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BROADMOOR POLICE PROTECTION DISTRICT

**Financial Statements and Independent Auditor's Report for the
Years ended June 30, 2014 and 2013**

Draft #1 August 10, 2016

BROADMOOR POLICE PROTECTION DISTRICT

Basic Financial Statements
and Required Supplementary Information
for the Fiscal Years Ended June 30, 2014 and 2013

TABLE OF CONTENTS	Page
Board of Directors	i
Independent Auditor's Report	1-2
Management's Discussion and Analysis (Required Supplementary Information)	3-8
Basic Financial Statements	
Statements of Net Position and Governmental Funds Balance Sheet.....	9
Statements of Activities and Governmental Funds Statements of Revenues and Expenditures and Changes in Fund Balance.....	10
Statements of Revenue, Expenditure and Change in Fund Balances—Actual and Budget.....	11
Notes to the Basic Financial Statements.....	12-27
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	28-29
Status of Prior Year Findings	30
Schedule of Current Year Findings and Questioned Costs	31
Supplementary Information	32

BROADMOOR POLICE PROTECTION DISTRICT

BOARD OF DIRECTORS

JUNE 30, 2014

NAME

Joseph Sheridan

Wayne Johnson

Ralph Hutchens

TITLE

President

Treasurer

Secretary

Independent Auditor's Report

Board of Directors
Broadmoor Police Protection District
Broadmoor, California

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities and each major fund of Broadmoor Police Protection District (BPPD), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise BPPD'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 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 and each major fund of BPPD, as of June 30, 2014, and the respective changes in financial position, and 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 3-8 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.

Implementation of New Accounting Standards

As disclosed in Note 1 to the financial statements, the Broadmoor Police Protection District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, during the fiscal year ended June 30, 2014.

Certified Public Accountant
San Francisco, California
XXX

**BROADMOOR POLICE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013
(Required Supplementary Information)**

This discussion and analysis of the Broadmoor Police Protection Districts fiscal performance provides an overview of the District's financial activities for the fiscal years ended June 30, 2014 and 2013. Please review it in conjunction with the transmittal letter and the basic financial statements, which begin on page number 9.

FINANCIAL HIGHLIGHTS

From the Statement of Net position

- Total net position for the years ended June 30, 2014 and 2013 are \$114,675 and \$2,102,347, respectively. This is a 94.55% decrease.
- Unrestricted net position, the part of net position that can be used to finance day-to-day operations for the years ended June 30, 2014 and 2013 are (\$333,891) and \$1,430,417, respectively. The negative net position arised for fiscal year ended 2014 was due to the one time GASB 68 implementation adjustment of \$2,036,341 of long term pension liability charge to the book.

From the Governmental Fund Financial Statements

- Our General Fund balance increased by \$48,669 for fiscal year ended June 30, 2014.
- Property tax revenues (including special tax revenue for police services) for fiscal years ended June 30, 2014 and 2013 were \$1,833,514 and \$1,877,153, respectively.

OVERVIEW OF FINANCIAL STATEMENTS

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

**BROADMOOR POLICE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013
(Required Supplementary Information)**

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 Statements of Net Position and the Statements of Activities and Changes in Net Position.

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

The Statements of Activities presents information showing how the District's net position changed during the fiscal year. Accrual of revenue and expenses are 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 7 using the adjustment column.

Notes to the financial statements

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

Supplementary information

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

**BROADMOOR POLICE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013**
(Required Supplementary Information)

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 \$114,675 as of June 30, 2014 and \$2,102,347 as of June 30, 2013. These numbers are comprised of two components:

	2014	2013
Investment in capital assets, net of debt	\$ 448,566	\$ 671,930
Unrestricted assets	(333,891)	1,430,417
Total net position	\$ 114,675	\$ 2,102,347

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

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

GOVERNMENTAL FUNDS ANALYSIS

The District's largest source of revenue is derived from property tax allocations. In 1978 the voters passed Proposition 13 and removed the ability of local agencies to set their own property taxes. The 1% maximum property tax rate is fixed by Article XIII A, § 1(a) of the California Constitution. The Legislature adopted statutes ("AB 8") that tell county auditor-controllers 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 was established in 2005 after receiving voter approval in 2000.

