

**KENSINGTON POLICE PROTECTION AND
COMMUNITY SERVICES DISTRICT**

**Financial Statements and Independent Auditor's Report for the
Year ended June 30, 2018**

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
 Basic Financial Statements
 and Required Supplementary Information
 for the Fiscal Year Ended June 30, 2018

TABLE OF CONTENTS **Page**

Independent Auditor's Report..... 1-2

Management's Discussion and Analysis (Required Supplementary Information).....3-7

BASIC FINANCIAL STATEMENTS:

Statement of Net Position and Governmental Funds Balance Sheet.....8

Statement of Activities and Governmental Funds Statement of Revenues and Expenditures and
 Changes in Fund Balance 9-10

Statement of Fiduciary Net Position. 11

Statement of Changes in Net Position—Fiduciary Funds 12

Notes to the Basic Financial Statements..... 13-34

REQUIRED SUPPLEMENTARY INFORMATION:

- Schedule of Employer's share of Net Pension Liability.35
- Schedule of Employer Contributions.36
- Schedule of Changes in the District's Net OPEB Asset and Related Ratios.37
- Schedule of Contributions to the OPEB plan.38
- Statement of Revenue, Expenditure and Change in Fund Balances—Actual and
 Budget.....39
- Other Supplementary Information..... 40-44

**Independent Auditor's Report on Internal Control Over
 Financial Reporting and on Compliance and Other Matters Based on an
 Audit of Financial Statements Performed in Accordance with
 Government Auditing Standards**45-46

Status of Prior Year Findings47

Schedule of Current Year Findings and Questioned Costs48

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Kensington Police Protection and Community Services District
Kensington, California

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities and each major fund of the Kensington Police Protection and Community Services District (the District) as of and for the year ended June 30, 2018, 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund of the Kensington Police Protection and Community Services District as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (Continued)

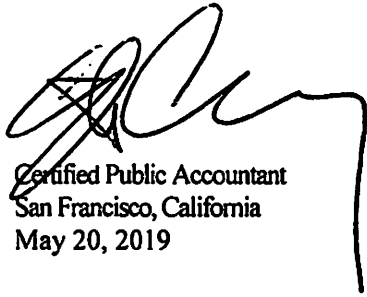
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, post-employment benefits and budgetary comparison information on page 3-7 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated May 20, 2019 on my consideration of District's internal control over financial reporting and on my tests or its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Certified Public Accountant
San Francisco, California
May 20, 2019

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

This discussion and analysis of the Kensington Police Protection and Community Services District's (the District) fiscal performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2018. Please review it in conjunction with the transmittal letter and the basic financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

From the Statement of Net Position

- Total net position for the years ended June 30, 2018 and 2017 are \$599,598 and \$3,606,175, respectively.
- Unrestricted net position, the part of net position that can be used to finance day-to-day operations for fiscal years ended June 30, 2018 and 2017 are \$(3,652,877) and \$(371,222), respectively.
- GASB 68 Information-As of June 30, 2018, long-term pension liability is \$3,860,944 (measurement date June 30, 2017). Deferred outflow of resources is now \$1,678,118 (net increase of \$309,513) and deferred inflow of resources is \$259,932 (net increase of \$22,400), all derived from the PERS Accounting Valuation (measurement date June 30, 2017).
- GASB 75 Information-As of June 30, 2018, net OPEB liability is \$3,256,035 (measurement date June 30, 2017).
- Long term net pension liability for the years ended June 30, 2018 and 2017 are \$3,860,944 and \$3,551,469, respectively. CalPERS' net pension liability increased over one billion dollars (total risk pool) this year and KPPCSD's portion was just over \$309,475.

From the Governmental Fund Financial Statements

- Our General Fund balance increased by \$296,416, which is compared to an \$438,275 increase in 2017.
- Property tax revenues (including special tax revenue for police services) for fiscal years ended June 30, 2018 and 2017 were \$2,981,736 and \$2,882,902, respectively. This is a 3.43% increase.

OVERVIEW OF FINANCIAL STATEMENTS

The District's basic financial statements are composed of three components: government-wide financial statements, governmental funds financial statements, and notes to the financial statements. Required supplementary information in addition to the basic financial statements is also presented.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business. There are two government-wide financial statements—the Statement of Net Position and the Statement of Activities and Changes in Net Position.

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Government-Wide Financial Statements (Continued)

The Statement of Activities presents information showing how the District's net position changed during the fiscal year. Accrual of revenue and expenses is taken into account regardless of when cash is received or paid.

As in a private-sector business, capital assets are depreciated, debt service is not a source of revenue, and compensated absences are expensed in the period earned.

Governmental Funds Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities. The major differences between fund financial statements and government-wide financial statements are in the way debt proceeds, capital outlay, and compensated absences are recorded. Reconciliations between the two types of financial statements are found on page 8 using the adjustment column.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules and a PERS schedule of funding progress.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position serves over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$599,598 as of June 30, 2018 and \$3,606,175 as of June 30, 2017. This number is composed of three components:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Investment in capital assets, net of debt	\$ 3,890,454	\$ 3,851,927
Restricted	362,021	125,470
Unrestricted net position	<u>(3,652,877)</u>	<u>(371,222)</u>
Total net position	<u><u>\$ 599,598</u></u>	<u><u>\$ 3,606,175</u></u>

Investment in capital assets consists of fixed assets less any related debt.

Unrestricted assets are used to finance day-to-day operations, including debt service.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

GOVERNMENTAL FUNDS ANALYSIS

The District's largest source of revenue is from property tax allocations. In 1978 the voters passed Proposition 13 and removed the ability of local agencies to set their own property taxes. The 1% maximum property tax rate is fixed by Article XIII A, § 1(a) of the California Constitution. The Legislature adopted statutes ("AB 8") that tell county auditor-controller how to allocate the resulting revenues. This is unrestricted revenue and can be used for all District business.

The District's collection of Special Tax Revenue, another large source of revenue, is restricted to police activities. The current rate as of June 30, 2018 was established in 1997 after receiving voter approval in 1994.

The District also collects a special assessment called the Kensington Park Landscape and Lighting District Assessment. The funds are restricted for maintenance of that part of the park purchased with the proceeds of the 1994 Limited Obligation Improvement Bonds.

In fiscal year ended June 30, 2018, the District received \$151,363 in grant monies. KPPCSD received \$148,747 in COPS grant funds for the current year. The funds must be used for law enforcement only and all expenditures have been approved by the District's Board of Directors. In fiscal year 2017/2018, this grant money was used to convert the dispatch system from City of Richmond to City of Albany. In addition, the District received \$2,616 from the DOJ's Bullet Proof Vest Partnership Program Grant.

The largest expenditure of the District is salary and benefits, including PERS contributions. These are governed by current Memorandum of Understanding agreements negotiated between the District and represented and non-represented employees. The other area of expenditures of significance are for services, like communications and professional services, including legal.

Other reserved funds: Compensated absences payable—\$63,064.

COMMENTS ON GENERAL FUND BUDGET COMPARISONS

Actual revenues and actual expenditures versus budget amounts equals a positive variance of \$515,761.

Actual revenues exceeded budgeted revenues by \$164,942. The largest difference is that the District's budget did not include grant funding. Actual grant monies earned was \$151,363.

Actual expenditures were less than final budgeted expenditures by \$350,819. The largest difference was \$217,605 in police salaries and benefits, mostly made up of \$194,985 in officer salaries and another \$90,904 in associated benefits. In an offset, overtime was overbudget by \$66,928. Police expenses were under budget \$12,903. The largest difference was in Legal-Police which was overbudget by \$48,000. Two large items that were underbudget were Communications for approximately \$23,000 and Recruiting for \$14,000. District expenses were overbudget by \$95,395. The two largest items that were overbudget were Legal-District by approximately \$23,500 and Consulting by over \$49,000.

Capital outlay was under budget by \$193,570. The largest difference of \$196,462 was that only \$110,399 of the \$307,320 budgeted was spent in Park Building Improvements.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

HISTORY AND ECONOMIC FACTORS

The Kensington Police Protection and Community Services District was formed as a Police Protection District in 1946 for the purpose of providing police services to the community of Kensington. In 1953, the District was changed to a Community Services District, per Government Code 61600, which enabled the District to provide park and recreation services, oversight to the solid waste contract, in addition to the provision of police protection services.

