

**KENSINGTON POLICE PROTECTION AND
COMMUNITY SERVICES DISTRICT**

Financial Statements and Independent Auditor's Report for the
Year ended June 30, 2019

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
Basic Financial Statements
and Required Supplementary Information
for the Fiscal Year Ended June 30, 2019

<i>TABLE OF CONTENTS</i>	Page
Independent Auditor's Report	1-2
Management's Discussion and Analysis (Required Supplementary Information)	3-7
BASIC FINANCIAL STATEMENTS:	
Statement of Net Position and Governmental Funds Balance Sheet.....	8
Statement of Activities and Governmental Funds Statement of Revenues and Expenditures and Changes in Fund Balance	9-10
Statement of Fiduciary Net Position	11
Statement of Changes in Net Position—Fiduciary Funds	12
Notes to the Basic Financial Statements.....	13-35
REQUIRED SUPPLEMENTARY INFORMATION:	
• Schedule of Changes in the District's Net OPEB Liability.....	36
• Schedule of Contributions to the OPEB plan.	37-38
• Statement of Revenue, Expenditure and Change in Fund Balances—Actual and Budget.....	39
• Other Supplementary Information.....	40-45
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	46-47
Status of Prior Year Findings	48
Schedule of Current Year Findings and Questioned Costs	49

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, 2019, 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, 2019, 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)

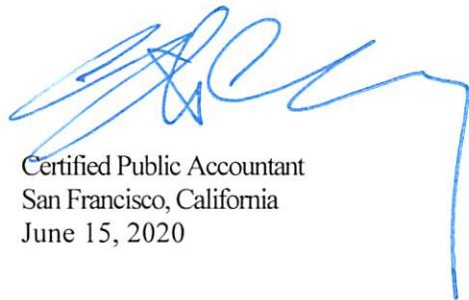
Other Matters

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 June 15, 2020 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
June 15, 2020

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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, 2019. 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, 2019 and 2018 are \$1,389,673 and \$599,598, 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, 2019 and 2018 are \$(2,886,380) and \$(3,652,877) respectively.
- GASB 68 Information-As of June 30, 2019, long-term pension liability is \$3,811,481 (measurement date June 30, 2018). Deferred outflow of resources is now \$906,449 (net decrease of \$771,669) and deferred inflow of resources is \$232,390 (net decrease of 27,542), all derived from the PERS Accounting Valuation (measurement date June 30, 2018).
- GASB 75 Information-As of June 30, 2019, net OPEB liability is \$2,554,131 (measurement date June 30, 2018).
- Long term net pension liability for the years ended June 30, 2019 and 2018 are \$3,811,481 and \$3,860,944, respectively. CalPERS' net pension liability for safety pool increased by \$908,901,225 (total risk pool) this year and KPPCSD's portion was just under \$49,463.

From the Governmental Fund Financial Statements

- Our General Fund balance increased by \$871,680, which is compared to an \$296,416 increase in 2018.
- Property tax revenues (including special tax revenue for police services) for fiscal years ended June 30, 2019 and 2018 were \$3,156,363 and \$2,981,736, respectively. This is a 5.86% 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, 2019**

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 \$1,388,570 as of June 30, 2019 and \$599,598 as of June 30, 2018. This number is composed of three components:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Investment in capital assets, net of debt	\$ 3,857,601	\$ 3,890,454
Restricted	418,452	362,021
Unrestricted net position	<u>(2,886,380)</u>	<u>(3,652,877)</u>
Total net position	<u><u>\$ 1,389,673</u></u>	<u><u>\$ 599,598</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, 2019**

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 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, 2019 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, 2019, the District received \$155,948 in grant monies. KPPCSD received all \$155,948 in COPS grant funds for the current 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 2018/2019, these funds were used to support normal police operations.

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—\$80,635.

COMMENTS ON GENERAL FUND BUDGET COMPARISONS

Actual revenues and actual expenditures versus budget amounts equal a positive variance of \$793,276.

Actual revenues exceeded budgeted revenues by \$699,077. The largest difference was in contributions for the community center. Nothing was budgeted here as all the decisions on the project had not been finalized. The revenue received was just over \$476,000. The next largest difference was in other income, where KPPCSD received just over \$75,000 in a non-performance settlement from World Insurance to cover Eagle Builders. The other two major differences were an extra \$58,000 in property tax income and \$56,000 in additional COPS grant monies over the budgeted \$100,000.

Actual expenditures were less than final budgeted expenditures by \$94,199. This is a net difference of several over and under budgeted items. The largest under budget amount was \$284,435 in police salaries and benefits, mostly made up of \$224,000 in officer salaries. The budget was for ten officers, but the District averaged seven. District expenses were over budget by just over \$163,000. The two largest items that were over budget were Legal-District by approximately \$136,000 and Consulting by about \$43,000. The major under budget District expense item was in waste recycling. Although \$15,000 was budgeted for seven garbage cans, none were purchased.

Capital outlay was under budget by \$16,904. This was comprised of spending \$43,000 towards the community center, but not spending anything on the budgeted radar signs, play equipment and benches in the park.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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, 2019**

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.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
GOVERNMENTAL FUNDS BALANCE SHEET AND STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019**

