

**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

TABLE OF CONTENTS

Independent Auditor’s Report.....	1-2
Management’s Discussion and Analysis (Required Supplementary Information).....	3-7
BASIC FINANCIAL STATEMENTS:	
Statement of Net Position and Governmental Funds Balance Sheet	8
Statement of Activities and Governmental Funds Statement of Revenues and Expenditures and Changes in Fund Balance.....	9-10
Statement of Fiduciary Net Position.....	11
Statement of Changes in Net Position – Fiduciary Funds	12
Notes to Basic Financial Statements.....	13-31
REQUIRED SUPPLEMENTARY INFORMATION:	
Required Supplementary Information - Pensions	32
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	33

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

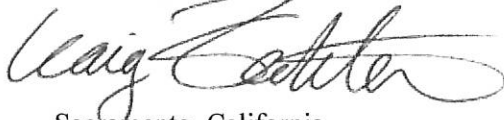
Required Supplementary Information

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 \$(1,258,418) 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	(23,687)	88,962
Unrestricted net position	(1,258,418)	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 maintenance of that part of the park purchased with the proceeds of the 1994 Limited Obligation Improvement Bonds.

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**

	General	Capital Project	Total	Adjustment Note 8	Statement of Activities
EXPENDITURES/EXPENSES					
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

**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**

	General	Capital Project	Total	Adjustment Note 8	Statement of Activities
(Continued)					
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	<u>\$ 1,425,964</u>	<u>\$ 127,838</u>	<u>\$ 1,553,802</u>	<u>\$ 1,036,640</u>	<u>\$ 2,590,442</u>

**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

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

**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

**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	<u>\$ 969,709</u>	<u>\$ -</u>	<u>\$ 123,024</u>	<u>\$ 846,685</u>
	<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

**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	299,812	12,774	312,586
	<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

The District entered into an agreement as a lessee to occupy office space from Kensington Fire Protection District for a three-year period through June 30, 2017. This space is leased for \$1 per year. 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 years
Remaining amortization period for balance of UAAL	30 years
 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:

	General Fund	Capital Project Fund	Total
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	(23,687)	-	(23,687)
Subtotal	<u>(23,687)</u>	<u>-</u>	<u>(23,687)</u>
Committed to:			
Capital projects	-	127,838	127,838
Subtotal	<u>-</u>	<u>127,838</u>	<u>127,838</u>
Assigned to:			
Park building	241,500	-	241,500
Subtotal	<u>241,500</u>	<u>-</u>	<u>241,500</u>
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%

**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