



Date: January 9, 2025
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 2024 Audit

Recommendation

After the presentation and questions have been answered a motion to “Approve the 2024 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)

- Presentation to Board of Director FY Ended June 30, 2024
- Final Communication with Governance Letter FY Ended June 30, 2024
- Financials Statements and Independent Auditors Report for FY Ended June 30, 2024

**KENSINGTON POLICE PROTECTION
AND COMMUNITY SERVICES DISTRICT**
Presentation to the Board of Directors
For the Fiscal Year Ended
June 30, 2024

NIGRO & NIGRO^{PC}



SCOPE OF WORK

Perform Audit Testwork of the Entity's Annual Financial Statements/Report

Report on the Entity's internal control over financial reporting and on compliance in accordance with Government Auditing Standards

OUR RESPONSIBILITY IN ACCORDANCE WITH PROFESSIONAL STANDARDS

1. Form and express an opinion about whether the Annual Financial Statements results, that have been prepared by management, are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America.
2. Our responsibility is to plan and perform the audit to obtain **reasonable assurance (not absolute assurance)** about whether the Annual Financial Statements are free of material misstatements.
3. We are to consider the Entity's internal controls and segregations of duties over accounting procedures and financial reporting as we perform our audit testwork. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal controls.

AUDIT RESULTS

An Auditor's **Unmodified Opinion** has been issued on the Annual Financial Statements.

- The Annual Financial Statements are fairly presented in all material respects.
- The adopted significant accounting policies have been consistently applied.
- Estimates are considered reasonable for Depreciation, Pension, and OPEB expenses.
- Required disclosures are properly reflected in the Annual Financial Statements.

AU-C 265 – Communicating Internal Control Related Matters Identified in an Audit

No Material Issues Arose to be Reported to the Governing Board/Management

Any Minor Issues Were Discussed Orally and Corrected by Management

How Do We Make You Better?

Best Practice Solutions Were Conveyed to Management – That's the Audit ROI

Kensington Police Protection Community Services District

Dashboard – Audited Financial Statements

June 30, 2024 vs 2023

Revenues & Expenses	2024	2023	Variance
Program Revenues:			
Special Assessment:			
Public Safety	\$ 685,470	\$ 685,470	\$ -
Measure "G" Public Safety	679,346	651,974	27,372
Recreation	46,719	44,359	2,360
Charges for Services	90,743	90,743	-
Operating Grants & Contributions	194,699	217,383	(22,684)
Capital Grants & Contributions	181,055	456	180,599
Other Revenue	173,479	46,028	127,451
General Revenues:			315,098
Property Taxes 4.8% increase	2,495,653	2,381,352	114,301
Franchise Fees, net	66,995	83,256	(16,261)
Investment Earnings	100,455	26,095	74,360
Total Revenues	4,714,614	4,227,116	802,596
Expenses:			
Salaries & Wages	1,636,770	1,799,249	(162,479)
Employee Benefits	1,351,456	2,917,240	(1,565,784)
Materials & Services	1,314,754	1,984,189	(669,435)
Depreciation Expense	173,517	161,908	11,609
Interest Expense	166,166	171,263	(5,097)
Total Expenses	4,642,663	7,033,849	(2,391,186)
Change in Revenues & Expenses	\$ 71,951	\$ (2,806,733)	\$ 3,193,782
Capital Outlay:			
Capital Asset Additions	\$ (203,235)	\$ (68,061)	\$ (135,174)
Depreciation Expense	173,517	161,908	11,609
Change in Capital Expense	(29,718)	93,847	(123,565)
Debt Service:			
Principal Payments	\$ (209,320)	\$ (168,169)	\$ (41,151)
Cash & Investments	\$ 2,956,774	\$ 2,521,706	\$ 435,068
Quick Summary:			
Change in Revenues & Expenses	\$ 71,951		
Change in Capital Expense	(29,718)	Use of Cash	
Debt Service - Principal Payments	(209,320)	Use of Cash	
Change in Accounts Receivable	(200,855)	Change to Cash	
Compensated Absences Change	(10,768)	Change to Cash	
OPEB Expense	(135,551)	Change to Cash	
Pension Expense	930,897	Change to Cash	
Change in Cash & Investments	\$ 416,636	Approximately	\$ (18,432)
Investment Earnings to Portfolio	3.67%		

**KENSINGTON POLICE PROTECTION
AND COMMUNITY SERVICES DISTRICT**
Report to the Board of Directors
For the Fiscal Year Ended
June 30, 2024

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

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For the Fiscal Year Ended June 30, 2024

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

We are pleased to present this report related to our audit of the financial statements of the Kensington Police Protection and Community Services District (District) as of and for the year ended June 30, 2024. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the District's financial reporting process.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to the District.

