KPPCSD

Date: February 8, 2024

To: Board of Directors

From: David Aranda, Interim General Manager

Presented by: Paul Kaymark of Nigro & Nigro

Subject: Presentation and Approval of the Fiscal Year 2023 Audit

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Recommendation

After the presentation and questions have been answered a motion to "Approve the 2023 audit as presented" is needed.

Background

As required by California Government Code, the District is responsible for having a qualified certified public accounting firm perform the audit for each fiscal year. Paul Kaymark with Nigro and Nigro will provide the overview of the audit.

Please ask questions after his presentation to assist each of you to better understand the financial position of the District.

Exhibit(s)

- Dashboard – Audited Financial Statements 2023
- Financial Statements & Auditors Report

Kensington Police Protection Community Services District

Dashboard – Audited Financial Statements

June 30, 2023 vs 2022

Revenues & Expenses	2023	2022	Variance
Program Revenues:			
Special Assessment:			
Public Safety	$ 685,470	$ 685,470	$ -
Measure "G" Public Safety	651,974	620,989	30,985
Recreation	44,359	42,164	2,195
Charges for Services	90,743	39,541	51,202
Operating Grants & Contributions	217,383	165,675	51,708
Capital Grants & Contributions	456	158,358	(157,902)
Other Revenue	46,028	16,788	29,240
General Revenues:			7,428
Property Taxes 10% increase	2,381,352	2,164,907	216,445
Franchise Fees, net	83,256	66,551	16,705
Investment Earnings	26,095	(32,146)	58,241
Total Revenues	4,227,116	3,928,297	306,247
Expenses:			
Salaries & Wages	1,799,249	1,396,178	403,071
Employee Benefits	2,917,240	(3,396,472)	6,313,712
Materials & Services	1,900,063	1,037,848	862,215
Depreciation Expense	161,908	154,402	7,506
Interest Expense	92,800	168,552	(75,752)
Total Expenses	6,871,260	(639,492)	7,510,752
Change in Revenues & Expenses	$ (2,644,144)	$ 4,567,789	$ (7,204,505)
Capital Outlay:			
Capital Asset Additions	$ (68,061)	$ (44,185)	$ (23,876)
Depreciation Expense	161,908	154,402	7,506
Change in Capital Expense	93,847	110,217	(16,370)
Debt Service:			
Principal Payments	$ (168,169)	$ (189,703)	$ 21,534
Cash & Investments	$ 2,605,834	$ 2,661,049	$ (55,215)
Quick Summary:			
Change in Revenues & Expenses	$ (2,644,144)		
Change in Capital Expense	93,847	Use of Cash	
Debt Service - Principal Payments	(168,169)	Use of Cash	
Compensated Absences Change	33,760	Change to Cash	
OPEB Credit	(451,074)	Change to Cash	
Pension Expense	3,082,652	Change to Cash	
Change in Cash & Investments	$ (53,128)	**Approximately**	**$ 2,087**
Investment Earnings to Portfolio	**0.99%**		

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

For the Fiscal Year Ended
June 30, 2023
(With Comparative Information as of June 30, 2022)

NIGRO & NIGRO PC

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
For the Fiscal Year Ended June 30, 2023
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FINANCIAL SECTION

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NIGRO & NIGRO PC
A Professional Accountancy Corporation

INDEPENDENT AUDITORS' REPORT

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

Opinion
We have audited the accompanying financial statements of the governmental activities and each major fund of the Kensington Police Protection and Community Services District as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund, of the District as of June 30, 2023, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA | Jessica Berry, CPA | Angelika Vartikyan, CPA

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Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards,* we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of proportionate share of the net pension liability, schedule of pension contributions, schedule of changes in the District's total OPEB liability and related ratios, and the notes to the required supplementary information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Prior-Year Comparative Information
The financial statements include partial prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2022, from which such partial information was derived.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards,* we have also issued a separate report dated February 8, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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.

Walnut Creek, California
February 8, 2024

Management's Discussion and Analysis (MD&A) offers readers of Kensington Police Protection and Community Services District's financial statements a narrative overview of the District's financial activities for the fiscal year ended June 30, 2023. This MD&A presents financial highlights, an overview of the accompanying financial statements, an analysis of net position and results of operations, a current-to prior year analysis, a discussion on restrictions, commitments and limitations, and a discussion of significant activity involving capital assets and long-term debt. Please read in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position decreased $2,644,144 or 37.01% as a result of this year's operations.
- Total revenues from all sources increased $298,819 or 7.61%, from $3,928,297 to $4,227,116, from the prior year, primarily due to an increase of $216,445 in property taxes received.
- Total expenses for the District's operations increased by $7,510,752 or 1,174.49%, from ($639,492) to $6,871,260, from the prior year, primarily due to large increases in non-cash employee benefit expenses as a result of the District's annual revaluation of net pension and OPEB liabilities.
- The District purchased new capital assets during the year in the amount of $68,061. Depreciation expense was $161,908.

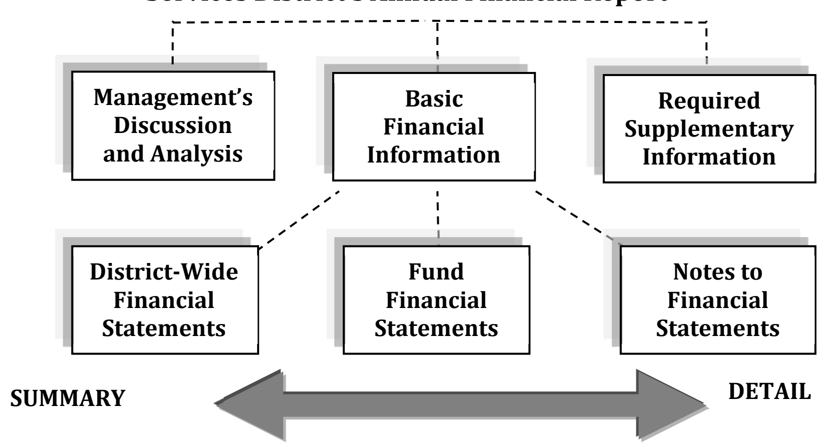
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- *District-wide financial statements* provide both short-term and long-term information about the District's overall financial status.
- *Fund financial statements* focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
  - The *governmental funds* statements tell how basic services were financed in the short term as well as what remains for future spending.

Figure A-1. Organization of Kensington Police Protection and Community Services District's Annual Financial Report

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.



OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2. Major Features of the District-Wide and Fund Financial Statements

Type of Statements	District-Wide	Governmental Funds	Fiduciary Fund
Scope	Entire District	The activities of the District that are not proprietary or fiduciary, such as public safety services	Instances in which the District administers resources on behalf of someone else, such as retirement benefits
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances	• Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no long-term items are included, such as capital assets or long-term debt.	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain nonfinancial assets, though they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

District-Wide Statements
The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health, or *position*.

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics and the condition of buildings and other facilities.

- In the district-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as weed abatement, landscape maintenance, and administration. State and local programs finance most of these activities.

Fund Financial Statements
The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State law and by granter requirements.

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION

Analysis of Net Position

Table A-1: Condensed Statement of Net Position

	June 30, 2023	June 30, 2022	Change
Assets:			
Current assets	$ 2,770,621	$ 3,010,320	$ (239,699)
Non-current assets	138,185	2,352,214	(2,214,029)
Capital assets, net	5,422,843	5,516,690	(93,847)
Total assets	8,331,649	10,879,224	(2,547,575)
Deferred outflows of resources	3,851,560	4,405,446	(553,886)
Liabilities:			
Current liabilities	551,603	444,896	106,707
Non-current liabilities	4,929,323	4,362,527	566,796
Total liabilities	5,480,926	4,807,423	673,503
Deferred inflows of resources	2,201,566	3,332,386	(1,130,820)
Net position:			
Net investment in capital assets	5,104,368	5,198,046	(93,678)
Unrestricted (Deficit)	(603,651)	1,946,815	(2,550,466)
Total net position	$ 4,500,717	$ 7,144,861	$ (2,644,144)

At the end of fiscal year 2023, the District shows a positive balance overall for its net position of $4,500,717. The decrease of the net investment in capital assets represents the amount of capital asset additions over depreciation expense. The District showed a negative (deficit) balance in its unrestricted net position of ($603,651) which was due to the estimated amounts for the net pension and net OPEB liabilities and the related deferred outflows/inflows.