In fiscal years ended June 30, 2014 and 2013, the District was the beneficiary of the Supplemental Law Enforcement Services Fund (SLESF) Grant in the amount of \$0 and \$0, respectively; SLESF funds are to be used exclusively for front line municipal police services and crime prevention programs. This would include, but not be limited to, staffing, support services and implementing the latest technology. The OTS is a regional grant which provides funding for the following: DUI checkpoints, regional drunk driving task force, pedestrian safety enforcement, and red light enforcement, as well as continued professional training.

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 employees.

The other area of expenditures of significance is for services and supplies. That would include items such as vehicle maintenance, including the purchase of gasoline. This is the support structure for the police department.

Reserved funds:

Reserved for compensated absences payable—\$72,831 in 2014 and \$76,487 in 2013.

**BROADMOOR POLICE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013
(Required Supplementary Information)**

COMMENTS ON BUDGET COMPARISONS

Actual revenues exceeded budgeted revenues by \$251,881 in 2014 and \$211,377 in 2013.

Actual expenditures were more than final budgeted expenditures by \$338,711 in 2014 and \$251,071 more in 2013. The four major components were salary and benefits of \$298,907 in 2014, general and contract maintenance of \$14,329, clothing and uniforms of \$20,058 in 2014, and utilities of \$12,074 in 2014.

These four differences netted together equal a negative variance as of June 30, 2014 and 2013 of \$292,562 and \$350,538, respectively.

HISTORY AND ECONOMIC FACTORS

On September 7, 1948, a petition was filed with the County Clerk of San Mateo County by citizens of Broadmoor "praying and petitioning" that they be allowed to create a municipal police department which became known as the "Broadmoor Police Protection District". At that particular time the only law enforcement agency charged with the protection of life and property in the unincorporated Broadmoor/Colma area was the San Mateo County Sheriff's Office. These services were headquartered some 30 - 40 minutes driving time away (before the advent of interstate freeways). The Broadmoor Police Protection District was established by San Mateo County Board of Supervisors Resolution #3792 on December 21, 1948. Three Commissioners were appointed to the Board until an election could be held in April of 1949. A summary of the reason for the establishment of the District was delivered as follows:

"A local law enforcement agency is needed to supplement the existing county law enforcement officers in order to adequately protect the lives of the over 5,000 inhabitants of this area."

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 Broadmoor Police Protection District had a history of very lean budgets.

In 1997, the Board of Police Commissioners for the District approved Resolution 1996/1997 - 04, setting into motion a proposal for a special tax and a special election for the special tax. The special tax rate was not to exceed the amounts stated on the assessment schedule for each respective year through Fiscal Year 2001-2002. The original amount of the tax was \$195 per year for single family residential, \$195 per year for multiple unit residential, \$690 per year for commercial and industrial property and \$110 per year for un-improved property.

**BROADMOOR POLICE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013
(Required Supplementary Information)**

HISTORY AND ECONOMIC FACTORS (Continued)

In 1998, the Board of Police Commissioners for the District approved Resolution 1997/1998 - 03, setting the rates pursuant to the provisions set forth in Resolution 1996/1997 - 04. The special tax was \$190 per year for single family residential, \$190 per year for multiple unit residential, \$490 per year for commercial and industrial property and \$85 per year for un-improved property.

In 2000, the Board of Police Commissioners for the District approved Resolution 1999/2000 - 09 requesting the electorate approve a proposal for a special tax and a special election for the special tax. This resolution repealed Resolution 1996/1997 - 04 and imposed a new special tax rate which is to be annually reviewed by the Board to determine if such tax should either be decreased or increased. Any annual increase the Board may fix shall not exceed 5% of the qualified special tax in effect at the time of the annual review. The special tax was \$297 per year for single family residential, \$297 per year for multiple unit residential, \$249 per year for residential board or care facility (per bed), \$645 per year for commercial and industrial property and \$99 per year for un-improved property.

In 2001, the Board of Police Commissioners for the District approved Resolution 2001/2002 - 02, setting the rates pursuant to the provisions set forth in Resolution 1999/2000 - 09. The special tax was \$308 per year for single family residential, \$308 per year for multiple unit residential, \$259 per year for residential board or care facility (per bed), \$675 per year for commercial and industrial property and \$101 per year for un-improved property.