	General Fund	Capital Project	Total	Adjustment See Note (3, 8 & 12)	Statement of Net Position
Assets					
Current Assets:					
Cash and investments (Note 2)	\$ 3,542,126	\$ -	\$ 3,542,126	\$ -	\$ 3,542,126
Receivables					
Grant receivable	55,948	-	55,948	-	55,948
Supplemental taxes and Community Services District	20,930	-	20,930	-	20,930
Interest receivable	9,932	-	9,932	-	9,932
Reimbursements and other	109,553	-	109,553	-	109,553
Prepaid	142,932	-	142,932	-	142,932
Total Current Assets	3,881,421	-	3,881,421	-	3,881,421
Capital Assets (Note 3)					
Land	-	-	-	2,808,347	2,808,347
Vehicle and equipment	-	-	-	437,216	437,216
Building and improvement	-	-	-	1,618,818	1,618,818
Furniture & fixtures	-	-	-	61,933	61,933
Construction in progress	-	-	-	198,389	198,389
Accumulated depreciation	-	-	-	(1,267,102)	(1,267,102)
Total Capital Asset	-	-	-	3,857,601	3,857,601
Total Assets	\$ 3,881,421	\$ -	\$ 3,881,421	\$ 3,857,601	\$ 7,739,022
Deferred Outflows of Resources-Deferred pensions (Note 5)	-	-	-	906,449	906,449
Deferred Outflows of Resources-Deferred OPEB (Note 9)	-	-	-	460,960	460,960
Liabilities					
Accounts payable	\$ 237,649	\$ -	\$ 237,649	\$ -	\$ 237,649
Compensated absence	80,635	-	80,635	-	80,635
Accrued payable	33,520	-	33,520	-	33,520
Loan community center	250,000	-	250,000	-	250,000
Net pension liability (Note 5)	-	-	-	3,811,481	3,811,481
Net OPEB liability obligation (Note 9)	-	-	-	2,554,131	2,554,131
Total Liabilities	601,804	-	601,804	6,365,612	6,967,416
Deferred Inflows of Resources-Deferred pensions (Note 5)	-	-	-	232,390	232,390
Deferred Inflows of Resources-Deferred OPEB (Note 9)	-	-	-	516,952	516,952
Fund Balances/Net Position					
Fund balances					
Non-spendable	223,567	-	223,567	(223,567)	-
Restricted	194,885	-	194,885	(194,885)	-
Committed	955,825	-	955,825	(955,825)	-
Assigned	-	-	-	-	-
Unassigned	1,905,340	-	1,905,340	(1,905,340)	-
Total Fund Balances	3,279,617	-	3,279,617	(3,279,617)	-
Total Liabilities and Fund Balances	\$ 3,881,421	\$ -	\$ 3,881,421		
Net Position					
Net investment in capital assets				-	3,857,601
Restricted				-	418,452
Unrestricted				-	(2,886,380)
Total Net Position				\$ -	\$ 1,389,673

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

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
GOVERNMENTAL FUNDS STATEMENT OF REVENUES AND EXPENDITURES
AND CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

	General	Capital Project	Total	Adjustment Note 3, 8	Statement of Activities
EXPENDITURES/EXPENSES					
Current expenditures/expenses					
Police Salary and Benefits					
Salary-officers	\$ 725,580	\$ -	\$ 725,580	\$ -	\$ 725,580
Compensated absence	22,576	-	22,576	-	22,576
Overtime	121,041	-	121,041	-	121,041
Salary-non sworn	25,576	-	25,576	-	25,576
Uniform allowance	4,899	-	4,899	-	4,899
Safety equipment	500	-	500	-	500
Medical insurance - Active	132,121	-	132,121	(39,809)	92,312
Medical insurance- Retired	174,114	-	174,114	(213,313)	(39,199)
Medical insurance-Trust	247,036	-	247,036	-	247,036
Disability & life insurance	2,923	-	2,923	-	2,923
Social security/medicare	14,331	-	14,331	-	14,331
PERS district	330,711	-	330,711	354,545	685,256
PERS officers	22,579	-	22,579	-	22,579
Workers compensation	63,031	-	63,031	-	63,031
Advanced Industrial Disability	77	-	77	-	77
Pension expenses	-	-	-	-	-
Police Expenses					
Expendable police supplies	1,411	-	1,411	-	1,411
Range/ammunition supplies	5,159	-	5,159	-	5,159
Crossing guard	12,767	-	12,767	-	12,767
Vehicle operation	36,316	-	36,316	-	36,316
Communications (RPD)	135,219	-	135,219	-	135,219
Radio maintenance	-	-	-	-	-
Prisoner/case expense/booking	9,330	-	9,330	-	9,330
Training	5,944	-	5,944	-	5,944
Recruiting	12,308	-	12,308	-	12,308
Reserve officers	-	-	-	-	-
Misc. dues, meals and travel	1,923	-	1,923	-	1,923
Utilities	11,634	-	11,634	-	11,634
Building repair	18	-	18	-	18
Office supplies	4,876	-	4,876	-	4,876
Telephone	5,265	-	5,265	-	5,265
Housekeeping	4,063	-	4,063	-	4,063
Publications	2,915	-	2,915	-	2,915
CAL ID	5,525	-	5,525	-	5,525
Community Policing	2,631	-	2,631	-	2,631
Legal/consulting-police	76,642	-	76,642	-	76,642
Measure G administration	3,776	-	3,776	-	3,776
Recreation Salary and Benefits					
Park and recreation administration	8,524	-	8,524	-	8,524
Custodian	18,635	-	18,635	-	18,635
Social security/medicare	652	-	652	-	652
Recreation Expenses					
Community center utilities	5,786	-	5,786	-	5,786
Janitorial supplies	1,139	-	1,139	-	1,139
Community center repairs	600	-	600	-	600
Community center equip maint	1,872	-	1,872	-	1,872
Park O&M	90,632	-	90,632	-	90,632
Misc. park/rec expense	-	-	-	-	-
District Expenses					
District salary	191,692	-	191,692	-	191,692
District payroll taxes	14,664	-	14,664	-	14,664
Computer maintenance	23,292	-	23,292	-	23,292
Admin Communication	4,430	-	4,430	-	4,430
Copier contract	5,692	-	5,692	-	5,692
Legal	191,724	-	191,724	-	191,724
Consulting	86,919	-	86,919	-	86,919
Accounting	54,624	-	54,624	-	54,624
Insurance	42,438	-	42,438	-	42,438
Election	6,387	-	6,387	-	6,387
Police building lease	36,036	-	36,036	-	36,036
County expense	22,455	-	22,455	-	22,455
Waste/recycle	2,231	-	2,231	-	2,231
Miscellaneous	22,131	-	22,131	-	22,131
Depreciation	-	-	-	77,249	77,249
Total current expenditures/expenses	3,057,372	-	3,057,372	178,672	3,236,044
Capital outlay					
Equipment and furniture	1,124	-	1,124	(1,124)	-
Buildings and improvements	-	-	-	-	-
Construction in progress	43,272	-	43,272	(43,272)	-
Total capital outlay	44,396	-	44,396	(44,396)	-
Total Expenditures/Expenses	3,101,768	-	3,101,768	134,276	3,236,044

