

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

****Updated Date****

AGENDA

****Updated Date****

A Special Meeting of the Finance Committee of the Kensington Police Protection and Community Services District will be held **Wednesday May 4, at 6: 00 P.M.**, at the Community Center, 59 Arlington Avenue, Kensington, California.

1. **Call to Order/Roll Call 6:00 P.M.**
2. **Public Comments-** Members of the public may address the Committee on any issue not listed on the agenda that are within the purview of the Committee. Comments on matters that are listed on the agenda may be made at the time the Committee is considering each item. Each speaker is allowed a maximum of five (5) minutes per Board Policy 5030.41.
3. **Approval of the Finance Committee Minutes.**
 - a. Minutes of the Finance Committee Special Meeting of April 6, 2016. Page 2
4. The Committee will receive a report regarding the draft Independent Auditor's Financial Report ending Fiscal year June 30, 2015. The Committee will review and possibly vote to recommend the Kensington Police Protection and Community Services Board of Directors approve the report. P-8
5. The Committee will review and consider recommending approval to the Board of Directors the Fiscal Year 2016/17 proposed budget. The Kensington Police Protection and Community Services District Board of Directors will review and possibly vote to approve the proposed budget for FY 16/17 at its Regular Meeting held on May 12, 2016. P-43
6. The Finance Committee will receive a report from the sub-committee on the development of a Budget Reserve Policy. The Committee may take action to vote on recommendations from the sub-committee to the Board of Directors. P 124

ADJOURNMENT

General Information-Accessible Public Meetings

NOTE: UPON REQUEST THE KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT WILL PROVIDE WRITTEN AGENDA MATERIALS IN APPROPRIATE ALTERNATIVE FORMATS, OR DISABILITY-RELATED MODIFICATION OR DISABILITIES TO PARTICIPATE IN PUBLIC MEETINGS. PLEASE SEND A WRITTEN REQUEST, INCLUDING YOUR NAME, MAILING ADDRESS, PHONE NUMBER AND A BRIEF DESCRIPTION OF THE REQUESTED MATERIALS AND PREFERRED ALTERNATIVE FORMAT OR AUXILIARY AID OR SERVICE AT LEAST 2 DAYS BEFORE THE MEETING. REQUESTS SHOULD BE SENT TO:

Interim General Manager Kevin. E. Hart, Kensington Police Protection & Community Services District, 217 Arlington Ave, Kensington, CA 94707. POSTED: Public Safety Building-Colusa Food-Library-Arlington Kiosk- and at www.kensingtoncalifornia.org.

Complete agenda packets are available at the Public Safety Building and the Library.

All public records that relate to an open session item of a meeting of the Kensington Police Protection & Community Services District that are distributed to a majority of the Board less than 72 hours before the meeting, excluding records that are exempt from disclosure pursuant to the California Public Records Act, will be available for inspection at the **District offices, 217 Arlington Ave, Kensington, CA 94707** at the same time that those records are distributed or made available to a majority of the Board.

KPPCSD Finance Committee Meeting Minutes for 4/6/16

A Special Meeting of the Finance Committee of the Kensington Police Protection and Community Services District was held Wednesday, April 6, 2016, at 6:00 P.M., at the Community Center, 59 Arlington Avenue, Main Room, Kensington, California.

ATTENDEES

<u>Committee Members</u>	<u>Speakers/Presenters</u>
Len Welsh, President	Adam Benson, Renne Sloan Holtzman Sakai
Chuck Toombs, Director	John Stein
Paul Dorroh	Gayle Tapscott
Derek Suring	Rich Karlsson
Karl Kruger	Celia Concus
Jim Watt	Gail Feldman
Paula Black	
Simon Brafman	
Gloria Morrison	
Rob Firmin	
Linda Lipscomb	
Pat McLaughlin	
Elena Caruthers	
<u>Staff Members</u>	
Kevin Hart, Interim General Manager/Chief of Police (IGM/COP)	
Lynn Wolter, District Administrator	
<u>Press</u>	

President Len Welsh called the meeting to order at 6:00 PM and took roll call. President Len Welsh, Director Chuck Toombs, Derek Suring, Karl Kruger, Paul Dorroh, Gloria Morrison, Simon Brafman, Jim Watt, Paula Black, Rob Firmin, Elena Caruthers, Pat McLaughlin, Linda Lipscomb, General Manager Hart, and District Administrator Wolter were present. Paul Haxo was absent.

PUBLIC COMMENTS

John Stein said he had been a Kensington resident since 1982, and he wanted to comment on Jim Watt's comments on the Community Center in his recent interview in the Outlook. Mr. Stein said that, although Mr. Watt was directionally correct, he should be focusing on the Fire District. He said that, in his opinion, the KPPCSD had no excess reserves and that a nuisance lawsuit could cost the KPPCSD approximately \$250,000. He noted that such a lawsuit had occurred before and, therefore, could occur again. He suggested that Mr. Watt work with the Finance Committee and then the KPPCSD Board to prepare a proposal to the Fire District, one of the wealthiest Districts in California, asking the Fire District to buy the Community

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Center at fair market value and to have the KPPCSD lease the parkland under the Community Center to the Fire District. He said the Fire District could then remodel the Community Center and then rent or lease it, as it would see fit, with input from the community. He said the result would be a remodeled Community Center that all could use, with no new taxes. He said everyone should remember that the community owned both Districts and that the Boards were there to implement the community's wishes. He concluded by saying he would support Mr. Watt's efforts but only if they were pursued with the Fire District.

STAFF COMMENTS

None.

APPROVAL OF MINUTES

**MOTION: Karl Kruger moved, and Gloria Morrison seconded, that the minutes of February 1, 2016 be approved.
Motion passed unanimously.**

NEW BUSINESS

The Committee received a report regarding a proposed contract with the Kensington Police Officers' Association and the Kensington Police Protection and Community Services District. The Committee reviewed the terms and conditions of the contract and voted on whether to recommend the Kensington Police Protection and Community Services District approve the agreement.

Director Toombs referred to the "Summary of Key Economic Provisions" that had been prepared by Adam Benson and handed it out. Mr. Benson reviewed the document, which summarized term, wages, employer-paid contributions, medical contributions, holidays, and safety equipment.

- Term: 42 months (7/1/14 – 12/31/17)
- Wage increases: None between 7/1/14 and 2/29/16
 - 3% 3/1/16 plus a \$1,000 non-recurring lump sum payment
 - 3% 3/1/17
- EPMC: 2% 3/1/16
 - 4% 3/1/17
- Active Employee Medical: Contribute \$85 effective 1/1/17
 - Contribute \$125 effective 6/30/17
 - No change in vision or dental.
- Retiree Medical: Will make same contributions as active employees.
- Holidays: Birthday holiday will be changed to Caesar Chavez Day.
- Safety Equipment: No change

President Welsh solicited questions.

Rob Firmin proposed that the MOU should only be considered in the context of a five-year revenue and expense projection because the District needed to determine whether it could afford the contract within that timeframe.

Karl Kruger said that President Welsh should go around the table to see how the Committee members felt about the proposed MOU.

Paul Dorroh asked if IGM/COP Hart or the Board had done an analysis of the proposed MOU with respect to the budget.

Adam Benson responded that he had prepared a detailed cost analysis of the impact of the MOU on overall employee costs but said that this hadn't taken into account all other costs. He said it was affordable but he had not prepared an update to the five-year forecast. He asked if he was authorized to prepare a five-year projection/analysis.

Paul Dorroh asked if the pension costs for the new officer were different than those for the existing officers. Mr. Benson responded that the new officer was contributing 11.5% to his pension and that his retirement formula was 2.7% at 57. Mr. Benson added that, because of these changes, the District could have a more difficult time hiring and retaining new employees.

Pat McLaughlin asked why the contract would go through December 2017 instead of through to the end of a fiscal year. The reason provided was that the District wanted the additional six months to provide more time before beginning the next round of negotiations.

Jim Watt said that, for Classic Employees, 2% of the 3% salary increase would go into the officers' pensions but that, because the PEPRA (new) employee would not be contributing 2% of the 3% salary increase to his pension; he would receive the full 3%. He noted, therefore, that the proposed MOU was more favorable for the new employee. Director Toombs responded that the new employee would not be contributing the 2% to his pension because he was already contributing 11.5% to it.

Mr. Benson noted that the five-step program for the officers was structured to address cost of living increases plus a performance increase.

Linda Lipscomb addressed Mr. Watt's comments about the new employee: The MOU was negotiated based on the group, not on individuals within the group. Ms. Lipscomb then handed out a memo she had written along with supporting documents. She noted that, in the first year of the proposed MOU, the officers' base salaries would be 26% lower than those of officers in the surrounding cities of Albany, El Cerrito, Berkeley, and Richmond and that, in the second year, the average officers' salaries would be about 24% lower. She noted that the same would be true for the Sergeants' salaries. She said that recent raises for sworn employees had ranged from 2% in Berkeley to 4.5% in Albany. She noted that, if any department had a rich package, it was Berkeley, and that the Contra Costa Sheriff's Department was falling apart because its wages were too low.

Jim Watt asked Adam Benson to confirm that active employees would be contributing the same amount to medical premiums as the retired employees. Mr. Benson confirmed this. Mr. Watt asked if medical benefits would still cover retirees and their dependents. Mr. Benson confirmed this and added that the District could not eliminate retiree medical benefits entirely. Mr. Watt asked if the cafeteria plan that was being established for IGM/COP Hart would set the stage for the rest of the department going forward. Mr. Benson said that the proposed MOU was a first foray but that there would not be a cafeteria plan for the officers as a result of the recent negotiations; however, there would be an opportunity to address this in future negotiations.

Simon Brafman thanked Ms. Lipscomb for her work and asked if she had looked at the impact of other agencies' agreements on the respective agencies' budgets. Ms. Lipscomb responded in the negative. She said that the proposed MOU was specific to Kensington and that it was a good deal. She added that the Police Department had been working without a contract for a long time and that this would be 1 ½ year term; as such, there would be an opportunity to revisit the terms again soon. She said that 13 cents of every dollar of ad valorem property taxes came back to the KPPCSD and that this amount was augmented by a \$300 assessment that had no cost escalator another \$225 assessment that did have a CPI cost escalator. Ms.

Lipscomb noted that, last year, Kensington's ad valorem taxes collected by the County had increased by 8%.

Paula Black said she was uncomfortable with the lack of discussion about affordability, given that police compensation was the KPPCSD's biggest expenditure. She questioned what the effect of the proposed MOU would be on the overall budget.

Director Toombs asked what the cost would be if the District were to do nothing – keeping the old MOU with its associated PERS costs. It was noted that, for the life of the proposed MOU, the net increase of the proposed MOU would be \$100,000 and the net increase of continuing with the recently expired MOU would be \$80,000 to \$90,000.

Mr. Benson said that a 1% increase in ad valorem property taxes would translate into about \$15,000 and that 3% to 4% annual increases plus annual CPI increases in Measure G would cover the cost of the proposed MOU.

Gail Feldman responded that this meant that \$30,000 to \$40,000 annual increases in revenue would mean that all new revenue would cover only police compensation. She noted that there were differences between the medical expenses shown on spreadsheets that the Kensington Property Owners' Association had received from KPPCSD's CPA Deborah Russell (\$149,956) and those shown on spreadsheets from consultant Adam Benson (\$133,199).

Candace Capogrosso said that with a 3% increase and a 2% contribution to pension, the District's Classic Employees would be netting 1% per year during the term of the contract. And, she noted that the officers would be contributing \$85 per month and then \$125 per month towards their medical premiums.

John Stein asked what the difference was between the current and the proposed MOUs. Mr. Benson responded that the proposed MOU was cost neutral. Mr. Stein noted that, for every day of delay, the existing MOU would cost the KPPCSD more than if it were to have the new MOU in place. Mr. Stein asked when the negotiations had commenced. Director Toombs responded that they had begun in 2014; thus, the District was 2 ½ years into negotiations. Mr. Stein said the officers were human beings, they were protecting the community, and they had real families and real mortgages. He asked people to step back and ask what kind of good employer they wanted to be. Director Toombs said that, when the negotiations had begun, he and Director Gillette had been the negotiating team and that, subsequently, the Public Law Group had negotiated on the District's behalf. Mr. Stein asked if the Kensington Police Officers' Association (KPOA) had been reasonable in the negotiations and if the proposed MOU was as good as the District was going to get. Mr. Benson responded that he didn't anticipate the KPOA celebrating the agreement and that both sides came up a little short of what they had wanted. He added that a five-year plan would be a good idea but that the tentative agreement was for only 1½ years.

Karl Kruger said that he agreed with Mr. Stein, that businesses didn't operate without contracts, and that the proposed MOU was close to revenue neutral. He said, however, that he was bothered by the number of holidays (four too many) because private industry didn't allow for 14 holidays and that he was bothered by the accrual allowances for vacation and sick days.

Gayle Tapscott questioned whether the District could continue to postpone approving a contract without running into problems with respect to negotiating in good faith. She said the Board needed to move forward with the proposed agreement.

Celia Concus said the Board should wait for the Ad Hoc Committee to finish its work before entering into a new agreement with the officers. She said doing so would bind the Board with respect to options the Ad Hoc Committee might identify.