In 1978, Proposition 13 was passed by California voters resulting in the implementation of AB 8 which set the formula used in property tax allocation for local government. The formula was based on prior years' budgets and the Kensington Police Protection and Community Services District had a history of very lean budgets.

In 1980, the Board of Directors for the District approved Resolutions 80-01 and 80-02, setting into motion a proposal for a special tax and a special election for the special tax. The original amount of the tax was \$45 per year for single family residential unit, \$90 per year for multiple unit residential property, \$135 per year for commercial and institutional property and \$45 per year for miscellaneous improved property. These funds are restricted to be used for police related services only.

In 1984, the Board of Directors for the District approved Resolution 84-01 requesting the electorate approve an increase in the special tax to \$90 per year for single family residential, \$135 per year for multiple unit residential property, \$180 per year for commercial and institutional property and \$90 per year for miscellaneous improved property. These funds are restricted to be used for police related services only.

In 1993, the Board of Directors for the District approved Resolution 93-04 requesting the electorate approve an increase in the special tax to \$210 per year for single family residential, \$315 per year for multiple units residential property, \$315 per year for commercial and institutional property, \$210 per year for miscellaneous improved property and \$63 per year for unimproved property. These funds are restricted to be used for police-related services only.

In 1994, the Board of Directors for the District approved Resolution 94-13 requesting the electorate approve an increase in the special tax to \$300 per year for single family residential property, \$450 per year for multiple units residential property, \$450 per year for commercial and institutional property, \$300 per year for miscellaneous improved property and \$90 per year for unimproved property. An increase of tax was voted and passed. These funds are restricted to be used for police-related services only.

In 1997, the Board of Directors for the District approved Ordinance 97-01 setting the rates at the maximum allowed based on Resolution 94-13.

In 2010, the District passed a ballot measure (Measure G) to add a supplemental tax revenue stream to be used effectively July 01, 2010. These funds are a maximum of \$200 per parcel and are restricted to be used for police-related services only.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to General Manager.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
GOVERNMENTAL FUNDS BALANCE SHEET AND STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018**

	General Fund	Capital Project	Total	Adjustment See Note (3, 8 & 12)	Statement of Net Position
Assets					
Current Assets:					
Cash and investments (Note 2)	\$ 2,276,966	\$ -	\$ 2,276,966	\$ -	\$ 2,276,966
Receivables					
Grant receivable	48,746	-	48,746	-	48,746
Supplemental taxes and Community Services District	18,665	-	18,665	-	18,665
Interest receivable	9,340	-	9,340	-	9,340
Reimbursements and other	45,940	-	45,940	-	45,940
Prepaid	155,031	-	155,031	-	155,031
Total Current Assets	2,554,688	-	2,554,688	-	2,554,688
Capital Assets (Note 3)					
Land	-	-	-	2,808,347	2,808,347
Vehicle and equipment	-	-	-	436,092	436,092
Building and improvement	-	-	-	1,618,818	1,618,818
Furniture & fixtures	-	-	-	61,933	61,933
Construction in progress	-	-	-	155,117	155,117
Accumulated depreciation	-	-	-	(1,189,853)	(1,189,853)
Total Capital Asset	-	-	-	3,890,454	3,890,454
Total Assets	\$ 2,554,688	\$ -	\$ 2,554,688	\$ 3,890,454	\$ 6,445,142
Deferred Outflows of Resources-Deferred pensions (Note 5)	-	-	-	1,263,949	1,263,949
Deferred Outflows of Resources-Deferred OPEB (Note 9)	-	-	-	414,169	414,169
Liabilities					
Accounts payable	\$ 55,795	\$ -	\$ 55,795	\$ -	\$ 55,795
Compensated absence	63,064	-	63,064	-	63,064
Accrued payable	27,892	-	27,892	-	27,892
Net pension liability (Note 5)	-	-	-	3,860,944	3,860,944
Net OPEB liability obligation (Note 9)	-	-	-	3,256,035	3,256,035
Total Liabilities	146,751	-	146,751	7,116,979	7,263,730
Deferred Inflows of Resources-Deferred pensions (Note 5)	-	-	-	185,882	185,882
Deferred Inflows of Resources-Deferred OPEB (Note 9)	-	-	-	74,050	74,050
Fund Balances/Net Position					
Fund balances					
Non-spendable	218,095	-	218,095	(218,095)	-
Restricted	143,926	-	143,926	(143,926)	-
Committed	467,547	-	467,547	(467,547)	-
Assigned	50,000	-	50,000	(50,000)	-
Unassigned	1,528,369	-	1,528,369	(1,528,369)	-
Total Fund Balances	2,407,937	-	2,407,937	(2,407,937)	-
Total Liabilities and Fund Balances	\$ 2,554,688	\$ -	\$ 2,554,688		
Net Position					
Net investment in capital assets				3,890,454	3,890,454
Restricted				362,021	362,021
Unrestricted				(3,652,877)	(3,652,877)
Total Net Position				\$ 599,598	\$ 599,598

The accompanying notes are an integral part of the financial statements.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
GOVERNMENTAL FUNDS STATEMENT OF REVENUES AND EXPENDITURES
AND CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

	General	Capital Project	Total	Adjustment Note 3, 8	Statement of Activities
EXPENDITURES/EXPENSES					
Current expenditures/expenses					
Police Salary and Benefits					
Salary-officers	\$ 746,268	\$ -	\$ 746,268	\$ -	\$ 746,268
Compensated absence	1,745	-	1,745	-	1,745
Overtime	141,928	-	141,928	-	141,928
Salary-non sworn	67,680	-	67,680	-	67,680
Uniform allowance	5,000	-	5,000	-	5,000
Safety equipment	3,832	-	3,832	-	3,832
Medical insurance - Active	134,034	-	134,034	-	134,034
Medical insurance - Retired	151,707	-	151,707	-	151,707
Medical insurance - Retired trust	262,462	-	262,462	(25,601)	236,861
Disability & life insurance	2,971	-	2,971	-	2,971
Social security/medicare	23,034	-	23,034	-	23,034
PERS district	292,399	-	292,399	362,481	654,880
PERS officers	31,925	-	31,925	-	31,925
Workers compensation	83,468	-	83,468	-	83,468
Police Expenses					
Expendable police supplies	159	-	159	-	159
Range/ammunition supplies	1,325	-	1,325	-	1,325
Crossing guard	11,301	-	11,301	-	11,301
Vehicle operation	29,717	-	29,717	-	29,717
Communications (RPD)	199,961	-	199,961	-	199,961
Radio maintenance	908	-	908	-	908
Prisoner/case expense/booking	10,843	-	10,843	-	10,843
Training	4,322	-	4,322	-	4,322
Recruiting	1,826	-	1,826	-	1,826
Reserve officers	9,189	-	9,189	-	9,189
Misc. dues, meals and travel	1,705	-	1,705	-	1,705
Utilities	10,036	-	10,036	-	10,036
Building repair	-	-	-	-	-
Office supplies	6,004	-	6,004	-	6,004
Telephone	7,226	-	7,226	-	7,226
Housekeeping	4,633	-	4,633	-	4,633
Publications	2,820	-	2,820	-	2,820
CAL ID	5,262	-	5,262	-	5,262
Community Policing	7,789	-	7,789	-	7,789
Legal/consulting-police	81,236	-	81,236	-	81,236
Measure G administration	3,646	-	3,646	-	3,646
Recreation Salary and Benefits					
Park and recreation administration	8,591	-	8,591	-	8,591
Custodian	20,550	-	20,550	-	20,550
Social security/medicare	473	-	473	-	473
Recreation Expenses					
Community center utilities	5,599	-	5,599	-	5,599
Janitorial supplies	779	-	779	-	779
Community center repairs	1,826	-	1,826	-	1,826
Community center equip maint	2,581	-	2,581	-	2,581
Park O&M	57,508	-	57,508	-	57,508
Misc. park/rec expense	553	-	553	-	553
District Expenses					
District salary	156,145	-	156,145	-	156,145
District payroll taxes	7,920	-	7,920	-	7,920
Computer maintenance	31,164	-	31,164	-	31,164
Copier contract	5,043	-	5,043	-	5,043
Legal	76,461	-	76,461	-	76,461
Consulting	92,104	-	92,104	-	92,104
Accounting	40,751	-	40,751	-	40,751
Insurance	36,588	-	36,588	-	36,588
Police building lease	35,468	-	35,468	-	35,468
County expense	21,855	-	21,855	-	21,855
Waste/recycle	4,462	-	4,462	-	4,462
Miscellaneous	20,662	-	20,662	-	20,662
Depreciation	-	-	-	83,165	83,165
Total current expenditures/expenses	2,975,444	-	2,975,444	420,045	3,395,489
Capital outlay					
Equipment and furniture	12,851	-	12,851	(12,851)	-
Buildings and improvements	-	-	-	-	-
Construction in progress	110,399	-	110,399	(110,399)	-
Total capital outlay	123,250	-	123,250	(123,250)	-
Total Expenditures/Expenses	3,098,694	-	3,098,694	296,795	3,395,489