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

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
GOVERNMENTAL FUNDS STATEMENT OF REVENUES AND EXPENDITURES
AND CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019
(Continued)**

	General	Capital Project	Total	Adjustment Note 3, 8	Statement of Activities
GENERAL REVENUES:					
Property taxes	\$ 1,858,538	\$ -	\$ 1,858,538	\$ -	\$ 1,858,538
Special assessments	681,780	-	681,780	-	681,780
Measure G supplemental tax revenue	565,740	-	565,740	-	565,740
Grants-COPS & other	155,948	-	155,948	-	155,948
Charges for services	3,570	-	3,570	-	3,570
Special assignment Revenue	4,525	-	4,525	-	4,525
Kensington Hilltop services reimb.	839	-	839	-	839
West county crossing guard reimb.	-	-	-	-	-
POST reimbursement	4,009	-	4,009	-	4,009
Rents and fees	7,870	-	7,870	-	7,870
Contribution-for community center	476,350	-	476,350	-	476,350
Investment income	32,093	-	32,093	-	32,093
Franchise fees	54,203	-	54,203	-	54,203
Other tax income	50,305	-	50,305	-	50,305
Supplemental workers' comp reimb.	1,738	-	1,738	-	1,738
Other income	86,754	-	86,754	-	86,754
Gain (loss) on asset sale	-	-	-	-	-
Total Revenues	<u>3,984,262</u>	<u>-</u>	<u>3,984,262</u>	<u>-</u>	<u>3,984,262</u>
Excess (deficiency) of Revenues Over Other Fin: (under) Expenditures	<u>882,494</u>	<u>-</u>	<u>882,494</u>	<u>(134,276)</u>	<u>748,218</u>
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	<u>(10,814)</u>	<u>-</u>	<u>(10,814)</u>	<u>-</u>	<u>(10,814)</u>
Total Other Financing Sources (Uses)	<u>(10,814)</u>	<u>-</u>	<u>(10,814)</u>	<u>-</u>	<u>(10,814)</u>
Change in Net Position	<u>871,680</u>	<u>-</u>	<u>871,680</u>	<u>(134,276)</u>	<u>737,404</u>
Fund Balances/Net Position, Beginning of Year	<u>2,407,937</u>	<u>-</u>	<u>2,407,937</u>	<u>(1,808,339)</u>	<u>599,598</u>
Prior Period Adjustment (Note 13)	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,671</u>	<u>52,671</u>
Fund Balances/Net Position, Beginning of Year, Restated	<u>2,407,937</u>	<u>-</u>	<u>2,407,937</u>	<u>(1,755,668)</u>	<u>652,269</u>
Fund Balances/Net Position, End of Year	<u>\$ 3,279,617</u>	<u>\$ -</u>	<u>\$ 3,279,617</u>	<u>\$ (1,889,944)</u>	<u>\$ 1,389,673</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, 2019**

	Kensington Park Reassessment District 2004-1 Fund
Assets	
Cash and investments (Note 2)	\$ 300,486
Interest receivable	598
Special assessments receivable	183,305
Total Assets	
Liabilities	
Accounts payable	\$ 2
2004 Limited Obligation Improvement Bonds (Note 4)	299,813
Bond interest payable	4,247
Total Liabilities	\$ 304,062
Net Position	
Reserved for Emergency Preparedness Council	\$ -
Reserved for Reassessment District 2004-1	180,327
Total Net Position	\$ 180,327

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, 2019**

	Kensington Park Reassessment District 2004-1 Fund
ADDITIONS:	
Special assessments	\$ 176,359
Interest income	2,258
Total Additions	178,617
DEDUCTIONS:	
Bond administration charges	30,079
Bond expenses	13,788
Bond principal	147,468
Total Deductions	191,335
Net increase (decrease) in fiduciary net position	(12,718)
Transfer in	10,814
Transfer out	-
Net Position, Beginning of Year	182,231
Net Assets, End of Year	\$ 180,327

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, 2019**

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.

District 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, 2019**

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 two funds in fiscal year 2019, the General Fund and one fiduciary fund 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. 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, 2019**

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

Sworn police 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, 2019**

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 represent 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. 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. There is no current impact for the District from this Statement.

New Accounting Pronouncements – Effective in the Future Fiscal Years

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. There is no current impact for the District from this Statement.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

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. 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.

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.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2— CASH AND INVESTMENTS (Continued)

A summary of the District’s cash and investments at June 30, 2019 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	3,539,202	3,539,202
Total Governmental Funds	3,542,125	3,542,125
 <u>Fiduciary Funds</u>		
<u>Category 1:</u>		
Cash in checking accounts	-	-
 <u>Uncategorized:</u>		
County Treasury	300,486	300,486
Total Fiduciary Funds	300,486	300,486
Total Governmental Funds	\$ 3,842,611	\$ 3,842,611

The cash and investments by fund are as follows:

General Fund	\$ 3,542,125
2004-1 Park Reassessment Bond Fund	\$ 300,486

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.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 2— CASH AND INVESTMENTS (Continued)

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	6 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, 2019**

NOTE 3— CAPITAL ASSETS (Continued)

A summary of changes in general fixed assets follows:

