

**KENSINGTON POLICE PROTECTION AND
COMMUNITY SERVICES DISTRICT**

Financial Statements and Independent Auditor's Report for the
Year ended June 30, 2017

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
 Basic Financial Statements
 and Required Supplementary Information
 for the Fiscal Year Ended June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities and each major fund of the Kensington Police Protection and Community Services District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund of the Kensington Police Protection and Community Services District as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (Continued)

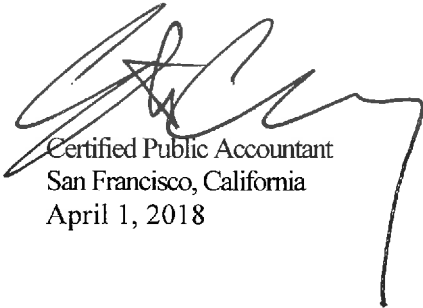
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, post-employment benefits and budgetary comparison information on page 3-7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated April 1, 2018 on my consideration of District's internal control over financial reporting and on my tests or its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Certified Public Accountant
San Francisco, California
April 1, 2018

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

This discussion and analysis of the Kensington Police Protection and Community Services District's (the District) fiscal performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2017. 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, 2017 and 2016 are \$3,672,077 and \$3,097,405, respectively.
- Unrestricted net position, the part of net position that can be used to finance day-to-day operations for fiscal years ended June 30, 2017 and 2016 are \$(305,320) and \$(927,983), respectively.
- GASB 68 Information—As of June 30, 2017, long-term pension liability is \$3,551,469 (measurement date June 30, 2016). Deferred outflow of resources is now \$1,368,605 (net increase of \$639,758) and deferred inflow of resources is \$237,532 (net decrease of \$175,236), all derived from the PERS Accounting Valuation (measurement date June 30, 2016).
- Long term net pension liability for the years ended June 30, 2017 and 2016 are \$3,551,469 and \$2,878,245, respectively. CalPERS' net pension liability increased over one billion dollars (total risk pool) this year and KPPCSD's portion was just over \$673,000.

From the Governmental Fund Financial Statements

- Our General Fund balance increased by \$438,275, which is compared to an \$247,283 increase in 2016.
- Property tax revenues (including special tax revenue for police services) for fiscal years ended June 30, 2017 and 2016 were \$2,882,902 and \$2,757,396, respectively. This is a 4.55% increase.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Government-Wide Financial Statements (Continued)

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

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

Governmental Funds Financial Statements

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

Notes to the Financial Statements

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

Supplementary Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position serves over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$3,672,077 as of June 30, 2017 and \$3,097,405 as of June 30, 2016. This number is composed of three components:

| | <u>June 30, 2017</u> | <u>June 30, 2016</u> |
|---|----------------------------|----------------------------|
| Investment in capital assets, net of debt | \$ 3,851,927 | \$ 3,858,056 |
| Restricted | 125,470 | 167,332 |
| Unrestricted net position | <u>(305,320)</u> | <u>(927,983)</u> |
| Total net position | <u><u>\$ 3,672,077</u></u> | <u><u>\$ 3,097,405</u></u> |

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

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

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 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, 2017 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, 2017, the District was the beneficiary of the COPS Grant. KPPCSD received \$139,416 for the current year plus \$19,535 additional for the prior year. The funds must be used for law enforcement only and all expenditures have been approved by the District's Board of Directors. In fiscal year 2016/2017, this grant money was used for weapons, the radar sign and other equipment, work on the evidence room, and additional overtime required to cover the loss of two injured officers and one officer out on admin leave.

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

Other reserved funds: Compensated absences payable—\$114,454.

COMMENTS ON GENERAL FUND BUDGET COMPARISONS

Actual revenues and actual expenditures versus budget amounts equals a positive variance of \$583,734.

Actual revenues exceeded budgeted revenues by \$437,871. The largest difference is that the District received \$158,951 in grant funding. All property tax revenue together was \$32,301 over budget.

Several large differences were from one time activities. KPPCSD received \$143,777 as a result of West Net disbanding and distributing the proceeds from selling seized assets. There were two officers out on worker's comp for most of the year, so KPPCSD was reimbursed a total of \$94,252.

Actual expenditures were less than final budgeted expenditures by \$145,863. The largest difference was \$117,820 in police salaries and benefits, mostly made up of \$90,258 in officer salaries. Police expenses were under budget \$69,966. The largest factor was \$33,150 under budget in communications. District expenses were over budget \$118,111. Legal was over by \$127,899. The offset was a budgeted \$20,000 for waste/recycle where only \$4,252 was spent.

Capital outlay was under budget by \$70,697. The largest difference was that only \$10,100 of the \$100,000 budgeted was spent in Park Building Improvements. The \$13,547 for weapons was unbudgeted but paid for from the asset seizure forfeit monies received. The sound/audio visual system was \$33,521 rather than the budgeted \$21,000.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

HISTORY AND ECONOMIC FACTORS

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

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

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

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

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

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

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

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

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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, 2017**

