	2,521,173	3,638,265	429,582	1,751,616	1,589,538
Debt service:										
Principal repayment					13,345	28,741	31,084	1,884,835		235,000
Interest and fiscal charges					89,481	151,609	379,912	929,945	769,867	767,527
Total Expenditures	19,463,544	19,157,473	21,493,998	21,616,327	29,332,236	26,939,252	39,785,436	28,415,080	27,426,828	28,394,700
Excess (deficiency) of revenues over (under) expenditures	1,554,157	3,984,359	4,551,349	5,852,203	620,527	6,103,258	(7,333,833)	4,143,465	5,645,090	9,905,689
Other Financing Sources (Uses)										
Other financing sources					1,958,005		11,990,000	112,379	21,000	
Other financing uses							225,165	(61,079)		
Transfers in	1,130,967	605,746	4,844,298	4,685,695	7,442,500	11,832,472	4,274,200	1,003,196	8,968,200	3,575,300
Transfers (out)	(1,130,967)	(605,746)	(4,844,298)	(4,685,695)	(7,442,500)	(11,832,472)	(4,274,200)	(1,003,196)	(8,968,200)	(3,575,300)
Total Other Financing Sources (Uses)					1,958,005		12,215,165	51,300	21,000	
Net Change in Fund Balances	\$1,554,157	\$3,984,359	\$4,551,349	\$5,852,203	\$2,578,532	\$6,103,258	\$4,881,332	\$4,194,765	\$5,666,090	\$9,905,689
Debt service as a percentage of noncapital expenditures	N/A	N/A	N/A	N/A	.41%	.74%	1.13%	10.05%	2.6%	3.7%

**MENLO PARK FIRE PROTECTION DISTRICT
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**



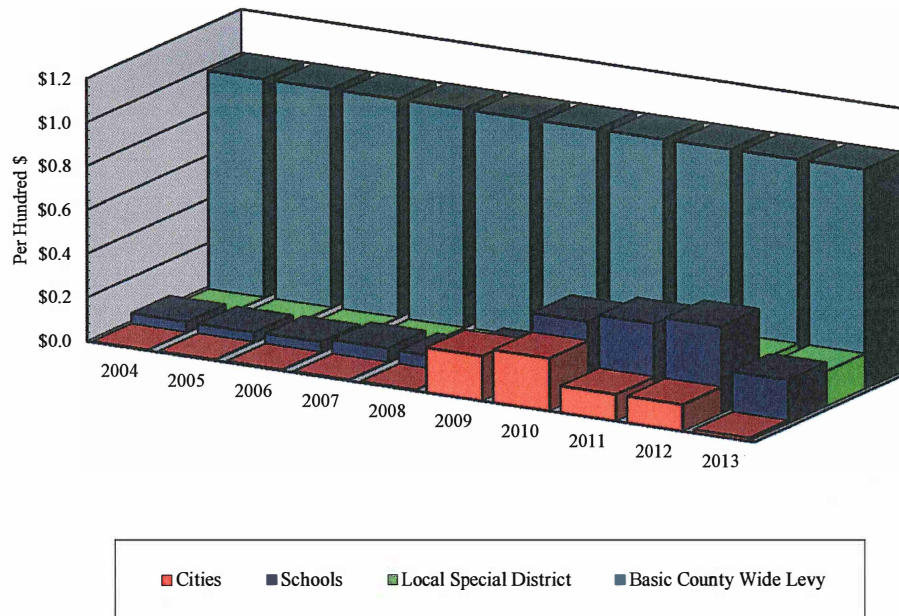
Fiscal Year	Secured Property	SBE Nonunitary	Unsecured Property	Percent Change	Total Assessed Value (a)	Total Direct Tax Rate (b)
2004	\$13,097,113,083	\$1,459,570	\$693,903,424	7.77%	\$13,792,476,077	1%
2005	14,087,234,897	1,812,141	653,707,533	6.89%	14,742,754,571	1%
2006	15,495,229,409	1,692,762	661,920,202	9.60%	16,158,842,373	1%
2007	17,105,590,407	1,398,302	586,053,680	9.49%	17,693,042,389	1%
2008	18,650,827,884	1,764,612	767,657,595	9.76%	19,420,250,091	1%
2009	20,113,643,461	1,749,366	796,105,392	7.68%	20,911,498,219	1%
2010	20,722,802,857	1,642,644	775,766,123	0.16%	21,500,211,624	1%
2011	20,728,676,930	1,642,644	803,762,383	0.16%	21,534,081,957	1%
2012	20,921,926,083	988,815	767,084,182	0.72%	21,689,999,080	1%
2013	21,946,534,043	988,815	850,536,564	5.11%	22,798,059,422	1%

(a) The State Constitution requires property to be assessed at one hundred percent of the most recent purchase price, plus an increment of no more than two percent annually, plus any local over-rides. These values are considered to be full market values.