	<u>Balance 6/30/18</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6/30/19</u>
Non-Depreciable Assets				
Land	\$ 2,808,347	\$ -	\$ -	\$ 2,808,347
Construction in Progress	155,117	43,272	-	198,389
Total Non-Depreciable Assets	<u>2,963,464</u>	<u>43,272</u>	<u>-</u>	<u>3,006,736</u>
Depreciable Assets				
Building & improvements	1,618,818		-	1,618,818
Vehicles & equipment	436,092	1,124	-	437,216
Furniture & fixtures	61,933	-	-	61,933
Total Depreciable Assets	<u>2,116,843</u>	<u>1,124</u>	<u>-</u>	<u>2,117,967</u>
Total Capital Asset:	<u>5,080,307</u>	<u>44,396</u>	<u>-</u>	<u>5,124,703</u>
Accumulated Depreciation				
Building & improvements	806,085	42,702	-	848,787
Vehicles & equipment	348,170	29,760	-	377,930
Furniture/fixtures/improvements	35,598	4,787	-	40,385
Total Accumulated Depreciation	<u>1,189,853</u>	<u>77,249</u>	<u>-</u>	<u>1,267,102</u>
Capital Assets Net of Depreciation:	<u>\$ 3,890,454</u>	<u>\$ (32,853)</u>	<u>\$ -</u>	<u>\$ 3,857,601</u>

The current depreciation expense for KPPCSD is \$77,249.

NOTE 4— SPECIAL ASSESSMENT DEBT

Kensington Park Reassessment District 2004-1 Refunding Bonds

	<u>June 30, 2018</u>	<u>Adjustment</u>	<u>Payments</u>	<u>June 30, 2019</u>
2004 Limited Obligation Improvement Bonds	\$ 447,281	\$ -	\$ 147,468	\$ 299,813
	<u>\$ 447,281</u>	<u>\$ -</u>	<u>\$ 147,468</u>	<u>\$ 299,813</u>

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

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, 2019, future debt service payments were as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 149,166	\$ 9,573	\$ 158,739
2021	150,647	3,202	153,849
	<u>\$ 299,813</u>	<u>\$ 12,775</u>	<u>\$ 312,588</u>

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

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 salary. The District has historically paid this tax deferred contribution required of Classic employees on their behalves and for their accounts. Effective January 1, 2018 the District pays 4% and the Classic employees (except one management employee) pays 5% which totals the 9% employee contribution. The District pays 5% for the one management employee and that employee pays the remaining 4%.

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, 2019, the District’s contribution rate is 20.556% and a flat UAL payment of \$195,073 (discounted from \$202,139 for early payment).

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 year ending June 30, 2019, the PEPRA employee’s contribution increased to 12%, but The District’s contribution rate is 12.141% and UAL payment is \$1,688.

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, 2019**

NOTE 5— DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pension - The net pension liability at June 30, 2019 is measured as of June 30, 2018, using an annual actuarial valuation as of June 30, 2017, rolled forward to June 30, 2018, using standard update procedures. The total pension liabilities in the June 30, 2017 actuarial valuation was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Early Age Normal in accordance with the requirements of GASB 68
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.0% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

Change of assumptions- There are no changes in assumptions.

Discount rate – The discount rate used to measure the total pension liability at June 30, 2018 and 2017 measurement date was 7.15% and 7.15%, respectively. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The test revealed the assets would not run out. Therefore, the current 7.15% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15% is applied to all plans in the Public Employees Retirement Fund. The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments 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.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 5— DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make the required contributions as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows 'as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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 one percentage point lower (6.15%) or one percentage point higher (8.15%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>6.15%</u>	<u>7.15%</u>	<u>8.15%</u>
District's proportionate share of the net pension plan liability	\$ 5,775,478	\$ 3,811,481	\$ 2,202,336

Pension Plan Fiduciary Net Position – Detail information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 5— DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB Statement Nos. 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

The long-term expected rate of return on pension plan investments 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.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Assets Class	Assets Allocation	Real Return Years 1-10	Real Return Years 11+
Global Equity	50%	4.80%	5.98%
Fixed Income	28%	1.00%	2.62%
Inflation Assets	0%	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Estate	13%	3.75%	4.92%
Liquidity	1%	0.00%	(0.92)%
Total	<u>100%</u>		

For the year ended June 30, 2019, the District recognized pension expense of \$685,256. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 5— DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contribution subsequent to measurement date	\$ 330,711	\$ -
Change in assumptions	373,973	50,456
Difference between expected and actual experience	81,896	311
Net differences between projected and actual earnings on plan investments	25,806	-
Change in employer's proportion	15,721	72,698
Difference between the employer's contributions and the employer's proportionate share of contributions	78,342	108,925
	\$ 906,449	\$ 232,390

The \$330,711 reported as deferred outflows of resources related contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as estimated pension expenses for the next four years as follows:

2020	\$ 313,756
2021	181,628
2022	(125,634)
2023	(26,401)
	\$ 343,349

NOTE 6— LEASE COMMITMENT

Current lease agreement includes an 18 month agreement to occupy office space from July 1, 2017 ended in December 31, 2018 at a rate of \$2,955.67 per month. Starting January 1, 2019, the District pays \$2,955.67 on a month-to-month basis. In addition, the District leases equipment in a separate operating lease started March 31, 2019 for \$219/month for 60 months. Rent expense for this copier for fiscal year ended June 2019 was \$659.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 6— LEASE COMMITMENT (Continued)

The minimum future lease commitments are as follows:

Fiscal Year Ended June 30,	Copier
2020	\$ 2,632
2021	2,632
2022	2,632
2023	2,632
2024	1,974
Total	\$ 12,502

NOTE 7— RISK MANAGEMENT

Insurance Coverage

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 \$42,438 for fiscal year 2019 coverage. Members are subject to dividends and/or assessments in accordance with the provisions of the Joint Powers agreement. At June 30, 2019 SDRMA could not confirm the status of any incurred but not reported claims.

The Special Districts Workers' Compensation District also insured with SDRMA. The annual premium paid for fiscal year 2019 netted with workers' compensation audit and coverage was \$63,031.

