

**KENSINGTON POLICE PROTECTION AND  
COMMUNITY SERVICES DISTRICT**

**Basic Financial Statements and  
Independent Auditor's Report for the  
Year Ended June 30, 2013**

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT**

Basic Financial Statements  
and Required Supplementary Information  
For the Fiscal Year Ended June 30, 2013

TABLE OF CONTENTS

Independent Auditor’s Report.....	1-2
Management’s Discussion and Analysis (Required Supplementary Information).....	3-7
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
Statement of Revenue, Expenditure and Change in Fund Balance – Actual and Budget .....	13
Notes to Basic Financial Statements .....	14-30



## 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, and the aggregate remaining fund information of the Kensington Police Protection and Community Services District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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.

Board of Directors  
Kensington Police Protection and Community Services District

**Opinions**


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, and the aggregate remaining fund information of the Kensington Police Protection and Community Services District as of June 30, 2013, 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.

**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 3-6 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.

Fechter & Company, CPAs



Sacramento, CA  
October 2, 2014

## KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

### Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2013

This discussion and analysis of the Kensington Police Protection and Community Service District's fiscal performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2013. Please review it in conjunction with the transmittal letter and the basic financial statements, which begin on page 7.

#### **FINANCIAL HIGHLIGHTS**

##### **From the Statement of Net Position**

- Total net position for the years ended June 30, 2013 and 2012 are \$5,522,184 and 5,719,149, respectively. This is a 3.4% decrease.
- Unrestricted net position, the part of net position that can be used to finance day-to-day operations for fiscal years ended June 30, 2013 and 2012 are \$1,649,755 and \$1,764,932, respectively.

##### **From the Governmental Fund Financial Statements**

- Our General Fund balance decreased by \$104,922.
- Property tax revenues (including special tax revenue for police services) for fiscal years ended June 30, 2013 and 2012 were \$2,333,542 and \$2,347,230, respectively. This is a .58% decrease.

#### **OVERVIEW OF FINANCIAL STATEMENTS**

The District's basic financial statements are comprised 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.

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.

# KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013

## 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 7 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 \$5,522,184 as of June 30, 2013 and \$5,719,149 as of June 30, 2012. This number is comprised of two components:

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Investment in capital assets, net of debt	\$ 3,872,429	\$ 3,954,217
Unrestricted net position	1,649,755	1,764,932
Total net position	<u>\$ 5,522,184</u>	<u>\$ 5,719,149</u>

Investment in capital assets consists of fixed assets less any related debt that is still outstanding.

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

## GOVERNMENTAL FUNDS ANALYSIS

The District's largest source of revenue is derived 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 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, 2013 was established in 1997 after receiving voter approval in 1994.

## **KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT**

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013

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, 2013, 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 FY 2012/2013, 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—\$90,049.

### **COMMENTS ON BUDGET COMPARISONS**

Actual revenues and actual expenditures versus budget amounts equals a negative variance of \$28,626.

Actual revenues exceeded budgeted revenues by \$98,423. The largest difference is KPPCSD received \$100,000 more than budgeted in Grant Revenue.

Actual expenditures were more than final budgeted expenditures by \$127,049. By far, the largest category over budget was District Expenses, by just over \$203,000. Two line items, Legal and Waste/Recycle make up \$157,000 of that. In chronological order, two cases had a major impact on those line items going over budget. They are as follows:

On April 18, 2012, the District's solid waste and recycling provider, Bay View Refuse & Recycling Services filed an arbitration demand in a rate dispute with the District over their request to increase garbage rates to be paid by its customers.

As a result of fulfilling its contract obligation under the terms of the franchise agreement, the District incurred an unanticipated legal expense of \$115,000, which pushed us over our legal estimated budget for solid waste by \$87,000.