Very truly yours,

A handwritten signature in blue ink that reads 'Nigro & Nigro, PC'. The signature is written in a cursive, flowing style.

Walnut Creek, California
January 9, 2025

Required Communications

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Required Communications

For the Fiscal Year Ended June 30, 2024

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Area	Comments
Our Responsibilities with Regard to the Financial Statement Audit	Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated May 1, 2024. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.
Overview of the Planned Scope and Timing of the Financial Statement Audit	An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions and the account-type of areas tested. There were no changes to the planned scope and timing of our audit testwork.
Accounting Policies and Practices	<p>Accounting Policies and Practices Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. During our audit, no such circumstances were noted.</p> <p>Adoption of, or Change in, Significant Accounting Policies or Their Application Management has the ultimate responsibility for the appropriateness of the accounting policies used by the District. The District did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.</p> <p>Significant or Unusual Transactions We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p> <p>Management's Judgments and Accounting Estimates Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgement. No such significant accounting estimates were noted or estimate applications were changed from the previous year.</p>
Audit Adjustments	Audit adjustments are summarized in the attached Summary of Adjusting Journal Entries .
Uncorrected Misstatements	We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Required Communications

For the Fiscal Year Ended June 30, 2024

Area	Comments
Discussions With Management	We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.
Disagreements With Management	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
Consultations With Other Accountants	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
Significant Issues Discussed With Management	No significant issues arising from the audit were discussed or the subject of correspondence with management.
Significant Difficulties Encountered in Performing the Audit	No significant difficulties were encountered in performing our audit.
Required Supplementary Information	We applied certain limited procedures to the: <ol style="list-style-type: none">1. Management's Discussion and Analysis2. Budget to Actual Comparison3. Required Pension Plan Disclosures4. Required OPEB Plan Disclosures Which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Summary of Adjusting Journal Entries

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

*Summary of Adjusting Journal Entries
For the Fiscal Year Ended June 30, 2024*

Account	Description	Debit	Credit
Adjusting Journal Entries			
Adjusting Journal Entries JE # 1			
To record LAIF FMV			
999	LAIF FMV Adjustment	280.44	
134f	LAIF FMV		280.44
Total		280.44	280.44
Adjusting Journal Entries JE # 2			
To true up depreciation			
189	Accumulated Depreciation	13,183.00	
898	Other Expenses	3,347.36	
189	Accumulated Depreciation		3,347.36
899	Depreciation Expense		13,183.00
Total		16,530.36	16,530.36
Adjusting Journal Entries JE # 3			
GASB 68			
298	Deferred Inflows - Pension	957,803.00	
546	GASB 68 - Expense	930,897.00	
191	Deferred Outflows - Pension		18,473.00
191	Deferred Outflows - Pension		1,461,454.00
296	Net Pension Liability		408,773.00
Total		1,888,700.00	1,888,700.00
Adjusting Journal Entries JE # 4			
To book GASB 75			
295	Net OPEB Liability	301,596.00	
297	Deferred Inflows - OPEB	107,439.00	
547	GASB 75 - Deferred	14,540.00	
190	Deferred Outflows - OPEB		273,484.00
548	GASB 75 - Expense		150,091.00
Total		423,575.00	423,575.00
	Total Adjusting Journal Entries	2,329,085.80	2,329,085.80

**KENSINGTON POLICE PROTECTION
AND COMMUNITY SERVICES DISTRICT
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
For the Fiscal Year Ended
June 30, 2024
(With Comparative Information as of June 30, 2023)**

NIGRO & NIGRO^{PC}

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
For the Fiscal Year Ended June 30, 2024
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Financial Section



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, 2024, 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, 2024, 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.