(b) California cities do not set their own direct tax rate. The state constitution establishes the rate at 1% and allocates a portion of that amount, by an annual calculation to all the taxing entities within a tax rate area. The Menlo Park Fire Protection District encompasses more than 235 tax rate areas.

Source: San Mateo County Assessor

**MENLO PARK FIRE PROTECTION DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS**



Fiscal Year	Basic County Wide Levy	Local Special District	Schools	Cities	Total
2004	\$1.0000	\$0.0026	\$0.0515	\$0.0036	\$1.0577
2005	1.0000	0.0032	0.0487	0.0053	1.0572
2006	1.0000	0.0030	0.0508	0.0048	1.0586
2007	1.0000	0.0030	0.0679	0.0046	1.0755
2008	1.0000	0.0039	0.0633	0.0044	1.0716
2009	1.0000	0.0141	0.1323	0.2052	1.3516
2010	1.0000	0.1601	0.3284	0.2409	1.7294
2011	1.0000	0.1601	0.3640	0.1222	1.6463
2012	1.0000	0.1601	0.3973	0.1222	1.6796
2013	1.0000	0.1601	0.1996	0.0156	1.3753

Source: San Mateo County Assessor

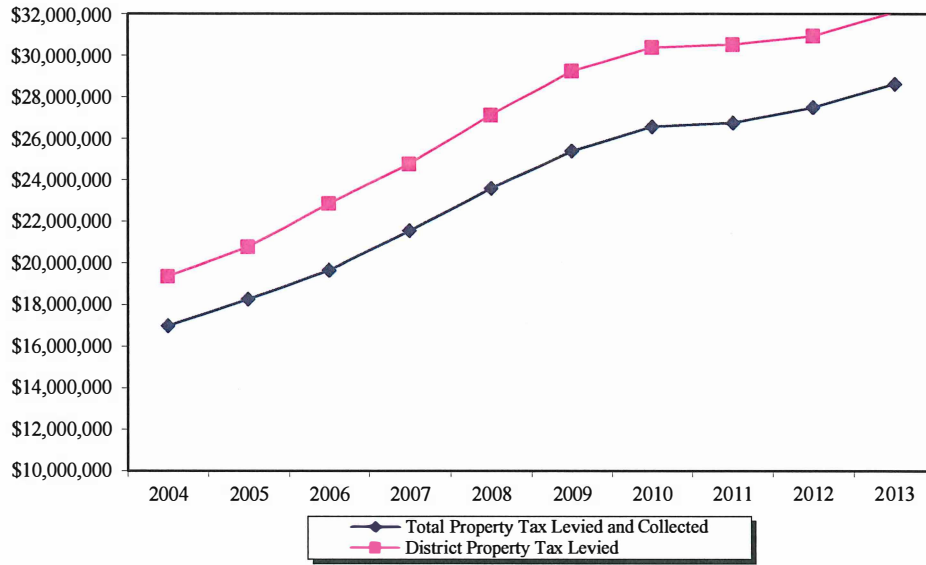
**Menlo Park Fire Protection District
Principal Property Taxpayers
Current Fiscal Year and Nine Years Ago**

ASSESSEE NAME	2012-2013		2003-2004	
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value
Wells Reit II - University Circle LP	\$318,783,454	1.40%		
Stanford Research Institute	158,107,753	0.69%	\$137,398,309	1.00%
Tyco Electronics Corporation	144,628,816	0.63%	283,732,762	2.06%
CLPF-Sand Hill Commons LP	143,071,756	0.63%		
Wilson Menlo Park Campus LLC	117,912,000	0.52%		
Kilroy Realty LP	109,959,840	0.48%		
Bohannon Development	92,757,050	0.41%	84,285,810	0.61%
Richard Tod Spieker	86,241,863	0.38%		
Menlo Business Park LLC	83,085,693	0.36%	72,622,280	0.53%
EQR- Woodland Park LP	81,886,519	0.36%		
Sun Microsystems		0.00%	437,545,632	3.17%
University Circle Investors LLC		0.00%	99,520,401	0.72%
Menlo Oaks Partners LP		0.00%	75,753,181	0.55%
AMB Property LP		0.00%	75,051,207	0.54%
Henry J Kaiser Family Foundation		0.00%	56,052,240	0.41%
Sharon Land Company		0.00%	49,294,053	0.36%
Total - Principal taxpayers	\$1,336,434,744	5.86%	\$1,371,255,875	9.94%
Total - All real properties assessed by the County (1):	\$22,798,059,422		\$13,792,476,077	

