

**KENSINGTON POLICE PROTECTION
and
COMMUNITY SERVICES DISTRICT**

**Financial Report
with
Independent Auditor's Report Thereon
June 30, 2014**

DRAFT

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Financial Report
For the Fiscal Year Ended June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities of each major fund of the Kensington Police Protection and Community Services District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Board of Directors
Kensington Police Protection and Community Services District

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund of the Kensington Police Protection and Community Services District as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, post-employment benefits and budgetary comparison information on pages 3-6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Fechter & Company
Certified Public Accountants

Sacramento, California
May 15, 2015

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2014

This discussion and analysis of the Kensington Police Protection and Community Service District's (the District) fiscal performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2014. 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, 2014 and 2013 are \$5,315,180 and \$5,522,184, respectively. This is a 3.76% decrease.
- Unrestricted net position, the part of net position that can be used to finance day-to-day operations for fiscal years ended June 30, 2014 and 2013 are \$1,331,584 and \$1,627,145, respectively.

From the Governmental Fund Financial Statements

- Our General Fund balance decreased by \$229,098 which is compared to an \$115,476 decrease in 2014.
- Property tax revenues (including special tax revenue for police services) for fiscal years ended June 30, 2014 and 2013 were \$2,558,145 and \$2,379,017, respectively. This is a 7.53% increase.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

Governmental Fund Financial Statements

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

Notes to the Financial Statements

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

Supplementary Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position serves over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$5,314,825 as of June 30, 2014 and \$5,522,184 as of June 30, 2013. This number is composed of three components:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Investment in capital assets, net of debt	\$ 3,894,279	\$ 3,872,429
Restricted	88,962	22,610
Unrestricted net position	<u>1,331,584</u>	<u>1,627,145</u>
Total net position	<u>\$ 5,314,825</u>	<u>\$ 5,522,184</u>

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

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

GOVERNMENTAL FUNDS ANALYSIS

The District's largest source of revenue is 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, 2014 was established in 1997 after receiving voter approval in 1994.

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2014

The District also collects a special assessment called the Kensington Park Landscape and Lighting District Assessment. The funds are restricted for new park maintenance only.

In fiscal year ended June 30, 2014, the District was the beneficiary of the COPS Grant minimum allocation of \$100,000. The funds must be used for law enforcement only and all expenditures have been approved by the District's Board of Directors. In fiscal year 2013,/2014, this grant money was used to fund the tenth officer position.

The largest expenditure of the District is salary and benefits, including PERS contributions. These are governed by current Memorandum of Understanding agreements negotiated between the District and represented and non-represented employees.

The other area of expenditures of significance is for services and supplies. That would include items such as communications and vehicle operations. This is the support structure for the police department.

Other reserved funds:

Reserved for compensated absences payable—\$89,654.

COMMENTS ON BUDGET COMPARISONS

Actual revenues and actual expenditures versus budget amounts equals a negative variance of \$120,495.

Actual revenues exceeded budgeted revenues by \$191,855. The largest difference is District received \$100,000 more than budgeted in Grant Revenue.

Actual expenditures were more than final budgeted expenditures by \$312,350. By far, the largest category over budget was District Expenses, by just over \$195,000. Two line items, Legal and Consultants make up over \$196,000 of that.

The Writ of Mandate started in FY 12/13 required additional use of legal resources during FY 13/14 to cover both the Contra Costa County Superior Court trial and later the appeals trial. There were also several negotiation attempts to resolve the matter. A little more than \$174,000 was spent on this issue. In addition, nearly \$20,000 was spent on legal resources for negotiations with the Kensington Police Officers' Association regarding the negotiation of a new MOU.

In consulting, just over \$24,000 was spent for analysis of the park buildings, not currently budgeted for.

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2014

The major category that came in under budget was Police Expenses (\$35,600). In Police Expenses, communications were under budget \$20,000.

HISTORY AND ECONOMIC FACTORS

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

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

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

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

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

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

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

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
For the Fiscal Year Ended June 30, 2014

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.