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
GOVERNMENTAL FUNDS STATEMENT OF REVENUES AND EXPENDITURES
AND CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
(Continued)**

	<u>General</u>	<u>Capital Project</u>	<u>Total</u>	<u>Adjustment Note 3, 8</u>	<u>Statement of Activities</u>
GENERAL REVENUES:					
Property taxes	1,751,850	-	1,751,850	-	1,751,850
Special assessments	681,780	-	681,780	-	681,780
Measure G supplemental tax revenue	548,106	-	548,106	-	548,106
Grants-COPS & other	151,363	-	151,363	-	151,363
Charges for services	3,100	-	3,100	-	3,100
Kensington Hilltop services reimb.	8,372	-	8,372	-	8,372
West county crossing guard reimb.	7,010	-	7,010	-	7,010
POST reimbursement	2,984	-	2,984	-	2,984
Rents and fees	29,595	-	29,595	-	29,595
Contribution-for community center	722	-	722	-	722
Investment income	22,416	-	22,416	-	22,416
Franchise fees	54,266	-	54,266	-	54,266
Other tax income	49,222	-	49,222	-	49,222
Supplemental workers' comp reimb.	3,629	-	3,629	-	3,629
Other income	9,562	-	9,562	-	9,562
Gain (loss) on asset sale	-	-	-	(1,562)	(1,562)
Total Revenues	<u>3,323,977</u>	<u>-</u>	<u>3,323,977</u>	<u>(1,562)</u>	<u>3,322,415</u>
Excess (deficiency) of Revenues Over Other Fin: (under) Expenditures	<u>225,283</u>	<u>-</u>	<u>225,283</u>	<u>(298,357)</u>	<u>(73,074)</u>
Other Financing Sources (Uses)					
Transfers in	147,744	-	147,744	-	147,744
Transfers out	(10,709)	(129,025)	(139,734)	-	(139,734)
Total Other Financing Sources (Uses)	<u>137,035</u>	<u>(129,025)</u>	<u>8,010</u>	<u>-</u>	<u>8,010</u>
Change in Net Position	<u>362,318</u>	<u>(129,025)</u>	<u>233,293</u>	<u>(298,357)</u>	<u>(65,064)</u>
Fund Balances/Net Position, Beginning of Year	<u>2,111,521</u>	<u>129,025</u>	<u>2,240,546</u>	<u>1,431,531</u>	<u>3,672,077</u>
Prior Period Adjustment	<u>(65,902)</u>	<u>-</u>	<u>(65,902)</u>	<u>(2,941,513)</u>	<u>(3,007,415)</u>
Fund Balances/Net Position, Beginning of Year, Restated	<u>2,045,619</u>	<u>129,025</u>	<u>2,174,644</u>	<u>(1,509,982)</u>	<u>664,662</u>
Prior Year Adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances/Net Position, End of Year	<u>\$ 2,407,937</u>	<u>\$ -</u>	<u>\$ 2,407,937</u>	<u>\$ (1,808,339)</u>	<u>\$ 599,598</u>

The accompanying notes are an integral part of the financial statements.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018**

	Kensington Park Reassessment District 2004-1 Fund
	Fund
Assets	
Cash and investments (Note 2)	\$ 304,633
Interest receivable	444
Special assessments receivable	330,773
Total Assets	\$ 635,850
Liabilities	
Accounts payable	\$ 2
2004 Limited Obligation Improvement Bonds (Note 4)	447,281
Bond interest payable	6,336
Total Liabilities	\$ 453,619
Net Position	
Reserved for Emergency Preparedness Council	\$ -
Reserved for Reassessment District 2004-1	182,231
Total Net Position	\$ 182,231

The accompanying notes are an integral part of the financial statements.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
STATEMENT OF CHANGES IN NET POSITION-FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Kensington Park Reassessment District 2004-1 Fund
	Fund
ADDITIONS:	
Special assessments	\$ 180,428
Interest income	1,328
Total Additions	181,756
DEDUCTIONS:	
Bond administration charges	12,470
Bond expenses	20,005
Bond principal	140,485
Total Deductions	172,960
Net increase (decrease) in fiduciary net position	8,796
Transfer in	(18,719)
Transfer out	10,709
Net Position, Beginning of Year	181,445
Net Assets, End of Year	\$ 182,231

The accompanying notes are an integral part of the financial statements.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Kensington Police Protection and Community Services District (the District) is presented to assist in understanding the District's financial statements. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

District and Description of Funds

The District was formed to provide police protection services and parks and recreation services. The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise the fund's assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Currently, the District has two of these funds, a General Fund and Capital Project Fund. The District also maintains one fiduciary fund: Kensington Park Reassessment District 2004-1 Fund (used to account for special assessment funds, see Note 4).

Government-Wide Financial Statements

The District's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These statements present summaries of Governmental Activities for the District accompanied by a total column.

These statements are presented on an economic resources measurement focus and the *accrual basis* of accounting. Accordingly, all of the District's assets and liabilities, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

The Government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenditures identifies the extent to which each program is self-financing or draws from the general revenues of the District.

Net position should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other purposes result from special revenue funds and the restrictions on their net asset use.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

Separate financial statements are provided for governmental funds. Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Major individual governmental funds are reported as separate columns in the governmental fund financial statements. No major funds are aggregated and presented in a single column. The District's general funds was its only major fund.

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. Accompanying schedules are presented to reconcile and explain the differences in net position as presented in these statements to the net position presented in the Government-wide Financial Statements.

All governmental funds are accounted for on a spending or current financial resources measurement focus and the *modified accrual basis* of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the District, are intergovernmental revenues, investment earnings and charges for services. Expenditures are generally recognized when incurred under the modified accrual basis of accounting.

The District has only four funds in fiscal year 2018, the General Fund, Capital Project Fund, and two fiduciary funds which are the Emergency Preparedness and the Kensington Park Reassessment District. A longer description is below.

1. General Fund - the General Fund is the operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.
2. Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.
3. Kensington Park Reassessment District 2004-1 - This debt service fund is used to account for financial resources to be used for the retirement of debt. The Kensington Park Reassessment Bond 2004-1, issued in June 2004 in defeasance of the 1994 special assessment bonds, has been determined to be an Agency Fund since the District is not obligated to repay the debt. The balance in the debt service fund has therefore been transferred to the Kensington Park Reassessment District 2004-1 Fund (see Note 4).

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting

The operating budget includes proposed expenditures and the means of financing them.

Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund and Capital Projects Fund.

The District follows these procedures in establishing the budgetary data reflected in the basic financial statements:

- 3020.1** A preliminary annual budget proposal shall be prepared by the General Manager no later than May 1.
- 3020.2** Prior to review by the Board of Directors, the Board's Finance Committee shall meet with the General Manager and review his preliminary annual budget proposal.
- 3020.3** The proposed preliminary annual budget, as reviewed and amended by the Finance Committee, shall be reviewed by the Board at its regular meeting in May.
- 3020.4** The proposed preliminary annual budget, as amended by the Board during its review, shall be adopted at its regular meeting in June. Any exceptions to this date must be approved by Board action, but in no event shall the preliminary annual budget be adopted later than July 1.
- 3020.5** The final annual budget shall be adopted no later than September 1. The General Manager shall publish the public notice required by Government Code section 61110(c).