The general liability limit is as follow:

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7— RISK MANAGEMENT (Continued)

<u>Coverage</u>	<u>Limit (In thousands) Per Occurrences</u>
Property	\$ 1,000,000
Mobile equipment	\$ 1,000,000
General liability	\$ 10,000
Auto liability	\$ 10,000
Auto physical damage	Limit on file
Trailer	Limit on file
Workers' Compensation	\$ 5,000

The District currently reports all of its risk management activities in its General Fund. The District claims have not exceeded the insurance coverage in any of the past three fiscal years.

**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 government fund balance sheet.

<u>Differences</u>	<u>Balance June 30, 2019</u>
Net capital assets	\$ 3,857,601
Deferred outflows of resources (Pension & OPEB)	(1,367,409)
Net Pension & OPEB liability	6,365,612
Deferred inflows of resources (Pension & OPEB)	749,342
Subtotal	<u>5,747,545</u>
Net difference	<u>\$ (1,889,944)</u>

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

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

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, as presented above, net to \$5,747,545 and are not included in the governmental funds Statement of Revenues and Expenditures.

Differences	Balance June 30, 2019
Capital outlay	\$ (44,396)
Depreciation expense	77,249
Medical insurance – Retired and trust	(253,123)
PERS	354,545
Net difference	\$ 134,275

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.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 9— OTHER POST-RETIREMENT HEALTH BENEFITS (Continued)

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 projects the plan population to estimate the cost of future benefits. The actuarial study accrued net OPEB liability comes to \$2,554,131 with measurement date of June 30, 2018 and valuation date of June 30, 2018 (with assumed 2.25% of annual inflation and 2.75% of annual payroll insurance).

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

Valuation date:	June 30, 2018
Actuarial cost method:	Entry Age Normal Cost Method
Discount rate used in valuation:	7.28%
Actuarial assumptions:	The annual health care premium trend rate for year beginning 2020 is 6.8% (pre-65) and 5.0% (post 65) with declining trend rates in future years.

Schedule of Employer Actuarially Determined Contributions (ADC):

<u>Fiscal Year Ended June 30</u>	<u>ADC</u>
2018	\$ 418,693

Annual OPEB Cost and Net OPEB Obligation

Generally accepted accounting principles permit contributions to be treated as OPEB assets and deducted from the Actuarial Accrued Liability when such contributions are placed in a CERBT through PEMHCA.

Actuarial Assumptions

OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB - The net OPEB liability at June 30, 2019 is measured as of June 30, 2018, using the actuarial valuation as of June 30, 2018, rolled forward from June 30, 2017, using standard update procedures.

The District records the accrued liability and expense in the General Police Protection classification of the Government-wide Statement of Net Position and Statement of Activities. The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District’s net OPEB obligation:

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 9— OTHER POST-RETIREMENT HEALTH BENEFITS (Continued)

Service cost	\$ 171,680
Interest	303,636
Difference between expected and actual experience	(291,718)
Changes of assumptions	(349,558)
Benefit payments, including refunds of employee contributions	(204,377)
Change in net OPEB obligation	(370,337)
Net OPEB obligation at June 30, 2018	4,099,539
Net OPEB Obligation at June 30, 2019	\$ 3,729,202

The District's annual required contributions and actual contributions for the fiscal year are set forth below:

Actual Contribution	ADC	Percentage Contribution to ADC	Deficiency
\$ 520,463	\$ 418,693	124%	\$ (101,770)

Funded Status and Funding Progress

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past exceptions and new estimates are made about the future.

The schedule of Funding Progress below and the required supplementary information immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the most recent actuarial study is presented below:

Measurement Date	Fair Value of Assets (A)	Actuarial Accrued Liability (B)	Unfunded (Overfunded) Actuarial Accrued Liability (B-A)	Funded Ration (A/B)
6/30/2018	\$ 1,175,071	\$ 3,729,202	\$ 2,554,131	32%

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 9— OTHER POST-RETIREMENT HEALTH BENEFITS (Continued)

Sensitivity of the District’s Net OPEB Liability to Changes in the Discount Rate

The following presents what the District’s net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.28%) or one percentage point higher (8.28%) than the current rate.

	-1% Decrease 6.28%	Current Discount Rate 7.28%	1% Increase 8.28%
District's net OPEB liability	\$ 3,047,563	\$ 2,554,131	\$ 2,150,551

For the year ended June 30, 2019, the District recognized OPEB expense of \$207,837. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflow Resources	Deferred Inflow Resources
Difference between expected and actual experience	\$ -	\$ 250,943
Changes in assumptions	-	252,296
Net differences between projected and actual earnings of OPEB plan investments	952	14,665
Contribution to OPEB plan after measurement date	-	-
	\$ 952	\$ 517,904

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be amortizing in OPEB expense as follows:

2020	\$ (197,184)
2021	(197,184)
2022	(122,822)
2023	238
2024	-
	\$ (516,952)

NOTE 10 – COMPENSATED ABSENCES

Amounts due to employees for compensated absences as of June 30, 2019 were as follows:

Vacation and comp time	\$ 80,635
Total compensated absences	\$ 80,635

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 11 – NET POSITION AND FUND BALANCES

Net Position is on the full accrual basis while Fund Balance is measured on the modified accrual basis.

Net Position

Net Position is the excess of all the District's assets and deferred outflows of resources over all its liabilities and deferred inflows of resources, regardless of fund. Net Position is divided into three captions. These captions apply only to Net Position and are described below:

Net investment in capital assets describes the portion of Net Position which is represented by the current net book value of the District's capital assets, less the outstanding balance of any debt issued to finance these assets

Net investment in capital assets describes the portion of Net Position which is represented by the current net book value of the District's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Position, if any, which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the District cannot unilaterally alter. These principally include amount is restricted by external creditors, grantors, or law or regulations of government.

Unrestricted describes the portion of Net Position which is not restricted to use.

Fund Balance

The District's fund balances are classified based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the District prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint

Nonspendable represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as endowment funds, and assets not expected to be converted to cash, such as prepaids, are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then nonspendable amounts are required to be presented as a component of the applicable category.