Analysis of Revenues and Expenses

Table A-2: Condensed Statements of Activities

	June 30, 2023	June 30, 2022	Change
Program revenues	$ 1,736,413	$ 1,728,985	$ 7,428
Expenses	(6,871,260)	639,492	(7,510,752)
Net program expense	(5,134,847)	2,368,477	(7,503,324)
General revenues	2,490,703	2,199,312	291,391
Change in net position	(2,644,144)	4,567,789	(7,211,933)
Net position:			
Beginning of year	7,144,861	2,577,072	4,567,789
End of year	$ 4,500,717	$ 7,144,861	$ (2,644,144)

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION (continued)

Analysis of Revenues and Expenses (continued)
The statement of activities shows how the government's net position changed during the fiscal year. In the case of the District, the operations of the District decreased its net position by $2,644,144.

Table A-3: Total Revenues

	June 30, 2023	June 30, 2022	Increase (Decrease)
Program revenues:			
Special assessments:			
Public safety	$ 685,470	$ 685,470	$ -
Measure "G" public safety	651,974	620,989	30,985
Recreation	44,359	42,164	2,195
Charges for services	90,743	39,541	51,202
Operating grants and contributions	217,383	165,675	51,708
Capital grants and contributions	456	158,358	(157,902)
Other revenue	46,028	16,788	29,240
Total program revenues	1,736,413	1,728,985	7,428
General revenues:			
Property taxes	2,381,352	2,164,907	216,445
Franchise fees, net	83,256	66,551	16,705
Investment earnings	26,095	(32,146)	58,241
Total general revenues	2,490,703	2,199,312	291,391
Total revenues	$ 4,227,116	$ 3,928,297	$ 298,819

Total revenues from all sources increased $298,819 or 7.61%, from $3,928,297 to $4,227,116, from the prior year, primarily due to an increase of $216,445 in property taxes received.

Table A-4: Total Expenses

	June 30, 2023	June 30, 2022	Increase (Decrease)
Expenses:			
Salaries and wages	$ 1,799,249	$ 1,396,178	$ 403,071
Employee benefits	2,917,240	(3,396,472)	6,313,712
Materials and services	1,900,063	1,037,848	862,215
Depreciation expense	161,908	154,402	7,506
Interest expense	92,800	168,552	(75,752)
Total expenses	$ 6,871,260	$ (639,492)	$ 7,510,752

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION (continued)

Analysis of Revenues and Expenses (continued)
Total expenses for the District's operations increased by $7,510,752 or 1,174.49%, from ($639,492) to $6,871,260, from the prior year, primarily due to large increases in non-cash employee benefit expenses as a result of the districts reductions in pension and OPEB liabilities/(assets) in the 2022 fiscal year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a fund balance of $2,514,331, which is below last year's ending fund balance of $2,823,743. The primary cause of the decrease in fund balance is due to an increase in total expenditures related to materials and services.

General Fund Budgetary Highlights
The final budgeted expenditures for the District at year-end were $253,428 less than actual. The variance is principally due to $716,863 more in material and services expenditures. Actual revenues were less than the anticipated budget by $58,384, primarily because less than anticipated grant revenue was received.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets
By the end of 2022-23 the District had invested $68,061 in new capital assets, related to building improvements and equipment purchases. (More detailed information about capital assets can be found in Note 3 to the financial statements). Total depreciation expense for the year was $161,908.

Table A-5: Capital Assets at Year End, Net of Depreciation

	Balance June 30, 2023	Balance June 30, 2022
Capital assets:		
Non-depreciable assets	$ 2,808,347	$ 2,808,347
Depreciable assets	4,314,189	4,246,128
Accumulated depreciation	(1,699,693)	(1,537,785)
Total capital assets, net	$ 5,422,843	$ 5,516,690

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-term Debt

Capital related debt was being repaid in fiscal year 2022-23. (See note 5 for further information)

Table A-6: Long-term Debt at Year End

	Balance June 30, 2023	Balance June 30, 2022
Long-term debt:		
Loan payable	$ 161,019	$ 184,524
Direct finance purchase	157,456	134,120
Total long-term debt	$ 318,475	$ 318,644

FACTORS AFFECTING CURRENT FINANCIAL POSITION

Management is unaware of any item that would affect the current financial position.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The District's basic financial statements are designed to present users with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about the report or need additional information, please contact the District's General Manager at 10940 San Pablo Avenue, El Cerrito, CA 94530 or (510) 526-4141.

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Statement of Net Position

June 30, 2023 (With Comparative Information as of June 30, 2022)

	Governmental Activities	
ASSETS	**2023**	**2022**
Current assets:		
Cash and cash equivalents (note 2)	$ 2,605,834	$ 2,661,049
Accrued interest receivable	5,149	1,145
Accounts receivable	13,350	83,916
Property taxes receivable	31,698	29,791
Other receivables	86,159	65,271
Prepaid items	28,431	169,148
Total current assets	2,770,621	3,010,320
Non-current assets:		
Net other post-employment benefits asset (note 8)	138,185	24,244
Net pension asset (note 9)	-	2,327,970
Capital assets – not being depreciated (note 3)	2,808,347	2,808,347
Capital assets, net – being depreciated (note 3)	2,614,496	2,708,343
Total non-current assets	5,561,028	7,868,904
Total assets	8,331,649	10,879,224
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts related to net OPEB asset (note 8)	694,408	244,246
Deferred amounts related to net pension asset/liability (note 9)	3,157,152	4,161,200
Total deferred outflows of resources	3,851,560	4,405,446
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	256,290	186,577
Long-term liabilities – due in one year:		
Compensated absences (note 4)	45,981	29,101
Loan payable (note 5)	24,398	23,505
Direct finance purchase (note 6)	50,934	37,713
Pension obligation bonds payable (note 7)	174,000	168,000
Total current liabilities	551,603	444,896
Noncurrent liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (note 4)	45,981	29,101
Loan payable (note 5)	136,621	161,019
Direct finance purchase (note 6)	106,522	96,407
Pension obligation bonds payable (note 7)	3,902,000	4,076,000
Net pension liability (note 9)	738,199	-
Total noncurrent liabilities	4,929,323	4,362,527
Total liabilities	5,480,926	4,807,423
DEFERRED INFLOWS OF RESOURCES		
Deferred amounts related to net OPEB asset (note 8)	340,223	483,478
Deferred amounts related to net pension asset/liability (note 9)	1,861,343	2,848,908
Total deferred inflows of resources	2,201,566	3,332,386
NET POSITION		
Net investment in capital assets (note 10)	5,104,368	5,198,046
Unrestricted (Deficit) (note 12)	(603,651)	1,946,815
Total net position	$ 4,500,717	$ 7,144,861

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2023
(With Comparative Information for the Year Ended June 30, 2022)

	Governmental Activities	
	2023	**2022**
Expenses:		
Public safety and recreation:		
Salaries and wages	$ 1,799,249	$ 1,396,178
Employee benefits	2,917,240	(3,396,472)
Materials and services	1,900,063	1,037,848
Depreciation expense	161,908	154,402
Interest expense	92,800	168,552
Total expenses	6,871,260	(639,492)
Program revenues:		
Special assessments:		
Public safety	685,470	685,470
Measure "G" public safety	651,974	620,989
Recreation	44,359	42,164
Charges for services	90,743	39,541
Operating grants and contributions	217,383	165,675
Capital grants and contributions	456	158,358
Other revenue	46,028	16,788
Total program revenues	1,736,413	1,728,985
Net program expense	(5,134,847)	2,368,477
General revenues:		
Property taxes	2,381,352	2,164,907
Franchise fees, net	83,256	66,551
Investment earnings	26,095	(32,146)
Total general revenues	2,490,703	2,199,312
Change in net position	(2,644,144)	4,567,789
Net position:		
Beginning of year	7,144,861	2,577,072
End of year	$ 4,500,717	$ 7,144,861