In 2002, the Board of Police Commissioners for the District approved Resolution 2002/2003 - 02, setting the rates at the maximum allowed based on Resolution 1999/2000 - 09. The special tax was \$323 per year for single family residential, \$323 per year for multiple unit residential, \$271 per year for residential board or care facility (per bed), \$708 per year for commercial and industrial property and \$106 per year for un-improved property.

In 2003, the Board of Police Commissioners for the District approved Resolution 2003/2004 - 02, setting the rates at the maximum allowed based on Resolution 1999/2000 - 09. The special tax was \$339 per year for single family residential, \$339 per year for multiple unit residential, \$284 per year for residential board or care facility (per bed), \$743 per year for commercial and industrial property and \$111 per year for un-improved property.

In 2004, the Board of Police Commissioners for the District approved Resolution 2004/2005 - 02, setting the rates at the maximum allowed based on Resolution 1999/2000 - 09. The special tax was \$353 per year for single family residential, \$353 per year for multiple unit residential, \$295 per year for residential board or care facility (per bed), \$773 per year for commercial and industrial property and \$115 per year for un-improved property.

In 2005, the Board of Police Commissioners for the District approved Resolution 2005/2006 - 02, setting the rates at the maximum allowed based on Resolution 1999/2000 - 09. The special tax was \$364 per year for single family residential, \$364 per year for multiple unit residential, \$304 per year for residential board or care facility (per bed), \$796 per year for commercial and industrial property and \$118 per year for un-improved property.

**BROADMOOR POLICE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013
(Required Supplementary Information)**

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 Art Stellini, District Manager/Chief of Police.

BROADMOOR POLICE PROTECTION DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS-BALANCE SHEET
FOR THE YEARS ENDED JUNE 30,

	General		2014	2013
	Fund	Adjustment	Statement	Statement
			of Net Assets	of Net Assets
Assets:				
Cash and Investments	\$ 1,658,479	\$ -	\$ 1,658,479	\$ 1,648,550
Accounts Receivable	24,034	-	24,034	109,481
Prepays	65,666	-	65,666	56,121
OPEB asset	-	-	-	-
Capital Assets:				
Buildings and Improvements	-	446,079	446,079	442,079
Vehicles and Equipment	-	839,030	839,030	821,290
Accumulated Depreciation	-	(743,440)	(743,440)	(703,143)
Total Assets	\$ 1,748,179	\$ 541,669	\$ 2,289,848	\$ 2,374,378
Liabilities:				
Accounts Payable	\$ 42,322	\$ -	42,322	\$ 113,515
Accrued Liabilities	72,831	-	72,831	76,487
PERS Liabilities	23,679	-	23,679	82,029
Long-term - Net Pension Liability (Note 4 & 14)	-	2,036,341	2,036,341	-
Total Liabilities	\$ 138,832	\$ 2,036,341	\$ 2,175,173	\$ 272,031
Fund Balances:				
Fund Balances:				
Reserved for:				
Compensated Absence	\$ 72,831	\$ (72,831)	\$ -	\$ -
Unreserved for:				
Undesignated	1,536,516	(1,536,516)	-	-
Total Fund Balances	\$ 1,609,347	\$ (1,609,347)	\$ -	\$ -
Net Position:				
Capital Assets		448,566	448,566	671,930
Restricted		-	-	-
Unrestricted		(333,891)	(333,891)	1,430,417
Total Net Position		\$ 114,675	\$ 114,675	\$ 2,102,347
Total Liabilities and Net Position			\$ 2,289,848	\$ 2,374,378

BROADMOOR POLICE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT
OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30,