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, 2023, 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 January 9, 2025, 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
January 9, 2025

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 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, 2024. 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 increased \$71,951 or 1.66% as a result of this year's operations.
- Total revenues from all sources increased \$487,498 or 11.53%, from \$4,227,116 to \$4,714,614, from the prior year, primarily due to an increase of \$180,599 in capital grants and contributions, as well as a \$114,301 increase in property tax revenue.
- Total expenses for the District's operations decreased by \$2,390,906 or 34.00%, from \$7,033,849 to \$4,642,663, from the prior year, primarily due to large decreases 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 \$203,235. Depreciation expense was \$173,517.

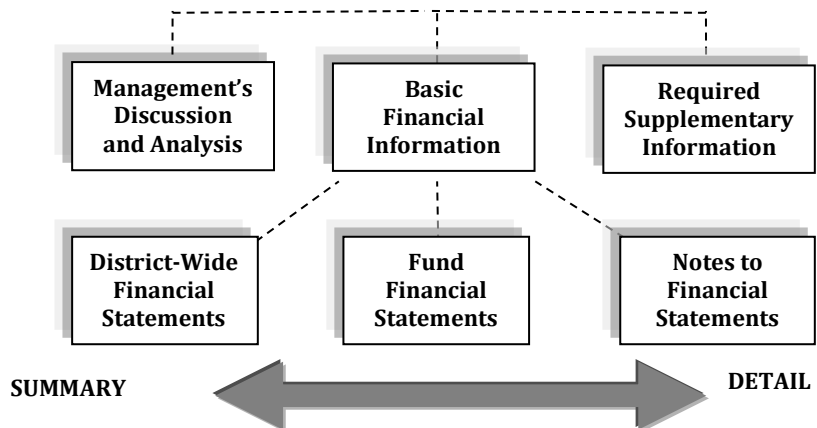
OVERVIEW OF THE FINANCIAL STATEMENTS

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.



KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
Management’s Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2024

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
<i>Scope</i>	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
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	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
<i>Type of inflow/outflow information</i>	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.

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2024

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 grantor requirements.

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2024

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION

Analysis of Net Position

Table A-1: Condensed Statement of Net Position

	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>Change</u>
Assets:			
Current assets	\$ 3,252,175	\$ 2,686,493	\$ 565,682
Non-current assets	439,781	138,185	301,596
Capital assets, net	<u>5,452,561</u>	<u>5,422,843</u>	<u>29,718</u>
Total assets	<u>9,144,517</u>	<u>8,247,521</u>	<u>896,996</u>
Deferred outflows of resources	<u>2,098,149</u>	<u>3,851,560</u>	<u>(1,753,411)</u>
Liabilities:			
Current liabilities	589,431	630,064	(40,633)
Non-current liabilities	<u>5,106,832</u>	<u>4,929,323</u>	<u>177,509</u>
Total liabilities	<u>5,696,263</u>	<u>5,559,387</u>	<u>136,876</u>
Deferred inflows of resources	<u>1,136,324</u>	<u>2,201,566</u>	<u>(1,065,242)</u>
Net position:			
Net investment in capital assets	5,169,406	5,104,368	65,038
Restricted for net OPEB asset	439,781	138,185	301,596
Unrestricted (Deficit)	<u>(1,199,108)</u>	<u>(904,425)</u>	<u>(294,683)</u>
Total net position	<u>\$ 4,410,079</u>	<u>\$ 4,338,128</u>	<u>\$ 71,951</u>

At the end of fiscal year 2024, the District shows a positive balance overall for its net position of \$4,410,079. The increase 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 (\$1,199,108) 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

	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>Change</u>
Program revenues	\$ 2,051,511	\$ 1,736,413	\$ 315,098
Expenses	<u>(4,642,663)</u>	<u>(7,033,849)</u>	<u>2,391,186</u>
Net program expense	(2,591,152)	(5,297,436)	2,706,284
General revenues	<u>2,663,103</u>	<u>2,490,703</u>	<u>172,400</u>
Change in net position	71,951	(2,806,733)	2,878,684
Net position:			
Beginning of year	<u>4,338,128</u>	<u>7,144,861</u>	<u>(2,806,733)</u>
End of year	<u>\$ 4,410,079</u>	<u>\$ 4,338,128</u>	<u>\$ 71,951</u>

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2024

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 increased its net position by \$71,951.