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
Balance Sheet – Governmental Funds
June 30, 2023 (With Comparative Information as of June 30, 2022)

	General Fund	
ASSETS	**2023**	**2022**
Assets:		
Cash and cash equivalents	$ 2,605,834	$ 2,661,049
Accrued interest receivable	5,149	1,145
Accounts receivable	13,350	83,916
Property taxes receivable	31,698	29,791
Other receivables	86,159	65,271
Prepaid items	28,431	169,148
Total assets	$ 2,770,621	$ 3,010,320
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable and accrued expenses	$ 256,290	$ 186,577
Total liabilities	256,290	186,577
Fund balance: (note 11)		
Nonspendable	28,431	169,148
Assigned	91,962	58,202
Unassigned	2,393,938	2,596,393
Total fund balance	2,514,331	2,823,743
Total liabilities and fund balance	$ 2,770,621	$ 3,010,320

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2023 (With Comparative Information as of June 30, 2022)

	2023	2022
Fund Balance of Governmental Funds	$ 2,514,331	$ 2,823,743
Amounts reported for governmental activities in the statement of net position are different because:		
Other long-term assets are not available to pay for current period expenses and accordingly are not reported as fund assets. Other long-term assets are reported in the statement of net position as follows:		
Net other post-employment benefits asset	138,185	24,244
Net pension asset	-	2,327,970
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those assets as capital assets.	5,422,843	5,516,690
Deferred outflows of resources used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those deferred outflows of resources.	3,851,560	4,405,446
Long-term liabilities applicable to the District are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position as follows:		
Compensated absences	(91,962)	(58,202)
Loan payable	(161,019)	(184,524)
Direct finance purchase	(157,456)	(134,120)
Pension obligation bonds payable	(4,076,000)	(4,244,000)
Net pension liability	(738,199)	-
Deferred inflows of resources used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those deferred inflows of resources.	(2,201,566)	(3,332,386)
Total adjustments	1,986,386	4,321,118
Net Position of Governmental Activities	$ 4,500,717	$ 7,144,861

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2023
(With Comparative Information for the Year Ended June 30, 2022)

	General Fund	
	2023	**2022**
Revenues:		
Property taxes	$ 2,381,352	$ 2,164,907
Franchise fees, net	83,256	66,551
Special assessments:		
Public safety	685,470	685,470
Measure "G" public safety	651,974	620,989
Recreation	44,359	42,164
Charges for services	90,743	39,541
Operating grants and contributions	217,383	165,675
Capital grants and contributions	456	158,358
Investment earnings	26,095	(32,146)
Other revenue	46,028	16,788
Total revenues	4,227,116	3,928,297
Expenditures:		
Current operations:		
Salaries and wages	1,765,489	1,433,769
Employee benefits	541,946	461,945
Materials and services	1,900,063	1,037,848
Capital outlay	68,061	44,185
Debt service:		
Principal payment	168,169	189,703
Interest payment	92,800	168,552
Total expenditures	4,536,528	3,336,002
Excess of revenues over expenditures	(309,412)	592,295
Change in fund balance	(309,412)	592,295
Fund Balance:		
Beginning of year	2,823,743	2,231,448
End of year	$ 2,514,331	$ 2,823,743

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities

For the Fiscal Year Ended June 30, 2023

(With Comparative Information for the Year Ended June 30, 2022)

	2023	2022
Net Change in Fund Balance – Governmental Funds	$ (309,412)	$ 592,295
Amount reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Capital outlay	68,061	44,185
Depreciation expense	(161,908)	(154,402)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenses in governmental funds as follows:		
Net change in compensated absences	(33,760)	37,591
Net change in net OPEB asset and related deferred resources	707,358	451,074
Net change in net pension liability/(asset) and related deferred resources	(3,082,652)	3,407,343
Principal repayment of long-term debt is reported as an expenditure in governmental funds. However, principal repayments reduce liabilities in the statement of net position and do not result in expenses in the statement of activities.	168,169	189,703
Total adjustments	(2,334,732)	3,975,494
Change in Net Position of Governmental Activities	$ (2,644,144)	$ 4,567,789

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. Description of Organization

The Kensington Police Protection and Community Services District (District) provides police protection services, parks and recreation services as well as waste management services to the unincorporated area of Kensington in Contra Costa County, California. The District is governed by five unpaid board members elected into office by the community to serve staggered four-year terms. Board meetings are held once a month on the second Thursday of the month.

B. Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, and agencies that are not legally separate from the District.

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

The District has identified no organizations that are required to be reported as component units.

C. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the primary government (the District) and its component units. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Governmental Funds

The District maintains the following governmental funds:

General Fund: This fund is used to account for all financial resources of the District except those required to be accounted for in another fund. Included are transactions for charges for services, property taxes, and investment earnings. The general fund balance is available to the District for any purpose provided it is expended.

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation, Basis of Accounting (continued)

1. Measurement Focus, Basis of Accounting

Government-Wide Financial Statements
The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements
Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

3. Revenues - Exchange and Non-Exchange Transactions
Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year. Generally, available is defined as collectible within 60 days.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgetary Data
The District follows these procedures in establishing budgetary date reflected in the Required Supplementary Information – Budgetary Comparison Schedule:

The District Manager submits to the Board of Directors a proposed operating budget at the May Board meeting for the ensuing year. The annual budget is a complete financial plan for the ensuing budget year and consists of an operating, capital and debt repayment budget. The General Fund is the only fund for which an annual budget is legally adopted on a basis consistent with the modified accrual basis of accounting. The Board then considers the proposed budget at its regular meeting in June, which is open to the public. The budget represented in the required supplementary information was the final budget for the fiscal year.

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

1. Cash and Cash Equivalents
For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

2. Investments
Investments are reported at fair value except for short-term investments, which are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value. Investments in governmental investment pools are reported at fair value based on the fair value per share of the pool's underlying portfolio.

In accordance with fair value measurements, the District categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Financial assets and liabilities recorded on the balance sheet are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds. The District has the ability to access the holding and quoted prices as of the measurement date.

Level 2 – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

Level 3 – Inputs that are unobservable. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

3. Capital Assets
Capital assets are stated at cost or at their estimated fair value at date of donation. It is the District's policy to capitalize assets costing over $5,000. The provision for depreciation is computed using the straight-line method over the estimated service lives of the capital assets.

Estimated service lives for the District's classes of assets are as follows:

Description	Estimated Lives
Buildings and improvements	10-30 years
Machinery and equipment	5-10 years
Furniture and office equipment	6 years
Vehicles	5 years

4. Deferred Outflows/Inflows of Resources
In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

5. Compensated Absences
The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated vacation leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

6. Pensions
For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plan and addition to/deductions from the Plans fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

Valuation Date June 30, 2021
Measurement Date June 30, 2022
Measurement Period July 1, 2021 to June 30, 2022

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

6. Pensions (continued)

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retires) as of the beginning of the measurement period.

7. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's Retiree Benefits Plan ("the Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments which are reported at cost.

The following timeframes are used for OPEB reporting:

Valuation Date June 30, 2022
Measurement Date June 30, 2022
Measurement Period July 1, 2021 to June 30, 2022

8. Long – Term Obligations

In the government–wide financial statements, long–term debt and obligations are reported as long–term obligations. In the fund financial statements, government funds recognize the face amount of debt issued as an other financing source. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Payments on debt, including principal and interest are reported as expenditures.

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

9. Net Position

Net position is classified into two components: investment in capital assets and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets -** This component of net position consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Unrestricted net position -** This component of net position consists of net position that does not meet the definition of "net investment in capital assets".