	General Fund	Adjustment	2014 Statement of Activities	2013 Statement of Activities
EXPENDITURES/EXPENSES:				
Current expenditures/expenses:				
Salary and Benefits				
Salary-Officers	\$ 678,416	\$ -	\$ 678,416	\$ 759,134
Salary-Overtime	119,829	-	119,829	58,300
Salary-Non sworn	265,107	-	265,107	311,708
Medical Insurance	155,690	-	155,690	165,137
Medicare	14,961	-	14,961	14,585
Social Security	16,864	-	16,864	15,995
PERS Contribution	363,277	-	363,277	295,246
Workers Compensation	32,827	-	32,827	49,110
Benefits	21,448	-	21,448	30,366
Total Salary and Benefits	<u>1,668,419</u>	<u>-</u>	<u>1,668,419</u>	<u>1,699,581</u>
Clothing & Uniforms	36,058	-	36,058	10,602
Other Household Expenses	2,547	-	2,547	4,198
Other Office Expenses	50,586	-	50,586	48,216
Memberships	13,352	-	13,352	9,974
Fuel & Lubrication	41,377	-	41,377	43,672
Other General Maintenance	24,171	-	24,171	34,371
Utilities	34,210	-	34,210	35,918
Professional Contract Services	127,125	-	127,125	97,984
Other Professional Services	48,041	-	48,041	33,368
Other Insurance	193,873	-	193,873	181,997
Contingencies	46,846	-	46,846	119,020
Payroll Expenses	-	-	-	100
Gain (Loss) on Sale of Asset	-	-	-	1,494
Other Expenses	29,118	-	29,118	54,052
Depreciation	-	64,089	64,089	151,693
Total	<u>647,304</u>	<u>64,089</u>	<u>711,393</u>	<u>826,659</u>
Capital outlay:				
Equipment and Furniture	41,533	(41,533)	-	-
Buildings and Improvements	4,000	(4,000)	-	-
Future Capital Outlay	45,533	(45,533)	-	-
Total Expenditures	<u>2,361,256</u>	<u>18,556</u>	<u>2,379,812</u>	<u>2,526,240</u>
GENERAL REVENUES:				
Property Taxes-Secured	989,277	-	989,277	1,028,251
Property Taxes-Unsecured	53,658	-	53,658	54,313
Trust Fund	14,836	-	14,836	14,942
Special Assessments	790,579	-	790,579	794,589
Charges for Services	43,641	-	43,641	59,728
Investment Income	6,246	-	6,246	11,232
Other Income	261,439	-	261,439	434,420
ERAF Rebate	268,805	-	268,805	250,498
Total Revenues	<u>2,428,481</u>	<u>-</u>	<u>2,428,481</u>	<u>2,647,973</u>
Change In Net Position	<u>67,225</u>	<u>(18,556)</u>	<u>48,669</u>	<u>121,733</u>
Fund Balance/Net Position, Beginning of year	<u>2,102,347</u>	<u>-</u>	<u>2,102,347</u>	<u>1,980,614</u>
Prior Period Adjustment (Note 14)	<u>-</u>	<u>(2,036,341)</u>	<u>(2,036,341)</u>	<u>-</u>
Fund Balances/Net Position, End of year	<u>\$ 2,169,572</u>	<u>\$ (18,556)</u>	<u>\$ 114,675</u>	<u>\$ 2,102,347</u>

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

BROADMOOR POLICE PROTECTION DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30,

	<u>General Fund Budget</u>	<u>General Fund Actual</u>	2014 Variance with Final Budget Favorable (Unfavorable)
Revenues:			
Total Revenues	\$ 2,176,600	\$ 2,428,481	\$ 251,881
Expenses:			
Salary and Benefits	1,369,512	1,668,419	(298,907)
Insurance	187,660	193,873	(6,213)
Fuel and Lubrication	45,000	41,377	3,623
General and Contract Maintenance	38,500	24,171	14,329
Clothing and Uniforms	16,000	36,058	(20,058)
Other Household Expenses	5,000	2,547	2,453
Utilities	46,284	34,210	12,074
Professional Contract Services	124,956	127,125	(2,169)
Other Professional Services	49,400	48,041	1,359
District Operating Expenses	1,000	-	1,000
Office Expenses	45,000	50,586	(5,586)
Membership	12,562	13,352	(790)
Miscellaneous Other Expenses	21,760	29,118	(7,358)
Contingencies	40,000	46,846	(6,846)
Operating Expenditures	<u>2,002,634</u>	<u>2,379,812</u>	<u>(377,178)</u>
Fixed Assets-Equipment	80,000	41,533	38,467
Total Expenditures	<u>2,082,634</u>	<u>2,421,345</u>	<u>(338,711)</u>
Excess of Revenues over (under) Expenditures	<u>\$ 93,966</u>	<u>\$ 7,136</u>	<u>\$ (86,830)</u>

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

FINANCIAL STATEMENTS

**BROADMOOR POLICE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Organization and description of funds

The Department was formed to provide police protection services and parks and recreation services. The accounts of the Department are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise the fund's assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The Department also maintains two fiduciary funds: (1) Emergency Preparedness Fund (used for expenses in conjunction with the emergency radio network) and (2) Broadmoor Police Protection District 2004-1 Fund (used to account for special assessment funds, see Note 5).