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and the Capital Projects Fund. All appropriations lapse at fiscal year-end.

Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments. Investments are carried at market value. All investment is invested through the County of Contra Costa.

Compensated Absences

District employees are entitled to certain compensated absences based on their length of employment

Fund Equity Reservations and Designations

Reservations and designations of the ending fund balance indicate portions of fund balance not appropriate for expenditures or amounts legally segregated for a specific future use.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 dates of the financial statements and the reported amounts of revenues and expenditures during the reporting periods. Actual results could differ from those estimates.

Deferred Outflows and inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. 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) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Implementation of New Accounting Principles

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local government for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement is effective for fiscal years beginning after June 15, 2017, or the FY 2017/2018. The impact of this Statement is presenting the net OPEB liability of \$3,256,035.

GASB Statement No. 85 – In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits pensions and other postemployment benefits (OPEB). The Statement is effective for the reporting periods beginning after June 15, 2017, or FY 2017/2018 fiscal year. This Statement is used as an expansion of GASB Statement No.75 calculations for OPEB as well as pension liability accounting.

GASB Statement No. 86 – In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds or refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. There is no current impact for the District from this Statement.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements – Effective in the Future Fiscal Years

GASB Statement No. 83 – In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible asset should recognize a liability based on the guidance in this Statement. This Statement also requires disclosure of information about the nature of a government’s ARO, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018, or the FY 2018/2019. The District has not determined the impact of this pronouncement on the financial statements.

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018, or the FY 2019/2020. The District has not determined the impact of this pronouncement on the financial statements.

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It established a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The Statement is effective for the reporting periods beginning after December 15, 2019, or FY 2020/2021. The District has not determined the impact of this pronouncement on the financial statements.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2— CASH AND INVESTMENTS

The District maintains most of its cash in the County of Contra Costa treasury. Balances are stated at cost, which is approximately market value.

The District maintains cash investment accounts that are available for use by all funds. Investments made by the District are summarized below. The investments that are represented by specific identifiable investment securities are classified below according to credit risk:

Category 1—Investments that are insured or registered, or for which securities are held by the District or its agent in the District’s name.

Category 2—Uninsured and unregistered investments for which the securities are held by the counterparty’s trust department or agent in the District’s name.

Category 3—Uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District’s name.

A summary of the District’s cash and investments at June 30, 2018 is as follows:

	Carrying Value	Market Value
<u>Governmental Funds</u>		
<u>Category 1:</u>		
Cash in checking accounts	\$ 2,823	\$ 2,823
Petty cash	100	100
	2,923	2,923
 <u>Uncategorized:</u>		
County Treasury	2,274,043	2,274,043
Total Governmental Funds	2,276,966	2,276,966
 <u>Fiduciary Funds</u>		
<u>Category 1:</u>		
Cash in checking accounts	-	-
 <u>Uncategorized:</u>		
County Treasury	304,633	304,633
Total Fiduciary Funds	304,633	304,633
Total Governmental Funds	\$ 2,581,599	\$ 2,581,599

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2— CASH AND INVESTMENTS (Continued)

The cash and investments by fund is as follows:

General Fund	\$ 2,276,966
Capital Project Fund	-
	\$ 2,276,966
	\$ 304,633

The District's cash fund in the County Treasury is not categorized by risk category because the District's share is not evidenced by specifically identifiable securities.

Deposits

The California Government Code requires California banks and savings and loan associations to secure a local governmental agency's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 100% of the agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150% of an agency's total deposits. The agency may waive collateral requirements for deposits, which are fully insured up to \$250,000 by federal deposit insurance.

NOTE 3—CAPITAL ASSETS

The District's capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value on the date donated. Capital assets are recorded at cost and depreciated over their estimated useful lives. Depreciation is charged to governmental activities by function.

Depreciation of capital assets is charged as an expense against operations each year and the total amount of depreciation taken over the years, accumulated depreciation, is reported on the Statement of Net Position as a reduction in the book value of capital assets.

Depreciation of capital assets in service 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:

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3—CAPITAL ASSETS (Continued)

Vehicles	5 years
Furniture and fixtures	6 years
Building and improvements	20-40 years
Machinery and equipment	5-10 years

A summary of changes in general fixed assets follows:

	Balance 6/30/17	Additions	Retirements	Balance 6/30/18
Non-Depreciable Assets				
Land	\$ 2,808,347	\$ -	\$ -	\$ 2,808,347
Construction in Progress	44,718	110,399	-	155,117
Total Non-Depreciable Assets	2,853,065	110,399	-	2,963,464
Depreciable Assets				
Building & improvements	1,618,818		-	1,618,818
Vehicles & equipment	482,206	12,855	58,969	436,092
Furniture & fixtures	61,933	-	-	61,933
Total Capital Asset:	5,016,022	123,254	58,969	5,080,307
Accumulated Depreciation				
Building & improvements	763,300	42,785	-	806,085
Vehicles & equipment	370,275	35,302	57,407	348,170
Furniture/fixtures/improvements	30,520	5,078	-	35,598
Total Accumulated Depreciation	1,164,095	83,165	57,407	1,189,853
Capital Assets Net of Depreciation:	\$ 3,851,927	\$ 40,089	\$ 1,562	\$ 3,890,454

The current depreciation expense for KPPCSD is \$83,165.

NOTE 4— SPECIAL ASSESSMENT DEBT

Kensington Park Reassessment District 2004-1 Refunding Bonds

	June 30, 2017	Adjustment	Payments	June 30, 2018
2004 Limited Obligation Improvement Bonds	\$ 587,766	\$ -	\$ 140,485	\$ 447,281
	\$ 587,766	\$ -	\$ 140,485	\$ 447,281

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4— SPECIAL ASSESSMENT DEBT (Continued)

Kensington Park Reassessment District 2004-1 Refunding Bonds (Continued)

The original 1994 Limited Obligation Improvement Bonds were issued pursuant to the provisions of the Improvement Bond Act of 1915 to finance costs of acquisition of land to be used as a park and installation of certain recreational improvements. The bonds are limited obligations of the District and are equally and ratably secured by unpaid assessments on certain parcels of property located within the Kensington Park Assessment District. The Kensington Park Assessment District was created by the District pursuant to the Landscaping and Lighting Act of 1972 specifically to finance the park landscaping and lighting project. The unpaid assessments represent fixed liens on each assessed parcel. Annual installments of the unpaid assessments together with interest thereon, sufficient to meet the scheduled debt service, are included in the tax bills for the assessed properties and the receipts are deposited into a redemption fund used to pay interest and principal on the bonds as they come due. The District is in no way liable for the repayment of the improvement bonds. The District is only acting as an agent for the property owners in collecting the assessments, forwarding the collections to bondholders, and initiating foreclosure proceedings.

On June 17, 2004, the District issued \$1,868,600 of 2004 Limited Obligation Improvement Bonds for the purpose of refunding the \$2,050,000 of outstanding 1994 Limited Obligation Improvement Bonds. The refunding took advantage of lower interest rates which were available and resulted in reductions in debt service requirements over the life of the new debt. The net proceeds of \$1,868,600 from these bonds were transferred to a trustee and placed in an irrevocable trust to redeem the 1994 Limited Obligation Improvement Bonds. These funds were invested in U.S. government securities to provide for the redemption price and interest through the call date. The 2004 bond bears annual interest at a fixed rate of 4.25%. The bond was issued as a fully registered note in a single denomination of \$1,868,600. Interest on the bond becomes payable commencing March 2, 2005, and semiannually thereafter on each September 2 and March 2 until maturity. The bond maturity date is September 2, 2020.