10. Fund Balances

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable: Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

Assigned: Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

Unassigned: Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of assigned, and then unassigned, as they are needed.

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

G. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1, each year. Secured property taxes are levied on July 1 and are payable in two installments, on December 10 and April 10. The Contra Costa County Assessor's Office assesses all real and personal property within the County each year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one (1%) of countywide assessed valuations. The Contra Costa County Treasurer-Tax Collector's Office remits an undisclosed portion of the one (1%) current and delinquent property tax collections to the District throughout the year.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, were classified on the statement of net position as follows:

Description	Balance
Governmental funds:	
Cash and cash equivalents	$ 2,605,834
Total cash and cash equivalents	$ 2,605,834

Cash and investments at June 30, 2023, are reported at fair value and consisted of the following:

Description	Balance
Cash on hand	$ 100
Demand deposits with financial institutions	518,860
Deposits with Contra Costa County Treasury Pool	1,440,981
Deposits with Local Agency Investment Fund (LAIF)	645,893
Total cash and cash equivalents	$ 2,605,834

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to $250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

NOTE 2 – CASH AND INVESTMENTS (continued)

Contra Costa County Treasury Pool
The District is a voluntary participant in the Contra Costa County Treasury Pool (Pool) pursuant to Government Code Section 53694. The cash flow needs of participants are monitored daily to ensure that sufficient liquidity is maintained to meet the needs of those participants. At the time deposits are made, the Contra Costa County Treasurer may require the depositing entity to provide annual cash flow projections or an anticipated withdrawal schedule for deposits in excess of $1 million. Projections are performed no less than semi-annually. In accordance with Government Code Section 27136, all request for withdrawal of funds for the purpose of investing or deposits the funds elsewhere shall be evaluated to ensure the proposed withdrawal will not adversely affect the principal deposits of the other participants. Pool detail may be obtained from the Contra Costa County Treasurer-Tax Collector's office at 625 Court Street, Suite 100, Martinez, CA 94553.

The Contra Costa County Treasury Pool is not categorized under the fair value hierarchy established by GAAP as it is held at an amortized cost basis. For financial reporting purposes, the District considers the funds held in the Pool as cash equivalents due to their highly liquid nature and dollar-in dollar-out amortized cost methodology. As of June 30, 2023, the District held $1,440,981 in the Pool.

Local Agency Investment Fund (LAIF)
The California State Treasurer, through the Pooled Money Investment Account (PMIA), invests taxpayers' money to manage the State's cash flow and strengthen the financial security of local governmental entities. PMIA policy sets as primary investment objectives safety, liquidity and yield. Through the PMIA, the Investment Division manages the Local Agency Investment Fund (LAIF). The LAIF allows cities, counties and special districts to place money in a major portfolio and, at no additional costs to taxpayers, use the expertise of Investment Division staff. Participating agencies can withdraw their funds from the LAIF at any time as LAIF is highly liquid and carries a dollar-in dollar-out amortized cost methodology.

The District is a voluntary participant in LAIF. The fair value of the District's investment in this pool is reported at an amount based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of the of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF. LAIF is not categorized under the fair value hierarchy established by GAAP as it is held at an amortized cost basis and it is Not Rated under the current credit risk ratings format. For financial reporting purposes, the District considers LAIF a cash equivalent due to its highly liquid nature and dollar-in dollar-out amortized cost methodology. As of June 30, 2023, the District held $645,893 in LAIF.

NOTE 3 – CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2023, were as follows:

	Balance July 1, 2022	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2023
Non-depreciable capital assets:				
Land	$ 2,808,347	$ -	$ -	$ 2,808,347
Total non-depreciable capital assets	2,808,347	-	-	2,808,347
Depreciable capital assets:				
Buildings and improvements	3,622,435	-	-	3,622,435
Machinery and equipment	130,226	-	-	130,226
Furniture and office equipment	108,965	-	-	108,965
Vehicles	384,502	68,061	-	452,563
Total depreciable capital assets	4,246,128	68,061	-	4,314,189
Accumulated depreciation:				
Buildings and improvements	(1,111,376)	(95,904)	-	(1,207,280)
Machinery and equipment	(109,995)	(8,535)	-	(118,530)
Furniture and office equipment	(62,107)	(11,167)	-	(73,274)
Vehicles	(254,307)	(46,302)	-	(300,609)
Total accumulated depreciation	(1,537,785)	(161,908)	-	(1,699,693)
Total depreciable capital assets, net	2,708,343	(93,847)	-	2,614,496
Total capital assets, net	$ 5,516,690	$ (93,847)	$ -	$ 5,422,843

NOTE 4 – COMPENSATED ABSENCES

Changes to compensated absences balances for the year ended June 30, 2023, were as follows:

Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Current Portion	Long-term Portion
$ 58,202	$ 131,914	$ (98,154)	$ 91,962	$ 45,981	$ 45,981

NOTE 5 – LOAN PAYABLE

Changes to the loan payable balance for the year ended June 30, 2023, was as follows:

Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Current Portion	Long-term Portion
$ 184,524	$ -	$ (23,505)	$ 161,019	$ 24,398	$ 136,621

NOTE 5 – LOAN PAYABLE (continued)

Community Center Loan

In 2019, the District secured a $250,000 10-year at 3.80% construction loan to complete the improvements to the District's Community Center. Principal and interest payments are due in June of each year. The loan is payable until June 2029. Future remaining payments are as follows:

Fiscal Year	Principal	Interest	Total
2024	$ 24,398	$ 6,119	$ 30,517
2025	25,325	5,192	30,517
2026	26,287	4,230	30,517
2027	27,286	3,231	30,517
2028	28,323	2,194	30,517
2029	29,400	1,117	30,517
Total	161,019	$ 22,083	$ 183,102
Current	(24,398)		
Long-term	$ 136,621		

NOTE 6 – DIRECT PURCHASE FINANCING

Changes in direct purchase financing amounts for the year ended June 30, 2023, were as follows:

Direct Purchase Financing	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Current Portion	Long-term Portion
Vehicle financing agreement I	$ 134,120	$ -	$ (37,713)	$ 96,407	$ 38,378	$ 58,029
Vehicle financing agreement II	-	68,061	(7,012)	61,049	12,556	$ 48,493
	$ 134,120	$ 68,061	$ (44,725)	$ 157,456	$ 50,934	$ 106,522

Vehicle financing agreement I

On November 24, 2021, the District entered into a tax-exempt purchase agreement with U.S. Bancorp Government Leasing and Finance, Inc. for three Police Vehicles and related equipment in the amount of $190,000. The term is five years with an interest rate of 1.75%. Principal and interest payments are due monthly in the amount of $3,309.54, with the final payment due in December 2025.

Future remaining payments are as follows:

Fiscal Year	Principal	Interest	Total
2024	$ 38,378	$ 1,337	$ 39,715
2025	39,055	660	39,715
2026	18,974	72	19,046
Total	96,407	$ 2,069	$ 98,476
Current	(38,378)		
Long-term	$ 58,029		

NOTE 6 – DIRECT PURCHASE FINANCING (continued)

Vehicle financing agreement II

On December 19, 2022, the District entered into a tax-exempt purchase agreement with U.S. Bancorp Government Leasing and Finance, Inc. for one Police Vehicle and related equipment in the amount of $68,061. The term is five years with an interest rate of 5.50%. Principal and interest payments are due monthly in the amount of $1,300.05, with the final payment due in November 2027.