Government-wide Financial Statements

The Department'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 Department 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 Department'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 position 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 position use.

**BROADMOOR POLICE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Separate financial statements are provided for governmental funds. Fund financial statements report detailed information about the Department. 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 Department had no major funds in the fiscal years ended June 30, 2014 and 2013.

Governmental Fund Financial Statements

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

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

The Department has only two funds in fiscal years 2014 and 2013, the General Fund and Capital Project Fund.

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

Account and Records

The District maintains cash receipts journal for recording fees collected at 388 Eighty-Eight Street, Broadmoor, California. The assessment of property, collection of taxes, disbursement of cash, and the maintenance of the general ledger for all funds are provided by the County of San Mateo. Custodianship of the District's accounts and records are vested with the Treasurer of San Mateo County.

The County of San Mateo maintains its financial records on a computer, utilizing a monthly reporting cycle. Every month the Controller issues a computer printout of revenues collected, disbursements by objective, and a trail balance for the period then ended.

**BROADMOOR POLICE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Policies

The District accounts for its financial transactions in accordance with the policies and procedures recommended by the State of California. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants.

Budgets and budgetary accounting

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

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

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General. 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.

**BROADMOOR POLICE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting pronouncements

Effective July 1, 2003, the Department adopted the provisions of GASB No. 34, issued in June 1999; GASB No. 37, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments: Omnibus* (“GASB No. 37”) issued in June 2001 and GASB No. 38, *Certain Financial Statement Disclosures* (“GASB No. 38”) issued in June 2001.

The Governmental Accounting Standards Board Statement No. 34, “Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments” establishes a new financial reporting model for state and local governments. This new model requires that at a minimum the basic financial statements of a government include: (1) management’s discussion and analysis (MD&A) as a component of required supplementary information (RSI), (2) both government-wide financial statements and fund financial statements, (3) notes to the financial statements and (4) RSI other than MD&A.

Compensated absences

Department employees are entitled to certain compensated absences based on their length of employment. Payable for compensated absences are \$44,356 and \$48,457 at June 30, 2014 and 2013, respectively.

Fund equity reservations and designations

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

Statement calculations and use of estimates

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

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

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

**BROADMOOR POLICE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net position

The net position amount is the difference between assets and liabilities. Net position invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are legal limitations imposed on their use by the District or external restrictions by other governments, creditors or grantors.

Implementation of Government Accounting Standards Board Statements

Effective July 1, 2014, the District implemented the following accounting and financial reporting standards:

Government Accounting Standards Board Statement No. 65

In March 2012, GASB issued Statement No. 65, Items Previously Reported as Assets and Liabilities. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations.

Government Accounting Standards Board Statement No. 66

In March 2012, GASB issued Statement No. 66, Technical Corrections—2012—an amendment of GASB Statement No. 10 and No. 62. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre November 30, 1989 FASB and AICPA Pronouncements.

Government Accounting Standards Board Statement No. 68

In June 2012, GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The District has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the District's fiscal year ending June 30, 2015.

BROADMOOR POLICE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future Government Accounting Standards Board Statements

These statements are not effective until July 1, 2014 or later. The District has not determined the effects on the financial statements.

Government Accounting Standards Board Statement No. 69

In January 2013, GASB issued Statement No. 69, Government Combinations and Disposals of Government Operations. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The District has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the District's fiscal year ending June 30, 2015.

Government Accounting Standards Board Statement No. 70

In April 2013, GASB issued Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The District has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the District's fiscal year ending June 30, 2015.

NOTE 2— CASH AND INVESTMENTS

The District maintains most of its cash in the County of San Mateo. Balances are stated at cost, which is approximately market value.

The District maintains cash investment accounts that are available for use by general fund. 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.