| | General Fund | Capital Project | Total | Adjustment See Note (3, 8 & 12) | Statement of Net Position |
|--|---------------------|--------------------|---------------------|------------------------------------|------------------------------|
| Assets | | | | | |
| Cash and investments (Note 2) | \$ 2,018,789 | \$ 128,791 | \$ 2,147,580 | \$ - | \$ 2,147,580 |
| Receivables | | | | | |
| Grant receivable | 39,416 | - | 39,416 | - | 39,416 |
| Supplemental taxes and Community Services District | 21,320 | - | 21,320 | - | 21,320 |
| Interest receivable | 2,177 | 234 | 2,411 | - | 2,411 |
| OPEB Assets | 65,902 | - | 65,902 | - | 65,902 |
| Reimbursements and other | 41,364 | - | 41,364 | - | 41,364 |
| Prepaid | 152,346 | - | 152,346 | - | 152,346 |
| Capital Assets (Note 3) | | | | | |
| Land | - | - | - | 2,808,347 | 2,808,347 |
| Vehicle and equipment | - | - | - | 482,206 | 482,206 |
| Building and improvement | - | - | - | 1,618,818 | 1,618,818 |
| Furniture & fixtures | - | - | - | 61,933 | 61,933 |
| Construction in progress | - | - | - | 44,718 | 44,718 |
| Accumulated depreciation | - | - | - | (1,164,095) | (1,164,095) |
| Total Capital Asset | - | - | - | 3,851,927 | (3,851,927) |
| Total Assets | <u>\$ 2,341,314</u> | <u>\$ 129,025</u> | <u>\$ 2,470,339</u> | <u>\$ 3,851,927</u> | <u>\$ 6,322,266</u> |
| Deferred Outflows of Resources-Deferred pensions (Note 12) | - | - | - | 1,368,605 | 1,368,605 |
| Liabilities | | | | | |
| Accounts payable | \$ 98,904 | \$ - | \$ 98,904 | \$ - | \$ 98,904 |
| GASB 45 Accrual | - | - | - | - | - |
| Compensated absence | 114,454 | - | 114,454 | - | 114,454 |
| Accrued payable | 16,435 | - | 16,435 | - | 16,435 |
| Long term net pension liability | - | - | - | 3,551,469 | 3,551,469 |
| Total Liabilities | <u>229,793</u> | <u>-</u> | <u>229,793</u> | <u>3,551,469</u> | <u>3,781,262</u> |
| Deferred Inflows of Resources-Deferred pensions (Note 12) | - | - | - | 237,532 | 237,532 |
| Fund Balances/Net Position | | | | | |
| Fund balances | | | | | |
| Non-spendable | 266,800 | - | 266,800 | (266,800) | - |
| Restricted | 125,470 | - | 125,470 | (125,470) | - |
| Committed | 150,000 | 129,025 | 279,025 | (279,025) | - |
| Assigned | 257,945 | - | 257,945 | (257,945) | - |
| Unassigned | 1,311,306 | - | 1,311,306 | (1,311,306) | - |
| Total Fund Balances | <u>2,111,521</u> | <u>129,025</u> | <u>2,240,546</u> | <u>(2,240,546)</u> | <u>-</u> |
| Total Liabilities and Fund Balances | <u>\$ 2,341,314</u> | <u>\$ 129,025</u> | <u>\$ 2,470,339</u> | | |
| Net Position | | | | | |
| Capital assets | | | | 3,851,927 | 3,851,927 |
| Restricted | | | | 125,470 | 125,470 |
| Unrestricted | | | | (305,320) | (305,320) |
| Total Net Position | | | | <u>\$ 3,672,077</u> | <u>\$ 3,672,077</u> |

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

**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, 2017**

| | General | Capital Project | Total | Adjustment Note 3, 8 | Statement of Activities |
|--|------------------|--------------------|------------------|-------------------------|----------------------------|
| EXPENDITURES/EXPENSES | | | | | |
| Current expenditures/expenses | | | | | |
| Police Salary and Benefits | | | | | |
| Salary-officers | \$ 925,016 | \$ - | \$ 925,016 | \$ - | \$ 925,016 |
| Compensated absence | 52,397 | - | 52,397 | - | 52,397 |
| Overtime | 88,013 | - | 88,013 | - | 88,013 |
| Salary-non sworn | 110,411 | - | 110,411 | - | 110,411 |
| Uniform allowance | 6,812 | - | 6,812 | - | 6,812 |
| Safety equipment | 2,867 | - | 2,867 | - | 2,867 |
| Medical insurance - Active | 174,696 | - | 174,696 | - | 174,696 |
| Medical insurance - Retired | 154,736 | - | 154,736 | - | 154,736 |
| Medical insurance - Retired trust | 25,888 | - | 25,888 | - | 25,888 |
| Disability & life insurance | 4,248 | - | 4,248 | - | 4,248 |
| Social security/medicare | 22,178 | - | 22,178 | - | 22,178 |
| PERS district | 489,839 | - | 489,839 | (141,770) | 348,069 |
| PERS officers | 53,123 | - | 53,123 | - | 53,123 |
| Workers compensation | 56,784 | - | 56,784 | - | 56,784 |
| Police Expenses | | | | | |
| Expendable police supplies | 3,334 | - | 3,334 | - | 3,334 |
| Range/ammunition supplies | 7,521 | - | 7,521 | - | 7,521 |
| Crossing guard | 11,089 | - | 11,089 | - | 11,089 |
| Vehicle operation | 25,485 | - | 25,485 | - | 25,485 |
| Communications (RPD) | 123,270 | - | 123,270 | - | 123,270 |
| Radio maintenance | 1,817 | - | 1,817 | - | 1,817 |
| Prisoner/case expense/booking | 10,406 | - | 10,406 | - | 10,406 |
| Training | 3,794 | - | 3,794 | - | 3,794 |
| Recruiting | 3,285 | - | 3,285 | - | 3,285 |
| Reserve officers | 3,580 | - | 3,580 | - | 3,580 |
| Misc. dues, meals and travel | 1,687 | - | 1,687 | - | 1,687 |
| Utilities | 13,164 | - | 13,164 | - | 13,164 |
| Building repair | 658 | - | 658 | - | 658 |
| Office supplies | 5,588 | - | 5,588 | - | 5,588 |
| Telephone | 4,904 | - | 4,904 | - | 4,904 |
| Housekeeping | 4,557 | - | 4,557 | - | 4,557 |
| Publications | 2,923 | - | 2,923 | - | 2,923 |
| Community policing | 9,520 | - | 9,520 | - | 9,520 |
| CAL ID | 6,101 | - | 6,101 | - | 6,101 |
| Measure G administration | 3,463 | - | 3,463 | - | 3,463 |
| Recreation Salary and Benefits | | | | | |
| Park and recreation administration | 8,440 | - | 8,440 | - | 8,440 |
| Custodian | 21,000 | - | 21,000 | - | 21,000 |
| Social security/medicare | 619 | - | 619 | - | 619 |
| Recreation Expenses | | | | | |
| Community center utilities | 6,680 | - | 6,680 | - | 6,680 |
| Janitorial supplies | 676 | - | 676 | - | 676 |
| Community center repairs | 5,611 | - | 5,611 | - | 5,611 |
| Community center equip maint | 1,659 | - | 1,659 | - | 1,659 |
| Park O&M | 70,776 | - | 70,776 | - | 70,776 |
| Misc. park/rec expense | 1,371 | - | 1,371 | - | 1,371 |
| District Expenses | | | | | |
| Salary | 5,938 | - | 5,938 | - | 5,938 |
| Computer maintenance | 26,105 | - | 26,105 | - | 26,105 |
| Copier contract | 4,865 | - | 4,865 | - | 4,865 |
| Legal | 227,419 | - | 227,419 | - | 227,419 |
| Consulting | 46,648 | - | 46,648 | - | 46,648 |
| Accounting | 50,748 | - | 50,748 | - | 50,748 |
| Insurance | 27,607 | - | 27,607 | - | 27,607 |
| Eleton | 3,562 | - | 3,562 | - | 3,562 |
| Police building lease | 1 | - | 1 | - | 1 |
| County expense | 21,396 | - | 21,396 | - | 21,396 |
| Waste/recycle | 4,252 | - | 4,252 | - | 4,252 |
| Miscellaneous | 15,919 | - | 15,919 | - | 15,919 |
| Depreciation | - | - | - | 78,544 | 78,544 |
| Total current expenditures/expenses | 2,964,446 | - | 2,964,446 | (63,226) | 2,901,220 |
| Capital outlay | | | | | |
| Equipment and furniture | 64,053 | - | 64,053 | (64,053) | - |
| Buildings and improvements | - | - | - | - | - |
| Construction in progress | 10,100 | - | 10,100 | (10,100) | - |
| Total capital outlay | 74,153 | - | 74,153 | (74,153) | - |
| Total Expenditures/Expenses | 3,038,599 | - | 3,038,599 | (137,379) | 2,901,220 |