Rich Karlsson said that, if the Ad Hoc Committee were to recommend contracting out, the process would take at least 1½ years – because of meet and confer legal requirements; negotiations about the cost, staffing, and level of service; and other issues – the same length of time as the proposed MOU. He also

noted that contracting out would not be less expensive because nearby agencies were paying higher wages to officers. He said this was an excellent contract and that the District should proceed with it.

Celia Concus said that the officers had been working without a contract and noted that it was difficult to let officers go, even when the broke they law.

Jim Watt said that the District needed to be concerned about pension and medical costs: Kensington's police officers had a "Cadillac" pension plan of 3@50 and full medical coverage in retirement. He said that the officers needed to give back more with respect to their benefits and that the proposed MOU needed to be examined in the context of a five-year plan. He also said the District needed to have more in reserves. He said there were problems with the fire station, and money should be allocated to the Annex so the police department could be relocated there during the fire building renovation. He also noted that CalPERS was failing to meet its returns objectives and that the District needed to put more into its OPEB. He concluded by saying that the District needed to be more draconian in its next round of negotiations.

Director Toombs said that the proposed MOU was a step in the right direction and that El Cerrito's officers had been granted a 17% salary increase with a 12% give back. He added that the District would incur more costs if it were to do nothing. He noted that a five-year projection would be useless.

Pat McLaughlin said she had little faith in five-year plans because the changed within two years.

Linda Lipscomb cited compensation information she had found on State Controller Betty Yee's website:
Chief of Police: \$206,000 salary plus \$81,000 retirement and health
Sergeant: \$187,000 salary plus \$77,000 retirement and health
Corporal: \$176,000 salary plus \$50,000 retirement and health

Rob Firmin said the District needed to have a contract, he supported the police, and his proposal that there needed to be a five-year plan was not a "straw dog." He said that having a five-year plan was responsible; it would look at variability and probability and would take into account uncertainty plus some of what Mr. Watt had said. He said Kensington needed to have higher financial standards. He restated his proposal.

Gloria Morrison said she didn't like the timing of Mr. Firmin's proposal.

President Welsh said that he would like to pursue a five-year plan, but he agreed with Ms. Morrison's comment about the timing of one.

Paula Black said the Committee hadn't seen the impact of the proposed MOU on the budget, even for the next 1½ years. Linda Lipscomb responded that there had been testimony that the proposed MOU would be virtually revenue neutral. She said that the officers were a primary element of civil government and that law proscribed collective bargaining.

Paul Dorroh said that the proposed MOU was the result of negotiations and that either the Committee supported it or it didn't; there would be no more going back and forth. He said that the proposed MOU would provide the bedrock for what would evolve later, that it had a term of only 1½ years, and that revenue increases would be adequate to cover its increases. He also noted that Zillow showed that there had been 68 Kensington home sales during the prior 12 months and that 63 of these had had sales prices of over \$500,000. He said that the numbers were comforting enough that he would recommend that the Board approve the proposed agreement.

Rob Firmin said the Finance Committee should make it standard practice to update a five-year plan every year.

Gail Feldman said that the previously proposed MOU had not been affordable and that the Board had been intelligent in having pulled it back. She asked how the proposed MOU would affect the rest of the budget. She said she, herself, was a union member and that the District had a responsibility to both the police officers and to the taxpayers. She noted that the officers were continuing to operate under the terms of the

old MOU and that, if the District were to wait another two months, the proposed MOU would be retroactive. She said the five-year plan was relevant because everything would be built upon the elements of the proposed MOU. She said the Committee should do a five-year plan and then decide whether or not to recommend the proposed MOU.

Gayle Tapscott asked how the officers felt about the proposed MOU. She said that, if the District were to drag things out longer, the officers could file a lawsuit.

**MOTION: Pat McLaughlin moved, and President Welsh seconded, that the Finance Committee recommend that the Board approve the proposed MOU.
Motion passed: 8 – 5.**

IGM/COP Hart said that a five-year forecast was not on the agenda, so further discussion of one should not occur. He said it appeared that there was Committee consensus that this should be placed on the Committee's next agenda. He said the next Committee meeting would be on April 28th and that the audit and the budget would also appear on that agenda.

Rob Firmin said, for the record, that he wished to table his proposal regarding a five-year plan until the next Committee meeting. Staff asked what such a plan would cost. Mr. Firmin responded it would take approximately 160 hours.

**MOTION: Linda Lipscomb moved, and Elena Caruthers seconded, tat the meeting be adjourned.
Motion passed unanimously.**

The meeting was adjourned at 8:23 P.M.

Lynn Wolter

DRAFT

**KENSINGTON POLICE PROTECTION
and
COMMUNITY SERVICES DISTRICT**

**Financial Report
with
Independent Auditor's Report Thereon
June 30, 2015**

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

FINANCIAL REPORT

JUNE 30, 2015

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities of each major fund of the Kensington Police Protection and Community Services District (the District) as of and for the year ended June 30, 2015, 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

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

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

Opinion

In our 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, 2015, 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.

Board of Directors
Kensington Police Protection and Community Services District

Other Matters

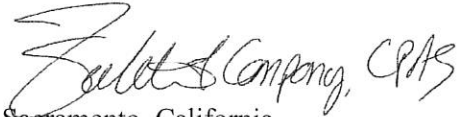
Required Supplementary Information

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 pages 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Implementation of New Accounting Standards

As disclosed in Note 1 to the financial statements, the Kensington Police Protection District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, during the fiscal year ended June 30, 2015.

Fechter & Company
Certified Public Accountants



Sacramento, California

April 18, 2016

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

This discussion and analysis of the Kensington Police Protection and Community Service District's (the District) fiscal performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2015. 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, 2015 and 2014 are \$2,590,442 and \$5,315,180, respectively. The large decrease is due to the new Governmental Accounting Standards Board statement 68 which required the net pension liability to be presented.
- Unrestricted net position, the part of net position that can be used to finance day-to-day operations for fiscal years ended June 30, 2015 and 2014 are \$(1,249,721) and \$1,331,584, respectively.

From the Governmental Fund Financial Statements

- Our General Fund balance increased by \$132,642, which is compared to an \$115,476 decrease in 2014.
- Property tax revenues (including special tax revenue for police services) for fiscal years ended June 30, 2015 and 2014 were \$2,666,312 and \$2,558,145, respectively. This is a 4.2% 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.

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.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Government-Wide Financial Statements - continued

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 Fund 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 \$2,590,442 as of June 30, 2015 and \$5,314,825 as of June 30, 2014. This number is composed of three components:

	June 30, 2015	June 30, 2014
Investment in capital assets, net of debt	\$ 3,872,547	\$ 3,894,279
Restricted	(32,384)	88,962
Unrestricted net position	(1,249,721)	1,331,584
Total net position	\$ 2,590,442	\$ 5,314,825

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.

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's how to allocate the resulting

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

GOVERNMENTAL FUNDS ANALYSIS - continued

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, 2015 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 new park maintenance only.

In fiscal year ended June 30, 2015, the District was the beneficiary of the COPS Grant minimum allocation of \$100,000. 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 2014/2015, this grant money was used to fund the tenth officer position.

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 is for services and supplies. That would include items such as communications and vehicle operations. This is the support structure for the police department.

Other reserved funds:

Reserved for compensated absences payable—\$92,599.

COMMENTS ON BUDGET COMPARISONS

Actual revenues and actual expenditures versus budget amounts equals a positive variance of \$411,684.

Actual revenues exceeded budgeted revenues by \$314,371. The largest differences are District received \$138,380 more than budgeted in Grant Revenue and all property taxes together were \$71,249 over budget.

Actual expenditures were less than final budgeted expenditures by \$97,313. The largest difference was \$48,614 in Police expenses, mostly made up of \$33,000 in Communications Expense. Another \$15,000 was saved in Vehicle operations.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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. This 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 & ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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/Chief of Police.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
FOR THE YEAR ENDED JUNE 30, 2015**

	General Fund	Capital Project	Total	Adjustment Note 8	Statement of Net Position
Assets					
Cash and investments	\$ 1,455,129	\$ 127,768	\$ 1,582,897	\$ -	\$ 1,582,897
Receivables	80,270	70	80,340	-	80,340
Prepaid expenses	35,454	-	35,454	-	35,454
OPEB asset	31,463	-	31,463	-	31,463
Capital assets, net				3,872,547	3,872,547
Total Assets	<u>\$ 1,602,316</u>	<u>\$ 127,838</u>	<u>\$ 1,730,154</u>	3,872,547	5,602,701
Deferred Outflows of Resources					
Deferred pensions (Note 12)				381,774	381,774
				<u>\$ 4,254,321</u>	<u>\$ 5,984,475</u>
Liabilities					
Accounts payable	\$ 67,450	\$ -	\$ 67,450	\$ -	\$ 67,450
Compensated absences	92,599	-	92,599	-	92,599
Accrued payable	16,303	-	16,303	-	16,303
Long-term - net pension liability (Note 5)				2,559,571	2,559,571
Total Liabilities	<u>176,352</u>	<u>-</u>	<u>176,352</u>	2,559,571	2,735,923
Deferred Inflows of Resources					
Deferred pensions (Note 12)				658,110	658,110
Fund balances/net position					
Fund balances					
Non-spendable	66,917	-	66,917	(66,917)	-
Restricted	(23,687)	-	(23,687)	23,687	-
Committed	-	127,838	127,838	(127,838)	-
Assigned	241,500	-	241,500	(241,500)	-
Unassigned	1,141,234	-	1,141,234	(1,141,234)	-
Total Fund Balances	<u>1,425,964</u>	<u>127,838</u>	<u>1,553,802</u>	(1,553,802)	-
Total Liabilities and Fund Balances	<u>\$ 1,602,316</u>	<u>\$ 127,838</u>	<u>\$ 1,730,154</u>		
Net Position					
Capital assets				3,872,547	3,872,547
Restricted				(23,687)	(23,687)
Unrestricted				(1,258,418)	(1,258,418)
Total Net Position				<u>\$ 2,590,442</u>	<u>\$ 2,590,442</u>

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT
OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2015**

EXPENDITURES/EXPENSES	General	Capital Project	Total	Adjustment Note 8	Statement of Activities
Current expenditures/expenses					
Police Salary and Benefits					
Salary-officers	\$ 980,957	\$ -	\$ 980,957	\$ -	\$ 980,957
Compensated absence	23,895	-	23,895	-	23,895
Overtime	46,111	-	46,111	-	46,111
Salary-non sworn	72,845	-	72,845	-	72,845
Uniform allowance	7,933	-	7,933	-	7,933
Safety equipment	1,365	-	1,365	-	1,365
Medical insurance-active	175,459	-	175,459	-	175,459
Medical insurance-retired	193,806	-	193,806	-	193,806
Disability & life insurance	4,999	-	4,999	-	4,999
Social security/medicare	17,624	-	17,624	-	17,624
PERS district	381,774	-	381,774	(35,835)	345,939
PERS officers	88,534	-	88,534	-	88,534
Workers compensation	37,972	-	37,972	-	37,972
Police Expenses					
Expendable police supplies	4,432	-	4,432	-	4,432
Range/Ammunition supplies	3,053	-	3,053	-	3,053
Crossing guard	10,515	-	10,515	-	10,515
Vehicle operation	44,154	-	44,154	-	44,154
Communications (RPD)	123,057	-	123,057	-	123,057
Radio maintenance	21,649	-	21,649	-	21,649
Prisoner/case exp/booking	9,366	-	9,366	-	9,366
Training	8,048	-	8,048	-	8,048
Recruiting	-	-	-	-	-
Reserve officers	2,083	-	2,083	-	2,083
Misc. dues, meals and Travel	2,485	-	2,485	-	2,485
Utilities	11,066	-	11,066	-	11,066
Building repair	1,626	-	1,626	-	1,626
Office supplies	6,452	-	6,452	-	6,452
Telephone	8,355	-	8,355	-	8,355
Housekeeping	4,454	-	4,454	-	4,454
Publications	2,837	-	2,837	-	2,837
West-Net/Cal	13,655	-	13,655	-	13,655
Community policing	2,915	-	2,915	-	2,915
Police taxes administration	3,397	-	3,397	-	3,397
Recreation Salary and Benefits					
Park and recreation administration	7,033	-	7,033	-	7,033
Custodian	21,000	-	21,000	-	21,000
Social security/medicare	484	-	484	-	484
Recreation Expenses					
Community center utilities	5,585	-	5,585	-	5,585
Janitorial supplies	1,545	-	1,545	-	1,545
Community center repairs	2,861	-	2,861	-	2,861
Annex utilities	-	-	-	-	-
Park O&M	49,721	-	49,721	-	49,721
Misc. park rec expenses	170	-	170	-	170
District Expenses					
Computer maintenance	24,433	-	24,433	-	24,433
Legal	240,957	-	240,957	-	240,957
Consulting	19,153	-	19,153	-	19,153
Accounting	27,173	-	27,173	-	27,173
Equipment rental	5,142	-	5,142	-	5,142
Insurance	29,917	-	29,917	-	29,917
Election	8,608	-	8,608	-	8,608
Police building lease	1	-	1	-	1
County expenses	20,116	-	20,116	-	20,116
Waste/recycle	38,164	-	38,164	-	38,164
Miscellaneous	6,651	-	6,651	-	6,651
Depreciation	-	-	-	69,281	69,281
Total current expenditures/expenses	2,825,587	-	2,825,587	33,446	2,859,033

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**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT
OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2015**