The following funds have been created: (1) Reserve Fund established in the initial amount of \$93,430 (with separated county investment account) from the bond proceeds; (2) Redemption Fund, established to collect all payments of principal and interest installments on the assessments; (3) cost of issuance fund, established to pay issuance costs and (4) administrative expense fund, established to reimburse payment of administrative expenses. The District's liability to advance funds to the Redemption Fund in the event of delinquent installments shall not exceed the balance in the Reserve Fund.

As of June 30, 2018, future debt service payments were as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 147,469	\$ 15,876	\$ 163,345
2020	149,165	9,573	158,738
2021	150,647	3,202	153,849
	<u>\$ 447,281</u>	<u>\$ 28,651</u>	<u>\$ 475,932</u>

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5— DEFINED BENEFIT PENSION PLAN

CalPERS plan description

The District has a defined benefit pension plan (the “Plan”) which provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Plan is part of the Public District portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the state of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees’ Retirement Law. The District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through board action. CalPERS issues a separate comprehensive annual financial report. Copies of the report may be obtained from the CalPERS Executive Office at 400 P Street, Sacramento, CA 95814.

Funding policy

Effective January 1, 2013, the California Public Employees’ Pension Reform Act (PEPRA) went into effect. Any new CalPERS hires will be covered by this mandate. The District currently participates in a two-tiered retirement funding system.

A Tier 1 (Classic) CalPERS employee is required to contribute 9% of his/her annual covered salary. The District has historically paid this tax deferred contribution required of Classic employees on their behalves and for their accounts. Effective January 1, 2018 the District pays 4% and the Classic employee pays 5% which totals the 9% employee contribution.

In addition, for Tier 1 (Classic) CalPERS employees, The District is required to contribute the actuarially determined amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS’ Board of Administration. The contribution requirements for the plan members are established by State statute. For the fiscal year ending June 30, 2018, the District’s contribution rate is 19.723% and a flat UAL of \$263,331.

Although PEPRA has been effective of hires as of January 01, 2013, The District’s first Tier 2 (PEPRA) CalPERS employee was hired in October 2015. A PEPRA employee is required to pay his/her own officer’s portion contribution. The District will not pick up any of that portion. For the year ending June 30, 2018, the PEPRA employee’s contribution remains at 11.5%, but The District’s contribution rate is 11.99%. There will be no UAL contribution.

A Classic employee’s defined benefit is calculated using 3% at 50 years of age formula. A PEPRA employee’s defined benefit is calculated using a 2.7% at 57 years of age formula.

Actuarial Assumptions

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pension - The net pension liability at June 30, 2018 is measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017, using standard update procedures. The total pension liabilities in the June 30, 2016 actuarial valuation was based on the following actuarial methods and assumptions:

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5— DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

- Actuarial method – Entry Age Normal
- Discount Rate/Rate of Return – 7.15%, net of investment expense
- Inflation Rate – 2.75%
- Salary increases – Varies by Entry Age and Service
- COLA Increases – up to 2.75%
- Post-Retirement Mortality – Derived using CalPERS’ Membership Data for all Funds
- The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011.

Change of assumptions - The discount rate decreased from 7.65% to 7.15% for the June 30, 2017 measurement date.

Discount rate – The discount rate used to measure the total pension liability at June 30, 2017 and 2016 measurement date was 7.15% and 7.65%, respectively. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The test revealed the assets would not run out. Therefore, the current 7.15% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15% is applied to all plans in the Public Employees Retirement Fund. The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make the required contributions as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows ‘as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5— DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.15%) or one percentage point higher (8.15%) than the current rate:

	1% Decrease 6.15%	Current Discount Rate 7.15%	1% Increase 8.15%
District's proportionate share of the net pension plan liability	\$ 5,789,898	\$ 3,860,944	\$ 2,284,120

Kensington Police Protection and Community Services District – Schedule of the District's proportionate share of the Net Pension Liability:

	FY 2017-2018
District's proportion of the net pension liability	0.03893%
District's proportionate share of the net pension liability	\$ 3,860,944
District's covered-employee payroll (measurement year as of FY 2016-17)	\$ 930,954
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	414.73%
Plan Fiduciary net position as a percentage of the total pension liability	73.31%
Proportionate share of the aggregate employer contribution	\$ 342,528

CALPERS – Schedule of District contributions

	FY 2017-2018
Contractually required contribution (CRC)	\$ 292,399
Contributions in relation to the CRC	(292,399)
Contribution deficiency (excess)	\$ -
District's covered-employee payroll	\$ 746,268
Contribution as a percentage of covered-employee payroll	39.18%

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5— DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

For the year ended June 30, 2018, the District recognized pension expense of \$654,880. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contribution subsequent to measurement date	\$ 292,399	\$ -
Change in assumptions	583,897	44,798
Difference between expected and actual experience	40,262	10,498
Net differences between projected and actual earnings on plan investments	127,312	-
Change in employer's proportion	76,126	130,586
Difference between the employer's contributions and the employer's proportionate share of contributions	143,953	-
	\$ 1,263,949	\$ 185,882

The \$292,399 reported as deferred outflows of resources related contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as estimated pension expenses for the next four years as follows:

2019	\$ 247,197
2020	372,808
2021	240,158
2022	(74,495)
	\$ 785,668

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 6— LEASE COMMITMENT

The District entered into an agreement as a lessee to occupy office space from Kensington Fire Protection District for a three year period through June 30, 2017 for \$1 per year. Current lease agreement includes an 18 month agreement to occupy office space from July 1, 2017 ended in December 31, 2018 at a rate of \$2,955.67 per month. In addition, the District leases equipment in a separate operating lease. Rent expense including operating lease for fiscal year ended June 2018 was \$37,768.

The minimum future lease commitments are as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Amount</u>
2019	\$ 20,034
Total	\$ 20,034

NOTE 7— RISK MANAGEMENT

Insurance Coverage

The District is a member of the Special District Risk Management Association (SDRMA). SDRMA was organized to provide certain levels of liability insurance coverage, property insurance coverage, claims management, risk management services and legal defense to its participating members. The financial results of SDRMA are not included in the accompanying basic financial statements because the District does not have oversight responsibility.

SDRMA provides the District with property and general liability coverage to the limits as set forth in the agreement. The annual member contribution was \$37,071 for fiscal year 2018 coverage. Members are subject to dividends and/or assessments in accordance with the provisions of the Joint Powers agreement. At June 30, 2018 SDRMA could not confirm the status of any incurred but not reported claims.

The Special Districts Workers' Compensation District also insured with SDRMA. The annual premium paid for fiscal year 2018 netted with prior year workers' compensation audit and coverage was \$91,392.

The general liability limit are as follow:

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7— RISK MANAGEMENT (Continued)

<u>Coverage</u>	<u>Limit (In thousands) Per Occurrences</u>
Property	\$ 1,000,000
Mobile equipment	\$ 1,000,000
General liability	\$ 10,000
Auto liability	\$ 10,000
Auto physical damage	Limit on file
Trailer	Limit on file
Workers' Compensation	\$ 5,000

The District currently reports all of its risk management activities in its General Fund. The District claims have not exceeded the insurance coverage in any of the past three fiscal years.

**NOTE 8— EXPLANATION OF DIFFERENCES BETWEEN THE GOVERNMENTAL
FUND BALANCE SHEET AND THE STATEMENT OF NET POSITION**

Total fund balance of the District's governmental funds differs from the net position of governmental activities reported in the statement of net position primarily as a result of the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheet. When capital assets (land, building, and equipment) that are used in governmental activities are purchased or constructed, the costs of those assets are reported as capital outlay expenditures in the governmental fund. However, the statement of net position includes the capital assets, net of accumulated depreciation, among the assets of the District. Also, the adjustments related to the new accounting pronouncement GASB 68 are in the statement of net position and not the government fund balance sheet.