On October 10, 2012, a Writ of Mandate was filed in Superior Court of Contra Costa County by former KPPCSD Director Mari Metcalf, representing Leonard Schwartzburd and eight others including former KPPCSD Director Cathie Kosel, seeking to set aside the KPPCSD vote of July 12, 2012 to increase General Manager/Chief of Police Greg Harman's salary and pay him a onetime bonus, an alleged violation of the KPPCSD Board Policy Manual.

As a result of successfully defending against the Writ, the District incurred an unanticipated expense of \$70,000 in legal fees which make up a majority of the \$116,000 over budget expensed for legal fees in

## **KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT**

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013

this fiscal year.

The two major categories that came in under budget were Capital Outlay (\$39,000) and Police Expenses (\$48,000). In Capital Outlay, there was no purchase of a new police vehicle and its equipment nor a computer system. In Police Expenses, communications were under budget \$20,000 and recruiting \$11,000.

### **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, and 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, \$90 per year for multiple unit residential, \$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, \$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, \$315 per year for commercial and institutional, \$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, \$450 per year for multiple units residential, \$450 per year for commercial and institutional, \$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.



## **KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT**

Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2013

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.

### **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 Greg Harman.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT  
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET  
FOR THE YEAR ENDED JUNE 30, 2013**

	General Fund	Capital Project	Total	Adjustment Note 9	Statement of Net Position
<b>Assets</b>					
Cash and investments	\$ 1,561,708	\$ 127,275	\$ 1,688,983	\$ -	\$ 1,688,983
Receivables	71,055	60	71,115	-	71,115
Prepaid expenses	59,059	-	59,059	-	59,059
OPEB asset	29,627	-	29,627	-	29,627
<b>Capital assets</b>					
Land	-	-	-	2,808,347	2,808,347
Vehicle and equipment	-	-	-	489,383	489,383
Building and improvements	-	-	-	1,616,820	1,616,820
Furniture & fixtures	-	-	-	32,080	32,080
Accumulated depreciation	-	-	-	(1,074,201)	(1,074,201)
<b>Total Assets</b>	<b>\$ 1,721,449</b>	<b>\$ 127,335</b>	<b>\$ 1,848,784</b>	<b>\$ 3,872,429</b>	<b>\$ 5,721,213</b>
<b>Liabilities</b>					
Accounts payable	\$ 93,975	\$ -	\$ 93,975	\$ -	\$ 93,975
Compensated absences	90,049	-	90,049	-	90,049
Accrued payable	15,005	-	15,005	-	15,005
<b>Total Liabilities</b>	<b>199,029</b>	<b>-</b>	<b>199,029</b>	<b>-</b>	<b>199,029</b>
<b>Fund balances/net position</b>					
<b>Fund balances</b>					
Non-spendable	88,686	-	88,686	(88,686)	
Committed	-	127,335	127,335	(127,335)	
Assigned	300,000	-	300,000	(300,000)	
Restricted	22,610	-	22,610	(22,610)	
Unassigned	1,111,124	-	1,111,124	(1,111,124)	
<b>Total Fund Balances</b>	<b>1,522,420</b>	<b>127,335</b>	<b>1,649,755</b>	<b>(1,649,755)</b>	<b>-</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,721,449</b>	<b>\$ 127,335</b>	<b>\$ 1,848,784</b>		
<b>Net Position</b>					
Capital assets				-	3,872,429
Restricted				22,610	22,610
Unrestricted				1,627,145	1,627,145
<b>Total Net Position</b>				<b>\$ 1,627,145</b>	<b>\$ 5,522,184</b>