(Continued)	General	Capital Project	Total	Adjustment Note 8	Statement of Activities
Capital outlay					
Building & improvements	-	-	-	-	-
Equipment and furniture	47,549	-	47,549	(47,549)	-
Total capital outlay	47,549	-	47,549	(47,549)	-
Total Expenditures/Expenses	2,873,136	-	2,873,136	(14,103)	2,859,033
GENERAL REVENUES:					
Property taxes	1,482,672	-	1,482,672	-	1,482,672
Special assessments	681,690	-	681,690	-	681,690
Measure G supplemental tax revenue	501,950	-	501,950	-	501,950
Grants	138,380	-	138,380	-	138,380
Police fees/service charges	1,443	-	1,443	-	1,443
Kensington Hilltop services reimbursement	9,450	-	9,450	-	9,450
Special assignment revenue	20,732	-	20,732	-	20,732
West county Cross Guard reimbursement	10,515	-	10,515	-	10,515
Supplemental workers compensation reimbursement	25,791	-	25,791	-	25,791
Other tax revenue	34,473	-	34,473	-	34,473
POST reimbursement	1,263	-	1,263	-	1,263
Investment income	1,230	259	1,489	-	1,489
Rents and fees	35,636	-	35,636	-	35,636
Franchise fees	25,443	-	25,443	-	25,443
Other income	44,465	-	44,465	-	44,465
Proceeds from Sale/Gain on sale of assets	1,001	-	1,001	-	1,001
Total Revenues	3,016,134	259	3,016,393	-	3,016,393
Excess of Revenues Over Other Expenditures	142,998	259	143,257	14,103	157,360
Other Financing Sources (Uses)					
Transfers In	239	-	239	-	239
Transfers Out	(10,595)	-	(10,595)	-	(10,595)
Total Other Financing Sources (Uses)	(10,356)	-	(10,356)	-	(10,356)
Change in Net Position	132,642	259	132,901	14,103	147,004
Fund Balance/Net Position, Beginning of Year	1,293,322	127,579	1,420,901	3,894,279	5,315,180
Prior Period Adjustment	-	-	-	(2,871,742)	(2,871,742)
Fund Balance/Net Position, End of Year	\$ 1,425,964	\$ 127,838	\$ 1,553,802	\$ 1,036,640	\$ 2,590,442

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2015

	Emergency Preparedness Fund	Kensington Park Reassessment District 2004-1 Fund	Total
Assets			
Cash and investments	\$ -	\$ 292,710	\$ 292,710
Interest receivable	-	66	66
Special assessment receivable	-	730,177	730,177
Total Assets	\$ -	\$ 1,022,953	\$ 1,022,953
Liabilities			
Accounts payable	\$ 69	\$ -	\$ 69
2004 Limited Obligation Improvement Bonds	-	846,685	846,685
Bond interest payable	-	11,995	11,995
Total Liabilities	69	858,680	858,749
Net Position			
Reserved for Emergency Preparedness Council	-	-	-
Reserved for Reassessment District 2004-1	(69)	164,273	164,204
Total Net Position	\$ (69)	\$ 164,273	\$ 164,204

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Emergency Preparedness Fund	Kensington Park Reassessment District 2004-1 Fund	Total
ADDITIONS			
Special assessments	\$ -	\$ 175,584	\$ 175,584
Interest income	-	243	243
Total Additions	-	175,827	175,827
DEDUCTIONS			
Bond administration charges	-	12,253	12,253
Bond interest expense	-	36,856	36,856
Bond principal	-	123,024	123,024
Contract services	147	-	147
Total deductions	147	172,133	172,280
Net increase (decrease) in fiduciary net assets	(147)	3,694	3,547
Transfer in	102	10,493	10,595
Transfer out	(239)	-	(239)
Net Position, beginning of year	215	150,086	150,301
Net Position, end of year	\$ (69)	\$ 164,273	\$ 164,204

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KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

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.

Organization 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. The District also maintains two fiduciary funds: (1) Emergency Preparedness Fund (used for expenses in conjunction with the emergency radio network) and (2) 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.

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Government-wide Financial Statements - continued

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.

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 2015, the General Fund, Capital Project Fund and two fiduciary funds which are the Emergency Preparedness Fund 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.

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Governmental Fund Financial Statements - continued

2. Capital Project 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. Emergency Preparedness Fund – This fiduciary fund is used to account for radios and batteries in the community to be used in case of earthquake or similar major emergency. The fund is supported by matching contributions from both the District and Kensington Fire Protection District.
4. 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).

Budgets and Budgetary Accounting

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

1. During the month of May, the General Manager/Chief of Police submits to the Board of Directors a preliminary operating budget. During the month of June the General Manager/Chief of Police submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The budget is enacted through a motion to adopt the Budget.
3. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund and Capital Project Fund.
4. Budgets for the General Fund and the Capital Project Fund are adopted on a basis consistent with accounting principles generally accepted in the United States (US GAAP).

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.

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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.

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.

Implementation of New Accounting Principles

The following Governmental Accounting Standards Board (GASB) Statements were implemented during the 2015 fiscal year:

GASB Statement No. 68 – Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27 – The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2014.

GASB Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No 27. The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2014.

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015 is as follows:

	<u>Carrying Value</u>	<u>Market Value</u>
<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	1,579,974	1,579,974
Total Governmental Funds	1,579,974	1,579,974
 <u>Fiduciary Funds</u>		
<u>Category 1:</u>		
Cash in checking accounts	-	-
 <u>Uncategorized:</u>		
County Treasury	292,710	292,710
Total Fiduciary Funds	292,710	292,710
Total Governmental Funds	\$ 1,875,607	\$ 1,875,607

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**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2: CASH AND INVESTMENTS – continued

The cash and investments by fund is as follows:

General Fund	\$	1,455,129
Capital Project Fund		127,768
	\$	<u>1,582,897</u>
 Emergency Preparedness Fund	 \$	 <u>-</u>
 2004-1 Park Reassessment Bond Fund	 \$	 <u>292,710</u>

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 the governmental activities primary function, police services..

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:

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

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**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3: CAPITAL ASSETS - continued

A summary of changes in general fixed assets follows:

	Balance 6/30/14	Additions	Retirements	Balance 6/30/15
Non-Depreciable Assets:				
Land	\$ 2,808,347	\$ -	\$ -	\$ 2,808,347
Depreciable Assets:				
Building & improvements	1,638,902	-	-	1,638,902
Vehicles & equipment	492,272	47,549	25,000	514,821
Furniture & fixtures	32,080	-	1,688	30,392
Total Assets	<u>4,971,601</u>	<u>47,549</u>	<u>26,688</u>	<u>4,992,462</u>
Accumulated Depreciation:				
Building & improvements	545,455	43,377	-	588,832
Vehicles & equipment	501,955	25,167	25,000	502,122
Furniture/fixture/improvements	29,912	737	1,688	28,961
Total Accumulated Depreciation	<u>1,077,322</u>	<u>69,281</u>	<u>26,688</u>	<u>1,119,915</u>
Capital Assets Net of Depreciation	<u>\$ 3,894,279</u>	<u>\$ (21,731)</u>	<u>\$ -</u>	<u>\$ 3,872,547</u>

The current depreciation expense of \$69,281 was charged to police services,.

NOTE 4: SPECIAL ASSESSMENT DEBT

Kensington Park Reassessment District 2004-1 Refunding Bonds

	June 30, 2014	Borrowings	Payments	June 30, 2015
2004 Limited Obligation Improvement Bonds	\$ 969,709	\$ -	\$ 123,024	\$ 846,685
	<u>\$ 969,709</u>	<u>\$ -</u>	<u>\$ 123,024</u>	<u>\$ 846,685</u>

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

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**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4: SPECIAL ASSESSMENT DEBT - continued

Kensington Park Reassessment District 2004-1 Refunding Bonds - continued

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 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, 2015, future debt service payments were as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 125,718	\$ 33,313	\$ 159,031
2017	133,201	27,811	161,012
2018	140,485	21,995	162,480
2019	147,469	15,876	163,345
2020-2021	<u>299,812</u>	<u>12,774</u>	<u>312,586</u>
	<u>\$ 846,685</u>	<u>\$ 111,769</u>	<u>\$ 958,454</u>

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5: DEFINED BENEFIT PENSION PLAN

PERS 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

For FY 14/15 active plan members in the Plan are required to contribute 9% of their annual covered salary. The District pays the tax deferred contributions required of District employees on their behalf and for their accounts. 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. An employer contribution of 38.623% was required for the 2015 fiscal year. The contribution requirements for the plan members are established by State statute. The employer contribution rate is established and may be amended by CalPERS. For FY 15/16 the District will participate in a two-tiered retirement system funding. Tier 1 employees (Classic members) will include all current active members and will be treated as stated above. For FY 15/16 the employer contribution will decrease to 18.524% but will include an additional flat contribution for CalPERS' Unfunded Actuarial Liability (UAL) of \$204,472. Effective January 1, 2013 the California Public Employees' Pension Reform Act (PEPRA) went into effect. New CalPERS hires will now be Tier 2 employees (PEPRA members) and will be required to pay their own officer's portion contribution. The District will not pick up their contributions. In FY 15/16 the PEPRA employees' rate will be 11.5% and the employer contribution rate will be 11.153%.

At June 30, 2015 the District reported a liability of \$2,559,571 in the Statement of Net Position for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all Pension Plan participants, which was actuarially determined.

For the fiscal year ended June 30, 2015 the District recognized pension expense of \$345,939

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5: DEFINED BENEFIT PENSION PLAN - continued

Funding Policy - continued

in its Government-Wide financial statements. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits.

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions. Total pension liability represents the portion of the actuarial present value of projected benefit payments attributable to past periods of service for current and inactive employees.

- Discount Rate/Rate of Return – 7.5%, 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, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2010 through June 30, 2013.

The long-term expected rate of return on pension plan investments (7.5%) 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. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equity	47.0%	5.71%
Global Fixed Income	19.0%	2.43%
Inflation Sensitive	6.0%	3.36%
Private Equity	12.0%	6.95%
Real Estate	11.0%	5.13%
Infrastructure and Forestland	3.0%	5.09%
Liquidity	2.0%	(1.05)%

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5: DEFINED BENEFIT PENSION PLAN – continued

Actuarial Assumptions - continued

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension fund's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. In theory, the discount rate may differ from the long-term expected rate of return discussed previously. However, based on the projected availability of the pension fund's fiduciary net position, the discount rate is equal to the long-term expected rate of return on pension plan investments, and was applied to all periods of projected benefit payments to determine the total pension liability.

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 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

	1% Decrease 6.50%	Discount Rate 7.5%	1% Increase 8.5%
District's proportionate share of the net pension plan liability	\$ 4,150,781	\$ 2,559,571	\$ 1,248,483

Detailed information about the pension fund's fiduciary net position is available in the separately issued CALPERS comprehensive annual financial report which may be obtained by contacting PERS.

NOTE 6: LEASE COMMITMENT

In December 2009, the District entered into an agreement as a lessee to occupy office space from Kensington Fire Protection District for a five-year period through June 30, 2014. In addition, the District leases equipment through two separate operating leases. Rent increases are run in accordance to the consumer index change from a minimum of 3% to a maximum of 6%. Rent expense including operating leases for fiscal year ended June 30, 2015 was \$21,649.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2015**

NOTE 6: LEASE COMMITMENT - continued

The minimum future lease commitments are as follows:

Fiscal Year Ended June 30,	Amount
2016	\$ 2,126
2017	2,126
2018	2,126
2019	2,125
	\$ 8,503

NOTE 7: INSURANCE POOLS

Special District Risk Management District

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 \$29,917 for fiscal 2015 coverage. Members are subject to dividends and/or assessments in accordance with the provisions of the Joint Powers agreement. At June 30, 2015 SDRMA could not confirm the status of any incurred but not reported claims.

The Special Districts Workers' Compensation District (SDWCD) was formed by an agreement between certain public agencies to provide workers' compensation coverage. SDWCD is governed by a Board of Directors, which is comprised of officials appointed by member agencies.

The District currently reports all of its risk management activities in its General Fund. Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of loss can be reasonably estimated.

The District maintains a workers' compensation fund, which is self-insured for the first \$100,000 of loss per accident. Excess coverage is purchased from an outside insurance carrier up to statutory limits.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

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 fund financial statements.

Differences	Balance June 30, 2015
Net capital assets	\$ 3,872,547
Deferred outflows of resources	381,774
Deferred inflows of resources	(658,110)
Net pension liability	(2,559,571)
Net difference	\$ 1,036,640

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.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 8: EXPLANATION OF DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET POSITION- continued

In addition, the adjustments required by GASB 68 are not included in the fund financial statements.

Differences	Balance June 30, 2015
Capital Outlay	\$ (47,549)
Depreciation expense	69,281
Net change in pension liability	(35,835)
Net difference	\$ (14,103)

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.

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 projected the plan population to estimate the cost of future benefits. The actuarial accrued total OPEB liability comes to \$2,310,214 on the valuation date of June 30, 2013.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2015**

NOTE 9: OTHER POST-RETIREMENT HEALTH BENEFITS - continued

Contributions Required and Contributions Made - continued

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

Valuation date:	June 30, 2013
Actuarial cost method:	Entry Age Normal Cost Method
Discount rate used in valuation:	7.25%
Actuarial assumptions:	The annual medical premium trend rate is 4% increases.