**BROADMOOR POLICE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 2— CASH AND INVESTMENTS (Continued)

A summary of the District's cash and investments at June 30, 2014 is as follows:

	Carrying Value	Market Value
<u>Governmental Funds (District Fund)</u>		
<u>Category 1:</u>		
Cash in Checking Accounts	\$ 4,628	\$ 4,628
	4,628	4,628
<u>Uncategorized:</u>		
County Treasury	1,653,850	1,653,850
Total Governmental Fund (District Fund)	\$ 1,658,478	\$ 1,658,478

The cash and investments by fund is as follows:

General Fund	\$ 1,658,478
Total General Fund	\$ 1,658,478

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

Deposits

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

**BROADMOOR POLICE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 3—CAPITAL ASSETS

The Department'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 Department has assigned the useful lives listed below to capital assets:

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

A summary of changes in general fixed assets follows:

	<u>Balance 6/30/13</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6/30/14</u>
Depreciable assets				
Vehicles & equipment	\$ 821,290	\$ 41,532	\$ 23,792	\$ 839,030
Building & improvements	442,079	4,000	-	446,079
	<u>1,263,369</u>	<u>45,532</u>	<u>23,792</u>	<u>1,285,109</u>
Accumulated depreciation				
Vehicles & equipment	601,133	52,378	23,792	629,719
Building & improvements	102,010	11,711	-	113,721
	<u>703,143</u>	<u>64,089</u>	<u>23,792</u>	<u>743,440</u>
Capital assets net of depreciation	<u>\$ 560,226</u>			<u>\$ 541,669</u>

The current depreciation expense of \$64,089 was charged to Statement of Activities as depreciation expense adjustment.

**BROADMOOR POLICE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 4—DEFINED BENEFIT PENSION PLAN

PERS Plan Description

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

Funding Policy

For FY 13/14 active plan members in the Plan are required to contribute 8.3% of their annual covered salary. The District “picks up” the tax deferred contributions required of District employees on their behalf and for their accounts. The District is required to contribute the actuarially determined amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS’ Board of Administration. An employer contribution of 37.560% was required for the 2014 fiscal year. The contribution requirements for the plan members are established by State statute. The employer contribution rate is established and may be amended by CalPERS. For FY 14/15 the District will participate in a two-tiered retirement system funding. Tier 1 employees (Classic members) will include all current active members and will be treated as stated above. For FY 14/15 the employer contribution will increase to 38.225% from 37.560% but will include an additional flat contribution for CalPERS’ Unfunded Actuarial Liability (UAL) of \$xxx. Effective January 1, 2013 the California Public Employees’ Pension Reform Act (PEPRA) went into effect. New CalPERS hires will now be Tier 2 Employees (PEPRA members) and will be required to pay their own officer’s portion contribution. The District will not pick up their contributions. In FY 14/15 the PEPRA employees’ rate will be xxx% and the employer contribution rate will be 38.225%.

At June 30, 2014 the District reported a liability of \$2,036,341 in the Statement of Net Position for its proportionate share of the net pension liability. The net position liability was measured as of June 30, 2013 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all Pension Plan participants, which was actuarially determined.

For the fiscal year ended June 30, 2014 the District recognized pension expense of \$363,277 in its Government-Wide financial statements. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits.

**BROADMOOR POLICE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 4—DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions. Total pension liability represents the portion of the actuarial present value of projected benefit payments attributable to past periods of services for current and inactive employees.

- Discount Rate/Rate of Return – 7.5%, net of investment expense
- Inflation Rate – 2.75%
- Salary increases – Varies by Entry Age and Service
- COLA Increases – up to 2.75%
- Post-Retirement Mortality – Derived using CalPERS’ Membership Data for all Funds
- The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2010 through June 30, 2013.