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**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
FOR THE YEAR ENDED JUNE 30, 2014**

	General Fund	Capital Project	Total	Adjustment Note 9	Statement of Net Position
Assets					
Cash and investments	\$ 1,336,357	\$ 127,524	\$ 1,463,881	\$ -	\$ 1,463,881
Receivables	52,948	55	53,003	-	53,003
Prepaid expenses	85,822	-	85,822	-	85,822
OPEB asset	20,469	-	20,469	-	20,469
Capital assets					
Land	-	-	-	2,808,347	2,808,347
Vehicle and equipment	-	-	-	492,272	492,272
Building and improvements	-	-	-	1,638,902	1,638,902
Furniture & fixtures	-	-	-	32,080	32,080
Accumulated depreciation	-	-	-	(1,077,322)	(1,077,322)
Total Assets	\$ 1,495,596	\$ 127,579	\$ 1,623,175	\$ 3,894,279	\$ 5,517,454
Liabilities					
Accounts payable	\$ 97,611	\$ -	\$ 97,611	\$ -	\$ 97,611
Compensated absences	89,654	-	89,654	-	89,654
Accrued payable	15,009	-	15,009	-	15,009
Total Liabilities	202,274	-	202,274	-	202,274
Fund balances/net position					
Fund balances					
Non-spendable	106,291	-	106,291	(106,291)	
Restricted	(16,974)	-	(16,974)	16,974	
Committed	-	127,579	127,579	(127,579)	
Assigned	241,500	-	241,500	(241,500)	
Unassigned	962,505	-	962,505	(962,505)	
Total Fund Balances	1,293,322	127,579	1,420,901	(1,420,901)	-
Total Liabilities and Fund Balances	\$ 1,495,596	\$ 127,579	\$ 1,623,175		
Net Position					
Capital assets				3,894,279	3,894,279
Restricted				89,317	89,317
Unrestricted				1,331,584	1,331,584
Total Net Position				\$ 5,315,180	\$ 5,315,180

**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, 2014**

	<u>General</u>	<u>Capital Project</u>	<u>Total</u>	<u>Adjustment Note 10</u>	<u>Statement of Activities</u>
(Continued)					
Capital outlay					
Building & improvements	22,082		22,082	(22,082)	-
Equipment and furniture	69,398	-	69,398	(69,398)	-
Total capital outlay	<u>91,480</u>	<u>-</u>	<u>91,480</u>	<u>(91,480)</u>	<u>-</u>
Total Expenditures/Expenses	<u>2,986,598</u>	<u>-</u>	<u>2,986,598</u>	<u>(22,377)</u>	<u>2,964,221</u>
GENERAL REVENUES:					
Property taxes	1,355,085	-	1,355,085	-	1,355,085
Special assessments	681,390	-	681,390	-	681,390
Measure G supplemental tax revenue	488,103	-	488,103	-	488,103
Grants	100,000	-	100,000	-	100,000
Charges for services	1,776	-	1,776	-	1,776
Other tax revenue	33,567	-	33,567	-	33,567
POST reimbursement	5,455	-	5,455	-	5,455
Investment income	1,750	244	1,994	-	1,994
Rents and fees	34,301	-	34,301	-	34,301
Franchise fees	23,097	-	23,097	-	23,097
Other income	23,761	-	can you	-	#VALUE!
Proceeds from Sale/Gain (loss) on sale of assets	886	-	886	(527)	359
Total Revenues	<u>2,749,171</u>	<u>244</u>	<u>2,725,654</u>	<u>(527)</u>	<u>#VALUE!</u>
Excess (Deficiency) of Revenues Over Other (Under) Expenditures	<u>(237,427)</u>	<u>244</u>	<u>(260,944)</u>	<u>21,850</u>	<u>#VALUE!</u>
Other Financing Sources (Uses)					
Transfers In	18,861	-	18,861	-	18,861
Transfers Out	(10,532)	-	(10,532)	-	(10,532)
Total Other Financing Sources (Uses)	<u>8,329</u>	<u>-</u>	<u>8,329</u>	<u>-</u>	<u>8,329</u>
Change in Net Position	<u>(229,098)</u>	<u>244</u>	<u>(252,615)</u>	<u>21,850</u>	<u>#VALUE!</u>
Fund Balance/Net Position, Beginning of Year	<u>1,522,420</u>	<u>127,335</u>	<u>1,649,755</u>	<u>3,872,429</u>	<u>5,522,184</u>
Fund Balance/Net Position, End of Year	<u>\$ 1,293,322</u>	<u>\$ 127,579</u>	<u>\$ 1,397,140</u>	<u>\$ 3,894,279</u>	<u>#VALUE!</u>