Capital outlay					
Equipment and furniture	2,166		2,166	(2,166)	-
<b>Total capital outlay</b>	<u>2,166</u>	-	<u>2,166</u>	<u>(2,166)</u>	<u>-</u>
<b>Total Expenditures/Expenses</b>	<u>2,659,709</u>	-	<u>2,659,709</u>	<u>81,786</u>	<u>2,741,495</u>
<b>GENERAL REVENUES:</b>					
Property taxes	1,246,708	-	1,246,708	-	1,246,708
Special assessments	681,220	-	681,220	-	681,220
Measure G supplemental tax revenue	405,614	-	405,614	-	405,614
Grants	100,000	-	100,000	-	100,000
Charges for services	1,488	-	1,488	-	1,488
Other tax revenue	45,475	-	45,475	-	45,475
POST reimbursement	6,201	-	6,201	-	6,201
Investment income	3,044	299	3,343	-	3,343
Rents and fees	19,003	-	19,003	-	19,003
Franchise fees	20,716	-	20,716	-	20,716
Other income	25,318	-	25,318	-	25,318
<b>Total Revenues</b>	<u>2,554,787</u>	<u>299</u>	<u>2,555,086</u>	<u>-</u>	<u>2,555,086</u>
Excess (Deficiency) of Revenues Over					
Other (Under) Expenditures	<u>(104,922)</u>	<u>299</u>	<u>(104,623)</u>	<u>(81,786)</u>	<u>(186,409)</u>
Other Financing Sources (Uses)					
Transfers In	-	-	-	-	-
Transfers Out	<u>(10,554)</u>	-	<u>(10,554)</u>	-	<u>(10,554)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(10,554)</u>	-	<u>(10,554)</u>	-	<u>(10,554)</u>
<b>Change in Net Position</b>	<u>(115,476)</u>	<u>299</u>	<u>(115,177)</u>	<u>(81,786)</u>	<u>(196,963)</u>
<b>Fund Balance/Net Position, Beginning of Year</b>	<u>1,637,896</u>	<u>127,036</u>	<u>1,764,932</u>	<u>3,954,215</u>	<u>5,719,147</u>
<b>Fund Balance/Net Position, End of Year</b>	<u>\$ 1,522,420</u>	<u>\$ 127,335</u>	<u>\$ 1,649,755</u>	<u>\$ 3,872,429</u>	<u>\$ 5,522,184</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, 2013**

EXPENDITURES/EXPENSES	General	Capital Project	Total	Adjustment Note 10	Statement of Activities
Current expenditures/expenses					
Police Salary and Benefits					
Salary-officers	\$ 914,198	\$ -	\$ 914,198	\$ -	\$ 914,198
Compensated absence	19,433	-	19,433	-	19,433
Overtime	49,300	-	49,300	-	49,300
Salary-non sworn	28,513	-	28,513	-	28,513
Uniform allowance	7,998	-	7,998	-	7,998
Safety equipment	4,986	-	4,986	-	4,986
Medical insurance-active	154,853	-	154,853	-	154,853
Medical insurance-retired	145,720	-	145,720	-	145,720
Disability & life insurance	4,294	-	4,294	-	4,294
Social security/medicare	16,381	-	16,381	-	16,381
PERS district	303,806	-	303,806	-	303,806
PERS officers	83,101	-	83,101	-	83,101
Workers compensation	61,624	-	61,624	-	61,624
Police Expenses					
Expendable police supplies	1,267	-	1,267	-	1,267
Range/Ammunition supplies	3,996	-	3,996	-	3,996
Crossing guard	9,893	-	9,893	-	9,893
Vehicle operation	57,621	-	57,621	-	57,621
Communications (RPD)	121,737	-	121,737	-	121,737
Radio maintenance	20,415	-	20,415	-	20,415
Prisoner/case exp/booking	13,293	-	13,293	-	13,293
Training	5,322	-	5,322	-	5,322
Recruiting	2,154	-	2,154	-	2,154
Reserve officers	256	-	256	-	256
Misc, dues, meals and Travel	2,670	-	2,670	-	2,670
Utilities	8,933	-	8,933	-	8,933
Building repair	658	-	658	-	658
Office supplies	5,433	-	5,433	-	5,433
Telephone	8,703	-	8,703	-	8,703
Housekeeping	4,371	-	4,371	-	4,371
Publications	2,520	-	2,520	-	2,520
West-Net/Cal	13,130	-	13,130	-	13,130
Community policing	3,036	-	3,036	-	3,036
Police taxes administration	3,244	-	3,244	-	3,244
Recreation Salary and Benefits					
Park and recreation administration	6,247	-	6,247	-	6,247
Custodian	21,000	-	21,000	-	21,000
Social security/medicare	478	-	478	-	478
Recreation Expenses					
Community center utilities	6,432	-	6,432	-	6,432
Janitorial supplies	1,164	-	1,164	-	1,164
Community center repairs	5,428	-	5,428	-	5,428
Annex utilities	392	-	392	-	392
Park O&M	65,612	-	65,612	-	65,612
Misc. park rec expenses	(1,321)	-	(1,321)	-	(1,321)
District Expenses					
Computer maintenance	23,702	-	23,702	-	23,702
Legal	181,137	-	181,137	-	181,137
Consulting	7,885	-	7,885	-	7,885
Accounting	35,404	-	35,404	-	35,404
Equipment rental	5,040	-	5,040	-	5,040
Insurance	28,920	-	28,920	-	28,920
Election	4,137	-	4,137	-	4,137
Police building lease	30,596	-	30,596	-	30,596
County expenses	20,518	-	20,518	-	20,518
Waste/recycle	123,443	-	123,443	-	123,443
Miscellaneous	8,470	-	8,470	-	8,470
Depreciation	-	-	-	83,952	83,952
Total current expenditures/expenses	2,657,543	-	2,657,543	83,952	2,741,495