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

**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, 2017
(Continued)**

| | General | Capital Project | Total | Adjustment Note 3, 8 | Statement of Activities |
|--|---------------------|--------------------|---------------------|-------------------------|----------------------------|
| GENERAL REVENUES: | | | | | |
| Property taxes | 1,673,283 | - | 1,673,283 | - | 1,673,283 |
| Special assessments | 681,630 | - | 681,630 | - | 681,630 |
| Measure G supplemental tax revenue | 527,989 | - | 527,989 | - | 527,989 |
| Assets seizure forfeit/WEST NET | 143,777 | - | 143,777 | - | 143,777 |
| Grants-COPS & other | 158,951 | - | 158,951 | - | 158,951 |
| Charges for services | 3,369 | - | 3,369 | - | 3,369 |
| Kensington Hilltop services reimb. | 19,468 | - | 19,468 | - | 19,468 |
| West county crossing guard reimb. | 11,151 | - | 11,151 | - | 11,151 |
| POST reimbursement | 1,054 | - | 1,054 | - | 1,054 |
| Rents and fees | 31,393 | - | 31,393 | - | 31,393 |
| Investment income | 7,456 | 757 | 8,213 | - | 8,213 |
| Contribution | 11,000 | - | 11,000 | - | 11,000 |
| Franchise fees | 55,819 | - | 55,819 | - | 55,819 |
| Other tax income | 48,137 | - | 48,137 | - | 48,137 |
| Supplemental workers' comp reimb. | 94,252 | - | 94,252 | - | 94,252 |
| Other income | 19,411 | - | 19,411 | - | 19,411 |
| Gain (loss) on asset sale | - | - | - | (1,738) | (1,738) |
| Total Revenues | <u>3,488,140</u> | <u>757</u> | <u>3,488,897</u> | <u>(1,738)</u> | <u>3,487,159</u> |
| Excess (deficiency) of Revenues Over Other (under) Expenditures | 449,541 | 757 | 450,298 | 135,641 | 585,939 |
| Other Financing Sources (Uses) | | | | | |
| Transfers in | 65 | - | 65 | - | 65 |
| Transfers out | (10,380) | - | (10,380) | - | (10,380) |
| Total Other Financing Sources (Uses) | <u>(10,315)</u> | <u>-</u> | <u>(10,315)</u> | <u>-</u> | <u>(10,315)</u> |
| Change in Net Position | 439,226 | 757 | 439,983 | 135,641 | 575,624 |
| Fund Balances/Net Position, Beginning of Year | <u>1,673,247</u> | <u>128,268</u> | <u>1,801,515</u> | <u>1,295,890</u> | <u>3,097,405</u> |
| Prior Period Adjustment | <u>(952)</u> | <u>-</u> | <u>(952)</u> | <u>-</u> | <u>(952)</u> |
| Fund Balances/Net Position, Beginning of Year, Restated | <u>1,672,295</u> | <u>128,268</u> | <u>1,800,563</u> | <u>1,295,890</u> | <u>3,096,453</u> |
| Fund Balances/Net Position, End of Year | <u>\$ 2,111,521</u> | <u>\$ 129,025</u> | <u>\$ 2,240,546</u> | <u>\$ 1,431,531</u> | <u>\$ 3,672,077</u> |

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

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017**

| | Kensington Park Reassessment District 2004-1 Fund |
|--|--|
| Assets | |
| Cash and investments (Note 2) | \$ 306,066 |
| Interest receivable | 215 |
| Special assessments receivable | 471,258 |
| Total Assets | \$ 777,539 |
| Liabilities | |
| Accounts payable | \$ 1 |
| 2004 Limited Obligation Improvement Bonds (Note 4) | 587,766 |
| Bond interest payable | 8,327 |
| Total Liabilities | \$ 596,094 |
| Net Position | |
| Reserved for Emergency Preparedness Council | \$ - |
| Reserved for Reassessment District 2004-1 | 181,445 |
| Total Net Position | \$ 181,445 |