Table A-3: Total Revenues

	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>Increase (Decrease)</u>
Program revenues:			
Special assessments:			
Public safety	\$ 685,470	\$ 685,470	\$ -
Measure "G" public safety	679,346	651,974	27,372
Recreation	46,719	44,359	2,360
Charges for services	90,743	90,743	-
Operating grants and contributions	194,699	217,383	(22,684)
Capital grants and contributions	181,055	456	180,599
Other revenue	<u>173,479</u>	<u>46,028</u>	<u>127,451</u>
Total program revenues	<u>2,051,511</u>	<u>1,736,413</u>	<u>315,098</u>
General revenues:			
Property taxes	2,495,653	2,381,352	114,301
Franchise fees, net	66,995	83,256	(16,261)
Investment earnings	<u>100,455</u>	<u>26,095</u>	<u>74,360</u>
Total general revenues	<u>2,663,103</u>	<u>2,490,703</u>	<u>172,400</u>
Total revenues	<u>\$ 4,714,614</u>	<u>\$ 4,227,116</u>	<u>\$ 487,498</u>

Total revenues from all sources increased \$487,498 or 11.53%, from \$4,227,116 to \$4,714,614, from the prior year, primarily due to an increase of \$180,599 in capital grants and contributions, as well as a \$114,301 increase in property tax revenue.

Table A-4: Total Expenses

	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>Increase (Decrease)</u>
Expenses:			
Salaries and wages	\$ 1,636,770	\$ 1,799,249	\$ (162,479)
Employee benefits	1,351,456	2,917,240	(1,565,784)
Materials and services	1,314,754	1,984,189	(669,435)
Depreciation expense	173,517	161,908	11,609
Interest expense	<u>166,166</u>	<u>171,263</u>	<u>(5,097)</u>
Total expenses	<u>\$ 4,642,663</u>	<u>\$ 7,033,849</u>	<u>\$ (2,391,186)</u>

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2024

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION (continued)

Analysis of Revenues and Expenses (continued)

Total expenses for the District's operations decreased by \$2,390,906 or 34.00%, from \$7,033,849 to \$4,642,663, from the prior year, primarily due to large decreases in non-cash employee benefit expenses as a result of the District's annual revaluation of net pension and OPEB liabilities.

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 \$3,044,347, which is an increase from last year's restated ending fund balance of \$2,430,203. The primary cause of the increase in fund balance is due to an increase in total revenues related to Capital grants and contributions as well as property taxes.

General Fund Budgetary Highlights

The final budgeted expenditures for the District at year-end were \$485,493 more than actual. The variance is principally due to \$554,590 less in actual employee benefit expenditures. Actual revenues were more than the than budgeted by \$254,814, primarily due to greater than anticipated property tax and investment revenue.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2023-24 the District had invested \$203,235 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 \$173,517.

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

	Balance	Balance
	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Capital assets:		
Non-depreciable assets	\$ 2,808,347	\$ 2,808,347
Depreciable assets	4,457,601	4,314,189
Accumulated depreciation	<u>(1,813,387)</u>	<u>(1,699,693)</u>
Total capital assets, net	<u>\$ 5,452,561</u>	<u>\$ 5,422,843</u>

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2024

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-term Debt

Capital related debt was being repaid in fiscal year 2023-24. (See note 5 for further information)

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

	Balance	Balance
	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Long-term debt:		
Loan payable	\$ 136,621	\$ 161,019
Direct finance purchase	<u>146,534</u>	<u>157,456</u>
Total long-term debt	<u>\$ 283,155</u>	<u>\$ 318,475</u>

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, 2024 (With Comparative Information as of June 30, 2023)