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT
OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2014**

EXPENDITURES/EXPENSES	General	Capital Project	Total	Adjustment Note 10	Statement of Activities
Current expenditures/expenses					
Police Salary and Benefits					
Salary-officers	\$ 969,999	\$ -	\$ 969,999	\$ -	\$ 969,999
Compensated absence	7,813	-	7,813	-	7,813
Overtime	57,625	-	57,625	-	57,625
Salary-non sworn	56,686	-	56,686	-	56,686
Uniform allowance	7,999	-	7,999	-	7,999
Safety equipment	1,674	-	1,674	-	1,674
Medical insurance-active	182,536	-	182,536	-	182,536
Medical insurance-retired	188,264	-	188,264	-	188,264
Disability & life insurance	5,167	-	5,167	-	5,167
Social security/medicare	18,109	-	18,109	-	18,109
PERS district	357,299	-	357,299	-	357,299
PERS officers	88,020	-	88,020	-	88,020
Workers compensation	51,043	-	51,043	-	51,043
Police Expenses					
Expendable police supplies	2,892	-	2,892	-	2,892
Range/Ammunition supplies	2,729	-	2,729	-	2,729
Crossing guard	10,061	-	10,061	-	10,061
Vehicle operation	45,824	-	45,824	-	45,824
Communications (RPD)	134,058	-	134,058	-	134,058
Radio maintenance	21,431	-	21,431	-	21,431
Prisoner/case exp/booking	8,944	-	8,944	-	8,944
Training	9,854	-	9,854	-	9,854
Recruiting	1,085	-	1,085	-	1,085
Reserve officers	2,764	-	2,764	-	2,764
Misc, dues, meals and Travel	2,573	-	2,573	-	2,573
Utilities	8,947	-	8,947	-	8,947
Building repair	993	-	993	-	993
Office supplies	6,536	-	6,536	-	6,536
Telephone	8,913	-	8,913	-	8,913
Housekeeping	4,089	-	4,089	-	4,089
Publications	2,070	-	2,070	-	2,070
West-Net/Cal	13,386	-	13,386	-	13,386
Community policing	1,279	-	1,279	-	1,279
Police taxes administration	3,298	-	3,298	-	3,298
Recreation Salary and Benefits					
Park and recreation administration	6,609	-	6,609	-	6,609
Custodian	21,000	-	21,000	-	21,000
Social security/medicare	212	-	212	-	212
Recreation Expenses					
Community center utilities	5,121	-	5,121	-	5,121
Janitorial supplies	1,321	-	1,321	-	1,321
Community center repairs	5,617	-	5,617	-	5,617
Annex utilities	-	-	-	-	-
Park O&M	74,886	-	74,886	-	74,886
Misc. park rec expenses	650	-	650	-	650
District Expenses					
Computer maintenance	27,871	-	27,871	-	27,871
Legal	244,086	-	244,086	-	244,086
Consulting	25,800	-	25,800	-	25,800
Accounting	40,957	-	40,957	-	40,957
Equipment rental	5,553	-	5,553	-	5,553
Insurance	29,285	-	29,285	-	29,285
Election	-	-	-	-	-
Police building lease	31,514	-	31,514	-	31,514
County expenses	18,709	-	18,709	-	18,709
Waste/recycle	62,590	-	62,590	-	62,590
Miscellaneous	9,377	-	9,377	-	9,377
Depreciation	-	-	-	69,103	69,103
Total current expenditures/expenses	2,895,118	-	2,895,118	69,103	2,964,221