Schedule of Employer Annual Required Contributions

<u>Fiscal Year Ended June 30,</u>	<u>Annual Required Contribution</u>
2014	\$ 188,619
2015	\$ 193,806

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 9: OTHER POST-RETIREMENT HEALTH BENEFITS - continued

Schedule of Employer Annual Required Contributions - continued

	June 30, 2015
Actuarial accrued liability (AAL)	\$ 2,373,745
Unamortized initial UAAL	2,608,132
Actuarial value of assets	664,294
Residual actuarial accrued liability	(898,681)
 Initial UAAL remaining amortization period	25
 Remaining amortization period for balance of UAAL	30
 Amortization factor based on 7.25% discount rate and 4% inflation rate of health premiums. Payroll increase of 2.75% per year.	
Initial Annual level amortization of unfunded AAL	174,676
Residual unfunded AAL	(41,955)
Normal Cost	61,085
Annual required contribution (ARC)	\$ 193,806
	2014/2015
Annual required contribution	\$ 193,806
Contributions made	(204,800)
Increase (decrease) in net OPEB obligations	(10,994)
Net OPEB obligation, beginning of year	(20,469)
Net OPEB obligation (asset), end of year	\$ (31,463)

NOTE 10: COMPENSATED ABSENCES

Amounts due to employees for compensated absences as of June 30, 2015 were as follows:

Vacation	\$ 92,599
Total compensated absences	\$ 92,599

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 11: FUND BALANCES

GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" was issued in February of 2009. This statement changes the presentation of the fund balance section of the balance sheet. The Statement No. 54 presentation will help to clarify the fund balance amounts of the governmental funds and will aid readers of the financial statements to better understand the different levels of constraints placed on fund balance. Fund Balances for all the major and non-major governmental funds as of June 30, 2015 were as follows:

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Total</u>
Nonspendable:			
Prepaid expenses	\$ 35,454	\$ -	\$ 35,454
OPEB Asset	31,463	-	31,463
Subtotal	<u>66,917</u>	<u>-</u>	<u>66,917</u>
Restricted:			
Bay View	<u>(23,687)</u>	<u>-</u>	<u>(23,687)</u>
Subtotal	(23,687)	-	(23,687)
Committed to:			
Capital projects	<u>-</u>	<u>127,838</u>	<u>127,838</u>
Subtotal	-	127,838	127,838
Assigned to:			
Park building	<u>241,500</u>	<u>-</u>	<u>241,500</u>
Subtotal	241,500	-	241,500
Unassigned	<u>1,141,234</u>	<u>-</u>	<u>1,141,234</u>
Totals	<u>\$ 1,425,964</u>	<u>\$ 127,838</u>	<u>\$ 1,553,802</u>

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 11: FUND BALANCES - continued

Under GASB 54 fund balances are now broken out in five categories:

- Nonspendable Fund Balance – this fund balance classification includes amounts that cannot be spent because they are either not in spendable form (i.e. – prepaid expenses) or legally or contractually required to be maintained intact.
- Restricted Fund Balance – this fund balance classification should be reported when there are constraints placed on the use of resources externally (by creditors, grant sources, contributors, etc.) or imposed by law or enabling legislation. It is the District’s policy to first use restricted resources, where available.
- Committed Fund Balance – this fund balance classification can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision making authority (i.e. – fund balance designations passed by board resolution).
- Assigned Fund Balance – this fund balance classification includes amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed.
- Unassigned Fund Balance – this fund balance classification is the residual classification for the general fund.

NOTE 12: DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Pursuant to GASB Statement No. 63, the District recognized deferred outflows of resources in the government-wide and proprietary fund statements. These items are a consumption of net position by the District that is applicable to a future reporting period.

The District has one item that is reportable on the Government-wide Statement of Net Position as Deferred Outflows of Resources which is related to pensions. The sum total is \$381,774.

The District also recognized deferral inflows of resources in the government-wide financial statements. This is an acquisition of net position by the District that is applicable to a future reporting period. The District has one item related to pensions that is captured as a deferred inflow of resources. The total at year-end was \$2,559,571.

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.

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 12: DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES - continued

\$381,774 was reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year-end June 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2016	\$ 166,233
2017	166,233
2018	165,095
2019	160,549
Total	\$ 658,110

NOTE 13: PRIOR PERIOD ADJUSTMENT

A prior period adjustment was recorded in the Government-Wide financial statements in an amount totaling \$2,871,742 to decrease the beginning net position. The adjustment was made to reflect the prior period costs related to the implementation of the net pension liability.

NOTE 14: SUBSEQUENT EVENTS

At the time of the audit, KPPCSD has evaluated all subsequent events through April 18, 2016, the date the financial statements were available to be issued, and determined that there is no material impact from the subsequent events.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION – PENSIONS
FOR THE YEAR ENDED JUNE 30, 2015**

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

Last 10 Fiscal years*:

	FY 2014
District’s proportion of the net pension liability	Varies by plan
District’s proportionate share of the net pension liability	\$ 2,559,571
District’s covered employee payroll	947,221
District’s proportionate share of the net pension liability as a percentage of its covered-employee payroll	270.30%
Plan Fiduciary net position as a percentage of the total pension liability	78.45%

*Amounts presented above were determined as of 6/30. Additional years will be presented as they become available.

CALPERS - Schedule of District contributions

Last 10 Fiscal Years*:

	FY 2014
Actuarially determined contribution	\$ 357,299
Total actual contributions	(357,299)
Contribution deficiency (excess)	\$ -
District’s covered-employee payroll	\$ 947,221
Contributions as a percentage of covered employee payroll	37.72%

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**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015**

	General Fund Budget	General Fund Actual	Variance with Final Budget Positive (Negative)
Revenues			
Property taxes	\$ 1,413,620	\$ 1,482,672	\$ 69,052
Special assessments	680,000	681,690	1,690
Measure G supplemental tax revenue	501,443	501,950	507
Grants	-	138,380	138,380
Police fees/service charges	1,500	1,443	(57)
Kensington Hilltop services reimbursement	-	9,450	9,450
Special assignment revenue	-	20,732	20,732
West county Cross Guard reimbursement	-	10,515	10,515
Supplemental workers compensation reimbursement	-	25,791	25,791
Other tax revenue	33,000	34,473	1,473
POST reimbursement	-	1,263	1,263
Investment income	2,700	1,230	(1,470)
Rents and fees	30,000	35,636	5,636
Franchise fees	21,000	25,443	4,443
Other income	18,500	44,465	25,965
Proceeds from sale of assets	-	1,001	1,001
Total Revenues	2,701,763	3,016,134	314,371
Expenditures			
Police Salary and Benefits	2,055,710	2,033,274	(22,436)
Police Expenses	332,213	283,599	(48,614)
Recreation Salary and Benefits	31,147	28,517	(2,630)
Recreation Expenses	88,940	59,882	(29,058)
District Expenses	416,439	420,315	3,876
Capital outlay	46,000	47,549	1,549
Total Expenditures	2,970,449	2,873,136	(97,313)
Excess of Revenues over (under) Expenditures	\$ (268,686)	\$ 142,998	\$ 411,684

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Date: April 28, 2016
TO: KPPCSD Finance Committee
FROM: Kevin E. Hart, Interim General Manager
Subject: Item # 5-Fiscal year 2016/17 Draft Proposed Budget

The total district expenses for FY16/17 is \$3,092,638, an increase from the 2015/16 FY budget. Total revenues are projected for FY 2016/17 to be \$3,042,419.28. A deficit of about \$50,219, is forecasted. However, anticipated revenue from the annual COPS Grants, has not been included within the budget, but typically has been about \$100,000.00 each year. This year appears to be no different. As a result, I anticipate a balanced and slight surplus budget for FY 16/17.

**In addition and of particular note, line items 965 & 966, pertain to the potential use of ALPR Technology(Automated License Plate Readers) and Body Worn cameras by Kensington Police Officers. These items have not been heard or considered by the Board of Directors as of yet. These items are scheduled to be heard by the Board of Directors at its meeting on May 12, 2016. If not approved by the Board of Directors, the surplus increases by \$100,000.00. If approved for further review, research and community outreach as recommended, implementation should be within this fiscal year.



Kevin E. Hart
Interim General Manager

CODE	CLASSIFICATION	2015/2016 BUDGET	2015/2016 EXPENDITURES 02/29/16	2015/2016 BALANCE	PERCENT SPENT	2016/2017 BUDGET	BUDGET DIFFERENCES
POLICE SALARIES AND BENEFITS							
502	Salary - Police	\$980,434	\$609,709	\$370,725	62.19%	\$1,020,274	\$39,840
504	Compensation Cash-Out	\$20,000	\$26,947	(\$6,947)	134.74%	\$9,200	(\$10,800)
506	Overtime	\$60,000	\$57,180	\$2,820	95.30%	\$75,000	\$15,000
508	Salary/Non-Sworn	\$81,900	\$66,460	\$15,440	81.15%	\$100,677	\$18,777
516	Uniform Allowance	\$10,200	\$5,284	\$4,916	51.80%	\$9,000	(\$1,200)
518	Safety Equipment	\$3,250	\$446	\$2,804	13.72%	\$2,250	(\$1,000)
521A	Medical Insurance - Active	\$149,956	\$116,890	\$33,066	77.95%	\$182,094	\$32,138
521R	Medical Insurance - Retired	\$167,494	\$120,872	\$46,622	72.17%	\$160,278	(\$7,216)
521T	Medical Insurance - Trust	\$31,642	\$0	\$31,642	0.00%	\$64,226	\$32,584
522	Disab. & Life Insurance	\$5,240	\$3,309	\$1,932	63.14%	\$6,940	\$1,700
523	Medicare 1.45% (District)	\$16,668	\$10,450	\$6,218	62.70%	\$17,579	\$911
524	Social Security(6.2%) /Non-Sworn	\$5,078	\$4,121	\$957	81.14%	\$6,242	\$1,164
527	P.E.R.S. - District	\$387,421	\$309,995	\$77,426	80.02%	\$424,148	\$36,727
528	P.E.R.S. - Officers Portion	\$84,387	\$50,282	\$34,105	59.59%	\$60,153	(\$24,234)
530	Workers Compensation	\$50,000	\$43,967	\$6,033	87.93%	\$67,000	\$17,000
540	Advanced Industrial	\$0	\$0	\$0	0.00%	\$0	\$0
SUB-TOTAL		\$2,053,670	\$1,425,912	\$627,758	69.43%	\$2,205,061	\$151,391
POLICE EXPENSES							
552	Expendable Police Supplies	\$1,700	\$1,593	\$107	93.68%	\$1,700	\$0
553	Range/Ammunition	\$5,000	\$2,025	\$2,975	40.51%	\$5,000	\$0
560	Crossing Guard	\$10,830	\$5,956	\$4,874	55.00%	\$11,150	\$320
562	Vehicle Operation	\$50,000	\$10,608	\$39,392	21.22%	\$44,500	(\$5,500)
564	Communications	\$156,070	\$72,609	\$83,461	46.52%	\$156,420	\$350
566	Radio Maintenance	\$21,750	\$1,272	\$20,478	5.85%	\$2,281	(\$19,469)
568	Prisoner/Case Expenses/Bookings	\$6,400	\$5,166	\$1,234	80.71%	\$8,900	\$2,500
570	Training	\$10,000	\$3,823	\$6,177	38.23%	\$10,000	\$0
572	Recruiting	\$6,500	\$4,291	\$2,209	66.01%	\$15,500	\$9,000
574	Reserve Officers	\$4,050	\$175	\$3,876	4.31%	\$4,050	\$0
576	Misc. Dues, Meals.Travel	\$3,140	\$1,935	\$1,205	61.62%	\$3,035	(\$105)
580	Utilities - Police	\$10,000	\$6,553	\$3,447	65.53%	\$10,000	\$0
581	Bldg. Repair/Maint	\$5,000	\$4,603	\$397	92.05%	\$5,000	\$0
582	Office Supplies	\$6,000	\$4,809	\$1,191	80.15%	\$7,500	\$1,500
588	Telephones	\$8,904	\$4,201	\$4,703	47.18%	\$7,476	(\$1,428)
590	Housekeeping	\$4,000	\$3,197	\$803	79.92%	\$4,000	\$0
592	Publications	\$2,500	\$2,580	(\$80)	103.20%	\$3,000	\$500
594	Comm. Policing	\$4,000	\$5,134	(\$1,134)	128.36%	\$5,000	\$1,000
596	CAL-ID	\$5,925	\$5,508	\$417	92.96%	\$5,925	(\$0)
599	Police Taxes Administration	\$3,500	\$2,608	\$892	74.50%	\$3,500	\$0
SUB-TOTAL		\$325,269	\$148,645	\$176,624	45.70%	\$313,936	(\$11,333)
RECREATION SALARIES AND BENEFITS							
601	Park and Rec. Admin.	\$7,800	\$5,496	\$2,304	70.47%	\$8,042	\$242
602	Custodian	\$22,750	\$14,000	\$8,750	61.54%	\$22,750	\$0
623	Social Security (7.65%) /District	\$597	\$420	\$177	70.43%	\$615	\$18
SUB-TOTAL		\$31,147	\$19,917	\$11,230	63.94%	\$31,407	\$260
RECREATION EXPENSES							
640	Community Center Expenses						
642	Community Center	\$5,616	\$3,501	\$2,115	62.34%	\$5,616	\$0
643	Janitorial Supplies	\$800	\$825	(\$25)	103.14%	\$1,500	\$700
646	Community Center Repairs	\$3,000	\$1,792	\$1,208	59.75%	\$3,000	\$0
650	Building E Expenses						
656	Building E Repairs	\$0	\$0	\$0	0.00%	\$0	\$0
660	Annex Expenses						
662	Annex - Utilities	\$0	\$0	\$0	0.00%	\$0	\$0
666	Annex Repairs	\$1,000	\$0	\$1,000	0.00%	\$1,000	\$0
668	Annex - Misc. Exp	\$1,000	\$0	\$1,000	0.00%	\$1,000	\$0
670	Gardening Supplies	\$1,000	\$0	\$1,000	0.00%	\$1,000	\$0
672	Park O&M	\$78,300	\$33,141	\$45,159	42.33%	\$69,300	(\$9,000)
674	Park Construction Expense	\$5,000	\$0	\$5,000	0.00%	\$5,000	\$0
678	Misc. Park/Rec Expense	\$1,000	\$170	\$830	17.00%	\$1,000	\$0
SUB-TOTAL		\$96,716	\$39,430	\$57,286	40.77%	\$88,416	(\$8,300)