	Governmental Activities	
ASSETS	2024	Restated 2023
Current assets:		
Cash and cash equivalents (note 2)	\$ 2,956,774	\$ 2,521,706
Accrued interest receivable	856	5,149
Accounts receivable	214,205	13,350
Property taxes receivable	22,474	31,698
Other receivables	10,192	86,159
Prepaid items	47,674	28,431
Total current assets	3,252,175	2,686,493
Non-current assets:		
Net other post-employment benefits asset (note 8)	439,781	138,185
Capital assets – not being depreciated (note 3)	2,808,347	2,808,347
Capital assets, net – being depreciated (note 3)	2,644,214	2,614,496
Total non-current assets	5,892,342	5,561,028
Total assets	9,144,517	8,247,521
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts related to net OPEB asset (note 8)	420,924	694,408
Deferred amounts related to net pension asset/liability (note 9)	1,677,225	3,157,152
Total deferred outflows of resources	2,098,149	3,851,560
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	132,828	256,290
Unearned revenue	75,000	-
Accrued interest payable	75,114	78,461
Long-term liabilities – due in one year:		
Compensated absences (note 4)	40,597	45,981
Loan payable (note 5)	25,325	24,398
Direct finance purchase (note 6)	59,567	50,934
Pension obligation bonds payable (note 7)	181,000	174,000
Total current liabilities	589,431	630,064
Noncurrent liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (note 4)	40,597	45,981
Loan payable (note 5)	111,296	136,621
Direct finance purchase (note 6)	86,967	106,522
Pension obligation bonds payable (note 7)	3,721,000	3,902,000
Net pension liability (note 9)	1,146,972	738,199
Total noncurrent liabilities	5,106,832	4,929,323
Total liabilities	5,696,263	5,559,387
DEFERRED INFLOWS OF RESOURCES		
Deferred amounts related to net OPEB asset (note 8)	232,784	340,223
Deferred amounts related to net pension asset/liability (note 9)	903,540	1,861,343
Total deferred inflows of resources	1,136,324	2,201,566
NET POSITION		
Net investment in capital assets (note 10)	5,169,406	5,104,368
Restricted for net OPEB asset	439,781	138,185
Unrestricted (Deficit) (note 12)	(1,199,108)	(904,425)
Total net position	\$ 4,410,079	\$ 4,338,128

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT*Statement of Activities**For the Fiscal Year Ended June 30, 2024**(With Comparative Information for the Year Ended June 30, 2023)*

	<u>Governmental Activities</u>	
	<u>2024</u>	<u>Restated 2023</u>
Expenses:		
Public safety and recreation:		
Salaries and wages	\$ 1,636,770	\$ 1,799,249
Employee benefits	1,351,456	2,917,240
Materials and services	1,314,754	1,984,189
Depreciation expense	173,517	161,908
Interest expense	166,166	171,263
Total expenses	<u>4,642,663</u>	<u>7,033,849</u>
Program revenues:		
Special assessments:		
Public safety	685,470	685,470
Measure "G" public safety	679,346	651,974
Recreation	46,719	44,359
Charges for services	90,743	90,743
Operating grants and contributions	194,699	217,383
Capital grants and contributions	181,055	456
Other revenue	173,479	46,028
Total program revenues	<u>2,051,511</u>	<u>1,736,413</u>
Net program expense	<u>(2,591,152)</u>	<u>(5,297,436)</u>
General revenues:		
Property taxes	2,495,653	2,381,352
Franchise fees, net	66,995	83,256
Investment earnings	100,455	26,095
Total general revenues	<u>2,663,103</u>	<u>2,490,703</u>
Change in net position	71,951	(2,806,733)
Net position:		
Beginning of year, as restated (Note 13)	4,338,128	7,144,861
End of year	<u>\$ 4,410,079</u>	<u>\$ 4,338,128</u>

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
Balance Sheet – Governmental Funds
June 30, 2024 (With Comparative Information as of June 30, 2023)

	<u>General Fund</u>	
<u>ASSETS</u>	<u>2024</u>	<u>Restated 2023</u>
Assets:		
Cash and cash equivalents	\$ 2,956,774	\$ 2,521,706
Accrued interest receivable	856	5,149
Accounts receivable	214,205	13,350
Property taxes receivable	22,474	31,698
Other receivables	10,192	86,159
Prepaid items	47,674	28,431
Total assets	<u>\$ 3,252,175</u>	<u>\$ 2,686,493</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 207,828	\$ 256,290
Total liabilities	<u>207,828</u>	<u>256,290</u>
Fund balance: (note 11)		
Nonspendable	47,674	28,431
Assigned	81,194	91,962
Unassigned	2,915,479	2,309,810
Total fund balance	<u>3,044,347</u>	<u>2,430,203</u>
Total liabilities and fund balance	<u>\$ 3,252,175</u>	<u>\$ 2,686,493</u>