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2014**

	Emergency Preparedness Fund	Kensington Park Reassessment District 2004-1 Fund	Total
Assets			
Cash and investments	\$ 430	\$ 280,281	\$ 280,711
Interest receivable	-	52	52
Special assessment receivable	-	853,201	853,201
Total Assets	\$ 430	\$ 1,133,534	\$ 1,133,964
Liabilities			
Accounts payable	\$ 215	\$ -	\$ 215
2004 Limited Obligation Improvement Bonds	-	969,709	969,709
Bond interest payable	-	13,739	13,739
Total Liabilities	215	983,448	983,663
Net Position			
Reserved for Emergency Preparedness Council	-	-	-
Reserved for Reassessment District 2004-1	215	150,086	150,301
Total Net Position	\$ 215	\$ 150,086	\$ 150,301

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	Emergency Preparedness Fund	Kensington Park Reassessment District 2004-1 Fund	Total
ADDITIONS			
Special assessments	\$ -	\$ 178,145	\$ 178,145
Interest income	-	225	225
Total Additions	-	178,370	178,370
DEDUCTIONS			
Bond administration charges	-	12,291	12,291
Bond interest expense	-	42,065	42,065
Bond principal	-	120,230	120,230
Contract services	-	-	-
Total deductions	-	174,586	174,586
Net increase (decrease) in fiduciary net assets	-	3,784	3,784
Transfer in	-	10,532	10,532
Transfer out	-	(18,861)	(18,861)
Net Position, beginning of year	215	154,631	154,846
Net Position, beginning of year	\$ 215	\$ 150,086	\$ 150,301

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014**

	General Fund Budget	General Fund Actual	Variance with Final Budget Positive (Negative)
Revenues			
Property taxes	\$ 1,286,000	\$ 1,355,085	\$ 69,085
Special assessments	680,000	681,390	1,390
Measure G supplemental tax revenue	486,986	488,103	1,117
Grants	-	100,000	100,000
Charges for services	1,500	1,776	276
Other tax revenue	33,000	33,567	567
POST reimbursement	2,000	5,455	3,455
Investment income	3,330	1,750	(1,580)
Rents and fees	25,000	34,301	9,301
Franchise fees	21,000	23,097	2,097
Proceeds from sale of assets	-	886	886
Other income	18,500	can you	#VALUE!
Total Revenues	2,557,316	2,725,410	168,094
Expenditures			
Police Salary and Benefits	1,870,804	1,992,234	121,430
Police Expenses	327,326	291,726	(35,600)
Recreation Salary and Benefits	27,997	27,821	(176)
Recreation Expenses	96,558	87,595	(8,963)
District Expenses	300,668	495,742	195,074
Capital outlay	51,250	91,480	40,230
Total Expenditures	2,674,603	2,986,598	311,995
Excess of Revenues over (under) Expenditures	\$ (117,287)	\$ (261,188)	\$ (143,901)

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements
June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Organization and Description of Funds

The District was formed to provide police protection services and parks and recreation services. The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise the fund's assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The District also maintains two fiduciary funds: (1) Emergency Preparedness Fund (used for expenses in conjunction with the emergency radio network) and (2) Kensington Park Reassessment District 2004-1 Fund (used to account for special assessment funds, see Note 4).

Government-wide Financial Statements

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

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

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

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements
June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Government-wide Financial Statements - continued

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

Separate financial statements are provided for governmental funds. Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Major individual governmental funds are reported as separate columns in the governmental fund financial statements. No major funds are aggregated and presented in a single column. The District had no major funds in the fiscal year ended June 30, 2014.

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 2014, the General Fund and Capital Project Fund.

General Fund – the General Fund is the operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements
June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Governmental Fund Financial Statements - continued

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

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

Kensington Park Reassessment District 2004-1 – This debt service fund is used to account for financial resources to be used for the retirement of debt. The Kensington Park Reassessment Bond 2004-1 issued in June 2004 in defeasance of the 1994 special assessment bonds has been determined to be an Agency Fund since the District is not obligated to repay the debt. The balance in the debt service fund has therefore been transferred to the Kensington Park Reassessment District 2004-1 Fund (see Note 4).

Budgets and Budgetary Accounting

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

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

Encumbrances

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

Cash and Investments

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

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements
June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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.