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2013**

	<b>Emergency Preparedness Fund</b>	<b>Kensington Park Reassessment District 2004-1 Fund</b>	<b>Total</b>
<b>Assets</b>			
Cash and investments	\$ 430	\$ 286,524	\$ 286,954
Interest receivable	-	57	57
Special assessment receivable	-	973,431	973,431
<b>Total Assets</b>	<b>\$ 430</b>	<b>\$ 1,260,012</b>	<b>\$ 1,260,442</b>
<b>Liabilities</b>			
Accounts payable	\$ 215	\$ 1	\$ 216
2004 Limited Obligation Improvement Bonds	-	1,089,939	1,089,939
Bond interest payable	-	15,441	15,441
<b>Total Liabilities</b>	<b>215</b>	<b>1,105,381</b>	<b>1,105,596</b>
<b>Net Position</b>			
Reserved for Emergency Preparedness Council			-
Reserved for Reassessment District 2004-1	215	154,631	154,846
<b>Total Net Position</b>	<b>\$ 215</b>	<b>\$ 154,631</b>	<b>\$ 154,846</b>

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT  
STATEMENT OF NET POSITION - FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>Emergency Preparedness Fund</b>	<b>Kensington Park Reassessment District 2004-1 Fund</b>	<b>Total</b>
<b>ADDITIONS:</b>			
Special assessments	\$ -	\$ 179,882	\$ 179,882
Interest income	-	281	281
<b>Total Additions</b>	<b>-</b>	<b>180,163</b>	<b>180,163</b>
<b>DEDUCTIONS:</b>			
Bond administration charges	-	12,313	12,313
Bond interest expense	-	47,117	47,117
Bond principal	-	112,111	112,111
Contract services	51	-	51
<b>Total deductions</b>	<b>51</b>	<b>171,541</b>	<b>171,592</b>
Net increase (decrease) in fiduciary net assets	(51)	8,622	8,571
Transfer in	-	10,554	10,554
Transfer out	-	-	-
<b>Net Position, beginning of year</b>	<b>266</b>	<b>135,455</b>	<b>135,721</b>
<b>Net Position, beginning of year</b>	<b>\$ 215</b>	<b>\$ 154,631</b>	<b>\$ 154,846</b>