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

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
STATEMENT OF CHANGES IN NET POSITION-FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

| | Kensington Park Reassessment District 2004-1 Fund |
|---|--|
| | |
| ADDITIONS: | |
| Special assessments | \$ 179,305 |
| Interest income | 695 |
| Total Additions | 180,000 |
| DEDUCTIONS: | |
| Bond administration charges | 12,140 |
| Bond expenses | 25,924 |
| Bond principal | 133,201 |
| Contract services | (65) |
| Total Deductions | 171,200 |
| Net increase (decrease) in fiduciary net position | 8,800 |
| Transfer in | (65) |
| Transfer out | 10,380 |
| Net Position, Beginning of Year | 162,330 |
| Net Assets, End of Year | \$ 181,445 |

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

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017**

| | <u>General Fund Budget</u> | <u>General Fund Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|--------------------------------|--------------------------------|---|
| Revenues: | | | |
| Property taxes | \$ 1,641,000 | \$ 1,673,283 | \$ 32,283 |
| Special assessments | 680,000 | 681,630 | 1,630 |
| Measure G supplemental tax revenue | 529,601 | 527,989 | (1,612) |
| Assets seizure forfeit/WEST NET | - | 143,777 | 143,777 |
| Grants-COPS & other | - | 158,951 | 158,951 |
| Charges for services | 1,500 | 3,369 | 1,869 |
| Kensington Hilltop services reimb. | 19,467 | 19,468 | 1 |
| West county crossing guard reimb. | 11,151 | 11,151 | - |
| POST reimbursement | - | 1,054 | 1,054 |
| Rents and fees | 33,000 | 31,393 | (1,607) |
| Investment income | 1,350 | 7,456 | 6,106 |
| Contribution | 8,000 | 11,000 | 3,000 |
| Franchise fees | 65,000 | 55,819 | (9,181) |
| Other tax income | 47,000 | 48,137 | 1,137 |
| Supplemental workers' comp reimb. | - | 94,252 | 94,252 |
| Other income | 13,200 | 19,411 | 6,211 |
| | <u>3,050,269</u> | <u>3,488,140</u> | <u>437,871</u> |
| Total Revenues | | | |
| Expenses: | | | |
| Police Salary and Benefits | 2,284,828 | 2,167,008 | 117,820 |
| Police Other Expenses | 316,112 | 246,146 | 69,966 |
| Recreation Salary and Benefits | 31,407 | 30,059 | 1,348 |
| Recreation Expenses | 90,916 | 86,773 | 4,143 |
| District Expenses | 316,349 | 434,460 | (118,111) |
| Capital Outlay | 144,850 | 74,153 | 70,697 |
| | <u>3,184,462</u> | <u>3,038,599</u> | <u>145,863</u> |
| Total Expenditures | | | |
| Excess of Revenues over (under) Expenditures | <u>\$ (134,193)</u> | <u>\$ 449,541</u> | <u>\$ 583,734</u> |

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

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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. Currently, the District has two of these funds, a General Fund and Capital Project Fund. The District also maintains one fiduciary fund: Kensington Park Reassessment District 2004-1 Fund (used to account for special assessment funds, see Note 4).

Government-Wide Financial Statements

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

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

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

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

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements (Continued)

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

Governmental Fund Financial Statements

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

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

The District has only four funds in fiscal year 2017, the General Fund, Capital Project Fund, and two fiduciary funds which are the Emergency Preparedness and the Kensington Park Reassessment District. A longer description is below.

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

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting

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

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

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

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

Encumbrances

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

Cash and Investments

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

Compensated Absences

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

Fund Equity Reservations and Designations

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

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenditures during the reporting periods. Actual results could differ from those estimates.

Deferred Outflows and inflows of Resources

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

Implementation of New Accounting Principles

GASB Statement No. 74 – In June 2015, GASB issued Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016, or the FY 2016/2017. The Districts implemented this pronouncement in the current year.

GASB Statement No. 77 – In August 2015, GASB issued Statement No. 77 – *Tax Abatement Disclosures*. The objective of this Statement is to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs. The requirements of this Statement are effective for the financial statements for periods beginning after December 15, 2015, or the FY 2016/2017. The District has determined that this Statement does not have a material impact on the financial statements.

GASB Statement No. 80 – In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. The objective of the Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The Statement is effective for the reporting periods beginning after June 15, 2016. The District has determined that this Statement does not have a material impact on the financial statements.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 82 – In March 2016, GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of the Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pension*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, the Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Statement is effective for the reporting periods beginning after June 15, 2016. The District has implemented this Statement as of July 1, 2015.

New Accounting Pronouncements – Effective in the Future Fiscal Years

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local government for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement is effective for fiscal years beginning after June 15, 2017, or the FY 2017/2018. The District has not determined the impact of this pronouncement on the financial statements.

GASB Statement No. 81 – In March 2016, GASB issued Statement No. 81, *Irrevocable Split-interest Agreements*. The objective of the Statement is to improve financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, the Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. The Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The Statement is effective for the reporting periods beginning after December 15, 2016 or for the FY 2017/2018. The District has not determined the impact of this pronouncement on the financial statements.

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

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1— SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

GASB Statement No. 85 – In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The Statement is effective for the reporting periods beginning after June 15, 2017, or FY 2017/2018 fiscal year. The District has not determined the impact of this pronouncement on the financial statements.

GASB Statement No. 86 – In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds or refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The Statement is effective for the reporting periods beginning after June 15, 2017, or FY 2017/2018. The District has not determined the impact of this pronouncement on the financial statements.