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 11 – NET POSITION AND FUND BALANCES (Continued)

Committed fund balances have constraints imposed by formal action of the Board of Directors which may be altered only by formal action of the Board of Directors. Encumbrances and nonspendable amounts subject to Board commitments are included along with spendable resources.

Assigned fund balances are amounts-constrained by the District’s intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the Board of Directors or its designee, the Police Chief or manager, and may be changed at the discretion of the Board of Director or its designee. This category includes encumbrances; nonspendables, when it is the District’s intent to use proceeds or collections for a specific purpose, and residual fund balances, if any of Capital Projects and Fiduciary Funds which have not been restricted or committed.

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

	General Fund	Total
Nonspendable:		
Prepaid expenses	\$ 142,932	\$ 142,932
Compensated Absences	80,635	80,635
Subtotal	223,567	223,567
Restricted for:		
Bay View	194,885	194,885
Subtotal	194,885	194,885
Committed to:		
Community center building upgrade	955,825	955,825
Subtotal	955,825	955,825
Assigned to:		
Subtotal	-	-
	-	-
Unassigned	1,905,340	1,904,237
Total	\$ 3,279,617	\$ 3,278,514

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

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 two items that are reportable as deferred outflows of resources, one related to pensions of \$906,449 and the other related to OPEB of \$460,960. Together the total is \$1,367,409. Any monies contributed after the measurement date are classified as deferred outflows of resources.

Deferred inflows of resources is an acquisition of net assets. The District has two items that are reportable as deferred inflows of resources, one related to pensions of \$232,390 and the other related to OPEB of \$516,952. Together the total is \$749,342. 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.

NOTE 14 – PRIOR PERIOD ADJUSTMENTS

Prior period adjustment of \$52,671 is due to change of valuation of pension liabilities though CalPERS.

NOTE 14 – SUBSEQUENT EVENTS

At the time of the audit, Kensington Police Protection and Community Services District has evaluated all subsequent events through June 15, 2020, the date the financial statements were available to be issued, and determined that there is no material impact from the subsequent events.

NOTE 15– CONTINGENCIES

As of June 30, 2019, the District does not have any claims outstanding.

SUPPLEMENTARY INFORMATION

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY
FOR THE MEASUREMENT PERIOD ENDED JUNE 30**

Last 10 Years*

	2018	2017
Total OPEB Liability		
Service cost	\$ 171,680	\$ 171,679
Interest	303,636	287,783
Change of benefit terms	-	-
Differences between expected and actual experience	(291,718)	(68,601)
Changes of assumptions	(349,558)	-
Benefit payments, including refunds of employee contributions	(204,377)	(142,894)
Net change in Total OPEB Liability	(370,337)	247,967
Total OPEB Liability - beginning (a)	4,099,539	3,851,572
Total OPEB Liability - ending (b)	\$ 3,729,202	\$ 4,099,539
Plan Fiduciary Net Position		
Contributions - employer	466,839	238,762
Contributions - employee	-	-
Net investment income	69,586	76,726
Benefit payments, including refunds of employee contributions	(204,377)	(142,894)
Administrative expenses	(481)	(383)
Other	-	-
Net change in Plan Fiduciary Net Position	331,567	172,211
Plan Fiduciary Net Position - beginning (c)	843,504	671,293
Plan Fiduciary Net Position - ending (d)	\$ 1,175,071	\$ 843,504
Net OPEB Liability - beginning (a) - (c)	3,256,035	3,180,279
Net OPEB Liability - ending (b) - (d)	\$ 2,554,131	\$ 3,256,035
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	32%	21%
Covered-employee payroll**	N/A	N/A
Plan Net OPEB Liability as a percentage of covered employee payroll**	N/A	N/A

Notes to Schedule:

* Schedule is intended to show information for ten years. Fiscal year 2017 was the first year of implementation, therefore only two years are shown. Additional years' information will be displayed as it becomes available.

**Covered employee payroll is annual compensation paid (or expected to be paid) to active employees covered by an OPEB plan, in aggregate. The information for 2018 and 2017 is not available.

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

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS TO THE OPEB PLAN**
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Last 10 Years*

	<u>2018</u>	<u>2017</u>
Actuarially Determined Contribution	\$ 418,693	\$ 404,577
Covered-employee payroll	N/A	N/A
Contributions as a percentage of covered-employee payroll	N/A	N/A
Contributions to the Trust	\$ 262,462	\$ 95,868
Pay-go Payments by Employer Unreimbursed by the Trust	150,543	142,894
Active Implicit Rate Subsidy Transferred to OPEB	53,834	-
Total OPEB Contributions	<u>\$ 466,839</u>	<u>\$ 238,762</u>

Notes to Schedule:

* Schedule is intended to show information for ten years. Measurement period fiscal year 2017 was the first year of implementation, therefore two years are shown. Additional years' information will be displayed as it becomes available.

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS TO THE OPEB PLAN**
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

10-Year Projection of Employer Benefit Payments

In this table we show the projected pay-as-you-go costs (employer's share of premiums), the implicit subsidy, and total expected benefit payments. The implicit subsidy reflects the shortfall of premiums versus the true cost of coverage. The shortfall exists because claims for active employees are combined with claims of retirees (who generally are older and cost more) to develop a single flat premium paid by both groups.