Statement Calculations and Use of Estimates

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

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

GASB Statement 63

The District adopted the provisions of GASB Statement No. 63 (GASB 63), Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position for the year ended June 30, 2013. GASB 63 provides financial reporting guidance for deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. It also identifies net position as the residual of all other elements presented in a statement of financial position, or the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. As implied above, GASB 63 changes the previous classification of net assets to net position, and consequently, the statement of net assets to the statement of net position. The District had no deferred inflows or outflows of resources as of June 30, 2014.

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements
June 30, 2014

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, 2014 is as follows:

	<u>Carrying Value</u>	<u>Market Value</u>
<u>Governmental Funds (District Fund)</u>		
<u>Category 1:</u>		
Cash in checking accounts	\$ 2,823	\$ 2,823
Petty cash	100	100
	2,923	2,923
 <u>Uncategorized:</u>		
County Treasury	1,460,958	1,460,958
Total Governmental Fund (District Fund)	1,463,881	1,463,881
 <u>Fiduciary Funds</u>		
<u>Category 1:</u>		
Cash in checking accounts	430	430
 <u>Uncategorized:</u>		
County Treasury	280,281	280,281
Total Fiduciary Fund	280,711	280,711
Total Governmental Fund (District Fund)	\$ 1,744,592	\$ 1,744,592

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements
June 30, 2014

NOTE 2: CASH AND INVESTMENTS – continued

The cash and investments by fund is as follows:

General Fund	\$ 1,336,357
Capital Project Fund	127,524
	<u>\$ 1,463,881</u>
Emergency Preparedness Fund	<u>\$ 430</u>
2004-1 Park Reassessment Bond Fund	<u>\$ 280,281</u>

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

Deposits

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

NOTE 3: CAPITAL ASSETS

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

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

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

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

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements
June 30, 2014

NOTE 3: CAPITAL ASSETS - continued

A summary of changes in general fixed assets follows:

	Balance 6/30/13	Additions	Retirements	Balance 6/30/14
Non-Depreciable Assets:				
Land	\$ 2,808,347	\$ -	\$ -	\$ 2,808,347
Depreciable Assets:				
Building & improvements	1,616,820	22,082	-	1,638,902
Vehicles & equipment	489,383	69,398	66,509	492,272
Furniture & fixtures	32,080	-	-	32,080
Total Assets	<u>4,946,630</u>	<u>91,480</u>	<u>66,509</u>	<u>4,971,601</u>
Accumulated Depreciation:				
Building & improvements	502,095	43,360	-	545,455
Vehicles & equipment	542,786	25,151	65,982	501,955
Furniture/fixture/improvements	29,320	592	-	29,912
Total Accumulated Depreciation	<u>1,074,201</u>	<u>69,103</u>	<u>65,982</u>	<u>1,077,322</u>
Capital Assets Net of Depreciation	<u>\$ 3,872,429</u>	<u>\$ 22,377</u>	<u>\$ 527</u>	<u>\$ 3,894,279</u>

The current depreciation expense of \$69,103 was charged to Statement of Activities as depreciation expense adjustment.

NOTE 4: SPECIAL ASSESSMENT DEBT

Kensington Park Reassessment District 2004-1 Refunding Bonds

	June 30, 2013	Borrowings	Payments	June 30, 2014
2004 Limited Obligation Improvement Bonds	\$ 1,089,939	\$ -	\$ 120,230	\$ 969,709
	<u>\$ 1,089,939</u>	<u>\$ -</u>	<u>\$ 120,230</u>	<u>\$ 969,709</u>

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

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements
June 30, 2014

NOTE 4: SPECIAL ASSESSMENT DEBT - continued

Kensington Park Reassessment District 2004-1 Refunding Bonds - continued

improvement bonds. The District is only acting as an agent for the property owners in collecting the assessments, forwarding the collections to bondholders, and initiating foreclosure proceedings.