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

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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, 2017 is as follows:

| | Carrying Value | Market Value |
|-------------------------------------|---------------------------|-------------------------|
| <u>Governmental Funds</u> | | |
| <u>Category 1:</u> | | |
| Cash in checking accounts | \$ 2,823 | \$ 2,823 |
| Petty cash | 100 | 100 |
| | 2,923 | 2,923 |
| <u>Uncategorized:</u> | | |
| County Treasury | 2,144,657 | 2,144,657 |
| Total Governmental Funds | 2,147,580 | 2,147,580 |
| <u>Fiduciary Funds</u> | | |
| <u>Category 1:</u> | | |
| Cash in checking accounts | - | - |
| <u>Uncategorized:</u> | | |
| County Treasury | 306,066 | 306,066 |
| Total Fiduciary Funds | 306,066 | 306,066 |
| Total Governmental Funds | \$ 2,453,646 | \$ 2,453,646 |

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2— CASH AND INVESTMENTS (Continued)

The cash and investments by fund is as follows:

| | |
|------------------------------------|--------------|
| General Fund | \$ 2,018,789 |
| Capital Project Fund | 128,791 |
| | \$ 2,147,580 |
| | |
| 2004-1 Park Reassessment Bond Fund | \$ 306,066 |

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

Deposits

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

NOTE 3—CAPITAL ASSETS

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

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

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

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3—CAPITAL ASSETS (Continued)

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

A summary of changes in general fixed assets follows:

| | Balance 6/30/16 | Adjustments | Additions | Retirements | Balance 6/30/17 |
|--|----------------------------|--------------------|-------------------|--------------------|----------------------------|
| Non-Depreciable Assets | | | | | |
| Land | \$ 2,808,347 | \$ - | \$ - | \$ - | \$ 2,808,347 |
| Construction in Progress | 34,618 | - | 10,100 | - | 44,718 |
| Depreciable Assets | | | | | |
| Building & improvements | 1,618,818 | - | - | - | 1,618,818 |
| Vehicles & equipment | 507,756 | - | 30,532 | 56,082 | 482,206 |
| Furniture & fixtures | 28,412 | - | 33,521 | - | 61,933 |
| Total Depreciable Asset: | 4,997,951 | - | 74,153 | 56,082 | 5,016,022 |
| Accumulated Depreciation | | | | | |
| Building & improvements | 632,214 | 87,649 | 43,437 | - | 763,300 |
| Vehicles & equipment | 479,963 | (87,649) | 32,305 | 54,344 | 370,275 |
| Furniture/fixtures/improvements | 27,718 | - | 2,802 | - | 30,520 |
| Total Accumulated Depreciation | 1,139,895 | - | 78,544 | 54,344 | 1,164,095 |
| Capital Assets Net of Depreciation: | \$ 3,858,056 | \$ - | \$ (4,391) | \$ 1,738 | \$ 3,851,927 |

The current depreciation expense of \$78,544 was charged to police services.

NOTE 4— SPECIAL ASSESSMENT DEBT

Kensington Park Reassessment District 2004-1 Refunding Bonds

| | June 30, 2016 | Adjustment | Payments | June 30, 2017 |
|--|----------------------|-------------------|-------------------|----------------------|
| 2004 Limited Obligation Improvement Bonds | \$ 720,967 | \$ - | \$ 133,201 | \$ 587,766 |
| | \$ 720,967 | \$ - | \$ 133,201 | \$ 587,766 |

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4— SPECIAL ASSESSMENT DEBT (Continued)

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

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

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

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

As of June 30, 2017, future debt service payments were as follows:

| <u>Fiscal Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------------|-------------------|------------------|-------------------|
| 2018 | \$ 140,485 | \$ 21,995 | \$ 162,480 |
| 2019 | 147,469 | 15,876 | 163,345 |
| 2020 | 149,165 | 9,573 | 158,738 |
| 2021 | 150,647 | 3,202 | 153,849 |
| | <u>\$ 587,766</u> | <u>\$ 50,646</u> | <u>\$ 638,412</u> |

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5— DEFINED BENEFIT PENSION PLAN

CalPERS plan description

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

Funding policy

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

A Tier 1 (Classic) CalPERS employee is required to contribute 9% of his/her annual covered salaries. The District has historically paid this tax deferred contribution required of Classic employees on their behalf and for their accounts. Effective March 01, 2016, determined by the current MOU, each Classic employee began contributing 2% individually and The District paid the remaining 7% of the Classic employee’s required contribution. Effective March 01, 2017, that same 9% will be paid for as follow: 4% by the Classic employee and The District will contribute 5%.

In addition, for Tier 1 (Classic) CalPERS employees, The District is required to contribute the actuarially determined amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS’ Board of Administration. The contribution requirements for the plan members are established by State statute. For the fiscal year ending June 30, 2016, that contribution was 18.524% plus a flat contribution for CalPERS’ Unfunded Actuarial Liability (UAL) of \$204,742. The District took advantage of paying the UAL in one lump sum for a discounted amount of \$197,471, saving the District \$7,271. For the fiscal year ending June 30, 2017, the District’s contribution rate will be 19.536% and a flat UAL of \$229,208.

Although PEPRA has been effective of hires as of January 01, 2013, The District’s first Tier 2 (PEPRA) CalPERS employee was hired in October 2015. A PEPRA employee is required to pay his/her own officer’s portion contribution. The District will not pick up any of that portion. For the fiscal year ending June 30, 2016, the PEPRA employee’s contribution was 11.5%. The District’s own contribution rate was 11.153%. There is no UAL contribution for PEPRA employees. For the year ending June 30, 2017, the PEPRA employee’s contribution will remain at 11.5%, but The District’s contribution rate will be 12.082%. As before, there will be no UAL contribution.

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

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5— DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2017 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)% |

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 contribution 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 investment, and was applied to all periods of projected benefit payments to determine the total pension liability.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5— DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

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

The following presents what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.65%) or 1 percentage point higher (8.65%) than the current rate:

| | 1% Decrease 6.65% | Current Discount Rate 7.65% | 1% Increase 8.65% |
|--|----------------------|-----------------------------------|----------------------|
| District's proportionate share of the net pension plan liability | \$ 5,294,495 | \$ 3,551,469 | \$ 2,120,623 |

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 for \$1 per year. Future lease agreement includes an 18 month agreement to occupy office space from July 1, 2017 to December 31, 2018 at a rate of \$2,955.67 a month. In addition, the District leases equipment in a separate operating lease. Rent expense including operating lease for fiscal year ended June 2017 was \$2,304.