The long-term expected rate of return on pension plan investments (7.5%) was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	47.0%	5.71%
Global Fixed Income	19.0%	2.43%
Inflation Sensitive	6.0%	3.36%
Private Equity	12.0%	6.95%
Real Estate	11.0%	5.13%
Infrastructure and Forestland	3.0%	5.09%
Liquidity	2.0%	(1.05) %

**BROADMOOR POLICE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 4—DEFINED BENEFIT PENSION PLAN (Continued)

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension fund's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. In theory, the discount rate may differ from the long-term expected rate of return discussed previously. However, based on the projected availability of the pension fund's fiduciary net position, the discount rate is equal to the long-term expected rate of return on pension plan investments, and was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

	1% Decrease 6.5%	Discount Rate 7.5%	1% Increase 8.5%
District's proportionate share of the net pension plan liability	\$ 3,124,681	\$ 2,036,341	\$ 1,151,461

Detail information about the pension fund's fiduciary net position is available in the separately issued CALPERS comprehensive annual financial report which may be obtained by contacting PERS.

NOTE 5—COMPENSATED ABSENCES

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

Vacation	\$ 72,831
Total compensated absences	\$ 72,831

NOTE 6—FUND EQUITY RESERVES AND DESIGNATIONS

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

**BROADMOOR POLICE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 6—FUND EQUITY RESERVES AND DESIGNATIONS (Continued)

	General Fund	Total
Nonspendable:		
Prepaid expenses	\$ 65,666	\$ 65,666
OPEB Asset	-	-
Subtotal	65,666	65,666
Restricted for:		
None	-	-
Subtotal	-	-
Committed to:		
Capital projects	-	-
Subtotal	-	-
Assigned to:		
None	-	-
Subtotal	-	-
Unassigned	49,009	49,009
Total	<u>\$ 114,675</u>	<u>\$ 114,675</u>

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

- Nonspendable Fund Balance – this fund balance classification includes amounts that cannot be spent because they are either not in spendable form (i.e. – prepaid expenses) or legally or contractually required to be maintained intact.
- Restricted Fund Balance – this fund balance classification should be reported when there are constraints placed on the use of resources externally (by creditors, grant sources, contributors, etc.) or imposed by law or enabling legislation. It is the District’s policy to first use restricted resources, where available.
- Committed Fund Balance – this fund balance classification can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision making authority (i.e. – fund balance designations passed by board resolution).
- Assigned Fund Balance – this fund balance classification includes amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed.
- Unassigned Fund Balance – this fund balance classification is the residual classification for the general fund.

**BROADMOOR POLICE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 7—RISK MANAGEMENT

Special District Risk Management District

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

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

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

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

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

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. In addition, compensated absences are accrued on the governmental activities statement of net position but not on the balance sheet since they also have a long-term economic focus.

<u>Differences</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Balance</u> <u>June 30, 2013</u>
Cost of capital assets	\$ 1,285,109	\$ 1,263,369
Accumulated depreciation	743,440	703,143
Net capital assets	<u>541,669</u>	<u>560,226</u>
Net difference	<u>\$ 541,669</u>	<u>\$ 560,226</u>

**BROADMOOR POLICE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 9—LEASE COMMITMENT

In XXX, the District entered into agreement as a lessee to xxx from Broadmoor Police Protection District for a five-year period through June 30, 2014. In addition, the District leases equipment through two separate operating leases. Rent increases are run accordance to consumer index change from a minimum of xxx% to a maximum of xxx%. Rent expense including operating leases for fiscal year ended June 30, 2014 was \$xxx.

The minimum future lease commitments are as follows:

Fiscal Year Ended June 30	Amount
2015	\$ xxx
2016	xxx
2017	xxx
2018	xxx
Total	\$ xxx

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NOTE 10—EXPLANATION OF DIFFERENCES BETWEEN THE GOVERNMENTAL FUND OPERATING STATEMENT AND THE STATEMENT OF ACTIVITIES

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

Differences	Year Ended June 30, 2014	Year Ended June 30, 2013
Capital outlay	\$ 45,532	\$ 7,766
Depreciation expense	52,378	(151,693)
Expense adjustment	-	-
Net difference	\$ 97,910	\$ (143,927)

**BROADMOOR POLICE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 11—PROPERTY TAX LEVY, COLLECTION, AND MAXIMUM RATES

The States of California Constitution Article XIII A provides that the combined maximum property tax rate on any given property may not exceed 1% of its assessed value unless voters have approved an additional amount. Assessed value is calculated at 100% of market value as defined by Article XIII A and may be increased by no more than 2% per year unless the property is sold or transferred. State Legislature has determined the method of distribution of receipts from a 1% tax levy among counties, cities, school districts and other special districts. Counties, cities and school districts may levy such additional tax as is necessary to provide for voter approved debt service.