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

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

As of June 30, 2014, future debt service payments were as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 123,024	\$ 38,599	\$ 161,623
2016	125,718	33,313	159,031
2017	133,201	27,811	161,012
2018	140,485	21,995	162,480
2019	147,469	15,876	163,345
2020-2021	299,812	12,774	312,586
	<u>\$ 969,709</u>	<u>\$ 150,368</u>	<u>\$ 1,120,077</u>

Current Portion of Principal: \$123,024

Current Portion of Interest: \$ 38,599

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements
June 30, 2014

NOTE 5: DEFINED BENEFIT PENSION PLAN

PERS Plan Description

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

Funding Policy

Active plan members in the Plan are required to contribute 9% of their annual covered salary. The District “picks up” the tax deferred contributions required of District employees on their behalf and for their accounts. The District is required to contribute the actuarially determined amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS’ Board of Administration. An employer contribution of 36.477% was required for the 2014 fiscal year. The contribution requirements for the plan members are established by State statute. The employer contribution rate is established and may be amended by CalPERS. The required employer contribution for the following fiscal year was increased to 38.623%.

Annual pension cost

For the fiscal year ended June 30, 2014, the total contributions amounted to \$445,319. Of this amount, \$88,020 was contributed by the District on behalf of the plan members. The District’s required contribution for fiscal year ended June 30, 2014 was determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included: a) a 7.50% investment rate of return (net of administrative expenditures); and b) projected salary increases of 3.30% to 14.20%. Both a) and b) include an inflation component of 2.75% and anticipated payroll growth of 3.00%. The actuarial value of the plan’s assets were determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a rolling period, depending on the size of investment gains and/or losses.

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements
June 30, 2014

NOTE 5: DEFINED BENEFIT PENSION PLAN - continued

Annual pension cost - continued

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

<u>Fiscal Year Ended June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>% of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
2012	\$ 280,065	100%	\$ -
2013	303,806	100%	-
2014	357,299	100%	-

FUNDED STATUS OF THE SAFETY PLAN

<u>Valuation Date</u>	<u>Entry Age Normal Accrual Liability (a)</u>	<u>Market Value of Assets (b)</u>	<u>Unfunded Liability (Excess Assets) (a)-(b)</u>	<u>Funded Status (b)/(a)</u>	<u>Annual Covered Payroll (c)</u>	<u>UAAL As a % of Payroll [(a)-(b)]/(c)</u>
06/30/11	\$ 10,054,247	\$ 7,523,025	\$ 2,531,222	74.8%	\$ 824,273	307.08%

NOTE 6: LEASE COMMITMENT

In December 2009, the District entered into an agreement as a lessee to occupy office space from Kensington Fire Protection District for a five-year period through June 30, 2014. In addition, the District leases equipment through two separate operating leases. Rent increases are run in accordance to the consumer index change from a minimum of 3% to a maximum of 6%. Rent expense including operating leases for fiscal year ended June 30, 2014 was \$58,498.

The minimum future lease commitments are as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Amount</u>
2015	\$ 19,469
2016	1
2017	1
	<u>\$ 19,471</u>

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements
June 30, 2014

NOTE 7: INSURANCE POOLS

Special District Risk Management District

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

SDRMA provides the District with property and general liability coverage to the limits as set forth in the agreement. The annual member contribution was \$29,264 for fiscal 2014 coverage. Members are subject to dividends and/or assessments in accordance with the provisions of the Joint Powers agreement. At June 30, 2014 SDRMA could not confirm the status of any incurred but not reported claims.

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

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

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

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements
June 30, 2014

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

Total fund balance of the District’s governmental funds differs from the net position of governmental activities reported in the statement of net position primarily as a result of the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheet. When capital assets (land, building, and equipment) that are used in governmental activities are purchased or constructed, the costs of those assets are reported as capital outlay expenditures in the governmental fund. However, the statement of net position includes the capital assets, net of accumulated depreciation, among the assets of the District.

<u>Differences</u>	<u>Balance June 30, 2014</u>
Net capital assets	\$ 3,894,279
Net difference	<u>\$ 3,894,279</u>

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

<u>Differences</u>	<u>Balance June 30, 2013</u>
Capital Outlay	\$ (91,480)
Add: Depreciation expense	69,103
Add: Loss on asset disposal	<u>527</u>
Net difference	<u>\$ (21,850)</u>

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements
June 30, 2014

NOTE 9: POST-RETIREMENT HEALTH BENEFITS

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

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

Contributions Required and Contributions Made

The plan's funding policy provides guidelines for District contributions at actuarially determined required amounts sufficient to accumulate the necessary assets to pay benefits when due as specified. The retirees and spouses, surviving spouses and dependent children's healthcare benefits plan requires the District to use the Baseline Cost Method. The actuarial projected the plan population to estimate the cost of future benefits. The actuarial accrued total OPEB liability comes to \$2,310,214 on the valuation date of June 30, 2014.