<u>Plan Year Beginning 7/1</u>	<u>Employer Share of Premiums</u>	<u>Implicit Subsidy</u>	<u>Total</u>
2018	\$ 180,780	\$ 39,809	\$ 220,589
2019	\$ 182,693	\$ 32,127	\$ 214,820
2020	\$ 185,953	\$ 31,691	\$ 217,644
2021	\$ 201,087	\$ 39,494	\$ 240,581
2022	\$ 197,882	\$ 29,809	\$ 227,691
2023	\$ 201,562	\$ 27,377	\$ 228,939
2024	\$ 210,580	\$ 24,204	\$ 234,784
2025	\$ 230,081	\$ 32,419	\$ 262,500
2026	\$ 242,092	\$ 30,555	\$ 272,647
2027	\$ 253,889	\$ 28,599	\$ 282,488

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
OTHER SUPPLEMENTARY INFORMATION BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>General Fund Budget</u>	<u>General Fund Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:			
Property taxes	\$ 1,800,000	\$ 1,858,537	\$ 58,537
Special assessments	682,000	681,780	(220)
Measure G supplemental tax revenue	564,500	565,740	1,240
Grants-COPS & other	100,000	155,948	55,948
Charges for services	1,500	3,570	2,070
Special assignment revenue	-	4,525	4,525
Kensington Hilltop services reimb.	-	839	839
POST reimbursement	1,000	4,009	3,009
Rents and fees	14,000	7,870	(6,130)
Contribution-for community center	-	476,350	476,350
Investment income	8,200	32,093	23,893
Franchise fees, net	54,285	54,203	(82)
Other tax income	49,500	50,305	805
Supplemental workers' comp reimb.	-	1,738	1,738
Other income	10,200	86,755	76,555
	<u>3,285,185</u>	<u>3,984,262</u>	<u>699,077</u>
Total Revenues			
Expenses:			
Police Salary and Benefits	2,171,531	1,887,096	284,435
Police Other Expenses	302,632	337,722	(35,090)
Recreation Salary and Benefits	9,219	9,176	43
Recreation Expenses	109,736	118,664	(8,928)
District Expenses	541,549	704,714	(163,165)
Capital Outlay	61,300	44,396	16,904
	<u>3,195,967</u>	<u>3,101,768</u>	<u>94,199</u>
Total Expenditures			
Excess of Revenues over (under) Expenditures	<u>\$ 89,218</u>	<u>\$ 882,494</u>	<u>\$ 793,276</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 NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019**

	2019	2018
Assets		
Current Assets:		
Cash and investments (Note 2)	\$ 3,542,126	\$ 2,276,966
Receivables		
Grant receivable	55,948	48,746
Supplemental taxes and Community Services District	20,930	18,665
Interest receivable	9,932	9,340
Reimbursements and other	109,553	45,940
Prepaid	142,932	155,031
Total Current Assets	3,881,421	2,554,688
Capital Assets (Note 3)		
Land	2,808,347	2,808,347
Vehicle and equipment	437,216	436,092
Building and improvement	1,618,818	1,618,818
Furniture & fixtures	61,933	61,933
Construction in progress	198,389	155,117
Accumulated depreciation	(1,267,102)	(1,189,853)
Total Capital Asset	3,857,601	3,890,454
Total Assets	\$ 7,739,022	\$ 6,445,142
Deferred Outflows of Resources-Deferred pensions (Note 5)	906,449	1,263,949
Deferred Outflows of Resources-Deferred OPEB (Note 9)	460,960	414,169
Liabilities		
Accounts payable	\$ 237,649	\$ 55,795
Compensated absence	80,635	63,064
Accrued payable	33,520	27,892
Loan community center	250,000	-
Net pension liability (Note 5)	3,811,481	3,860,944
Net OPEB liability obligation (Note 9)	2,554,131	3,256,035
Total Liabilities	6,967,416	7,263,730
Deferred Inflows of Resources-Deferred pensions (Note 5)	232,390	185,882
Deferred Inflows of Resources-Deferred OPEB (Note 9)	516,952	74,050
Total Liabilities and Fund Balances		
Net Position		
Net investment in capital assets	3,857,601	3,890,454
Restricted	-	362,021
Unrestricted	(2,467,928)	(3,652,877)
Total Net Position	\$ 1,389,673	\$ 599,598

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 OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
EXPENDITURES/EXPENSES		
Current expenditures/expenses		
Police Salary and Benefits		
Salary-officers	\$ 725,580	\$ 746,268
Compensated absence	22,576	1,745
Overtime	121,041	141,928
Salary-non sworn	25,576	67,680
Uniform allowance	4,899	5,000
Safety equipment	500	3,832
Medical insurance - Active	92,312	134,034
Medical Insurance- ret & trust(OPEB exp)	207,837	388,568
Disability & life insurance	2,923	2,971
Social security/medicare	14,331	23,034
PERS district	685,256	654,880
PERS officers	22,579	31,925
Workers compensation	63,031	-
Advanced Industrial Disability	77	-
Pension expenses	-	83,468
Total Police Salary and Benefits	1,988,518	2,285,333
Police Expenses		
Expendable police supplies	1,411	159
Range/ammunition supplies	5,159	1,325
Crossing guard	12,767	11,301
Vehicle operation	36,316	29,717
Communications (RPD)	135,219	199,961
Radio maintenance	-	908
Prisoner/case expense/booking	9,330	10,843
Training	5,944	4,322
Recruiting	12,308	1,826
Reserve officers	-	9,189
Misc, dues, meals and travel	1,923	1,705
Utilities	11,634	10,036
Building repair	18	-
Office supplies	4,876	6,004
Telephone	5,265	7,226
Housekeeping	4,063	4,633
Publications	2,915	2,820
CAL ID	5,525	5,262
Community policing	2,631	7,789
Legal/consulting-police	76,642	81,236
Measure G administration	3,776	3,646
Total Police Expenses	337,722	399,908
Recreation Salary and Benefits		
Park and recreation administration	8,524	8,591
Custodian	18,635	20,550
Social security/medicare	652	473
Total Recreation Salary and Benefits	27,811	29,614
Recreation Expenses		
Community center utilities	5,786	5,599
Janitorial supplies	1,139	779
Community center repairs	600	1,826
Community center equip maint	1,872	2,581
Park O&M	90,632	57,508
Misc. park/rec expense	-	553
Total Recreation Expenses	100,029	68,846
District Expenses		
District salary	191,692	156,145
District payroll taxes	14,664	7,920
Computer maintenance	23,292	31,164
Admin Communication	4,430	-
Copier contract	5,692	5,043
Legal	191,724	76,461
Consulting	86,919	92,104
Accounting	54,624	40,751
Insurance	42,438	36,588
Election	6,387	-
Police building lease	36,036	35,468
County expense	22,455	21,855
Waste/recycle	2,231	4,462
Miscellaneous	22,131	20,662
Depreciation	77,249	83,165
Total District Expenses	781,964	611,788
Total current expenditures/expenses	3,236,044	3,395,489
Total Expenditures/Expenses	3,236,044	3,395,489