The Broadmoor Police Protection District assesses properties, bills, and collects property taxes as follows:

	<u>Secured</u>	<u>Unsecured</u>
Tax lien date	January 1	January 1
Assessment roll delivered to County Auditor	No later than July 1	
Due dates	50% on November 1 50% on February 1	Upon receipt of billing
Delinquent as of	December 10 (for November) April 10 (for February)	August 31

The term “unsecured” refers to taxes on property not secure by liens on real property.

Property taxes levied are recorded as revenue when received, in the fiscal year of levy, because of the adoption of the “alternate method” of property tax distribution, known as the Teeter Plan, by the Broadmoor Police Protection District. The Teeter Plan authorizes the auditor-controller of the Broadmoor Police Protection District to allocate 100% of the secured property tax billed but not yet paid. The Broadmoor Police Protection District remits tax monies to the District in three installments, as follows: 50% remitted on December 15, 40% remitted on April 15; 10% remitted on June 30.

NOTE 12 – SUBSEQUENT EVENTS

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

NOTE 13 – DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Pursuant to GASB Statement No. 63, the District recognized deferred outflows of resources in the government-wide and proprietary fund statements. These items are a consumption of net position by the District that is applicable to a future reporting period.

**BROADMOOR POLICE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013**

NOTE 13 – DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES (Continued)

The District has one item that is reportable on the Government-wide Statement of Net Position as Deferred Outflows of Resources which is related to pensions. The sum total is \$xxx.

The District also recognized deferral inflows of resources in the government-wide financial statements. This is an acquisition of net position by the District that is applicable to a future reporting period. The District has one item related to pensions that is captured as a deferred inflow of resources. The sum total at year-end was \$2,036,341.

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.

There is no deferred outflows of resource during fiscal year ended June 30, 2014.

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

Year Ending June 30	Amount
2015	\$ 145,745
2016	148,665
2017	166,516
2018	185,303
2019	205,069
Total	\$ 851,298

NOTE 14 – PRIOR PERIOD ADJUSTMENT

One time charge of \$2,036,341 of long-term pension obligation per GASB 68 implementation.

**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
Broadmoor Police Protection District
Broadmoor, California

I have audited the basic financial statements of the Broadmoor Police Protection District (BPPD), as of and for the fiscal year ended June 30, 2014, and have issued my report thereon dated XXX. 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 BPPD'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 BPPD's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the BPPD'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 entity'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 would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above. However, I identified certain deficiencies in internal control over financial reporting, described in schedule of finding and questioned cost as 2014-1.

Compliance and Other Matters

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

BPPD's response to the finding identified in my audit is described in the accompanying schedule of findings and questioned costs. I did not audit BPPD's responses and, accordingly, I express no opinion on the responses.

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

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Broadmoor Police Protection District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Broadmoor Police Protection District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Certified Public Accountant
San Francisco, California
XXX

**BROADMOOR POLICE PROTECTION DISTRICT
STATUS OF PRIOR YEAR FINDINGS
YEARS ENDED JUNE 30, 2014 AND 2013**

2013-1

Credit card purchases were not properly supported.

Status

Implemented.

BROADMOOR POLICE PROTECTION DISTRICT
SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

None

Draft #1 August 10, 2014

**BROADMOOR POLICE PROTECTION DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION - PENSIONS
 YEAR ENDED JUNE 30, 2014**

Broadmoor Police Protection District – Schedule of the District’s proportionate share of the Net Pension Liability:

Last 10 Fiscal Years*:

	FY 2013
District's proportion of the net pension liability	Varies by plan
District's proportionate share of the net pension liability	\$ 2,036,341
District's covered employee payroll	697,614
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	291.90%
Plan Fiduciary net position as a percentage of the total pension liability	74.0%
*Amounts presented above were determined as of 6/30. Additional years will be presented as they become available.	

CALPERS – Schedule of District contributions

Last 10 Fiscal Years*:

	FY 2013
Actuarially determined contribution	\$ -
Total actual contributions	295,246
Contribution deficiency (excess)	\$ -
District's covered-employee payroll	\$ 697,614
Contributions as a percentage of covered employee payroll	xxx%