CODE	CLASSIFICATION	2015/2016		2015/2016	PERCENT	2016/2017	BUDGET	DIFFERENCES
		BUDGET	EXPENDITURES 02/29/16					
DISTRICT EXPENSES								
810	Computer	\$24,288	\$18,006	\$6,282	74.13%	\$25,118		\$830
820	Canon Copier Contract	\$5,700	\$3,143	\$2,557	55.15%	\$5,700		\$0
830	Legal	\$99,530	\$93,508	\$6,022	93.95%	\$99,530		\$0
835	Consultant	\$15,000	\$24,900	(\$9,900)	166.00%	\$35,000		\$20,000
840	Accounting	\$34,000	\$30,071	\$3,929	88.45%	\$45,500		\$11,500
850	Insurance	\$30,000	\$27,481	\$2,519	91.60%	\$30,000		\$0
860	Election	\$0	\$0	\$0	0.00%	\$4,500		\$4,500
865	Police Bldg Lease	\$1	\$0	\$1	0.00%	\$1		\$0
870	County Expenditures	\$22,300	\$8,506	\$13,794	38.14%	\$22,300		\$0
890	Waste/Recycle Expenses	\$25,000	\$260	\$24,740	1.04%	\$20,000		(\$5,000)
898	Miscellaneous Expenses - Board	\$15,300	\$14,716	\$584	96.19%	\$16,600		\$1,300
SUB-TOTAL		\$271,119	\$220,591	\$50,528	81.36%	\$304,249		\$33,130
Operating Expense TOTAL		\$2,777,921	\$1,854,494	\$923,427	66.76%	\$2,943,069		\$165,148
CAPITAL OUTLAY								
961	Police Bldg. Improvements	\$0	\$0	\$0	0.00%	\$0		\$0
962	Patrol Cars	\$30,000	\$0	\$30,000	0.00%	\$0		(\$30,000)
963	Patrol Car Accessories	\$3,000	\$0	\$3,000	0.00%	\$0		(\$3,000)
965	Personal Police	\$10,000	\$0	\$10,000	0.00%	\$40,000		\$30,000
966	Police Traffic Equipment	\$0	\$0	\$0	0.00%	\$60,000		\$60,000
967	Station Equipment	\$7,000	\$8,017	(\$1,017)	114.53%	\$0		(\$7,000)
968	Office Furn. & Equip.	\$6,000	\$0	\$6,000	0.00%	\$0		(\$6,000)
969	Computer Equipment	\$0	\$0	\$0	0.00%	\$1,500		\$1,500
971	Park Land	\$0	\$0	\$0	0.00%	\$0		\$0
972	Park Bldgs. Improvements	\$25,000	\$13,658	\$11,342	54.63%	\$48,069		\$23,069
973	Park Construct. Fund	\$0	\$0	\$0	0.00%	\$0		\$0
974	Other Park Improvements	\$0	\$0	\$0	0.00%	\$0		\$0
978	Park/Rec. Furniture & Equipment	\$0	\$0	\$0	0.00%	\$0		\$0
Capital Outlay SUB-TOTAL		\$81,000	\$21,676	\$59,324	26.76%	\$149,569		\$68,569
BUDGET GRAND TOTAL		\$2,858,921	\$1,876,170	\$982,751	65.63%	\$3,092,638		\$233,717



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**KPPCSD
Revenue Projection
2016/2017**

	Estimated Actual 2015/2016	Projected 2016/2017
Ordinary Income/Expense		
Income		
400 · Police Activities Revenue		
401 · Levy Tax	\$1,555,000.00	\$1,641,000.00
HomeOwners' Tax	12,000.00	12,000.00
402 · Special Tax-Police	681,690.00	680,000.00
403 · Misc Tax-Police	0.00	0.00
404 · Measure G Supplemental Tax Rev	514,176.00	529,601.28
409 · Asset seizure forfeit/WEST NET	18,526.00	0.00
410 · Police Fees/Service Charges	2,000.00	1,500.00
411 · Kensington Hilltop Srvcs Reimb	18,900.00	19,467.00
412 · Special Assignment Revenue	11,913.00	0.00
413 · Crossing Guard Reimbursement	10,515.00	11,151.00
414 · POST Reimbursement	2,327.00	0.00
415 · Grants-Police	100,000.00	0.00
416 · Interest-Police	1,500.00	1,500.00
418 · Misc Police Income	13,000.00	13,000.00
419 · Supplemental W/C Reimb (4850)	<u>29,354.00</u>	<u>0.00</u>
Total 400 · Police Activities Revenue	\$2,970,901.00	\$2,909,219.28
420 · Park/Rec Activities Revenue		
424 · Taxes-L&L	\$35,191.00	\$35,000.00
426 · Park Donations	0.00	0.00
427 · Community Center Revenue	33,000.00	33,000.00
435 · Grants-Park/Rec	0.00	0.00
436 · Interest-Park/Rec	0.00	0.00
438 · Misc Park/Rec Rev	<u>200.00</u>	<u>200.00</u>
Total 420 · Park/Rec Activities Revenue	\$68,391.00	\$68,200.00
440 · District Activities Revenue		
448 · Franchise Fees	\$63,610.66	\$65,000.00
456 · Interest-District	-60.00	0.00
458 · Misc District Revenue	<u>1,976.00</u>	<u>0.00</u>
Total 440 · District Activities Revenue	<u>\$65,526.66</u>	<u>\$65,000.00</u>
Total Income	\$3,104,818.66	\$3,042,419.28

KPPCSD
Projected Revenue and Expense
2016/2017

Budgeted Revenues 2016/2017

400 · Police Activities Revenue	
Total 400 · Police Activities Revenue	\$2,909,219
Total 420 · Park/Rec Activities Revenue	68,200
440 · District Activities Revenue	
448 · Franchise Fees	65,000
456 · Interest-District	<u>0</u>
Total 440 · District Activities Revenue	<u>65,000</u>
Total Revenues	\$3,042,419

Budgeted Expenditures 2016/2017

500 · Police Sal & Ben	
Total 500 · Police Sal & Ben	\$2,205,061
550 · Other Police Expenses	
Total 550 · Other Police Expenses	313,936
Total 600 · Park/Rec Sal & Ben	31,407
Total 635 · Park/Recreation Expenses	88,416
Total 800 · District Expenses	304,249
950 · Capital Outlay	
961 · Police Bldg Improvements	0
962 · Patrol Cars	0
963 · Patrol Car Accessories	0
965 · Personal Police Equipment-Asset	40,000
966 · Police Traffic Equipment	60,000
967 · Station Equipment	0
968 · Office Furn. & Equip.	0
969 · Computer Equipment	1,500
971 · Park Land	0
972 · Park Bldgs. Improvements	48,069
973 · Park Construction Fund	0
974 · Other Park Improvements	0
978 · Pk/Rec Furn/Eq	<u>0</u>
Total 950 · Capital Outlay	<u>149,569</u>
Total Expenditures	<u>\$3,092,638</u>

Excess of Revenue over Expense 2016/2017 -\$50,219

Previously Allocated Funds

Total Allocated Funds Used 0

Excess Funding over Expenses 2016/2017 -50,219

Cash Carryovers 2015/2016 \$2,093,742

Estimated Fund Carryovers into 2016/2017 \$2,043,523

Fund Balances, in audit terms (see definitions included)

KPPCSD
Projected Revenue and Expense
2016/2017

Nonspendable - District Portion of Bond	\$92,830
Resticted - Est'd Vacation/Comp Liab	70,000
Committed - Park Bldgs Replacement less FY 16/17 expenditures	193,045
Committed - Annex Renovation Expenditure in Current Year	0
Committed - Bay View Net Balance	<u>-11,472</u>
Total Identified Fund Balances	\$344,403
Unassigned Fund Balance available for Contingencies	\$1,699,120
Percentage of Total Expenditures	54.94%

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FISCAL YEAR 2016/2017		
CODE 502	CLASSIFICATION:	Salary - Police
	2015/2016 Budget	\$980,434
	Cumulative as of 2/29/2016	\$609,709
ITEM		AMOUNT
Officers Base pay		\$927,919
Holiday pay		\$41,887
Longevity Pay		\$4,000
Incentive Pay		\$46,468
\$39,840	Total	\$1,020,274

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KPPCSD Officers' Salaries - Fiscal 2016/2017

Officer Name	Grade	Date Hired	Date in Grade	Date in Step	Months in Step	Monthly Base	Holiday Pay	Incentive	Monthly Salary	Pay Period	Hourly Base	Hourly	Longevity Pay	Annual Total
Hart, K	Chief	06/08/15	06/08/15	06/08/15	12.000	\$12,500.00			\$12,500.00	\$6,250.00	\$ 72.12	\$ 72.12	\$	\$ 150,000.00
Hull, R	MS/Step 2	10/16/97	03/16/13	03/16/13	8.000	\$8,320.07	448.00	\$624.01	\$9,392.08	\$4,696.04	\$ 48.00	\$ 54.19	\$ 1,900.00	\$ 77,036.60
	MS/Step 2	10/16/97	03/16/13	03/16/13	4.000	\$6,569.67	461.44	\$642.73	\$9,673.84	\$4,836.92	\$ 49.44	\$ 55.81	\$	\$ 38,695.34
Barrow, K.	Sgt/Step 4	09/16/05	03/16/13	03/16/15	8.000	\$7,842.47	422.33	\$588.19	\$8,852.99	\$4,426.49	\$ 45.25	\$ 51.07	\$ 1,100.00	\$ 71,923.88
	Sgt/Step 4	09/16/05	03/16/13	03/16/15	4.000	\$8,077.75	434.93	\$605.83	\$9,118.51	\$4,559.26	\$ 46.60	\$ 52.61	\$	\$ 36,474.05
Hui, K	Sgt/Step 4	04/17/10	03/16/13	03/16/15	8.000	\$7,842.47	422.33	\$392.12	\$8,656.92	\$4,328.46	\$ 45.25	\$ 49.94	\$	\$ 69,255.39
	Sgt/Step 4	04/17/10	03/16/13	03/16/15	4.000	\$8,077.75	434.93	\$403.89	\$8,916.57	\$4,458.28	\$ 46.60	\$ 51.44	\$	\$ 35,666.27
Stegman, E	Corp/Step 1	06/01/06	09/01/12	09/01/12	8.000	\$6,977.23	375.67	\$523.29	\$7,876.19	\$3,938.10	\$ 40.25	\$ 45.44	\$ 1,000.00	\$ 64,009.54
	Corp/Step 1	06/01/06	09/01/12	09/01/12	4.000	\$7,186.55	366.96	\$538.99	\$8,112.50	\$4,056.25	\$ 41.46	\$ 46.80	\$	\$ 32,450.01
Martinez, R	Step 5	01/01/06	01/01/06	01/01/10	8.000	\$6,840.42	368.29	\$513.03	\$7,721.74	\$3,860.87	\$ 39.46	\$ 44.55	\$	\$ 61,773.93
	Step 5	01/01/06	01/01/06	01/01/10	4.000	\$7,045.63	379.40	\$528.42	\$7,953.45	\$3,976.73	\$ 40.65	\$ 45.89	\$	\$ 31,813.81
Wilson, D	Step 5	05/19/08	05/19/08	05/19/10	8.000	\$6,840.42	368.29	\$513.03	\$7,721.74	\$3,860.87	\$ 39.46	\$ 44.55	\$	\$ 61,773.93
	Step 5	05/19/08	05/19/08	05/19/10	4.000	\$7,045.63	379.40	\$528.42	\$7,953.45	\$3,976.73	\$ 40.65	\$ 45.89	\$	\$ 31,813.81
Ramos, J	Step 5	09/16/09	09/16/09	09/16/11	8.000	\$6,840.42	368.29	\$342.02	\$7,550.73	\$3,775.37	\$ 39.46	\$ 43.56	\$	\$ 60,405.85
	Step 5	09/16/09	09/16/09	09/16/11	4.000	\$7,045.42	379.40	\$352.27	\$7,777.09	\$3,888.55	\$ 40.65	\$ 44.87	\$	\$ 31,108.36
Wilkens, S	Step 4	09/17/12	09/17/12	09/17/15	2.500	\$6,478.27	348.79	\$323.91	\$7,150.97	\$3,575.49	\$ 37.37	\$ 41.26	\$	\$ 17,877.43
	Step 5	09/17/12	09/17/12	09/17/16	5.500	\$6,840.42	368.29	\$342.02	\$7,550.73	\$3,775.37	\$ 39.46	\$ 43.56	\$	\$ 41,529.02
	Step 5	09/17/12	09/17/12	09/17/16	4.000	\$7,045.42	379.40	\$352.27	\$7,777.09	\$3,888.55	\$ 40.65	\$ 44.87	\$	\$ 31,108.36
Foley, T	Step 2	03/20/16	03/20/16	03/20/16	8.000	\$5,820.42	313.41	\$0.00	\$6,133.83	\$3,066.92	\$ 33.58	\$ 35.39	\$	\$ 49,070.64
	Step 2	03/20/16	03/20/16	03/20/16	0.500	\$5,995.03	322.84	\$0.00	\$6,317.87	\$3,158.94	\$ 34.59	\$ 36.45	\$	\$ 3,158.94
	Step 3	03/20/16	03/20/16	03/20/17	3.500	\$6,324.76	340.57	\$0.00	\$6,665.33	\$3,332.67	\$ 36.49	\$ 38.45	\$	\$ 23,328.66
Total BasePay Minus Holiday, Incentive, & Longevity: \$ 41,887.31 \$ 46,467.71 \$ 4,000.00 \$ 1,020,273.82														
Total BasePay Minus Holiday, Incentive, & Longevity: \$ 927,918.81														
Sergeants														
Step#1	Mo. Base	Holiday	Mo. Total	HrlyBase	HrlyTot	Officers Step#1	Mo. Base	Holiday	Mo. Total	HrlyBase	HrlyTot			
Step#2	7,039.61	379.03	7,418.64	40.61	42.80	Step#2	5,516.98	\$297.08	5,814.06	31.83	33.54			
Step#3	7,321.19	394.24	7,715.43	42.24	44.51	Step#3	5,820.42	\$313.41	6,133.83	33.58	35.39			
Step#4	7,540.83	406.00	7,946.83	43.50	45.85	Step#4	6,140.54	\$330.68	6,471.22	35.43	37.33			
Step#5	7,842.47	422.33	8,264.80	45.25	47.68	Step#5	6,478.27	\$348.79	6,827.06	37.37	39.39			
Master Sgts														
Step#1	8077.74	434.93	8,512.67	46.60	49.11	Corporal Step #1	6977.23	\$376.67	7,352.90	40.25	42.42			
Step#2	8320.07	448.00	8,768.07	48.00	50.59									