<u>Differences</u>	<u>Balance June 30, 2018</u>
Net capital assets	\$ 3,890,454
Deferred outflows of resources (Pension & OPEB)	(1,678,118)
Net Pension & OPEB liability	7,116,979
Deferred inflows of resources (Pension & OPEB)	<u>259,932</u>
Subtotal	<u>5,698,793</u>
Net difference	<u>\$ (1,808,339)</u>

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

**NOTE 8— EXPLANATION OF DIFFERENCES BETWEEN THE GOVERNMENTAL
FUND BALANCE SHEET AND THE STATEMENT OF NET POSITION (Continued)**

The net change in fund balance for the governmental funds differs from the "change in net position" as a result of the long-term economic focus of the statement of activities versus the current financial resources focus of the general fund. When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as capital outlay expenditures in the general fund. Also, when capital assets are sold, the resources received are reported as proceeds from sale of capital assets in the respective fund. However, in the statement of activities, the cost of those assets purchased or constructed is allocated over their estimated useful lives and reported as depreciation expense. The resources received from the sale of capital assets offset against the net carrying value of the assets sold and reported as a gain or loss in the statement of activities. As a result, the fund balance decreased by the amount of financial resources expended and increased by the amount of financial resources received, whereas net position decreased by the amount of depreciation expense on equipment items during the year and increased or decreased by the amount of net gain or loss on any disposals of capital assets.

In addition, the adjustments required by GASB 68, as presented above, net to (\$5,698,793), and are not included in the governmental funds Statement of Revenues and Expenditures.

**EXPLANATION OF DIFFERENCES BETWEEN THE GOVERNMENTAL
FUND BALANCE SHEET AND THE STATEMENT OF ACTIVITIES**

Differences	Balance June 30, 2018
Capital outlay	\$ (123,250)
Depreciation expense	83,165
Medical insurance - Retired	(25,601)
PERS- employer	(292,399)
Pension expense	654,880
Net difference	\$ 296,795

NOTE 9— OTHER POST-RETIREMENT HEALTH BENEFITS

Governmental Accounting Standards Board (GASB) standard 45 directs how local governments account for and report other post-employment benefits (OPEB) that are separate from pension benefits. The District has calculated the medical benefit plan OPEB requirements and described the methodology and amounts from a third party consultant's report. These calculations cover the OPEB of all District eligible employees.

The District provides post-retirement health benefits (medical, dental, and vision) to all eligible employees who have retired from the District and to their spouses, surviving spouses and dependent children. During fiscal year 2010, the district adopted GASB 45.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9— OTHER POST-RETIREMENT HEALTH BENEFITS (Continued)

Contributions Required and Contributions Made

The Plan's funding policy provides guidelines for District contributions at actuarially determined required amounts sufficient to accumulate the necessary assets to pay benefits when due as specified. The retirees and spouses, surviving spouses and dependent children's healthcare benefits plan requires the District to use the Baseline Cost Method. The actuarial study projects the plan population to estimate the cost of future benefits. The actuarial study accrued total OPEB liability comes to \$3,256,035 with measurement date of June 30, 2017 and valuation date of June 30, 2016 (with assumed 2.0% of annual inflation and 2.75% of annual payroll insurance).

Significant assumptions used to compute contribution requirements from the latest unaudited actuarial are as follows:

Valuation date:	June 30, 2016
Actuarial cost method:	Entry Age Normal Cost Method
Discount rate used in valuation:	7.28%
Actuarial assumptions:	The annual health care premium trend rate for fiscal year 2017 is 8% (pre-65) and 5.5% (post 65) with declining trend rates in future years.

Schedule of Employer Actuarially Determined Contributions (ADC):

<u>Fiscal Year Ended June 30</u>	<u>ADC</u>
2017	\$ 404,577

Annual OPEB Cost and Net OPEB Obligation

Generally accepted accounting principles permit contributions to be treated as OPEB assets and deducted from the Actuarial Accrued Liability when such contributions are placed in a CERBT through PEMHCA.

Actuarial Assumptions

OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB - The net OPEB liability at June 30, 2018 is measured as of June 30, 2017, using the actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017, using standard update procedures.

The District records the accrued liability and expense in the General Police Protection classification of the Government-wide Statement of Net Position and Statement of Activities. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9— OTHER POST-RETIREMENT HEALTH BENEFITS (Continued)

Service cost	\$	171,679
Interest		287,783
Difference between expected and actual expense		<u>(68,601)</u>
Annual OPEB cost		390,861
Contributions:		
Benefit payments, including refunds of employee contributions		<u>(142,894)</u>
Change in net OPEB obligation		247,967
Net OPEB obligation at June 30, 2017		<u>3,851,572</u>
Net OPEB Obligation at June 30, 2018	<u>\$</u>	<u>4,099,539</u>

The District's annual required contributions and actual contributions for the fiscal year are set forth below:

Actual Contribution	ADC	Percentage Contribution to ADC	Deficiency
\$ 238,762	\$ 404,577	59%	\$ 165,815

Funded Status and Funding Progress

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past exceptions and new estimates are made about the future.

The schedule of Funding Progress below and the required supplementary information immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the most recent actuarial study is presented below:

Measurement Date	Actuarial Value of Assets (A)	Entry Age actuarial Accrued Liability (B)	Unfunded (Overfunded) Actuarial Accrued Liability (B-A)	Funded Ration (A/B)
6/30/2017	\$ 843,504	\$ 4,099,539	\$ 3,256,035	21%

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9— OTHER POST-RETIREMENT HEALTH BENEFITS (Continued)

Sensitivity of the District's Net OPEB Liability to Changes in the Discount Rate

The following presents what the District's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.28%) or one percentage point higher (8.28%) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>6.28%</u>	<u>7.28%</u>	<u>8.28%</u>
District's net OPEB liability	\$ 3,803,429	\$ 3,256,035	\$ 2,284,685

For the year ended June 30, 2018, the District recognized OPEB expense of \$388,568. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflow Resources</u>	<u>Deferred Inflow Resources</u>
Difference between expected and actual expenses	\$ -	\$ 54,497
Changes in assumptions	-	-
Net differences between projected and actual earnings or OPEB plan investments	-	19,553
Contribution to OPEB plan after measurement date	<u>414,169</u>	<u>-</u>
	<u>\$ 414,169</u>	<u>\$ 74,050</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be amortizing in OPEB expense for the next four years are as follows:

2019	\$ (18,992)
2020	(18,992)
2021	(18,992)
2022	<u>(17,074)</u>
	<u>\$ (74,050)</u>

NOTE 10 – COMPENSATED ABSENCES

Amounts due to employees for compensated absences as of June 30, 2018 were as follows:

Vacation and comp time	<u>\$ 63,064</u>
Total compensated absences	<u>\$ 63,064</u>

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 11 – NET POSITION AND FUND BALANCES

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

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. Net Position is divided into three captions. These captions apply only to Net Position 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

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, if any, which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the District cannot unilaterally alter. These principally include amount is restricted by external creditors, grantors, or law or regulations of government.

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

Fund Balance

The District's fund balances are classified 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 endowment funds, and assets not expected to be converted to cash, such as prepaids, 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.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 11 – NET POSITION AND FUND BALANCES (Continued)

Committed fund balances have constraints imposed by formal action of the Board of Directors which may be altered only by formal action of the Board of Directors. Encumbrances and nonspendable amounts subject to Board commitments are included along with spendable resources.

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 by the Board of Directors or its designee, the Police Chief or manager, and may be changed at the discretion of the Board of Director or its designee. This category includes encumbrances; nonspendables, when it is the District's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any of Capital Projects and Fiduciary 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.

	General Fund	Total
Nonspendable:		
Prepaid expenses	\$ 155,031	\$ 155,031
Compensated Absences	63,064	63,064
Subtotal	218,095	218,095
 Restricted for:		
Bay View	143,926	143,926
Subtotal	143,926	143,926
 Committed to:		
Capital projects - 1/2 police car	20,000	20,000
Community center building upgrade	447,547	447,547
Subtotal	467,547	467,547
 Assigned to:		
Temporarily police station	50,000	50,000
Subtotal	50,000	50,000
 Unassigned	1,528,369	1,528,369
Total	\$ 2,407,937	\$ 2,407,937

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 12 – DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Pursuant to GASB Statement No. 63, the District recognizes deferred outflows of resources as well as deferred inflows of resources. They represent the unamortized portions of changes to net pension liability to be recognized in future periods in a systematic and rational manner. They will be recorded on the Statement of Net Assets.