Future remaining payments are as follows:

Fiscal Year	Principal	Interest	Total
2024	$ 12,556	$ 3,044	$ 15,600
2025	13,265	2,336	15,601
2026	14,013	1,588	15,601
2027	14,803	797	15,600
2028	6,412	88	6,500
Total	61,049	$ 7,853	$ 68,902
Current	(12,556)		
Long-term	$ 48,493		

NOTE 7 – PENSION OBLIGATION BONDS

Changes in pension obligation bonds amounts for the year ended June 30, 2023, were as follows:

Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Current Portion	Long-term Portion
$ 4,244,000	$ -	$ (168,000)	$ 4,076,000	$ 174,000	$ 3,902,000

On June 18, 2020, the District issued 2020 Taxable Pension Obligation Bonds in the amount of $4,544,000. The 2021 bonds were placed with Capital One Public Funding, LLC. The bonds were issued to (a) finance $4,424,408 of the District's unfunded accrued liability to the California Public Employees' Retirement System (CalPERS) for the benefit of the District's employees and to pay a portion of current normal costs, and (b) pay $119,592 of the costs incurred in connection with the issuance of the bonds. The bonds bear interest at 3.850% and are payable semiannually on January 1 and July 1 of each year, commencing January 1, 2021 until maturity or earlier redemption. The bonds mature in fiscal year 2040. Total principal and interest remaining on the bonds as of June 30, 2023 is $5,629,862.

NOTE 7 – PENSION OBLIGATION BONDS (continued)

Future remaining payments are as follows:

Fiscal Year	Principal	Interest	Total
2024	$ 174,000	$ 156,926	$ 330,926
2025	181,000	150,227	331,227
2026	188,000	143,259	331,259
2027	195,000	136,021	331,021
2028	203,000	128,513	331,513
2029-2033	1,136,000	519,404	1,655,404
2034-2038	1,373,000	283,129	1,656,129
2039-2040	626,000	36,383	662,383
Total	4,076,000	$ 1,553,862	$ 5,629,862
Current	(174,000)		
Long-term	$ 3,902,000		

Bond Provisions

The obligations of the District under the bonds, including the obligation to make all payments of interest and principal when due, are obligations of the District imposed by law and are absolute and unconditional, without any right of set-off or counterclaim. The bonds do not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation. Neither the bonds nor the obligations of the District to make payments on the bonds constitute an indebtedness of the District, the State of California, or any of its political subdivisions in contravention of any constitutional or statutory debt limitation or restriction. For the purpose of paying the principal of and interest on the bonds, the District's council has covenanted under the trust agreement, to take such actions annually as are necessary or appropriate to cause the debt service on the bonds due in any fiscal year to be included in the budget for such fiscal year and to make the necessary appropriations therefor from any legally available funds to ensure that sufficient sums are available to pay the annual principal of and interest on the bonds as the same become due.

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Summary

The following balances on the balance sheet will be addressed in this footnote as follows:

Description	2023
OPEB related deferred outflows	$ 694,408
Net other post-employment benefits (OPEB) asset	138,185
OPEB related deferred inflows	340,223

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

A. General Information about the OPEB Plan

Plan description
The District provides lifetime retiree medical coverage to eligible police (safety) employees who retire at age 50, along with their dependents. The medical plan benefits are contracted with the California Public Employees' Retirement System under the Public Employees' Medical and Hospital Care Act (PEMHCA).

Eligible retirees may enroll in any of the plans available through the CalPERS Program. The District contributes the entire cost of post-employment medical coverage up to a cap of the Kaiser Bay Area rates for the coverage selected. Also, the District contributes the entire cost of post-employment dental and vision premiums for retirees.

Plan Members

	2022
Inactive plan members or beneficiaries currently receiving benefit payments	15
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	6
Total	21

Funding Policy
The contribution requirements of plan members and the District are established and may be amended by the District and/or the District's Board of Directors. Currently, contributions are not required from plan members. The District has been typically funding this OPEB plan on a pay-as-you-go basis; however, recently contributions have been made to an OPEB Trust.

Contributions
Benefit provisions and contribution requirements are established and may be amended through agreements and memorandums of understanding between the District and its employees. The plan does not require employee contributions. Administrative costs of this plan are financed by the District. For fiscal year ended June 30, 2022, the measurement period, the District's contributions totaling $191,908 included $155,643 in current year premium payments, and an implied subsidy of $36,265.

Accounting for the Plan
The other post-employment benefit trust is prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide contributions. Benefits are recognized when due and payable in accordance with the terms of each plan.

Method Used to Value Investments
Investments are reported in the accompanying financial statements at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measure date. Securities for which market quotations are not readily available are valued at their fair value as determined by the custodian with the assistance of a valuation service.

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

A. Net OPEB Liability/(Asset)

The District's total OPEB liability was measured as of June 30, 2022 and was determined by an actuarial valuation as of June 30, 2022. A summary of the principal assumptions and methods used to determine the total OPEB liability is shown below.

Actuarial Assumptions

The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry age normal, level percentage of payroll
Asset Valuation Method	Market value of assets as of the measurement date
Actuarial Assumptions:	
Discount Rate	
Long-Term Expected	
Rate of Return on Investments	6.00%
Inflation	2.50%
Payroll increases	3.00%
Healthcare Trend Rates	Pre-65 - 6.68% trending down to 5.0% by 2030
	Post-65 - 5.0% constant to 2027
Morbidity	CalPERS 2017 Study
Mortality	CalPERS 2017 Study
Disability	Valued
Retirement	2017 CalPERS Police 3%@50 for actives hired before
	1/1/13 and 2.7%@57 for actives hired after 1/1/13.
Percent Married	100% of future retirees would enroll a spouse

The long-term expected rate of return on OPEB 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 OPEB 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 the 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
CERBT Strategy 1 investment policy:		
Equity	59.00%	5.90%
Fixed income	25.00%	0.90%
REITs	8.00%	3.30%
TIPS & Commodities	8.00%	40.00%
Total	100.00%	

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

B. Net OPEB Liability/(Asset) (continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 6.00%. The projection of cash flows used to determine the discount rate assumed that the District's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

C. Changes in the Net OPEB Liability/(Asset)

The changes in the net OPEB liability/(Asset) are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
Balance at July 1, 2022 (Measurement date July 1, 2021)	$ 2,302,695	$ 2,326,939	$ (24,244)
Changes for the year:			
Service cost	45,057	-	45,057
Interest	163,711	-	163,711
Differences in experience	(164,207)	-	(164,207)
Changes in assumption	130,983	-	130,983
Changes in benefit terms	(400,013)	-	(400,013)
Employer contributions	-	201,478	(201,478)
Net investment income	-	(311,417)	311,417
Benefit payments	(201,478)	(201,478)	-
Administrative expenses	-	(589)	589
Net changes	(425,947)	(312,006)	(113,941)
Balance at June 30, 2023 (Measurement date June 30, 2022)	$ 1,876,748	$ 2,014,933	$ (138,185)

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability/(Asset) of the District, as well as what the District's net OPEB liability/(Asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.00%) or 1 percentage point higher (7.00%) than the current discount rate:

	1% Decrease 5.00%	Discount Rate 6.00%	1% Increase 7.00%
Net OPEB Liability	$ 45,398	$ (138,185)	$ (292,487)

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

C. Changes in the Net OPEB Liability/(Asset) (continued)

Sensitivity of the Net OPEB Liability to Changes in Medical Trend Rates
The following presents the total OPEB liability/(Asset) of the District, as well as what the District's net OPEB liability/(Asset) would be if it were calculated using medical trend rates that are 1-percentage point lower:

	Healthcare Cost		
	5.00%	**6.00%**	**7.00%**
Net OPEB Liability	$ (200,572)	$ (138,185)	$ (51,588)

D. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the District recognized OPEB credit of $115,437. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Account Description	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions made after the measurement date	$ 191,908	$ -
Changes in assumptions	90,050	(8,545)
Differences between expected and actual experience	-	(120,976)
Differences between projected and actual earnings on OPEB plan investments	412,450	(210,702)
Total Deferred Outflows/(Inflows) of Resources	$ 694,408	$ (340,223)

The differences between projected and actual earnings on plan investments is amortized over five years. The District reported $191,908 as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Amortization Period Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2024	$ 14,244
2025	27,784
2026	23,970
2027	96,279
Total	$ 162,277

OPEB Plan Fiduciary Net Position
Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS' website under Forms and Publications.