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
*Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2024 (With Comparative Information as of June 30, 2023)*

	<u>2024</u>	<u>2023</u>
		<u>Restated</u>
Fund Balance of Governmental Funds	<u>\$ 3,044,347</u>	<u>\$ 2,430,203</u>
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	439,781	138,185
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.		
	5,452,561	5,422,843
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.		
	2,098,149	3,851,560
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:		
Accrued interest payable	(75,114)	(78,461)
Compensated absences	(81,194)	(91,962)
Loan payable	(136,621)	(161,019)
Direct finance purchase	(146,534)	(157,456)
Pension obligation bonds payable	(3,902,000)	(4,076,000)
Net pension liability	(1,146,972)	(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.		
	<u>(1,136,324)</u>	<u>(2,201,566)</u>
Total adjustments	<u>1,365,732</u>	<u>1,907,925</u>
Net Position of Governmental Activities	<u><u>\$ 4,410,079</u></u>	<u><u>\$ 4,338,128</u></u>

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, 2024
(With Comparative Information for the Year Ended June 30, 2023)

	General Fund	
	2024	Restated 2023
Revenues:		
Property taxes	\$ 2,495,653	\$ 2,381,352
Franchise fees, net	66,995	83,256
Special assessments:		
Public safety	685,470	685,470
Measure "G" public safety	679,346	651,974
Recreation	46,719	44,359
Charges for services	90,743	90,743
Operating grants and contributions	194,699	217,383
Capital grants and contributions	181,055	456
Investment earnings	100,455	26,095
Other revenue	173,479	46,028
Total revenues	4,714,614	4,227,116
Expenditures:		
Current operations:		
Salaries and wages	1,647,538	1,765,489
Employee benefits	556,110	541,946
Materials and services	1,314,754	1,984,189
Capital outlay	203,235	68,061
Debt service:		
Principal payment	209,320	168,169
Interest payment	169,513	92,802
Total expenditures	4,100,470	4,620,656
Excess of revenues over expenditures	614,144	(393,540)
Change in fund balance	614,144	(393,540)
Fund Balance:		
Beginning of year, as restated (note 13)	2,430,203	2,823,743
End of year	\$ 3,044,347	\$ 2,430,203

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, 2024

(With Comparative Information for the Year Ended June 30, 2023)

	<u>2024</u>	<u>2023</u>
		<u>Restated</u>
Net Change in Fund Balance – Governmental Funds	<u>\$ 614,144</u>	<u>\$ (393,540)</u>
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	203,235	68,061
Depreciation expense	(173,517)	(161,908)
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 accrued interest payable	3,347	(78,461)
Net change in compensated absences	10,768	(33,760)
Net change in net OPEB asset and related deferred resources	135,551	707,358
Net change in net pension liability/(asset) and related deferred resources	(930,897)	(3,082,652)
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.		
	<u>209,320</u>	<u>168,169</u>
Total adjustments	<u>(542,193)</u>	<u>(2,413,193)</u>
Change in Net Position of Governmental Activities	<u>\$ 71,951</u>	<u>\$ (2,806,733)</u>

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2024

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.

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2024

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

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

2. 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.

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2024

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

D. Budgetary Data

The District follows these procedures in establishing budgetary data 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.

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2024

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, 2022
Measurement Date June 30, 2023
Measurement Period July 1, 2022 to June 30, 2023

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2024

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 retirees) 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, 2023

Measurement Date June 30, 2023

Measurement Period July 1, 2022 to June 30, 2023

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.

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2024

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.
- **Restricted net position** - This component of net position consists of items that do not meet the definition of "net investment in capital assets" that are reserved for a specific purpose by covenants, grants, contracts or regulatory requirements.
- **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.

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2024

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

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, 2024, were classified on the statement of net position as follows:

Description	Balance
Governmental funds:	
Cash and cash equivalents	\$ 2,956,774
Total cash and cash equivalents	\$ 2,956,774

Cash and investments at June 30, 2024, are reported at fair value and consisted of the following:

Description	Balance
Cash on hand	\$ 100
Demand deposits with financial institutions	551,377
Local Agency Investment Fund (LAIF)	75,845
California Cooperative Liquid Assets Securities System (CLASS)	2,329,452
Total cash and cash equivalents	\$ 2,956,774

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.