Deferred outflows of resources is a consumption of net assets. It is similar to a prepaid asset. The District has two items that are reportable as deferred outflows of resources, one related to pensions of \$1,263,949 and the other related to OPEB of \$414,169. Together the total is \$1,678,118. Any monies contributed after the measurement date are classified as deferred outflows of resources.

Deferred inflows of resources is an acquisition of net assets. The District has two items that are reportable as deferred inflows of resources, one related to pensions of \$185,882 and the other related to OPEB of \$74,050. Together the total is \$259,932. Under the modified accrual basis of accounting, it is not enough that revenue is earned; it must also be available to finance expenditures of the current period. Governmental funds will therefore include deferred inflows of resources for amounts that have been earned, but are not available to finance expenditures in the current period.

NOTE 13 – SUBSEQUENT EVENTS

At the time of the audit, Kensington Police Protection and Community Services District has evaluated all subsequent events through May 20, 2019, the date the financial statements were available to be issued, and determined that there is no material impact from the subsequent events.

NOTE 14– CONTINGENCIES

As of June 30, 2018, the District does not have any claims outstanding.

SUPPLEMENTARY INFORMATION

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY
 FOR THE FISCAL YEAR ENDED JUNE 30**

Last 10 Years*

	Total
Fiscal year	2017-18
Measurement period	2016-17
Employer's proportion of the net pension liability (asset)	0.03983%
Employer's proportionate share of the net pension liability (asset)	\$ 3,860,944
Employer's covered payroll (Measurement Year)	\$ 930,954
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	414.73%
Plan's fiduciary net position as a percentage of the Plan's total pension liability	73.31%
Proportionate share of the aggregate employer contributions	\$ 342,528

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 FOR THE FISCAL YEAR ENDED JUNE 30**

Last 10 Years*

Fiscal Year Ended	<u>2018</u>	<u>2017</u>
Contractually required contributions (actuarially determined) (CRC)	\$ 292,399	\$ 488,861
Contributions in relation to the CRC	<u>(292,399)</u>	<u>(488,861)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 746,268	\$ 930,954
Contributions as a percentage of covered payroll	39.18%	52.51%

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB ASSET AND RELATED RATIOS
FOR THE MEASUREMENT PERIOD ENDED JUNE 30**

Last 10 Years*

	2017
Total OPEB Liability	
Service cost	\$ 171,679
Interest	287,783
Difference between expected and actual experience	(68,601)
Changes of assumptions	-
Benefit payments, including refunds of employee contribution	(142,894)
Net change in total OPEB Liability	247,967
Total OPEB Liability, beginning	3,851,572
Total OPEB Liability, ending (a)	\$ 4,099,539
 Plan Fiduciary Net Position	
Employer contribution	238,762
Net investment income	76,726
Benefit payments, including refunds of employee contributions	(142,894)
Administrative expenses	(383)
Net change in Plan Fiduciary Net Position	172,211
Plan Fiduciary Net Position, beginning	671,293
Plan Fiduciary Net Position, ending (b)	\$ 843,504
District's Net OPEB Asset, ending (a) - (b)	\$ 3,256,035
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	21%
Covered-employee payroll**	
District's Net OPEB Asset as a percentage of covered-employee payroll**	

Notes to Schedule:

* Schedule is intended to show information for ten years. Fiscal year 2018 was the first year of implementation, therefore only one year is shown. Additional years' information will be displayed as it becomes available.

**Covered employee payroll is annual compensation paid (or expected to be paid) to active employees covered by an OPEB plan, in aggregate. The information for 2017 is not applicable.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS TO THE OPEB PLAN**
 FOR THE FISCAL YEAR ENDED JUNE 30**

Last 10 Years*

	2018
Actuarially Determined Contribution	\$ 404,577
Covered-employee payroll	N/A
Contributions as a percentage of covered-employee payroll	N/A
Contributions to the Trust	95,868
Pay-go Payments by Employer Unreimbursed by the Trust	142,894
Active Implicit Rate Subsidy Transferred to OPEB	-
Total OPEB Contributions	\$ 238,762

Notes to Schedule:

* Schedule is intended to show information for ten years. Fiscal year 2018 was the first year of implementation, therefore only one year is shown. Additional years' information will be displayed as it becomes available.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCES
OTHER SUPPLEMENTARY INFORMATION BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>General Fund Budget</u>	<u>General Fund Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Property taxes	\$ 1,740,000	1,751,850	\$ 11,850
Special assessments	680,000	681,780	1,780
Measure G supplemental tax revenue	547,995	548,106	111
Grants-COPS & other	-	151,363	151,363
Charges for services	1,500	3,100	1,600
Kensington Hilltop services reimb.	20,051	8,372	(11,679)
West county crossing guard reimb.	11,623	7,010	(4,613)
POST reimbursement	-	2,984	2,984
Rents and fees	28,000	29,595	1,595
Contribution-for community center	3,500	722	(2,778)
Investment income	2,700	22,416	19,716
Franchise fees, net	51,430	54,266	2,836
Other tax income	49,503	49,222	(281)
Supplemental workers' comp reimb.	11,033	3,629	(7,404)
Other income	11,700	9,562	(2,138)
	<u>3,159,035</u>	<u>3,323,977</u>	<u>164,942</u>
Total Revenues			
Expenses:			
Police Salary and Benefits	2,166,058	1,948,453	217,605
Police Other Expenses	412,811	399,908	12,903
Recreation Salary and Benefits	31,710	29,614	2,096
Recreation Expenses	88,886	68,387	20,499
District Expenses	433,228	528,623	(95,395)
Capital Outlay	316,820	123,709	193,111
	<u>3,449,513</u>	<u>3,098,694</u>	<u>350,819</u>
Total Expenditures			
Excess of Revenues over (under) Expenditures	<u>\$ (290,478)</u>	<u>\$ 225,283</u>	<u>\$ 515,761</u>

The accompanying notes are an integral part of the financial statements.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
OTHER SUPPLEMENTARY INFORMATION
TWO YEARS COMPARISON OF GASB 34 INFORMATION-
STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018**

	2018	2017
Assets		
Current Assets:		
Cash and investments (Note 2)	\$ 2,276,966	\$ 2,147,580
Receivables		
Grant receivable	48,746	39,416
Supplemental taxes and Community Services District	18,665	21,320
Interest receivable	9,340	2,411
Reimbursements and other	45,940	41,364
Prepaid	155,031	152,346
Total Current Assets	2,554,688	2,404,437
Capital Assets (Note 3)		
Land	2,808,347	2,808,347
Vehicle and equipment	436,092	482,206
Building and improvement	1,618,818	1,618,818
Furniture & fixtures	61,933	61,933
Construction in progress	155,117	44,718
Accumulated depreciation	(1,189,853)	(1,164,095)
Total Capital Asset	3,890,454	3,851,927
Total Assets	\$ 6,445,142	\$ 6,256,364
Deferred Outflows of Resources-Deferred pensions (Note 5)	1,263,949	1,368,605
Deferred Outflows of Resources-Deferred OPEB (Note 9)	414,169	-
Liabilities		
Accounts payable	\$ 55,795	\$ 98,904
Compensated absence	63,064	114,454
Accrued payable	27,892	16,435
Net pension liability (Note 5)	3,860,944	3,551,469
Net OPEB liability obligation (Note 9)	3,256,035	-
Total Liabilities	7,263,730	3,781,262
Deferred Inflows of Resources-Deferred pensions (Note 5)	185,882	237,532
Deferred Inflows of Resources-Deferred OPEB (Note 9)	74,050	-
Total Liabilities and Fund Balances		
Net Position		
Net investment in capital assets	3,890,454	3,851,927
Restricted	362,021	125,470
Unrestricted	(3,652,877)	(371,222)
Total Net Position	\$ 599,598	\$ 3,606,175

The accompanying notes are an integral part of the financial statements.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
OTHER SUPPLEMENTARY INFORMATION
TWO YEARS COMPARISON OF GASB 34 INFORMATION-
STATEMENT OF ACTIVITIES OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2018**