NOTE 9 – NET PENSION LIABILITY AND PENSION PLAN

Summary
The following balances on the balance sheet will be addressed in this footnote as follows:

Description		2023
Net pension liability	$	738,199
Pension related deferred outflows		3,157,152
Pension related deferred inflows		1,861,343

Qualified employees are covered under a multiple-employer defined benefit pension plan maintained by agencies of the State of California known as the California Public Employees' Retirement System (CalPERS), or "The Plan".

A. General Information about the Pension Plan

The Plan
The District has engaged with CalPERS to administer the following pension plans for its employees (members):

	Safety Plans	
	Classic Tier 1	PEPRA Tier 2
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	3.0% @ 50	2.7% @ 57
Benefit vesting schedule	5-years of service	5-years of service
Benefits payments	monthly for life	monthly for life
Retirement age	50 - 55 & Up	50 - 57 & Up
Monthly benefits, as a % of eligible compensation	3.00%	2.0% to 2.7%
Required member contribution rates	9.000%	13.750%
Required employer contribution rates – FY 2022	23.710%	13.130%

Plan Description
The District contributes to the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A full description of the pension plan, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2022 Annual Actuarial Valuation Report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

NOTE 9 – NET PENSION LIABILITY AND PENSION PLAN (continued)

A. General Information about the Pension Plan (continued)

Plan Description (continued)

At June 30, 2022, the following members were covered by the benefit terms:

	Safety Plans		
Plan Members	Classic Tier 1	PEPRA Tier 2	Total
Active members	3	3	6
Transferred and terminated members	10	3	13
Retired members and beneficiaries	31	-	31
Total plan members	44	6	50

All qualified permanent and probationary employees are eligible to participate in the District's cost-sharing multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by state statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to Plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for nonindustrial disability benefits after five years of service. The death benefit is one of the following the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each Plan are applied as specified by the Public Employees' Retirement Law.

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Contributions for the year ended June 30, 2023, (Measurement Date June 30, 2022) were as follows:

	Safety Plans		
Contribution Type	Classic Tier 1	PEPRA Tier 2	Total
Contributions – employer	$ 162,614	$ 51,751	$ 214,365
Contributions – members	52,843	50,420	103,263
Total contributions	$ 215,457	$ 102,171	$ 317,628

NOTE 9 – NET PENSION LIABILITY AND PENSION PLAN (continued)

A. General Information about the Pension Plan (continued)

Proportionate Share of Net Pension Liability and Pension Expense
The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2022, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022, using standard update procedures. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The following table shows the District's proportionate share of the risk pool collective net pension liability over the measurement period for the Plan for the fiscal year ended June 30, 2022 (Measurement Date):

Plan Type and Balance Descriptions	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
CalPERS – Safety Plan:			
Balance as of June 30, 2021 (Measurement Date)	$ 16,250,416	$ 18,578,386	$ (2,327,970)
Balance as of June 30, 2022 (Measurement Date)	$ 16,817,570	$ 16,079,371	$ 738,199
Change in Plan Net Pension Liability	$ 567,154	$ (2,499,015)	$ 3,066,169

The District's proportionate share percentage of the net pension liability for the June 30, 2022, measurement date was as follows:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2023	**Fiscal Year Ending June 30, 2022**	**Change Increase/ (Decrease)**
Measurement Date	June 30, 2022	June 30, 2021	
Percentage of Risk Pool Net Pension Liability	0.001074%	-0.066334%	0.067408%
Percentage of Plan (PERF C) Net Pension Liability	0.006391%	-0.043044%	0.049435%

NOTE 9 – NET PENSION LIABILITY AND PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

For the year ended June 30, 2023, the District recognized pension credit of $3,297,016. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Account Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions made after the measurement date	$ 214,365	$ -
Difference between actual and proportionate share of employer contributions	841,709	(1,042,412)
Adjustment due to differences in proportions	1,879,522	(810,915)
Differences between expected and actual experience	30,551	(8,016)
Differences between projected and actual earnings on pension plan investments	116,572	-
Changes in assumptions	74,433	-
Total Deferred Outflows/(Inflows) of Resources	$ 3,157,152	$ (1,861,343)

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.8 years.

An amount of $214,365 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a reduction to pension expense as follows:

Amortization Period Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2024	$ 422,067
2025	363,953
2026	224,313
2027	71,111
Total	$ 1,081,444

NOTE 9 – NET PENSION LIABILITY AND DEFINED BENEFIT PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2022 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2021, total pension liability. The June 30, 2022, total pension liability was based on the following actuarial methods and assumptions:

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.
Post Retirement Benefit Increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.30% thereafter

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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 (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The table below reflects long-term expected real rate of return by asset class.

Asset Class	Assumed Asset Allocation	Real Return [1,2]
Global Equity - Cap-weighted	30.0%	4.54%
Global Equity - Non-Cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Estate	15.0%	3.21%
Leverage	-5.0%	-0.59%
	100.0%	

[1] An expected inflation of 2.30% used for this period.
[2] Figures are based on the 2021 Asset Liability Management study.

NOTE 9 – NET PENSION LIABILITY AND DEFINED BENEFIT PENSION PLAN (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Discount Rate
The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Subsequent Events
There were no subsequent events that would materially affect the results in this disclosure.

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate
The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 6.90%, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90%) or 1 percentage-point higher (7.90%) than the current rate:

Plan's Net Pension Liability/(Asset)		
Discount Rate - 1% 5.90%	**Current Discount Rate 6.90%**	**Discount Rate + 1% 7.90%**
3,060,679	$ 738,199	$ (1,159,904)

Pension Plan Fiduciary Net Position
Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS' website under Forms and Publications.

NOTE 10 – NET INVESTMENT IN CAPITAL ASSETS

At June 30, 2023, the net investment in capital assets was calculated as follows:

Description	Balance
Net investment in capital assets:	
Capital assets – not being depreciated	$ 2,808,347
Capital assets, net – being depreciated	2,614,496
Loan payable – current portion	(24,398)
Loan payable – non-current portion	(136,621)
Direct finance purchase – current portion	(50,934)
Direct finance purchase – non-current	(106,522)
Total	$ 5,104,368

NOTE 11 – FUND BALANCES

At June 30, 2023, fund balances of the District's governmental funds were classified as follows:

Description	General Fund
Nonspendable:	
Prepaid items	$ 28,431
Assigned:	
Compensated absences	91,962
Unassigned	2,393,938
Total fund balances	$ 2,514,331

NOTE 12 – NET POSITION – UNRESTRICTED (DEFICIT)

As of June 30, 2023, the District had an unrestricted net position deficit of ($603,651). Due to the nature of the deficit from the implementation of GASB Statements No. 68 (net pension liability) and No. 75 (net OPEB obligation) in the prior fiscal years, the District will continue to make its actuarial determined contributions to CalPERS and annually review its outstanding net pension and net OPEB obligations funding requirements for future periods to reduce its deficit position.

NOTE 13 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Special District Risk Management Authority (SDRMA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California special districts. The purpose of the SDRMA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage.

A.	**Entity**	SDRMA
B.	**Purpose**	To pool member contributions and realize the advantages of self-insurance
C.	**Participants**	As of June 30, 2023 – 499 member agencies
D.	**Governing board**	Seven representatives employed by members
E.	**District payments for FY 2023:**	
	Property/Liability policy	$76,654
	Workers' compensation policy	$62,101
F.	**Condensed financial information**	June 30, 2023

	June 30, 2023
Statement of net position:	
Total assets	$ 146,574,993
Deferred outflows	1,664,198
Total liabilities	76,343,471
Deferred inflows	374,517
Net position	$ 71,521,203
Statement of revenues, expenses and changes in net position:	
Total revenues	$ 100,884,445
Total expenses	(96,706,371)
Change in net position	4,178,074
Beginning – net position	66,343,129
Ending – net position	$ 70,521,203

G. Member agencies share of year-end financial position Not Calculated

At June 30, 2023, the District participated in the liability and property programs of the SDRMA as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of $2,500,000, combined single limit at $2,500,000 per occurrence. The District purchased additional excess coverage layers: $10,000,000 for general, auto and public official's liability, which increases the limits on the insurance coverage noted above.