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FISCAL YEAR 2016/2017		
CODE 506	CLASSIFICATION:	Overtime
	2015/2016 Budget	\$60,000
	Cumulative as of	\$57,180
	2/29/2016	
ITEM		AMOUNT
Overtime For:	Cover Training	\$75,000
	Court Time	
	Sick/Vacation Coverage	
	Case Coverage	
	NOTE: Long term injury	
	replacement to minimum staffing	
\$15,000	Total	\$75,000

FISCAL YEAR 2016/2017		
CODE 508	CLASSIFICATION:	Salary/Non-Sworn
	2015/2016 Budget	\$81,900
	Cumulative as of	\$66,460
	2/29/2016	
ITEM		AMOUNT
	\$30.93	
	\$46.40	
	\$69.59	
15 hr/wk - Dinapoli	780 hours	\$24,125
25 hr/wk - Wolter	1560 hours	\$72,376
5 hr/mo Overtime - Wolter	60 hours	\$4,176
\$18,777	TOTAL	\$100,677

FISCAL YEAR 2016/2017			
CODE 521A	CLASSIFICATION:	Medical Insurance - Active	
		Vision, Dental	
	2015/2016 Budget	\$149,956	
10 Officers			
	Cumulative as of	\$116,890	
	2/29/2016		
ITEM		AMOUNT	
Active P.E.R.S. Medical	Officers 3 @ \$1941 x 12	\$69,876	
	Officers 1 @ \$1789 x 12	\$21,468	
	Officers 2 @ \$1492 x 12	\$35,808	
	Officers 4 @ \$746 x 12	\$35,808	
	5% increase 01/17	\$4,074	
Active P.E.R.S Admin. Cost	0.34% of \$167,034	\$568	
Active Vision Care	\$31.52 x 10 employees x 12	\$3,782	
	0% rate increase Oct 2016	\$0	
Active Delta Dental	\$64.41 x 4 employees x 12	\$3,092	
	\$124.48 x 2 employees x 12	\$2,988	
	\$202.72 x 4 employees x 12	\$9,731	
	0% increase Oct 2016	\$0	
Total Active Premiums	\$187,194		\$187,194
	NOTE: Effective 01/01/17, each employee will contribute \$85/month		
Less Employee Contributions	10 x \$85 x 6 months = \$5,100	(\$5,100)	(\$5,100)
	Net Expense to District for Active Health		\$182,094
\$32,138		\$182,094	

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FISCAL YEAR 2016/2017			
CODE 521T	CLASSIFICATION: Medical Insurance - Trust		
		Vision, Dental	
	2015/2016 Budget	\$31,642	
10 Officers			
9 Retirees/3 Widows	Cumulative as of	\$0	
	2/29/2016		
ITEM		AMOUNT	
CALPERS OPEB Funding	16/17 ARC \$180,624-\$175,025	\$14,226	
Pending Updated Actuarial Report, for MOU	\$180,624	16/17 OPEB Cost	
NOTE: Per Actuarial Report by Total Compensation adopted by the Board			
	Per Actuarial Study 1/29/16 for 7/01/15 raised by 4%		
Normal Cost	55,701		
Amortization of Initial UAAL	186,659		
Amort of Residual UAAL	(61,736)		
Current ARC	\$180,624		
	Additional Trust Funding to reflect a more conservative calculation.	\$50,000	
\$32,584		\$64,226	

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FISCAL YEAR 2016/2017			
CODE 522	CLASSIFICATION: Disab. & Life Insurance		
	2015/2016 Budget	\$5,240	
	Cumulative as of	\$3,309	
	2/29/2016		
ITEM		AMOUNT	
LTD Insurance	\$24.50x10 employees x 12	\$2,940	
Life Insurance	\$100,000 term insurance for 10 employees	\$4,000	
\$1,700	TOTAL	\$6,940	

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FISCAL YEAR 2016/2017		
CODE 523	CLASSIFICATION:	Medicare 1.45% (District)
	2015/2016 Budget	\$16,668
10 Officers		
	Cumulative as of	\$10,450
	2/29/2016	
ITEM		AMOUNT
\$1,020,274 x 1.45%		\$14,794
\$9,200 x 1.45%		\$133
Overtime \$75,000 x 1.45%		\$1,088
\$100,677 x 1.45%		\$1,460
\$7,200 x 1.45%		\$104
Total Officers	\$1,111,674	
Total Non-Sworn	\$100,677	
\$911	TOTAL	\$17,579

FISCAL YEAR 2016/2017		
CODE 524	CLASSIFICATION:	Social Security (6.2%)
	2015/2016 Budget	\$5,078
	Cumulative as of 2/29/2016	\$4,121
ITEM		AMOUNT
Social Security/Medicare (District Matching Portion)	Non-sworn salaries x 6.2%	\$6,242
\$1,164	TOTAL	\$6,242

FISCAL YEAR 2016/2017		
		P.E.R.S.
CODE 527	CLASSIFICATION:	P.E.R.S. - District
	2015/2016 Budget	\$387,421
Classic: 9 Officers		
PEPRA: 1 Officer	Cumulative as of	\$309,995
	2/29/2016	
ITEM		AMOUNT
Classic Salary: \$944,716 x 19.536%		\$184,560
Classic Uniform: \$6,400 x 19.536%		\$1,250
Flat CalPERS UAL - Classic Plan		\$229,209
PEPRA Salary: \$75,558 x 12.082% rate		\$9,129
\$36,727	TOTAL	\$424,148

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FISCAL YEAR 2016/2017			
CODE 530	CLASSIFICATION:	Workers Compensation	
		(P.D./Secretary)	
10 Officers	2015/2016 Budget	\$50,000	
	Cumulative as of	\$43,967	
	2/29/2016		
ITEM			
SDRMA Estimated Annual Contribution based on			
	\$1,192,000 Total Payroll	\$67,000	
	(excluding 1/3 O/T)		
	NOTE: Increase due to repayment		
	of Supplemental W/C (Section 4850 time)		
\$17,000	TOTAL	\$67,000	

FISCAL YEAR 2016/2017		
		Law Enforcement
CODE 570	CLASSIFICATION:	Training
	2015/2016 Budget	\$10,000
	Cumulative as of	\$3,823
	2/29/2016	
ITEM		AMOUNT
INCLUDES:		
ALL ASPECTS OF OFFICER		
TRAINING		\$5,000
SCHOOL, TUITION, BOOKS, ETC	\$500 PER OFFICER	\$5,000
\$0	TOTAL	\$10,000

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FISCAL YEAR 2016/2017		
CODE 572	CLASSIFICATION: Recruiting	
	2015/2016 Budget	\$6,500
	Cumulative as of 2/29/2016	\$4,291
ITEM		AMOUNT
Medical	5 @ \$750	\$3,750
Psychological Assessment	5 @ \$550	\$2,750
Polygraph	5 @ \$300	\$1,500
Background Investigation	5 @ 1,500	\$7,500
NOTE: Reserve Officer recruitment in progress		
One officer at retirement age		
\$9,000	TOTAL	\$15,500

FISCAL YEAR 2016/2017		
CODE 574	CLASSIFICATION: Reserve Officers	
	2015/2016 Budget	\$4,050
	Cumulative as of	\$175
	2/29/2016	
ITEM		AMOUNT
Reserve Officers:	Training	
	Uniforms	
	Insurance Coverage	
	Safety Equipment	
	Total	\$3,750
Misc. Reserve Costs		\$300
\$0	TOTAL	\$4,050

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FISCAL YEAR 2016/2017		
CODE 576	CLASSIFICATION:	Misc. Dues, Meals.Travel
	2015/2016 Budget	\$3,140
	Cumulative as of 2/29/2016	\$1,935
ITEM		AMOUNT
INCLUDES: Chief's meetings, CPOA dues, PORAC General Membership, etc.		
CCC Chief's Association		\$500
CPOA/\$125 x 10		\$1,250
Cal Chiefs \$315/\$125	Chief Hart/Sgt. Hull	\$440
CAPE		\$45
FBI-LEEDA		\$50
Int'l Assn of Chiefs of Police		\$150
Miscellaneous - Meeting Supplies		\$600
(\$105)	TOTAL	\$3,035

FISCAL YEAR 2016/2017		
CODE 581	CLASSIFICATION: Bldg. Repair/Maint	
	2015/2016 Budget	\$5,000
	Cumulative as of 2/29/2016	\$4,603
ITEM		AMOUNT
Miscellaneous Repairs		\$5,000
	NOTE: Property room shelving and painting	
	Maintenance required by contract	
\$0	Total	\$5,000

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FISCAL YEAR 2016/2017		
CODE 582	CLASSIFICATION:	Office Supplies
	2015/2016 Budget	\$6,000
	Cumulative as of	\$4,809
	2/29/2016	
ITEM		AMOUNT
Paper (colored, letter, legal, fax)		
Stamps, envelopes, postage		
Printing		
Envelopes (manilla), folders, etc.		
Ink cartridges/correction tape		
Calendars, refills, etc.		
Miscellaneous (pens, pencils, clips, staples, etc.)		\$7,500
\$1,500	TOTAL	\$7,500

FISCAL YEAR 2016/2017		
CODE 590	CLASSIFICATION:	Housekeeping
	2015/2016 Budget	\$4,000
	Cumulative as of	\$3,197
	2/29/2016	
ITEM		AMOUNT
INCLUDES:		
Toilet paper, paper towels, Soaps, light bulbs,		
cleaning supplies, rug cleaning (\$250), trash bags		
and coffee, sugar, creamer		
	Estimated Total	\$1,120
Custodial Service	\$200 x 12	\$2,400
Drinking Water	Avg. \$40 x 12	\$480
\$0	TOTAL	\$4,000

FISCAL YEAR 2016/2017		
CODE 592	CLASSIFICATION:	Publications
	2015/2016 Budget	\$2,500
	Cumulative as of 2/29/2016	\$2,580
ITEM		AMOUNT
INCLUDES: Deering updates, Penal Codes, magazines, etc.		\$500
Legal Source Book		\$500
Department Policy - Lexipol		\$2,000
\$500	TOTAL	\$3,000

FISCAL YEAR 2016/2017		
CODE 594	CLASSIFICATION:	Comm. Policing
	2015/2016 Budget	\$4,000
	Cumulative as of	\$5,134
ITEM	2/29/2016	AMOUNT
National Night Out		\$500
Crime Prevention		\$500
Children's Interview Center	see G/L Acct #568	
Sand Bags		\$0
Website Maintenance		\$3,000
Community Outreach		\$1,000
\$1,000	Total	\$5,000

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FISCAL YEAR 2016/2017			
CODE 599	CLASSIFICATION: Police Taxes Administration		
	2015/2016 Budget	\$3,500	
	Cumulative as of 2/29/2016	\$2,608	
ITEM	AMOUNT		
NBS Administration	Original Police Tax	\$3,500	
\$0	TOTAL	\$3,500	