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 OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2019**

(Continued)

	2019	2018
GENERAL REVENUES:		
Property taxes	1,858,538	1,751,850
Special assessments	681,780	681,780
Measure G supplemental tax revenue	565,740	548,106
Grants-COPS & other	155,948	151,363
Charges for services	3,570	3,100
Special assignment Revenue	4,525	-
Kensington Hilltop services reimb.	839	8,372
West county crossing guard reimb.	-	7,010
POST reimbursement	4,009	2,984
Rents and fees	7,870	29,595
Contribution-for community center	476,350	722
Investment income	32,093	22,416
Franchise fees	54,203	54,266
Other tax income	50,305	49,222
Supplemental workers' comp reimb.	1,738	3,629
Other income	86,754	9,562
Gain (loss) on asset sale	-	(1,562)
	3,984,262	3,322,415
Total Revenues		
Excess (deficiency) of Revenues Over Other Fin:(under) Expenditures	748,218	(73,074)
Other Financing Sources (Uses)		
Transfers in	-	147,744
Transfers out	(10,814)	(139,734)
	(10,814)	8,010
Total Other Financing Sources (Uses)		
Change in Net Position	737,404	(65,064)
Fund Balances/Net Position, Beginning of Year	599,598	3,672,077
Prior Period Adjustment	52,671	(3,007,415)
Fund Balances/Net Position, Beginning of Year, Restated	652,269	664,662
Fund Balances/Net Position, End of Year	\$ 1,389,673	\$ 599,598

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

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
OTHER SUPPLEMENTARY INFORMATION
GENERAL AND CAPITAL PROJECT FUND STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019 and 2018**

	2019	2018
Cash flows from Operating Activities:		
Change in Net Position	\$ 737,404	\$ (65,064)
Adjustments to Reconcile Change in Net Position to Net Cash Provided by Operating Activities:		
Depreciation Expenses	77,249	83,165
Prior period adjustment	52,671	(3,007,415)
(Increase) Decrease in Operating Activities		
Grant Receivable	(7,202)	(9,330)
Supplemental Taxes and Community Services District	(2,265)	2,655
Interest Receivable	(592)	(6,929)
Reimbursement and Other	(63,613)	(4,576)
OPEB Assets		65,902
Prepaid	12,099	(2,685)
Deferred Outflows of Resources-Deferred Pensions	357,500	104,656
Deferred Outflows of Resources-OPEB	(46,791)	(414,169)
Increase (Decrease) in Operating Liabilities		
Accounts Payable	181,854	(43,109)
Compensated Absence	17,571	(51,390)
Accrued Payable	5,628	11,457
Loan community center	250,000	-
Net Pension Liability	(49,463)	309,475
Net OPEB Liability Obligation	(701,904)	3,256,035
Deferred Inflows of Resources-Deferred Pensions	46,508	(51,650)
Deferred Inflows of Resources-Deferred OPEB	442,902	74,050
Net Cash Provided (Used) by Operating Activities	1,309,556	251,078
Cash Flows from Investing Activities		
Purchase of furniture and equipment	(43,272)	(123,254)
Retirement of Fixed Assets	(1,124)	1,562
Net Cash (Used) by Investing Activities	(44,396)	(121,692)
Cash flows from Capital and Financing Activities		
Loan repayments	-	-
Net Cash Provided by Financing Activities	-	-
Net Increase (Decrease) in Cash	1,265,160	129,386
Cash, at Beginning of Year	2,276,966	2,147,580
Cash and Cash Equivalents, at End of Year	\$ 3,542,126	\$2,276,966

The accompanying notes are an integral part of the financial state

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 REQUIRED SUPPLEMENTARY INFORMATION
 JUNE 30, 2019**

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

	FY 2018-2019
District's proportion of the net pension liability (asset)	0.3955%
District's proportionate share of the net pension liability (asset)	\$ 3,811,481
District’s covered-employee payroll (measurement year as of FY 2017-18)	\$ 746,268
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	510.74%
Plan Fiduciary net position as a percentage of the total pension liability	75.26%
Proportionate share of the aggregate employer contribution	\$ 440,226

CALPERS – Schedule of District contributions

	FY 2018-2019
Contractually required contribution (CRC)	\$ 330,711
Contributions in relation to the CRC	(330,711)
Contribution deficiency (excess)	\$ -
 District’s covered-employee payroll	 \$ 728,680
Contribution as a percentage of covered-employee payroll	45.38%

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
OTHER SUPPLEMENTARY INFORMATION
UNRESTRICTED NET POSITION RECONCILIATION
FOR THE YEAR ENDED JUNE 30, 2019**

Balance as of June 30, 2018	\$ 599,598
Net position change 2019	737,404
Prior period adjustment	<u>52,671</u>
Balance as of June 30, 2019	<u><u>\$ 1,389,673</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, 2019, and have issued my report thereon dated June 15, 2020 . 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.

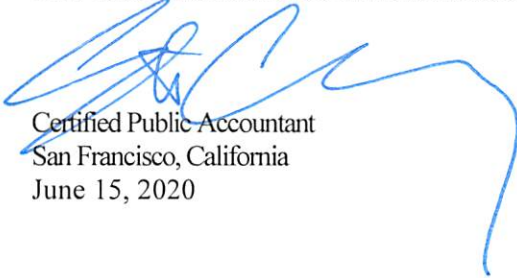
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, 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 or 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
June 15, 2020

**KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
STATUS OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2019**

<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, 2019**

2019 Finding

None