The minimum future lease commitments are as follows:

| <u>Fiscal Year Ended June 30,</u> | <u>Amount</u> |
|-----------------------------------|------------------|
| 2018 | \$ 37,772 |
| 2019 | 20,038 |
| Total | \$ 57,810 |

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7— INSURANCE POOLS

Special District Risk Management Association

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 \$27,607 for fiscal year 2017 coverage. Members are subject to dividends and/or assessments in accordance with the provisions of the Joint Powers agreement. At June 30, 2017 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 annual premium paid for fiscal year 2017 coverage was \$56,784.

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.

**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.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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

| Differences | Balance June 30, 2017 |
|--------------------------------|--------------------------|
| Net capital assets | \$ 3,851,927 |
| Deferred outflows of resources | (1,368,605) |
| Net Pension liability | 3,551,469 |
| Deferred inflows of resources | 237,532 |
| Subtotal | 2,420,396 |
| Net difference | \$ 1,431,531 |

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

In addition, the adjustments required by GASB 68, netting (\$2,420,396) are not included in the fund financial statements.

| Differences | Balance June 30, 2017 |
|----------------------|--------------------------|
| Capital Outlay | \$ (74,153) |
| Depreciation expense | 78,544 |
| Net difference | \$ 4,391 |

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

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 study projected the plan population to estimate the cost of future benefits. The actuarial study accrued total OPEB liability comes to \$2,439,023 on the valuation date of July 1, 2016 (with one manually calculated increases of 2.75% at the direction of the actuary).

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

| | |
|----------------------------------|--|
| Valuation date: | July 1, 2016 |
| Actuarial cost method: | Entry Age Normal Cost Method |
| Discount rate used in valuation: | 7.28% |
| 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> |
|----------------------------------|---|
| 2016 | \$ 199,136 |
| 2017 | 84,756 |

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9— OTHER POSTRETIREMENT HEALTH BENEFITS (Continued)

Schedule of Employer Annual Required Contributions (Continued)

| | June 30, 2017 |
|--|----------------------|
| Actuarial accrued liability (AAL) | \$ 3,851,572 |
| Less: Actuarial value of assets | (804,775) |
| Unfunded actuarial accrued liability | \$ 3,046,797 |
| Initial UAAL remaining amortization period | 30 years |
| Remaining amortization period for balance of UAAL | 23 years |
| Amortization factor based on 7.28% discount rate and 4% inflation rate of health premiums. Payroll increase of 2.75% per year. | |
| Annual level percent of pay amortization of unfunded AAL | \$ 220,399 |
| Residual unfunded AAL | (319,821) |
| Normal cost | 184,178 |
| Annual required contribution (ARC) | \$ 84,756 |
| 2016/2017 | |
| Annual required contribution | \$ 84,756 |
| Contribution made | (154,736) |
| Increase (decrease) in net OPEB obligation | (69,980) |
| Net OPEB obligation, beginning of year | 4,078 |
| Net OPEB obligation (asset), end of year | \$ (65,902) |

NOTE 10 – COMPENSATED ABSENCES

Amounts due to employees for compensated absences as of June 30, 2017 were as follows:

| | |
|----------------------------|------------|
| Vacation and comp time | \$ 114,454 |
| Total compensated absences | \$ 114,454 |

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 11 – FUNDBALANCES

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, 2017 were as follows:

| | <u>General Fund</u> | <u>Capital Project Fund</u> | <u>Total</u> |
|-----------------------------------|-------------------------|---------------------------------|---------------------|
| Nonspendable: | | | |
| Prepaid expenses | \$ 152,346 | \$ - | \$ 152,346 |
| Compensated Absences | 114,454 | - | 114,454 |
| Subtotal | <u>266,800</u> | <u>-</u> | <u>266,800</u> |
| Restricted for: | | | |
| Bay View | 125,470 | - | 125,470 |
| Subtotal | <u>125,470</u> | <u>-</u> | <u>125,470</u> |
| Committed to: | | | |
| Capital projects | - | - | - |
| Community center building upgrade | 150,000 | 129,025 | 279,025 |
| Subtotal | <u>150,000</u> | <u>129,025</u> | <u>279,025</u> |
| Assigned to: | | | |
| Park building | 207,945 | - | 207,945 |
| Temporarily police station | 50,000 | - | 50,000 |
| Subtotal | <u>257,945</u> | <u>-</u> | <u>257,945</u> |
| Unassigned | <u>1,311,306</u> | <u>-</u> | <u>1,311,306</u> |
| Total | <u>\$ 2,111,521</u> | <u>\$ 129,025</u> | <u>\$ 2,240,546</u> |

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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 recognizes deferred outflows of resources as well as deferred inflows of resources. They represent the unamortized portions of changes to net pension liability to be recognized in future periods in a systematic and rational manner. They will be recorded on the Statement of Net Assets.

Deferred outflows of resources is a consumption of net assets. It is similar to a prepaid asset. The District has one item that is reportable as deferred outflows of resources which is related to pensions. The total is \$1,368,605. Any monies contributed to the pension plan made after the measurement date are classified as deferred outflows of resources. The \$1,368,605 will be recognized as a reduction of the net pension liability in the fiscal year-end June 30, 2018.

Deferred inflows of resources is an acquisition of net assets. The District has one item that is reportable as deferred inflows of resources which is related to pensions. The total is \$237,532. 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.