(1) Assessed value includes only net secured real properties

Source: San Mateo County Assessor

**MENLO PARK FIRE PROTECTION DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**



Fiscal Year	District Property Tax Levied	Total Property Tax Levied and Collected	Percent of Levy Collected
2004	\$19,373,280	\$16,997,881	88%
2005	20,771,660	18,280,124	88%
2006	22,864,277	19,672,609	86%
2007	24,773,178	21,564,349	87%
2008	27,126,724	23,601,908	87%
2009	29,251,403	25,397,976	87%
2010	30,387,813	26,571,508	87%
2011	30,530,950	26,763,091	88%
2012	30,940,694	27,505,511	89%
2013	32,095,412	28,636,735	89%

Source: San Mateo County Property Tax Levy Letter

**MENLO PARK FIRE PROTECTION DISTRICT
RATIO OF OUTSTANDING DEBT BY TYPE
LAST SIX FISCAL YEARS**

Governmental Activities							
Fiscal Year	Mortgage Loan	Certificate of Participation	Total Governmental Activities	Total Primary Government	Per Capita	Population	Percent of Personal Income
2008	\$1,994,660		\$1,994,660	\$1,994,660	\$20.73	93,810	Not Available
2009	1,915,919		1,915,919	1,915,919	14.00	94,647	Not Available
2010	1,884,835	\$11,990,000	13,874,835	13,874,835	145.01	95,679	Not Available
2011		11,990,000	11,990,000	11,990,000	136.37	87,921	Not Available
2012		11,990,000	11,990,000	11,990,000	135.34	88,591	Not Available
2013		11,755,000	11,755,000	11,755,000	131.70	89,254	Not Available

Notes: Menlo Park Fire Protection District did not have any outstanding debt prior to FY 2008

**MENLO PARK FIRE PROTECTION DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

Fiscal Year	City of Atherton	Population			Total Population (1)	Personal Income (thousands of dollars) (2)
		City of East Palo Alto	City of Menlo Park	Unincorporated		
2004	7,236	31,798	30,658	21,353	91,045	\$5,148,576
2005	7,234	32,097	30,558	21,408	91,297	5,722,475
2006	7,261	32,083	30,751	21,585	91,680	6,127,822
2007	7,391	32,489	31,017	21,759	92,656	Not Available
2008	7,475	32,897	31,490	21,948	93,810	Not Available
2009	7,468	33,174	31,865	22,140	94,647	Not Available
2010	7,554	33,524	32,185	22,416	95,679	Not Available
2011	6,917	28,366	32,069	20,569	87,921	Not Available
2012	6,888	28,467	32,266	20,898	88,591	Not Available
2013	6,893	28,675	32,485	21,201	89,254	Not Available

Fiscal Year	Per Capita Personal Income (3)	Median Age (4)	Public School Enrollment (5)	Unemployment Rate (6)
2004	\$56,550	38.6	10,135	4.9%
2005	62,680	39.2	10,044	4.3%
2006	66,839	39.4	9,634	3.7%
2007	Not Available	39.7	9,854	3.9%
2008	Not Available	Not Available	10,346	4.7%
2009	Not Available	40.1	Not Available	8.3%
2010	Not Available	Not Available	Not Available	9.8%
2011	Not Available	39.3	Not Available	13.0%
2012*		Not Available		7.0%
2013		38.5		5.4%

Source:

- (1) California State Dept. of Finance - Population Research Unit (January 2007)
 - (2) California State Dept. of Finance - Estimate equals county per capita average times population
 - (3) U.S. Department of Commerce - Bureau of Economic Analysis
 - (4) Association of Bay Area Census (California)
 - (5) Menlo Park City School District, Las Lomas Elementary, and Menlo Atherton High School (Sequoia Union High School District)
 - (6) County of San Mateo Profile
- * 2012 data source: Employment Development Department

MENLO PARK FIRE PROTECTION DISTRICT
Principal Employers
Current Fiscal Year and Nine Years Ago
June 30, 2013

Firm Name	Rank	2012-13		2003-04	
		Total Employees	Percentage of Total City's Labor Force	Total Employees	Percentage of Total City's Labor Force
Facebook, Inc *	1	2,200	13%		0%
SRI International	2	1,300	8%	1,185	7%
TE Corporation	3	650	4%	1,040	6%
SHR Hotel LLC	4	470	3%		0%
Intuit Inc.	5	436	3%		0%
E*Trade Financial Corporation	6	411	3%	201	1%
Safeway Stores Inc.	7	276	2%	232	1%
Pacific Biosciences of California	8	275	2%		0%
Evalve Inc	9	264	2%		0%
VA (Veterans Administration)**	10	Unknown	0%		0%
Top 10 Employers		6,282	39%	2,658	16%
Total Employment of the City's Labor Force ***		16,300	100.0%	16,700	100%

Note:

- 1) The Principal Employers list for the City of East Palo Alto is not reported since the City does not record or report employer size information.
- 2) The Town of Atherton is mostly residential.