FISCAL YEAR 2016/2017			
CODE 601	CLASSIFICATION: Park and Rec. Admin.		
	2015/2016 Budget	\$7,800	
	Cumulative as of	\$5,496	
	2/29/2016		
ITEM			AMOUNT
P. & R. Admin. Salary	\$30.93 x 260 hours	\$8,042	
NOTE: Payrate includes a 3.1% CPI increase			
\$242	TOTAL	\$8,042	

FISCAL YEAR 2016/2017		
CODE 602	CLASSIFICATION:	Custodian
	2015/2016 Budget	\$22,750
	Cumulative as of	\$14,000
	2/29/2016	
ITEM		AMOUNT
600/Custodian	Community Center	\$22,750
Park Restroom Custodian	see G/L Acct #672	
\$0	TOTAL	\$22,750

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FISCAL YEAR 2016/2017		
CODE 623	CLASSIFICATION:	Social Security (7.65%) /District
	2015/2016 Budget	\$597
	Cumulative as of 2/29/2016	\$420
ITEM		AMOUNT
P&R Admin. \$8,042 x 7.65%		\$615
\$18	TOTAL	\$615

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FISCAL YEAR 2016/2017		
CODE 642	CLASSIFICATION:	Community Center
		Utilities
	2015/2016 Budget	\$5,616
	Cumulative as of	\$3,501
	2/29/2016	
ITEM		AMOUNT
EBMUD Community Center	\$140 x 12	\$1,680
EBMUD Gore Lot	\$15 x 12	\$180
PG&E Community Center	\$235 avg. x 12	\$2,820
Telephone Community Center	\$78 avg. x 12	\$936
\$0	Total	\$5,616

FISCAL YEAR 2016/2017		
CODE 643	CLASSIFICATION:	Janitorial Supplies
	2015/2016 Budget	\$800
	Cumulative as of	\$825
	2/29/2016	
ITEM		AMOUNT
Community Center		
Janitorial Supplies, paper towels, light bulbs, etc.		\$1,500
Annex		
Janitorial Supplies, paper towels, light bulbs, etc.		\$0
\$700	Total	\$1,500

FISCAL YEAR 2016/2017		
CODE 646	CLASSIFICATION:	Community Center
		Repairs
	2015/2016 Budget	\$3,000
	Cumulative as of 2/29/2016	\$1,792
ITEM		AMOUNT
Misc Repairs		\$3,000
Fire Extinguishers	Four Extinguishers	\$0
\$0	TOTAL	\$3,000

FISCAL YEAR 2016/2017		
CODE 656	CLASSIFICATION:	Building E Repairs
	2015/2016 Budget	\$0
	Cumulative as of	\$0
	2/29/2016	
ITEM		AMOUNT
Miscellaneous		\$0
\$0	Total	\$0

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FISCAL YEAR 2016/2017		
CODE 668	CLASSIFICATION:	Annex - Misc. Exp
	2015/2016 Budget	\$1,000
	Cumulative as of	\$0
	2/29/2016	
ITEM		AMOUNT
Miscellaneous Expenses		\$1,000
	\$0 Total	\$1,000

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FISCAL YEAR 2016/2017		
CODE 670	CLASSIFICATION:	Gardening Supplies
	2015/2016 Budget	\$1,000
	Cumulative as of	\$0
	2/29/2016	
ITEM		AMOUNT
Plantings		\$1,000
\$0	Total	\$1,000

FISCAL YEAR 2016/2017			
CODE 674	CLASSIFICATION	Park Construction Expense	
	2015/2016 Budget	\$5,000	
	Cumulative as of 2/29/2016	\$0	
	ITEM		
Misc. Expenses		\$5,000	
	NOTE: Minor repairs of play equipment, tennis courts, etc		
\$0	Total	\$5,000	

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FISCAL YEAR 2016/2017		
CODE 678	CLASSIFICATION:	Misc. Park/Rec Expense
	2015/2016 Budget	\$1,000
	Cumulative as of 2/29/2016	\$170
ITEM		AMOUNT
Miscellaneous Projects / Eagle Scout		\$1,000
\$0	Total	\$1,000



FISCAL YEAR 2016/2017		
CODE 810	CLASSIFICATION:	Computer
	2015/2016 Budget	\$24,288
	Cumulative as of	\$18,006
	2/29/2016	
ITEM		AMOUNT
Service Contract/Misc. Supp.		\$13,068
ARIES	CCC Office of Revenue	\$9,000
CLETS - Annual Fee		\$400
ACCJIN Shared Costs	CCC Office of Revenue	\$2,000
Critical Reach		\$150
Miscellaneous Software Upgrades		\$500
\$830	Total	\$25,118
ACCJIN shared costs is down because no new equipment purchases		

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FISCAL YEAR 2016/2017		
CODE 820	CLASSIFICATION:	Canon Copier Contract
	2015/2016 Budget	\$5,700
	Cumulative as of 2/29/2016	\$3,143
ITEM		AMOUNT
IMAGERNR 330S NQJ45065	Lease \$325 x 12	\$3,900
Overage Charges	\$150 x 12 average	\$1,800
Outside Reproduction		\$0
\$0	TOTAL	\$5,700

FISCAL YEAR 2016/2017		
CODE 830	CLASSIFICATION:	Legal
		(Dist./Personnel)
	2015/2016 Budget	\$99,530
	Cumulative as of	\$93,508
	2/29/2016	
ITEM		AMOUNT
Current legal contract with		
Renne Sloan Holtzman Sakai	Flat rate charge of \$5,000	
	for 20 hours of service per	
	month	\$60,000
Includes meeting prep and attendance, legal analysis,		
response to inquiries from General Manager (GM) or		
Board Member (BM), updates on legal developments and		
managing outside counsel		
	All hours after 20, billed	
	at \$295 per hour	
Labor negotiation costs	\$295 x 50 hours	\$14,750
One hour per month per BM	\$295 x 5 x 12	\$17,700
Two hours per month by GM	\$295 x 2 x 12	\$7,080
	NOTE: Subsequent to negotiations	
	with law firm	
\$0	Total	\$99,530

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FISCAL YEAR 2016/2017		
CODE 835	CLASSIFICATION:	Consultant
	2015/2016 Budget	\$15,000
	Cumulative as of	\$24,900
	2/29/2016	
ITEM		AMOUNT
Actuarial Report		\$2,300
Additional MOU Analysis		
Additional Consultant work per Board		\$32,700
\$20,000	Total	\$35,000

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FISCAL YEAR 2016/2017		
CODE 850	CLASSIFICATION:	Insurance
	2015/2016 Budget	\$30,000
	Cumulative as of	\$27,481
	2/29/2016	
ITEM		AMOUNT
Special District Risk Management/\$5,000,000		
(District General Liability, Auto Liability		
Property, Floater, Employee Blanket Bond,		
Error & Omissions, Flood Protection, Personal		
liability Board Members)		
Kensington Park/Property		
Police Liability Included		\$30,000
\$0	TOTAL	\$30,000

FISCAL YEAR 2016/2017		
CODE 860	CLASSIFICATION:	Election
	2015/2016 Budget	\$0
	Cumulative as of	\$0
	2/29/2016	
ITEM		AMOUNT
Directors (2), etc.		\$4,500
\$4,500	TOTAL	\$4,500

FISCAL YEAR 2016/2017		
CODE 865	CLASSIFICATION:	Police Bldg Lease
	2015/2016 Budget	\$1
	Cumulative as of 2/29/2016	\$0
ITEM		AMOUNT
Lease		\$1
Per new agreement with KFPD		
\$0	Total	\$1

FISCAL YEAR 2016/2017		
Code 870	CLASSIFICATION: County Expenditures	
	2015/2016 Budget	\$22,300
	Cumulative as of	\$8,506
	2/29/2016	
ITEM	AMOUNT	
Property Tax Administration costs		
Senate Bill 2557 (Chapter 466 of 1990)		
\$1,300,000 x 1.5%		\$19,800
Miscellaneous		
Fees, Assessments, Interest,		
etc		\$2,500
\$0	Total	\$22,300

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FISCAL YEAR 2016/2017			
		Franchise Fees	
CODE 890	CLASSIFICATION:	Waste/Recycle Expenses	
	2015/2016 Budget	\$25,000	
	Cumulative as of	\$260	
	2/29/2016		
ITEM		AMOUNT	
Garbage Related Expenses	Public Education, etc.	\$1,000	
Legal Fees - Other		\$19,000	
(\$5,000)	TOTAL	\$20,000	

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FISCAL YEAR 2016/2017		
CODE 898	CLASSIFICATION:	Miscellaneous Expenses - Board
	2015/2016 Budget	\$15,300
	Cumulative as of 2/29/2016	\$14,716
ITEM		AMOUNT
LAFCO		\$1,400
Service Pins/Charms		\$0
Seminars/Directors		\$4,000
CSDA/CCSDA Membership		\$5,700
Miscellaneous		\$1,000
Annual Conference		\$4,000
Governance Days		\$500
\$1,300	TOTAL	\$16,600

FISCAL YEAR 2016/2017			
CODE 961	CLASSIFICATION: Police Bldg. Improvements		
	2015/2016 Budget		\$0
	Cumulative as of		\$0
	2/29/2016		
ITEM		AMOUNT	
Final Year of Renovation Fees was 08/09			\$0
		TOTAL	\$0

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FISCAL YEAR 2016/2017			
CODE 963		CLASSIFICATION: Patrol Car Accessories	
	2015/2016 Budget	\$3,000	
	Cumulative as of	\$0	
	2/29/2016		
ITEM		AMOUNT	
Police Vehicle Emergency Equipment			
	(\$3,000)	TOTAL	\$0

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FISCAL YEAR 2016/2017		
CODE 965	CLASSIFICATION:	Personal Police
		Equipment-Asset
	2015/2016 Budget	\$10,000
	Cumulative as of	
	2/29/2016	\$0
ITEM		AMOUNT
Body Cameras		\$40,000
\$30,000	TOTAL	\$40,000

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FISCAL YEAR 2016/2017		
CODE 968	CLASSIFICATION: Office Furn. & Equip.	
Former 504		
	2015/2016 Budget	\$6,000
	Cumulative as of	\$0
	2/29/2016	
ITEM		AMOUNT
(\$6,000)	TOTAL	\$0

FISCAL YEAR 2016/2017		
CODE 969	CLASSIFICATION: Computer Equipment	
Former 800		
	2015/2016 Budget	\$0
	Cumulative as of	\$0
	2/29/2016	
ITEM		AMOUNT
Laptop	For PowerPoint, etc	\$1,500
\$1,500	TOTAL	\$1,500

FISCAL YEAR 2016/2017		
CODE 971	CLASSIFICATION:	Park Land
	2015/2016 Budget	\$0
	Cumulative as of 2/29/2016	\$0
ITEM		AMOUNT
\$0	TOTAL	\$0

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FISCAL YEAR 2016/2017			
CODE 972	CLASSIFICATION:	Park Bldgs. Improvements	
	2015/2016 Budget	\$25,000	
	Cumulative as of 2/29/2016	\$13,658	
ITEM		AMOUNT	
Community Center ADA & Seismic Upgrades		\$400,000	
	Less Committed Funds	(\$193,931)	
	Less Expected WW Grant \$	<u>(\$158,000)</u>	
\$23,069	TOTAL	\$48,069	

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FISCAL YEAR 2016/2017		
CODE 974	CLASSIFICATION Other Park Improvements	
	2015/2016 Budget	\$0
	Cumulative as of	\$0
	2/29/2016	
ITEM		
	\$0 Total	\$0

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FISCAL YEAR 2016/2017		
CODE 978	CLASSIFICATION:	Park/Rec. Furniture & Equipment
Former 609		
	2015/2016 Budget	\$0
	Cumulative as of	\$0
	2/29/2016	
ITEM		AMOUNT
\$0	TOTAL	\$0

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To: Chairman Welsh, Co-Chairman Toombs, and IGM/COP Hart

From: Paula Black, Rob Firmin, Karl Kruger, Gloria Morrison, and Jim Watt

Date: April 19, 2016

Subject: KPPCSD Budget Reserves Policy

Background

At the Finance Committee meeting on February 1, 2016, Committee members discussed the need to formulate a reserve policy for possible adoption by the Board. To commence the process the Finance Committee unanimously agreed to appoint a 5-member subcommittee to provide recommendations for review by the full Finance Committee. The five-subcommittee members are: Black, Firmin, Kruger, Morrison and Watt.

Methodology

In addition to an exchange of e-mail information on the subject, the subcommittee had two meetings to discuss the appropriate course of action and the areas that should be included as part of an over-arching reserve policy. The subcommittee unanimously agreed that a reserve policy should include not only specifying the reserves necessary to meet day-to-day cash flow needs and unforeseen contingencies, but also major capital reserves necessary to fulfill the District's obligations for the Kensington Community Center and capital improvements for other District owned and operated buildings.

We looked at reserve policies in other communities, and found significant variations by community. Therefore, we concluded that any final decision by Kensington has to fit its own unique circumstances. Those circumstances include the fact that Kensington has a fairly stable revenue base and that the daily cash flow needs can be met with somewhat minimal reserves. Subcommittee members felt it was imperative that we adopt a systematic approach to building up our reserves to complete necessary capital improvements.

The attachments identified as "Source Material" were beneficial in formulating our recommendations.

Recommendations

That the following three funds be established by Board resolution.