**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, 2013**

	General Fund Budget	General Fund Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>			
Property taxes	\$ 1,262,000	\$ 1,246,708	\$ (15,292)
Special assessments	680,000	681,220	1,220
Measure G supplemental tax revenue	405,614	405,614	-
Grants	-	100,000	100,000
Charges for services	2,000	1,488	(512)
Other tax revenue	43,000	45,475	2,475
POST reimbursement	-	6,201	6,201
Investment income	3,700	3,044	(656)
Rents and fees	24,000	19,003	(4,997)
Franchise fees	20,000	20,716	716
Other income	16,050	25,318	9,268
<b>Total Revenues</b>	<u>2,456,364</u>	<u>2,554,787</u>	<u>98,423</u>
<b>Expenditures</b>			
Police Salary and Benefits	1,768,118	1,794,207	26,089
Police Expenses	336,651	288,652	(47,999)
Recreation Salary and Benefits	27,997	27,725	(272)
Recreation Expenses	92,854	77,707	(15,147)
District Expenses	266,040	469,252	203,212
Capital outlay	41,000	2,166	(38,834)
<b>Total Expenditures</b>	<u>2,532,660</u>	<u>2,659,709</u>	<u>127,049</u>
<b>Excess of Revenues over (under) Expenditures</b>	<u>\$ (76,296)</u>	<u>\$ (104,922)</u>	<u>\$ (28,626)</u>

# KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements  
June 30, 2013

## 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, 2013

## 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 had no major funds in the fiscal year ended June 30, 2013.

### 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 two funds in fiscal year 2013, the General Fund and Capital Project Fund.

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, 2013

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

### Governmental Fund Financial Statements - continued

Debt Service Fund – The 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) and is not part of fiscal year 2013 presentation.

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

### 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 Projects Fund.
4. Budgets for the General Fund and the Capital Projects 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.

### 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 County of Contra Costa.

# KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements  
June 30, 2013

## **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

### **Compensated Absences**

District employees are entitled to certain compensated absences based on their length of employment. Payable for compensated absences is \$90,049 at June 30, 2013.

### **Fund Equity Reservations and Designations**

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

### **Statement Calculations and Use of Estimates**

Due to rounding, column and row calculations may approximate actual figures. Approximations may result when decimal places are eliminated to present whole numbers.

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 Accounting Pronouncements**

The District adopted the provisions of GASB Statement No. 63 (GASB 63), Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. GASB 63 provides financial reporting guidance for deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. It also identifies net position as the residual of all other elements presented in a statement of financial position, or the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. As implied above, GASB 63 changes the previous classification of net assets to net position, and consequently, the statement of net assets to the statement of net position. The District had no deferred inflows or outflows of resources as of June 30, 2013.

## **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:

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT**

Notes to Basic Financial Statements  
June 30, 2013

**NOTE 2: CASH AND INVESTMENTS – continued**

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, 2013 is as follows:

	<u>Carrying Value</u>	<u>Market Value</u>
<u>Governmental Funds (District Fund)</u>		
<u>Category 1:</u>		
Cash in checking accounts	\$ 2,823	\$ 3,253
Petty cash	100	100
	<u>2,923</u>	<u>3,353</u>
 <u>Uncategorized:</u>		
County Treasury	<u>1,686,063</u>	<u>1,686,063</u>
Total Governmental Fund (District Fund)	<u>1,688,986</u>	<u>1,686,063</u>
 <u>Fiduciary Funds</u>		
<u>Category 1:</u>		
Cash in checking accounts	<u>430</u>	<u>-</u>
 <u>Uncategorized:</u>		
County Treasury	<u>286,524</u>	<u>286,524</u>
Total Fiduciary Fund	<u>286,954</u>	<u>286,524</u>
Total Governmental Fund (District Fund)	<u>\$ 1,975,940</u>	<u>\$ 1,975,940</u>

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT**

Notes to Basic Financial Statements  
June 30, 2013

**NOTE 2: CASH AND INVESTMENTS – continued**

The disposition of cash and investments by fund is as follows:

General Fund	\$ 1,561,708
Capital Project Fund	127,275
	<u>\$ 1,688,983</u>
 Emergency Preparedness Fund	 <u>\$ 430</u>
 2004-1 Park Reassessment Bond Fund	 <u>\$ 286,524</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 governmental activities by function.