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KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements
June 30, 2014

NOTE 9: POST-RETIREMENT HEALTH BENEFITS - continued

Contributions Required and Contributions Made - continued

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

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

Schedule of Employer Annual Required Contributions

<u>Fiscal Year Ended June 30,</u>	<u>Annual Required Contribution</u>
2013	\$ 145,720
2014	\$ 188,619

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements
June 30, 2014

NOTE 9: POST-RETIREMENT HEALTH BENEFITS - continued

Schedule of Employer Annual Required Contributions - continued

	<u>June 30, 2014</u>
Actuarial accrued liability (AAL)	\$ 2,310,214
Unamortized initial UAAL	2,538,328
Actuarial value of assets	<u>446,519</u>
Residual actuarial accrued liability	<u>(674,633)</u>
Initial UAAL remaining amortization period	26
Remaining amortization period for balance of UAAL	30
Amortization factor based on 7.25% discount rate and 4% inflation rate of health premiums. Payroll increase of 2.75% per year.	
Initial Annual level amortization of unfunded AAL	170,001
Residual unfunded AAL	(40,832)
Normal Cost	59,450
Annual required contribution (ARC)	<u>\$ 188,619</u>
	<u>2013/2014</u>
Annual required contribution	\$ 188,619
Interest adjustment	(2,148)
Amortization adjustment	1,793
Contributions made	<u>(179,106)</u>
Increase (decrease) in net OPEB obligations	9,158
Net OPEB obligation, beginning of year	<u>(29,627)</u>
Net OPEB obligation (asset), end of year	<u>\$ (20,469)</u>

NOTE 10: COMPENSATED ABSENCES

Amounts due to employees for compensated absences as of June 30, 2014 were as follows:

Vacation	<u>\$ 89,654</u>
Total compensated absences	<u>\$ 89,654</u>

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements
June 30, 2014

NOTE 11: FUND BALANCES

GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions” was issued in February of 2009. This statement changes the presentation of the fund balance section of the balance sheet. The Statement No. 54 presentation will help to clarify the fund balance amounts of the governmental funds and will aid readers of the financial statements to better understand the different levels of constraints placed on fund balance. Fund Balances for all the major and non-major governmental funds as of June 30, 2014 were as follows:

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Total</u>
Nonspendable:			
Prepaid expenses	\$ 85,822	\$ -	\$ 85,822
OPEB Asset	20,114	-	20,114
Subtotal	<u>105,936</u>	-	<u>105,936</u>
Restricted:			
Bay View	(16,974)	-	(16,974)
Subtotal	<u>(16,974)</u>	-	<u>(16,974)</u>
Committed to:			
Capital projects	-	127,579	127,579
Subtotal	<u>-</u>	<u>127,579</u>	<u>127,579</u>
Assigned to:			
Park building	241,500	-	241,500
Subtotal	<u>241,500</u>	-	<u>241,500</u>
Unassigned	<u>962,505</u>	-	<u>962,505</u>
Totals	<u>\$ 1,292,967</u>	<u>\$ 127,579</u>	<u>\$ 1,420,546</u>

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Notes to Basic Financial Statements
June 30, 2014

NOTE 11: FUND BALANCES

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

- Nonspendable Fund Balance – this fund balance classification includes amounts that cannot be spent because they are either not in spendable form (i.e. – prepaid expenses) or legally or contractually required to be maintained intact.
- Restricted Fund Balance – this fund balance classification should be reported when there are constraints placed on the use of resources externally (by creditors, grant sources, contributors, etc.) or imposed by law or enabling legislation. It is there 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: SUBSEQUENT EVENTS

At the time of the audit, KPPCSD has evaluated all subsequent events through July 28, 2015, the date the financial statements were available to be issued, and determined that there is no material impact from the subsequent events.