Source:

*City of Menlo Park, Finance, Business Licenses

**California Labor Market Information, EDD, June 2012

**MENLO PARK FIRE PROTECTION DISTRICT
FULL-TIME-EQUIVALENT EMPLOYEES BY FUNCTION/PROGRAM
LAST EIGHT FISCAL YEARS**

Function/Program	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-2013</u>
Fire Prevention	<u>106.20</u>	<u>107.20</u>	<u>107.20</u>	<u>110.30</u>	<u>110.30</u>	<u>110.80</u>	<u>112.05</u>	<u>112.60</u>
Total	<u>106.20</u>	<u>107.20</u>	<u>107.20</u>	<u>110.30</u>	<u>110.30</u>	<u>110.80</u>	<u>112.05</u>	<u>112.60</u>

Note: Information prior to fiscal year 2005-06 is not available.

**MENLO PARK FIRE PROTECTION DISTRICT
OPERATING INDICATORS
LAST SEVEN FISCAL YEARS**

Function/Program	Fiscal Year						
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Fire Prevention							
Fire Safety Inspections (Construction/Code Compliance)	3,579	3,523	2,917	3,041	3,483	3,365	3,687
Fire Investigations	56	37	31	69	55	61	46
Weed Abatement Inspections	150	230	260	48	406	491	268
Public Education and Training (Number of Events)	247	299	132	439	430	381	389
Plan Review and Permits	1,211	1,516	1,408	1,151	1,262	1,287	1,629

Note: Data was not available prior to 2006/07

Source: Menlo Park Fire Protection District, Finance Department

**MENLO PARK FIRE PROTECTION DISTRICT
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST SEVEN FISCAL YEARS**

Function/Program	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Buildings & Land							
Number of Stations	7	7	7	7	7	7	7
Number of Administration Buildings	0	1	1	1	1	1	1
Vehicles							
Number of MPFPD Vehicles	21	24	26	28	19	24	26
Number of US&R Vehicles	19	20	20	16	14	14	14
Equipment							
<u>Number of Types of Engine Equipment:</u>							
Thermal Imaging Cameras	14	15	12	10	10	12	10
Autopulse & Charger	7	7	7	7	4	0	0
Lifepack - 12 Defibrillator	11	11	10	5	3	3	3
Hurst Spreader	2	2	2	2	2	2	3
High Pressure Air Bag Rescue Kit	1	1	1	0	0	0	0
Aegis 8 Channel Safety Net Radio Bridge Unit	1	1	1	1	0	0	0
Hurst Cutter				1	1	1	2
Hurst Power unit				1	1	1	2
Lucas Device					1	8	8
<u>Number of Types of Station Equipment:</u>							
Zetron	7	7	7	7	7	7	7
Servers	5	8	7	10	9	9	10
Laminated Front Desk w/ counter & lock drawer	3	4	4	4	4	4	4
Bodmaster Weight Station & Trainer	8	8	8	8	8	8	0
HP 960 Mounted Tape Drive	1	1	1	1	0	0	0
BullEx Intelligent Training System	1	1	1	1	0	0	0
Generators	2	2	2	2	2	2	2
Software	3	3	3	4	4	4	2
Generic Stationary Generator	2	2	2	2	2	2	2
HP300 18HP Port Pump	1	1	1	1	1	1	1
Hoses	5	5	2	2	2	2	2
Positive Check				1	1	1	1
Turnout Washer					1	1	1
Scanner					1	1	1
<u>Number of Assets at the Mechanics Rescue Site:</u>							
Lifts	0	4	4	4	4	4	4
Snap On Modis	0	1	1	1	1	1	1
Live Fire Prop	0	1	1	2	2	2	2
Warning Siren				1	1	1	1
<u>Number of US&R & Equipment:</u>							
Search Cam 2000	1	1	1	0	0	0	0
Chevy Crew Cab	2	2	2	2	2	2	2
Air Bag Rescue Kit	1	1	1	0	1	0	0
Portable Air Compressor	2	2	2	2	0	0	0
HVAC System	1	1	1	1	1	1	1
Satellite Phone	0	2	2	2	2	2	6
Printer	1	0	0	0	0	0	0
Water Heater				2	2	3	6
Home Security				1	1	1	1
Copier				1	1	1	1
Area Rae Hazmat Equipment					3	3	3
McKesson I-STAT					1	1	1
<u>USAR:</u>							
Hazmat Detectors							2
Hasty Search Communication Kits							2
Rescue Cages							2
RDK Ruggedized Host Controller							1
Nano Raider ZH Isotope Detection Monitor							1
<u>Menlo Equipment:</u>							
Simulation Training Manikin							1
Amkus Rope Rescue System							1

Note: Certain data required by GASB 44 was not available prior to 2006/07

Source: Menlo Park Fire Protection District, Finance Department