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

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

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, 2013

**NOTE 3: CAPITAL ASSETS - continued**

A summary of changes in general fixed assets follows:

	Balance 6/30/12	Additions	Retirements	Balance 6/30/13
Non-Depreciable Assets:				
Land	\$ 2,808,347	\$ -	\$ -	\$ 2,808,347
Depreciable Assets:				
Building & improvements	1,616,820	-	-	1,616,820
Vehicles & equipment	489,383	-	-	489,383
Furniture & fixtures	29,914	2,166	-	32,080
Total Assets	<u>4,944,464</u>	<u>2,166</u>	<u>-</u>	<u>4,946,630</u>
Accumulated Depreciation:				
Building & improvements	458,752	43,343	-	502,095
Vehicles & equipment	502,769	40,017	-	542,786
Furniture/fixture/improvements	28,728	592	-	29,320
Total Accumulated Depreciation	<u>990,249</u>	<u>83,952</u>	<u>-</u>	<u>1,074,201</u>
Capital Assets Net of Depreciation	<u>\$ 3,954,215</u>	<u>\$ (81,786)</u>	<u>\$ -</u>	<u>\$ 3,872,429</u>

The current depreciation expense of \$83,952 was charged to Statement of Activities as depreciation expense adjustment.

**NOTE 4: SPECIAL ASSESSMENT DEBT**

**Kensington Park Reassessment District 2004-1 Refunding Bonds**

	June 30, 2012	Borrowings	Payments	June 30, 2013
2004 Limited Obligation Improvement Bonds	<u>\$ 1,202,050</u>	<u>\$ -</u>	<u>\$ 112,111</u>	<u>\$ 1,089,939</u>
	<u>\$ 1,202,050</u>	<u>\$ -</u>	<u>\$ 112,111</u>	<u>\$ 1,089,939</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, 2013

**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, 2013, future debt service payments were as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2014	\$ 120,230	\$ 43,768	\$ 163,998
2015	123,024	38,599	161,623
2016	125,718	33,313	159,031
2017	133,201	27,811	161,012
2018	140,485	21,995	162,480
2019-2021	447,281	28,651	475,932
	<u>\$ 1,089,939</u>	<u>\$ 194,137</u>	<u>\$ 1,284,076</u>

Current Portion of Principal: \$120,230  
Current Portion of Interest: \$ 43,768

# KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements  
June 30, 2013

## 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

Active plan members in the Plan are required to contribute 9% of their annual covered salary. The District "picks up" 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 33.72% was required for fiscal 2013. The contribution requirements for the plan members are established by State statute. The employer contribution rate is established and may be amended by CalPERS. The required employer contribution for the following fiscal year was increased to 36.48%.

### Annual pension cost

For the fiscal year ended June 30, 2013, the total contributions amounted to \$386,907. Of this amount, \$83,101 was contributed by the District on behalf of the plan members. The District's required contribution for fiscal year ended June 30, 2013 was determined as part of the July 1, 2010 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included: a) a 7.75% investment rate of return (net of administrative expenditures); and b) projected salary increases of 3.25% to 14.45%. Both a) and b) include an inflation component of 3% and anticipated payroll growth of 3.25%. The actuarial value of the plan's assets were determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a rolling period, depending on the size of investment gains and/or losses.



**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT**

Notes to Basic Financial Statements  
June 30, 2013

**NOTE 5: DEFINED BENEFIT PENSION PLAN - continued**

**Annual pension cost - continued**

Three-year trend information for the Plan is as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>% of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
2011	\$ 256,021	100%	\$ -
2012	280,065	100%	-
2013	303,806	100%	-

**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, 2013 was \$51,025.

The minimum future lease commitments are as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Amount</u>
2014	\$ 52,730
2015	18,607
	<u>\$ 71,337</u>

# KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements  
June 30, 2013

## 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 \$28,920 for fiscal 2013 coverage. Members are subject to dividends and/or assessments in accordance with the provisions of the Joint Powers agreement. At June 30, 2013, SDRMA could not confirm the status of any incurred but not reported (“IBNR”) 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, 2013

**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.

<u>Differences</u>	<u>Balance June 30, 2013</u>
Net capital assets	\$ 3,872,429
Net difference	<u>\$ 3,872,429</u>

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

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT**

Notes to Basic Financial Statements  
June 30, 2013

**NOTE 8: EXPLANATION OF DIFFERENCES BETWEEN THE GOVERNMENTAL FUND OPERATING STATEMENT AND THE STATEMENT OF ACTIVITIES - continued**

net position decreased by the amount of depreciation expense on equipment items during the year and increased (decreased) by the amount of net gain (loss) on disposal of capital assets.

Differences	Balance June 30, 2013
Capital Outlay	\$ (2,166)
Add: Depreciation expense	83,952
Net difference	\$ 81,786

**NOTE 9: 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 the 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 \$1,775,239 on the valuation date of June 30, 2013.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT**

Notes to Basic Financial Statements  
June 30, 2013

**NOTE 9: 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, 2011
Actuarial cost method:	Entry Age Normal Cost Method
Discount rate used in valuation:	7.61%
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>
2012	\$ 141,133
2013	\$ 145,720

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT**

Notes to Basic Financial Statements  
June 30, 2013

**NOTE 9: POST-RETIREMENT HEALTH BENEFITS - continued**

**Schedule of Employer Annual Required Contributions - continued**

	<u>June 30, 2013</u>
Actuarial accrued liability (AAL)	\$ 1,775,239
Actuarial value of assets	249,031
Unfunded actuarial accrued liability	<u>1,526,208</u>
 Remaining amortization period	 26
 Amortization factor based on 7.61% discount rate and 4% inflation rate of health premiums. Payroll increase of 3.25% per year.	
Initial Annual level amortization of unfunded AAL	164,650
Residual unfunded AAL	(60,263)
Normal Cost	41,333
Annual required contribution (ARC)	<u>\$ 145,720</u>
	<u>2012/2013</u>
Annual required contribution	\$ 145,720
Contributions made	290,487
Increase (decrease) in net OPEB obligations	(144,767)
Net OPEB obligation, beginning of year	115,140
Net OPEB obligation (asset), end of year	<u>\$ (29,627)</u>

**NOTE 10: COMPENSATED ABSENCES**

Amounts due to employees for compensated absences as of June 30, 2013 were as follows:

Vacation	\$ <u>90,049</u>
Total compensated absences	\$ <u>90,049</u>

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT**

Notes to Basic Financial Statements  
June 30, 2013

**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, 2013 were as follows:

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Total</u>
<b>Nonspendable:</b>			
Prepaid expenses	\$ 59,059	\$ -	\$ 59,059
OPEB asset	29,627	-	29,627
Subtotal	<u>\$ 88,686</u>	-	<u>88,686</u>
<b>Restricted:</b>			
Bay View	22,610	-	22,610
Subtotal	<u>22,610</u>	-	<u>22,610</u>
<b>Committed to:</b>			
Capital projects	-	127,335	282,181
Subtotal	<u>-</u>	<u>127,335</u>	<u>282,181</u>
<b>Assigned to:</b>			
Park building	300,000	-	300,000
Subtotal	<u>300,000</u>	-	<u>300,000</u>
<b>Unassigned</b>	<u>1,111,124</u>	-	<u>1,111,124</u>
<b>Totals</b>	<u>\$ 1,522,420</u>	<u>\$ 127,335</u>	<u>\$ 1,804,601</u>

# KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements  
June 30, 2013

## NOTE 11: FUND BALANCES

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.
- 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: SUBSEQUENT EVENTS

At the time of the audit, KPPCSD has evaluated all subsequent events through January 21, 2015, the date the financial statements were available to be issued, and determined that there is no material impact from the subsequent events.