NOTE 13 – RISK MANAGEMENT (Continued)

In addition to the above, the District also has the following insurance coverage:

- Employee dishonesty coverage up to $400,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverage.

- Property loss is paid at the replacement cost for property on file, if replaced within three years after the loss, otherwise paid on an actual cash value basis, to a combined total of $1.0 billion per occurrence, subject to a $2,000 deductible per occurrence.

- Boiler and machinery coverage for the replacement cost up to $100 million per occurrence, subject to a $1,000 deductible per occurrence.

- Public official's personal liability up to $500,000 each occurrence, with an annual aggregate of $500,000 per each elected/appointed official to which this coverage applies, subject to the terms, with a deductible of $500 per claim.

The District maintains workers' compensation coverage and employer's liability coverage in accordance with the statutory requirements of the State of California.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years. There were no reductions in insurance coverage in fiscal year 2023, 2022, and 2021. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2023, 2022, and 2021.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Excluded Leases – Short-Term Leases and De Minimis Leases
The District does not recognize a lease receivable and a deferred inflow of resources for short-term leases. Short-term leases are certain leases that have a maximum possible term under the lease contract of 12 – months (or less), including any options to extend, regardless of their probability of being exercised.

Also, d*e minimis* lessor or lessee leases are certain leases (i.e., room rental, copiers, printers, postage machines) that regardless of their lease contract period are *de minimis* with regards to their aggregate total dollar amount to the financial statements as a whole.

Grant Awards
Grant funds received by the District are subject to audit by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

Litigation
In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

NOTE 15 – CURRENT AND SUBSEQUENT EVENTS

The District has evaluated subsequent events through February 8, 2024, the date which the financial statements were available to be issued.

Required Supplementary Information

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2023

	Final Budget	Actual	Variance Positive (Negative)
Revenues:			
Property taxes	$ 2,201,900	$ 2,381,352	$ 179,452
Franchise fees, net	110,000	83,256	(26,744)
Special assessments:			
Public safety	720,000	685,470	(34,530)
Measure "G" public safety	652,300	651,974	(326)
Recreation	44,400	44,359	(41)
Charges for services	159,500	90,743	(68,757)
Operating grants and contributions	325,000	217,383	(107,617)
Capital grants and contributions	-	456	456
Investment earnings	5,000	26,095	21,095
Other revenue	67,400	46,028	(21,372)
Total revenues	4,285,500	4,227,116	(58,384)
Expenditures:			
Current:			
Salaries and wages	2,199,100	1,765,489	433,611
Employee benefits	656,200	541,946	114,254
Materials and services	1,183,200	1,900,063	(716,863)
Capital outlay	-	68,061	(68,061)
Debt service:			
Principal payment	164,600	168,169	(3,569)
Interest payment	80,000	92,800	(12,800)
Total expenditures	4,283,100	4,536,528	(253,428)
Change in fund balance	$ 2,400	(309,412)	$ (311,812)
Fund balance:			
Beginning of year		2,823,743	
End of year		$ 2,514,331	

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Schedule of Proportionate Share of the Net Pension Liability

For the Fiscal Year Ended June 30, 2023

Last Ten Fiscal Years*

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Measurement Date	District's Proportion of the Miscellaneous Plan's Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability
June 30, 2014	0.04113%	2,559,571	$ 963,888	265.55%	79.75%
June 30, 2015	0.04025%	3,059,855	945,713	323.55%	87.25%
June 30, 2016	0.03796%	3,821,324	974,432	392.16%	84.00%
June 30, 2017	0.03893%	3,860,944	879,501	438.99%	78.83%
June 30, 2018	0.03955%	3,811,481	686,340	555.33%	79.56%
June 30, 2019	0.04036%	4,135,341	701,270	589.69%	72.93%
June 30, 2020	-0.00016%	(16,983)	780,224	-2.18%	100.11%
June 30, 2021	-0.04304%	(2,327,970)	1,140,973	-204.03%	114.33%
June 30, 2022	0.63910%	738,199	1,022,338	72.21%	95.61%

Notes to Schedule:

Benefit Changes:
There were no changes in benefits.

Changes in Assumptions:
From fiscal year June 30, 2015 and June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014, measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015, measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:
There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:
The discount rate was reduced from 7.65% to 7.15%.

From fiscal year June 30, 2018 to June 30, 2019:
There were no significant changes in assumptions.

From fiscal year June 30, 2019 to June 30, 2020:
There were no significant changes in assumptions.

From fiscal year June 30, 2020 to June 30, 2021:
There were no significant changes in assumptions.

From fiscal year June 30, 2021 to June 30, 2022:
There were no significant changes in assumptions.

From fiscal year June 30, 2022 to June 30, 2023:
The discount rate was reduced from 7.15% to 6.90%.

*Fiscal year 2014 was the first measurement date year of implementation; therefore, only nine years are shown.

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Schedule of Pension Contributions

For the Fiscal Year Ended June 30, 2023

Last Ten Fiscal Years*

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2014	$ 356,745	$ (356,745)	$ -	$ 963,888	37.01%
June 30, 2015	384,301	(384,301)	-	945,713	40.64%
June 30, 2016	369,564	(369,564)	-	974,432	37.93%
June 30, 2017	478,607	(478,607)	-	879,501	54.42%
June 30, 2018	293,014	(293,014)	-	686,340	42.69%
June 30, 2019	330,361	(330,361)	-	701,270	47.11%
June 30, 2020	382,475	(4,806,883)	(4,424,408)	780,224	616.09%
June 30, 2021	179,521	(179,521)	-	1,140,973	15.73%
June 30, 2022	156,167	(156,167)	-	1,022,338	15.28%
June 30, 2023	214,365	(214,365)	-	1,123,532	19.08%

Notes to Schedule:

Fiscal Year	Valuation Date	Actuarial Cost Method	Asset Valuation Method	Inflation	Investment Rate of Return
June 30, 2014	June 30, 2012	Entry Age	Fair Value	2.75%	7.65%
June 30, 2015	June 30, 2013	Entry Age	Fair Value	2.75%	7.65%
June 30, 2016	June 30, 2014	Entry Age	Fair Value	2.75%	7.65%
June 30, 2017	June 30, 2015	Entry Age	Fair Value	2.75%	7.65%
June 30, 2018	June 30, 2016	Entry Age	Fair Value	2.75%	7.15%
June 30, 2019	June 30, 2017	Entry Age	Fair Value	2.50%	7.15%
June 30, 2020	June 30, 2018	Entry Age	Fair Value	2.50%	7.15%
June 30, 2021	June 30, 2019	Entry Age	Fair Value	2.50%	7.15%
June 30, 2022	June 30, 2020	Entry Age	Fair Value	2.50%	7.15%
June 30, 2023	June 30, 2021	Entry Age	Fair Value	2.30%	6.90%

Amortization Method	Level percentage of payroll, closed
Salary Increases	Depending on age, service, and type of employment
Investment Rate of Return	Net of pension plan investment expense, including inflation
Retirement Age	50 years (3.0%@50), 52 years (2.7%@57)
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

*Fiscal year 2014 was the first measurement date year of implementation; therefore, only ten years are shown.