General Fund Unallocated reserve – That the District maintain a contingency reserve for operating expenditures of no less than \$500,000 or 16% of total annual revenues, whichever is greater, in order to maintain the sound financial operation of the District. This reserve may only be utilized in the event of a severe economic downturn or a natural

disaster and only after all reasonable expenditure cuts have been implemented, as determined by final Board approval.

Community Center Building Upgrade - That the category currently designated in the Budget under the heading Fund Balances as "Committed – Park Bldgs. Replacement" be redesigned as "Community Center Upgrade". That the funds currently shown as \$206,976 be augmented by an additional \$150,000 in FYE 16/17 and an additional \$150,000 in FYE 17/18. The purpose of these additional "Committed" funds shall be to set aside sufficient capital to meet the possible capital required to retrofit the building. Upon completion of these Community Center improvements, any surplus funds shall be assigned to the newly created General Capital Building Fund – see following.

General Capital Building Fund – That this new capital building fund be created with the purpose of setting aside annual restricted funds for the purpose of completing necessary capital improvements to District owned and operated facilities. The initial amount to be included in this fund shall be based upon 4% of the annual revenues from the County levy tax (code 401), and shall commence with budget year 16/17. The initial 4% may be increased, but not decreased, at the time each annual budget is approved. The money in this account may only be used for major capital building improvement with an expected useful life of 15 or more years.

The following would be the recommended changes to the line items shown under Fund Balances – see attached complete page from the budget.

Fund balances, in audit terms (see definitions included)

Nonspendable – District Portion of Bond	
Restricted – Est'd vacation/comp liability	
Committed – Park Bldgs Replacement	DELETED
Committed – Community Center Bldg Upgrade	ADDED
Committed - Annex Renovation Expenditure	DELETED
Committed – General Capital Bldg. Fund	ADDED
Committed – Bay view Net Balance	

Total Identified Fund Balances

Conclusion

This proposed recommended reserves policy has been thoroughly vetted by the sub-committee, with concessions made by all members in the interest of providing the full committee with a recommended policy that has the unanimous approval of the sub-committee.

Revised 08/14/15

KPPGSD
Projected Revenue and Expense
2015/2016

ATTACHMENT

Budgeted Revenues 2015/2016	
400 · Police Activities Revenue	
Total 400 · Police Activities Revenue	\$2,791,952
Total 420 · Park/Rec Activities Revenue	71,500
440 · District Activities Revenue	
448 · Franchise Fees	48,800
456 · Interest-District	0
Total 440 · District Activities Revenue	<u>48,800</u>
Total Revenues	\$2,912,252
Budgeted Expenditures 2015/2016	
500 · Police Sal & Ben	
Total 500 · Police Sal & Ben	\$2,053,670
Total 550 · Other Police Expenses	325,268
Total 600 · Park/Rec Sal & Ben	31,147
Total 635 · Park/Recreation Expenses	96,716
Total 800 · District Expenses	271,119
Total 950 · Capital Outlay	<u>81,000</u>
Total Expenditures	<u>\$2,858,920</u>
Excess of Revenue over Expense 2015/2016	\$53,332
Previously Allocated Funds	
Total Allocated Funds Used	0
Excess Funding over Expenses 2015/2016	<u>53,332</u>
Cash Carryovers 2014/2015	<u>\$1,480,663</u>
Estimated Fund Carryovers into 2015/2016	\$1,533,994
Fund Balances, in audit terms (see definitions included)	
Nonspendable - District Portion of Bond	\$92,830
Restricted - Est'd Vacation/Comp Liab	80,000
Committed - Park Bldgs Replacement less FY 15/16 expenditures	206,976
Committed - Annex Renovation Expenditure in Current Year	0
Committed - Bay View Net Balance	<u>-7,977</u>
Total Identified Fund Balances	\$371,829
Unassigned Fund Balance available for Contingencies	\$1,162,165
Percentage of Total Expenditures	40.65%



Reserve Levels Developing a Policy Framework

- The adequacy of fund balance should be assessed based on an agency's own specific circumstance – there is no universally accepted "right level"
 - **Revenue Source Stability:** How stable is the District's tax base in the face of adverse economic conditions? How broad are the District's revenue sources? Are any revenue sources at risk due to State or Federal actions?
 - **Expenditure Volatility:** What are the District's contractual obligations and how much will they mandate ongoing expenditure levels? Are there new programmatic areas that the District will undertake?
 - **Extreme Circumstances:** What is the risk of natural disaster or other one-time outlay (i.e., earthquake, fire, etc.)? How much (if any) of this risk can be insured against?
 - **Liquidity:** What are the District's cash flow needs (i.e., when are property tax revenues received relative to when expenses are incurred)? How have reserves fluctuated in the past and what is the general trend?
 - **Leverage:** What are the City's unfunded liabilities and ongoing capital needs? Pension? OPEB?

SOURCE MATERIAL PMG Analysis

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Appropriate Level of Unrestricted Fund Balance in the General Fund

Type: Best Practice

Approved by GFOA's Executive Board: September 2015

Background:

In the context of financial reporting, the term fund balance is used to describe the net position of governmental funds calculated in accordance with generally accepted accounting principles (GAAP). Budget professionals commonly use this same term to describe the net position of governmental funds calculated on a government's budgetary basis. While in both cases fund balance is intended to serve as a measure of the financial resources available in a governmental fund; it is essential that differences between GAAP fund balance and budgetary fund balance be fully appreciated.

1. GAAP financial statements report up to five separate categories of fund balance based on the type and source of constraints placed on how resources can be spent (presented in descending order from most constraining to least constraining): nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance. The total of the amounts in these last three categories (where the only constraint on spending, if any, is imposed by the government itself) is termed unrestricted fund balance. In contrast, budgetary fund balance, while it is subject to the same constraints on spending as GAAP fund balance, typically represents simply the total amount accumulated from prior years at a point in time.
2. The calculation of GAAP fund balance and budgetary fund balance sometimes is complicated by the use of sub-funds within the general fund. In such cases, GAAP fund balance includes amounts from all of the subfunds, whereas budgetary fund balance typically does not.
3. Often the timing of the recognition of revenues and expenditures is different for purposes of GAAP financial reporting and budgeting. For example, encumbrances arising from purchase orders often are recognized as expenditures for budgetary purposes, but never for the preparation of GAAP financial statements.

The effect of these and other differences on the amounts reported as GAAP fund balance and budgetary fund balance in the general fund should be clarified, understood, and documented.

It is essential that governments maintain adequate levels of fund balance to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. In most cases, discussions of fund balance will properly focus on a government's general fund. Nonetheless, financial resources available in other funds should also be considered in assessing the adequacy of unrestricted fund balance in the general fund.

Recommendation:

GFOA recommends that governments establish a formal policy on the level of unrestricted fund balance that should be maintained in the general fund for GAAP and budgetary purposes. Such a guideline should be set by the appropriate policy body and articulate a framework and process for how the government would increase or decrease the level of unrestricted fund balance over a specific time period. In particular, governments should provide broad guidance in the policy for how resources will be directed to replenish fund balance should the balance fall below the level prescribed.

Appropriate Level. The adequacy of unrestricted fund balance in the general fund should take into account each government's own unique circumstances. For example, governments that may be vulnerable to natural disasters, more dependent on a volatile revenue source, or potentially subject to cuts in state aid and/or federal grants may need to maintain a higher level in the unrestricted fund balance. Articulating these risks in a fund balance policy makes it easier to explain to stakeholders the rationale for a seemingly higher than normal level of fund balance that protects taxpayers and employees from unexpected changes in financial condition. Nevertheless, GFOA recommends, at a minimum, that general-purpose governments, regardless of size, maintain unrestricted budgetary fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures. The choice of revenues or expenditures as a basis of comparison may be dictated by what is more predictable in a government's particular circumstances. Furthermore, a government's particular situation often may require a level of unrestricted fund balance in the general fund significantly in excess of this recommended minimum level. In any case, such measures should be applied within the context of long-term forecasting, thereby avoiding the risk of placing too much emphasis upon the level of unrestricted fund balance in the general fund at any one time. In establishing a policy governing the level of unrestricted fund balance in the general fund, a government should consider a variety of factors, including:

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Appropriate Level of Unrestricted Fund Balance in the General Fund | Government Finance Officers Association

1. The predictability of its revenues and the volatility of its expenditures (i.e., higher levels of unrestricted fund balance may be needed if significant revenue sources are subject to unpredictable fluctuations or if operating expenditures are highly volatile);
2. Its perceived exposure to significant one-time outlays (e.g., disasters, immediate capital needs, state budget cuts);
3. The potential drain upon general fund resources from other funds, as well as, the availability of resources in other funds;
4. The potential impact on the entity's bond ratings and the corresponding increased cost of borrowed funds;
5. Commitments and assignments (i.e., governments may wish to maintain higher levels of unrestricted fund balance to compensate for any portion of unrestricted fund balance already committed or assigned by the government for a specific purpose). Governments may deem it appropriate to exclude from consideration resources that have been committed or assigned to some other purpose and focus on unassigned fund balance, rather than on unrestricted fund balance.

Use and Replenishment.

The fund balance policy should define conditions warranting its use, and if a fund balance falls below the government's policy level, a solid plan to replenish it. In that context, the fund balance policy should:

1. Define the time period within which and contingencies for which fund balances will be used;
2. Describe how the government's expenditure and/or revenue levels will be adjusted to match any new economic realities that are behind the use of fund balance as a financing bridge;
3. Describe the time period over which the components of fund balance will be replenished and the means by which they will be replenished.

Generally, governments should seek to replenish their fund balances within one to three years of use. Specifically, factors influencing the replenishment time horizon include:

1. The budgetary reasons behind the fund balance targets;
2. Recovering from an extreme event;
3. Political continuity;
4. Financial planning time horizons;
5. Long-term forecasts and economic conditions;
6. External financing expectations.

Revenue sources that would typically be looked to for replenishment of a fund balance include nonrecurring revenues, budget surpluses, and excess resources in other funds (if legally permissible and there is a defensible rationale). Year-end surpluses are an appropriate source for replenishing fund balance.

Unrestricted Fund Balance Above Formal Policy Requirement. In some cases, governments can find themselves in a position with an amount of unrestricted fund balance in the general fund over their formal policy reserve requirement even after taking into account potential financial risks in the foreseeable future. Amounts over the formal policy may reflect a structural trend, in which case governments should consider a policy as to how this would be addressed. Additionally, an education or communication strategy, or at a minimum, explanation of large changes in fund balance is encouraged. In all cases, use of those funds should be prohibited as a funding source for ongoing recurring expenditures.

Committee: Accounting, Auditing, and Financial Reporting
Governmental Budgeting and Fiscal Policy

Notes:

1. For the sake of clarity, this recommended practice uses the terms GAAP fund balance and budgetary fund balance to distinguish these two different uses of the same term.
2. These categories are set forth in Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.
3. Sometimes restricted fund balance includes resources available to finance items that typically would require the use of unrestricted fund balance (e.g., a contingency reserve). In that case, such amounts should be included as part of unrestricted fund balance for purposes of analysis.
4. See Recommended Practice 4.1 of the National Advisory Council on State and Local Budgeting governments on the need to "maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures" (Recommended Practice 4.1).
5. In practice, a level of unrestricted fund balance significantly lower than the recommended minimum may be appropriate for states and America's largest governments (e.g., cities, counties, and school districts) because they often are in a better position to predict contingencies (for the same reason that an insurance company can more readily predict the number of accidents for a pool of 500,000 drivers than for a pool of fifty), and because their revenues and expenditures often are more diversified and thus potentially less subject to volatility.
6. In either case, unusual items that would distort trends (e.g., one-time revenues and expenditures) should be excluded, whereas recurring transfers should be included. Once the decision has been made to compare unrestricted fund balance to either revenues and/or expenditures, that decision should be followed consistently from period to period.

Download Best Practice

XX

Unassigned fund balance is typically the primary subject of a reserve policy. However, committed and assigned fund balance may also be thought of as part of a reserve policy as the governing board or management, respectively, has some control over the balances. Conversely, restricted fund balances or nonspendable fund balances are fundamentally constrained, making it unnecessary to place parameters on them through reserve policy in order to achieve prudent savings and expenditures of public resources.

It is recommended that every district establish policies regarding minimum fund balance and spending priorities in order to communicate to users the importance of a reserve for economic uncertainties, why it consists of amounts that are unassigned and that it is not available for spending.

Districts' policies should specify the order in which fund balances are spent when more than one amount is available for a specific purpose. Where such policies do not exist, GASB 54 prescribes that the default order in which these amounts should be spent is committed, assigned, and then unassigned.



GASB 54

According to the Governmental Accounting Standards Board, statement No. 54 was issued after, "...research revealed that the existing standards guiding fund balance reporting were being interpreted inconsistently by different governments. Consequently, the fund balance information reported by many governments also was inconsistent. It also became clear that the understandability of fund balance information was affected and that financial statement users were unable to readily interpret reported fund balance information."

GASB fact sheet about Fund Balance Reporting and Governmental Fund Type Definitions



Sample Policy Language

The "X" district maintains a minimum unassigned fund balance of not less than "X" percent of budgeted general fund expenditures and other financing uses as a reserve for economic uncertainties. The district believes a reserve of this level is prudent to maintain a high bond rating and to protect the district from the effects of fluctuations in property tax revenues to which special districts are vulnerable. Because amounts in the nonspendable, restricted, committed and assigned categories are subject to varying constraints on their use, the reserve for economic uncertainties consists of balances that are otherwise unassigned.