	2018	2017
EXPENDITURES/EXPENSES		
Current expenditures/expenses		
Police Salary and Benefits		
Salary-officers	\$ 746,268	\$ 925,016
Compensated absence	1,745	52,397
Overtime	141,928	88,013
Salary-non sworn	67,680	110,411
Uniform allowance	5,000	6,812
Safety equipment	3,832	2,867
Medical insurance - Active	134,034	174,696
Medical insurance - Retired	151,707	154,736
Medical insurance - Retired trust	236,861	25,888
Disability & life insurance	2,971	4,248
Social security/medicare	23,034	22,178
PERS district	654,880	348,069
PERS officers	31,925	53,123
Workers compensation	83,468	56,784
Police Expenses		
Expendable police supplies	159	3,334
Range/ammunition supplies	1,325	7,521
Crossing guard	11,301	11,089
Vehicle operation	29,717	25,485
Communications (RPD)	199,961	123,270
Radio maintenance	908	1,817
Prisoner/case expense/booking	10,843	10,406
Training	4,322	3,794
Recruiting	1,826	3,285
Reserve officers	9,189	3,580
Misc. dues, meals and travel	1,705	1,687
Utilities	10,036	13,164
Building repair	-	658
Office supplies	6,004	5,588
Telephone	7,226	4,904
Housekeeping	4,633	4,557
Publications	2,820	2,923
CAL ID	5,262	6,101
Community policing	7,789	9,520
Legal/consulting-police	81,236	-
Measure G administration	3,646	3,463
Recreation Salary and Benefits		
Park and recreation administration	8,591	8,440
Custodian	20,550	21,000
Social security/medicare	473	619
Recreation Expenses		
Community center utilities	5,599	6,680
Janitorial supplies	779	676
Community center repairs	1,826	5,611
Community center equip maint	2,581	1,659
Park O&M	57,508	70,776
Misc. park/rec expense	553	1,371
District Expenses		
District salary	156,145	5,938
District payroll taxes	7,920	
Computer maintenance	31,164	26,105
Copier contract	5,043	4,865
Legal	76,461	227,419
Consulting	92,104	46,648
Accounting	40,751	50,748
Insurance	36,588	27,607
Election	-	3,562
Police building lease	35,468	1
County expense	21,855	21,396
Waste/recycle	4,462	4,252
Miscellaneous	20,662	15,919
Depreciation	83,165	78,544
Total current expenditures/expenses	3,395,489	2,901,220
Total Expenditures/Expenses	3,395,489	2,901,220

The accompanying notes are an integral part of the financial statements.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
OTHER SUPPLEMENTARY INFORMATION
TWO YEARS COMPARISON OF GASB 34 INFORMATION-
STATEMENT OF ACTIVITIES OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2018
(Continued)**

	<u>2018</u>	<u>2017</u>
GENERAL REVENUES:		
Property taxes	1,751,850	1,673,283
Special assessments	681,780	681,630
Measure G supplemental tax revenue	548,106	527,989
Assets seizure forfeit/WEST NET	-	143,777
Grants-COPS & other	151,363	158,951
Charges for services	3,100	3,369
Kensington Hilltop services reimb.	8,372	19,468
West county crossing guard reimb.	7,010	11,151
POST reimbursement	2,984	1,054
Rents and fees	29,595	31,393
Contribution-for community center	722	11,000
Investment income	22,416	8,213
Franchise fees	54,266	55,819
Other tax income	49,222	48,137
Supplemental workers' comp reimb.	3,629	94,252
Other income	9,562	19,411
Gain (loss) on asset sale	<u>(1,562)</u>	<u>(1,738)</u>
Total Revenues	<u>3,322,415</u>	<u>3,487,159</u>
Excess (deficiency) of Revenues Over Other Fin: (under) Expenditures	<u>(73,074)</u>	<u>585,939</u>
Other Financing Sources (Uses)		
Transfers in	147,744	65
Transfers out	<u>(139,734)</u>	<u>(10,380)</u>
Total Other Financing Sources (Uses)	<u>8,010</u>	<u>(10,315)</u>
Change in Net Position	<u>(65,064)</u>	<u>575,624</u>
Fund Balances/Net Position, Beginning of Year	<u>3,672,077</u>	<u>3,097,405</u>
Prior Period Adjustment	<u>(3,007,415)</u>	<u>(952)</u>
Fund Balances/Net Position, Beginning of Year, Restated	<u>664,662</u>	<u>3,096,453</u>
Prior Year Adjustment	-	65,902
Fund Balances/Net Position, End of Year	<u>\$ 599,598</u>	<u>\$ 3,606,175</u>

The accompanying notes are an integral part of the financial statements.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
OTHER SUPPLEMENTARY INFORMATION
UNRESTRICTED NET POSITION RECONCILIATION
FOR THE YEAR ENDED JUNE 30, 2018**

Balance as of June 30, 2017	\$ 3,672,077
Net position change 2018	(65,064)
Prior period adjustment	<u>(3,007,415)</u>
Balance as of June 30, 2018	<u><u>\$ 599,598</u></u>

The accompanying notes are an integral part of the financial statements.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
OTHER SUPPLEMENTARY INFORMATION
GENERAL AND CAPITAL PROJECT FUND STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018 and 2017**

	2018	2017
Cash flows from Operating Activities:		
Change in Net Position	\$ (65,064)	\$ 575,624
Adjustments to Reconcile Change in Net Position to Net Cash Provided by Operating Activities:		
Depreciation Expenses	83,165	78,544
Prior period adjustment	(3,007,415)	(952)
(Increase) Decrease in Operating Activities		
Grant Receivable	(9,330)	(39,416)
Supplemental Taxes and Community Services District	2,655	28,744
Interest Receivable	(6,929)	(544)
Reimbursement and Other	(4,576)	(1,074)
OPEB Assets	65,902	(65,902)
Prepaid	(2,685)	(113,543)
Deferred Outflows of Resources-Deferred Pensions	104,656	(639,758)
Deferred Outflows of Resources-OPEB	(414,169)	-
Increase (Decrease) in Operating Liabilities		
Accounts Payable	(43,109)	(103,650)
GASB 45 Accrual	-	(4,078)
Compensated Absence	(51,390)	34,889
Accrued Payable	11,457	1,427
Net Pension Liability	309,475	673,224
Net OPEB Liability Obligation	3,256,035	-
Deferred Inflows of Resources-Deferred Pensions	(51,650)	(175,236)
Deferred Inflows of Resources-Deferred OPEB	74,050	-
Net Cash Provided (Used) by Operating Activities	251,078	248,299
Cash Flows from Investing Activities		
Purchase of furniture and equipment	(123,254)	(74,153)
Retirement of Fixed Assets	1,562	1,738
Net Cash (Used) by Investing Activities	(121,692)	(72,415)
Cash flows from Capital and Financing Activities		
Loan repayments	-	-
Net Cash Provided by Financing Activities	-	-
Net Increase (Decrease) in Cash	129,386	175,884
Cash, at Beginning of Year	2,147,580	1,971,696
Cash and Cash Equivalents, at End of Year	\$ 2,276,966	\$2,147,580

The accompanying notes are an integral part of the financial statements.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Kensington Police Protection and Community Services District
Kensington, California

I have audited the financial statements of the Kensington Police Protection and Community Services District (the District), as of and for the fiscal year ended June 30, 2018, and have issued my report thereon dated May 20, 2019. I conducted my 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.

Internal Control over Financial Reporting

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

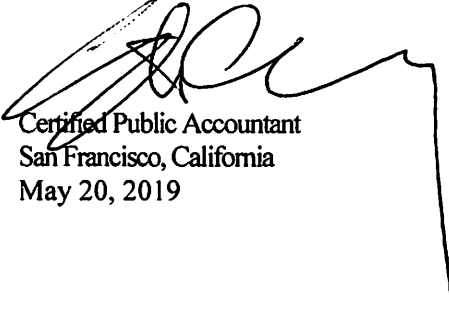
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management and others within the District. This is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to be 'AC', is written over the printed text. A vertical line extends downwards from the end of the signature.

Certified Public Accountant
San Francisco, California
May 20, 2019

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
STATUS OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2018**

<u>Findings</u>	<u>Present Status</u>	<u>Explanation if not fully implemented</u>
None	N/A	N/A

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

2018 Finding

None