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Schedule of Changes in the District's Net OPEB Liability and Related Ratios
For the Fiscal Year Ended June 30, 2023

Last Ten Fiscal Years*

Fiscal Year Ended	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement Date	**June 30, 2022**	**June 30, 2021**	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**	**June 30, 2017**
Total OPEB liability:						
Service cost	$ 45,057	$ 63,078	$ 97,806	$ 93,148	$ 171,680	$ 171,679
Interest	163,711	163,469	282,144	270,617	303,635	287,783
Changes of assumptions	130,983	-	(293,401)	-	(349,558)	-
Differences between expected and actual experience	(164,207)	-	(277,547)	(6,903)	(291,717)	(68,601)
Changes of benefit terms	(400,013)	-	(1,204,143)	-	-	-
Benefit payments	(201,478)	(208,795)	(192,057)	(213,923)	(204,377)	(142,894)
Net change in total OPEB liability	(425,947)	17,752	(1,587,198)	142,939	(370,337)	247,967
Total OPEB liability - beginning	2,302,695	2,284,943	3,872,141	3,729,202	4,099,539	3,851,572
Total OPEB liability - ending	1,876,748	2,302,695	2,284,943	3,872,141	3,729,202	4,099,539
Plan fiduciary net position:						
Contributions - employer	201,478	360,099	343,527	460,959	466,839	238,762
Net investment income	(311,417)	470,718	54,053	78,934	69,586	76,726
Administrative expense	(589)	(649)	(733)	(265)	(481)	(383)
Benefit payments	(201,478)	(208,795)	(192,057)	(213,923)	(204,377)	(142,894)
Net change in plan fiduciary net position	(312,006)	621,373	204,790	325,705	331,567	172,211
Plan fiduciary net position - beginning	2,326,939	1,705,566	1,500,776	1,175,071	843,504	671,293
Plan fiduciary net position - ending	2,014,933	2,326,939	1,705,566	1,500,776	1,175,071	843,504
District's net OPEB liability	$ (138,185)	$ (24,244)	$ 579,377	$ 2,371,365	$ 2,554,131	$ 3,256,035
Plan fiduciary net position as a percentage of the total OPEB liability	107.36%	101.05%	74.64%	38.76%	31.51%	20.58%
Covered payroll	N/A	$ 1,283,193	$ 1,026,275	$ 730,130	$ 686,340	$ 879,501
District's net OPEB liability as a percentage of covered payroll	0.00%	-1.89%	56.45%	324.79%	372.14%	370.21%

Notes to Schedule:

Benefit Changes:

Measurement Date June 30, 2017 – There were no changes in benefits
Measurement Date June 30, 2018 – There were no changes in benefits
Measurement Date June 30, 2019 – There were no changes in benefits
Measurement Date June 30, 2020 – There were no changes in benefits
Measurement Date June 30, 2021 – There were no changes in benefits
Measurement Date June 30, 2022 – There were no changes in benefits

Changes in Assumptions:

Measurement Date June 30, 2017 – There were no changes in assumptions

Measurement Date June 30, 2018 – All eligible employees will be required to contribute at least $125 monthly, regardless of the level of coverage selected. The $125 monthly amount is assumed not to increase in future years.

Measurement Date June 30, 2019 – There were no changes in assumptions

Measurement Date June 30, 2020– All employees hired prior to December 12, 2019 will have the employer share of costs capped at 90% of the 2020 Kaiser Bay Area rates for every coverage level and Medicare eligibility status. In addition, there is a mandatory $125 minimum monthly contribution per retiree. Employees hired on or after December 12, 2019 will receive the PEMHCA minimum only.

Measurement Date June 30, 2021 – There were no changes in assumptions

Measurement Date June 30, 2022 – There were no changes in assumptions

* Fiscal year 2018 was the first year of implementation; therefore, only six years are shown.

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Schedule of Contributions – Other Post-Employment Benefits (OPEB) Plan
For the Fiscal Year Ended June 30, 2023

Last Ten Fiscal Years*

Fiscal Year Ended	**June 30, 2023**	**June 30, 2022**	**June 30, 2021**	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**
Actuarially determined contribution	$ 191,908	$ 313,446	$ 303,615	$ 433,330	$ 418,693	$ 404,577
Contributions in relation to the actuarially determined contributions	(360,099)	(360,099)	(343,527)	(460,959)	(466,839)	(238,762)
Contribution deficiency (excess)	$ (168,191)	$ (46,653)	$ (39,912)	$ (27,629)	$ (48,146)	$ 165,815
Covered payroll	N/A	$ 1,283,193	$ 1,026,275	$ 730,130	$ 686,340	$ 879,501
Contributions as a percentage of covered payroll	0.00%	28.06%	33.47%	63.13%	68.02%	27.15%

Notes to Schedule:

Valuation Date	June 30, 2022	June 30, 2020	June 30, 2020	June 30, 2019	June 30, 2017	June 30, 2017
Methods and Assumptions Used to Determine Contribution Rates:						
Actuarial cost method Entry age normal	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method Closed period, level percent of pay	(1)	(1)	(1)	(1)	(1)	(1)
Amortization period	20-years	20-years	20-years	20-years	20-years	20-years
Asset valuation method	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value
Discount rate	6.00%	7.28%	7.28%	7.28%	7.28%	7.28%
Inflation	2.50%	2.01%	2.01%	2.26%	2.26%	2.26%
Payroll increases	3.00%	2.75%	2.75%	3.25%	3.25%	3.25%
Mortality	(2)	(2)	(2)	(2)	(2)	(2)
Morbidity	(3)	(3)	(3)	(3)	(3)	(3)
Disability	Valued	Valued	Valued	Valued	Valued	Valued
Retirement	(4)	(4)	(4)	(4)	(4)	(4)
Percent Married	100%	100%	100%	100%	100%	100%
Healthcare trend rates	(5)	(5)	(5)	(5)	(5)	(5)

(1) Closed period, level percent of pay
(2) CalPERS 2017 Study
(3) CalPERS 2017 Study
(4) CalPERS Public Agency Safety 3.0%@55 and 2.7%@57
(5) Pre-65 - 6.68% trending down to 5.00% in 2030 and later
Post-65 - 5.00% consistent to 2030

* Fiscal year 2018 was the first year of implementation; therefore, only six years are shown.

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedules

The District follows specific procedures in establishing the budgetary data reflected in the financial statements. Each year the District prepares and submits an operating budget to the Board of Directors no later than June of each year. The basis used to prepare the budget does not differ substantially from the modified accrual basis of accounting. The adopted budget becomes operative on July 1. The Board of Directors must approve all supplemental appropriations to the budget and transfers between major accounts.

Schedule of Proportionate Share of the Net Pension Liability

This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- The proportion (percentage) of the collective net pension liability (similar to the note disclosure)
- The proportionate share (amount) of the collective net pension liability
- The employer's covered-employee payroll
- The proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll
- The pension plan's fiduciary net position as a percentage of the total pension liability

Schedule of Pension Contributions

This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- If an employer's contributions to the plan are actuarially determined or based on statutory or contractual requirements: the employer's actuarially determined contribution to the pension plan (or, if applicable, its statutorily or contractually required contribution), the employer's actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll.

Schedule of Changes in the District's Net OPEB Liability and Related Ratios

This schedule is required by GASB Statement No. 75 and is required for all employers in a cost-sharing OPEB plan. The schedule reports the following information:

- The employer's proportion (percentage) of the collective net OPEB liability
- The employer's proportionate share (amount) of the collective net OPEB liability
- The employer's covered-employee payroll
- The employer's proportionate share (amount) of the collective net OPEB liability as a percentage of the employer's covered-employee payroll
- The OPEB plan's fiduciary net position as a percentage of the total OPEB liability.

Schedule of Contributions – Other Post-Employment Benefits (OPEB) Plan

This schedule is required by GASB Statement No. 75 and is required for all employers in an OPEB plan. The schedule reports the following information:

- If an employer's contributions to the plan are actuarially determined or based on statutory or contractual requirements: the employer's actuarially determined contribution to the OPEB plan (or, if applicable, its statutorily or contractually required contribution), the employer's actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll.

Other Independent Auditors' Report

INDEPENDENT AUDITORS' 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

We have audited, in accordance with the 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, the financial statements of the governmental activities and the general fund of Kensington Police Protection and Community Services District (District) as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 8, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

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

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA | Jessica Berry, CPA | Angelika Vartikyan, CPA

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Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Walnut Creek, California
February 8, 2024