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

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 12 – DEFERRED OUTFLOWS AND (INFLOWS) OF RESOURCES (Continued)

| Year Ending June 30, | Amount |
|-----------------------------|-------------------|
| 2018 | \$ 113,813 |
| 2019 | 93,349 |
| 2020 | 273,095 |
| 2021 | 161,955 |
| Total | \$ 642,212 |

NOTE 13 – SUBSEQUENT EVENTS

At the time of the audit, Kensington Police Protection and Community Services District has evaluated all subsequent events through April 1, 2018, 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, 2017**

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

Last 10 Fiscal Years*:

| | FY 2016-17 |
|---|--------------|
| District's proportion of the net pension liability | 0.04104% |
| District's proportionate share of the net pension liability | \$ 3,551,469 |
| District’s covered-employee payroll (measurement year as of FY 2014-15) | 945,959 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 375.44% |
| Plan Fiduciary net position as a percentage of the total pension liability | 74.06% |

CALPERS – Schedule of District contributions

Last 10 Fiscal Years*:

| | FY 2016-17 |
|--|------------|
| Actuarially determined contribution | \$ 488,861 |
| Total actual contributions | (488,861) |
| Contribution deficiency (excess) | \$ - |
| | |
| District’s covered-employee payroll | \$ 925,016 |
| Contribution as a percentage of covered-employee payroll | 52.85% |

**Amounts presented above were determined as of 6/30/2016. Additional years will be presented as they become available.*

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
OTHER SUPPLEMENTARY INFORMATION
TWO YEARS COMPARISON OF GASB 34 INFORMATION-
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
FOR THE YEAR ENDED JUNE 30, 2017**

| | <u>2017</u> | <u>2016</u> |
|--|---------------------|---------------------|
| Assets | | |
| Cash and investments (Note 2) | \$ 2,147,580 | \$ 1,878,266 |
| Investment (Restricted)-See Note 4 | - | 93,430 |
| Receivables | | |
| Grant receivable | 39,416 | - |
| Supplemental taxes and Community Services District | 21,320 | 50,064 |
| Interest receivable | 2,411 | 1,867 |
| OPEB Assets | 65,902 | - |
| Reimbursements and other | 41,364 | 40,290 |
| Prepaid | 152,346 | 38,803 |
| Capital Assets (Note 3) | | |
| Land | 2,808,347 | 2,808,347 |
| Vehicle and equipment | 482,206 | 507,756 |
| Building and improvement | 1,618,818 | 1,618,818 |
| Furniture & fixtures | 61,933 | 28,412 |
| Construction in progress | 44,718 | 34,618 |
| Accumulated depreciation | <u>(1,164,095)</u> | <u>(1,139,895)</u> |
| Total Capital Asset | <u>(3,851,927)</u> | <u>(3,858,056)</u> |
| Total Assets | <u>\$ 6,322,266</u> | <u>\$ 5,960,776</u> |
| Deferred Outflows of Resources-Deferred pensions (Note 12) | <u>1,368,605</u> | <u>728,847</u> |
| Liabilities | | |
| Accounts payable | \$ 98,904 | \$ 202,554 |
| GASB 45 Accrual | - | 4,078 |
| Compensated absence | 114,454 | 79,565 |
| Accrued payable | 16,435 | 15,008 |
| Long term net pension liability | <u>3,551,469</u> | <u>2,878,245</u> |
| Total Liabilities | <u>3,781,262</u> | <u>3,179,450</u> |
| Deferred Inflows of Resources-Deferred pensions (Note 12) | <u>237,532</u> | <u>412,768</u> |
| Total Liabilities and Fund Balances | | |
| Net Position | | |
| Capital assets | 3,851,927 | 3,858,056 |
| Restricted | 125,470 | 167,332 |
| Unrestricted | <u>(305,320)</u> | <u>(927,983)</u> |
| Total Net Position | <u>\$ 3,672,077</u> | <u>\$ 3,097,405</u> |

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

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
OTHER SUPPLEMENTARY INFORMATION
TWO YEARS COMPARISON OF GASB 34 INFORMATION-
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT
OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2017

| | 2017 | 2016 |
|--|------------------|------------------|
| EXPENDITURES/EXPENSES | | |
| Current expenditures/expenses | | |
| Police Salary and Benefits | | |
| Salary-officers | \$ 925,016 | \$ 945,959 |
| Compensated absence | 52,397 | 13,689 |
| Overtime | 88,013 | 98,724 |
| Salary-non sworn | 110,411 | 102,532 |
| Uniform allowance | 6,812 | 7,678 |
| Safety equipment | 2,867 | 791 |
| Medical insurance - Active | 174,696 | 163,436 |
| Medical insurance - Retired | 154,736 | 163,594 |
| Medical insurance - Retired trust | 25,888 | 35,541 |
| Disability & life insurance | 4,248 | 4,428 |
| Social security/medicare | 22,178 | 23,030 |
| PERS district | 348,069 | 163,387 |
| PERS officers | 53,123 | 71,488 |
| Workers compensation | 56,784 | 44,837 |
| Police Expenses | | |
| Expendable police supplies | 3,334 | 5,836 |
| Range/ammunition supplies | 7,521 | 2,886 |
| Crossing guard | 11,089 | 10,890 |
| Vehicle operation | 25,485 | 25,010 |
| Communications (RPD) | 123,270 | 119,489 |
| Radio maintenance | 1,817 | 2,180 |
| Prisoner/case expense/booking | 10,406 | 16,866 |
| Training | 3,794 | 9,391 |
| Recruiting | 3,285 | 4,291 |
| Reserve officers | 3,580 | 191 |
| Misc, dues, meals and travel | 1,687 | 2,379 |
| Utilities | 13,164 | 11,032 |
| Building repair | 658 | 4,942 |
| Office supplies | 5,588 | 6,711 |
| Telephone | 4,904 | 6,429 |
| Housekeeping | 4,557 | 4,945 |
| Publications | 2,923 | 2,580 |
| Community policing | 9,520 | 5,655 |
| CAL ID | 6,101 | 5,508 |
| Measure G administration | 3,463 | 3,489 |
| Recreation Salary and Benefits | | |
| Park and recreation administration | 8,440 | 7,945 |
| Custodian | 21,000 | 21,000 |
| Social security/medicare | 619 | 420 |
| Recreation Expenses | | |
| Community center utilities | 6,680 | 5,743 |
| Janitorial supplies | 676 | 1,241 |
| Community center repairs | 5,611 | 5,964 |
| Community center equip maint | 1,659 | - |
| Park O&M | 70,776 | 54,401 |
| Misc. park/rec expense | 1,371 | 4,293 |
| District Expenses | | |
| Salary | 5,938 | - |
| Computer maintenance | 26,105 | 25,226 |
| Copier contract | 4,865 | 4,742 |
| Legal | 227,419 | 263,482 |
| Consulting | 46,648 | 34,756 |
| Accounting | 50,748 | 46,618 |
| Insurance | 27,607 | 27,572 |
| Election | 3,562 | - |
| Police building lease | 1 | 1 |
| County expense | 21,396 | 21,743 |
| Waste/recycle | 4,252 | 260 |
| Miscellaneous | 15,919 | 17,416 |
| Depreciation | 78,544 | 73,846 |
| Total current expenditures/expenses | 2,901,220 | 2,706,483 |
| Total Expenditures/Expenses | 2,901,220 | 2,706,483 |

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

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
OTHER SUPPLEMENTARY INFORMATION
TWO YEARS COMPARISON OF GASB 34 INFORMATION-
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT
OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2017**

| | 2017 | 2016 |
|--|------------------|------------------|
| EXPENDITURES/EXPENSES | | |
| Current expenditures/expenses | | |
| Police Salary and Benefits | | |
| Salary-officers | \$ 925,016 | \$ 945,959 |
| Compensated absence | 52,397 | 13,689 |
| Overtime | 88,013 | 98,724 |
| Salary-non sworn | 110,411 | 102,532 |
| Uniform allowance | 6,812 | 7,678 |
| Safety equipment | 2,867 | 791 |
| Medical insurance - Active | 174,696 | 163,436 |
| Medical insurance - Retired | 154,736 | 163,594 |
| Medical insurance - Retired trust | 25,888 | 35,541 |
| Disability & life insurance | 4,248 | 4,428 |
| Social security/medicare | 22,178 | 23,030 |
| PERS district | 348,069 | 163,387 |
| PERS officers | 53,123 | 71,488 |
| Workers compensation | 56,784 | 44,837 |
| Police Expenses | | |
| Expendable police supplies | 3,334 | 5,836 |
| Range/ammunition supplies | 7,521 | 2,886 |
| Crossing guard | 11,089 | 10,890 |
| Vehicle operation | 25,485 | 25,010 |
| Communications (RPD) | 123,270 | 119,489 |
| Radio maintenance | 1,817 | 2,180 |
| Prisoner/case expense/booking | 10,406 | 16,866 |
| Training | 3,794 | 9,391 |
| Recruiting | 3,285 | 4,291 |
| Reserve officers | 3,580 | 191 |
| Misc. dues, meals and travel | 1,687 | 2,379 |
| Utilities | 13,164 | 11,032 |
| Building repair | 658 | 4,942 |
| Office supplies | 5,588 | 6,711 |
| Telephone | 4,904 | 6,429 |
| Housekeeping | 4,557 | 4,945 |
| Publications | 2,923 | 2,580 |
| Community policing | 9,520 | 5,655 |
| CAL ID | 6,101 | 5,508 |
| Measure G administration | 3,463 | 3,489 |
| Recreation Salary and Benefits | | |
| Park and recreation administration | 8,440 | 7,945 |
| Custodian | 21,000 | 21,000 |
| Social security/medicare | 619 | 420 |
| Recreation Expenses | | |
| Community center utilities | 6,680 | 5,743 |
| Janitorial supplies | 676 | 1,241 |
| Community center repairs | 5,611 | 5,964 |
| Community center equip maint | 1,659 | - |
| Park O&M | 70,776 | 54,401 |
| Misc. park/rec expense | 1,371 | 4,293 |
| District Expenses | | |
| Salary | 5,938 | - |
| Computer maintenance | 26,105 | 25,226 |
| Copier contract | 4,865 | 4,742 |
| Legal | 227,419 | 263,482 |
| Consulting | 46,648 | 34,756 |
| Accounting | 50,748 | 46,618 |
| Insurance | 27,607 | 27,572 |
| Election | 3,562 | - |
| Police building lease | 1 | 1 |
| County expense | 21,396 | 21,743 |
| Waste/recycle | 4,252 | 260 |
| Miscellaneous | 15,919 | 17,416 |
| Depreciation | 78,544 | 73,846 |
| Total current expenditures/expenses | 2,901,220 | 2,706,483 |
| Total Expenditures/Expenses | 2,901,220 | 2,706,483 |

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

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
OTHER SUPPLEMENTARY INFORMATION
UNRESTRICTED NET POSITION RECONCILIATION
FOR THE YEAR ENDED JUNE 30, 2017**

| | |
|-------------------------------------|----------------------------|
| Balance as of June 30, 2016 | \$ (927,983) |
| Net position change 2017 | 575,624 |
| Prior period adjustment | (952) |
| Decrease in capital assets | 6,129 |
| Decrease in restricted fund balance | <u>41,862</u> |
| Balance as of June 30, 2017 | <u><u>\$ (305,320)</u></u> |

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

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

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

I have audited the financial statements of the Kensington Police Protection and Community Services District (the District), as of and for the fiscal year ended June 30, 2017, and have issued my report thereon dated April 1, 2018. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

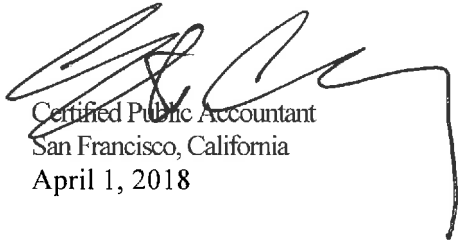
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies,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

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

Compliance and Other Matters

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

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



Certified Public Accountant
San Francisco, California
April 1, 2018

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
STATUS OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2017**

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

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

2017 Finding

None