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 2 – CASH AND INVESTMENTS (continued)

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, 2024, the District held \$75,845 in LAIF.

California Cooperative Liquid Assets Securities System (California CLASS)

The California Cooperative Liquid Assets Securities System (California CLASS) is a joint exercise of power entity authorized under Section 6509.7, California Government Code. California CLASS is a pooled investment option that was created via a joint exercise of powers agreement by and among California public agencies. California CLASS provides California public agencies with a convenient method for investing in high-quality, short- to medium-term securities carefully selected to optimize interest earnings while prioritizing safety and liquidity. The California CLASS Prime and Enhanced Cash funds offer public agencies the opportunity to strengthen and diversify their cash management programs in accordance with the safety, liquidity, and yield hierarchy that governs the investment of public funds.

The management of California CLASS is under the direction of a Board of Trustees comprised of eligible Participants of the program. The Board of Trustees has appointed Public Trust Advisors, LLC to serve as the Investment Advisor and Administrator of the program and has appointed U.S. Bank as the Custodian.

The District is a voluntary participant in California CLASS. 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 California CLASS for the entire California CLASS 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 California CLASS. California CLASS is not categorized under the fair value hierarchy established by GAAP as it is held at an amortized cost basis. The California Class Prime and Enhanced Cash funds receive a credit rating of AAAM (S&P Global Ratings) and AAAf/S1 (FitchRatings), respectively. For financial reporting purposes, the District considers California CLASS a cash equivalent due to its highly liquid nature and dollar-in dollar-out amortized cost methodology. As of June 30, 2024, the District held \$2,329,452 in California CLASS.

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
 June 30, 2024

NOTE 3 – CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2024, were as follows:

	Balance July 1, 2023	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2024
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	16,700	-	3,639,135
Machinery and equipment	130,226	27,063	-	157,289
Furniture and office equipment	108,965	13,625	-	122,590
Vehicles	452,563	145,847	(59,823)	538,587
Total depreciable capital assets	4,314,189	203,235	(59,823)	4,457,601
Accumulated depreciation:				
Buildings and improvements	(1,207,280)	(86,283)	-	(1,293,563)
Machinery and equipment	(118,530)	(6,869)	-	(125,399)
Furniture and office equipment	(73,274)	(12,758)	-	(86,032)
Vehicles	(300,609)	(67,607)	59,823	(308,393)
Total accumulated depreciation	(1,699,693)	(173,517)	59,823	(1,813,387)
Total depreciable capital assets, net	2,614,496	29,718	-	2,644,214
Total capital assets, net	\$ 5,422,843	\$ 29,718	\$ -	\$ 5,452,561

NOTE 4 – COMPENSATED ABSENCES

Changes to compensated absences balances for the year ended June 30, 2024, were as follows:

Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024	Current Portion	Long-term Portion
\$ 91,962	\$ 117,330	\$ (128,098)	\$ 81,194	\$ 40,597	\$ 40,597

NOTE 5 – LOAN PAYABLE

Changes to the loan payable balance for the year ended June 30, 2024, was as follows:

Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024	Current Portion	Long-term Portion
\$ 161,019	\$ -	\$ (24,398)	\$ 136,621	\$ 25,325	\$ 111,296

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2024

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:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	136,621	\$ 15,964	\$ 152,585
Current	(25,325)		
Long-term	\$ 111,296		

NOTE 6 – DIRECT PURCHASE FINANCING

Changes in direct purchase financing amounts for the year ended June 30, 2024, were as follows:

<u>Direct Purchase Financing</u>	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
Vehicle financing agreement I	\$ 96,407	\$ -	\$ (38,378)	\$ 58,029	\$ 39,055	\$ 18,974
Vehicle financing agreement II	61,049	-	(11,483)	49,566	13,204	36,362
Vehicle financing agreement III	-	44,830	(5,891)	38,939	7,308	31,631
	\$ 157,456	\$ 44,830	\$ (55,752)	\$ 146,534	\$ 59,567	\$ 86,967

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:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 39,055	\$ 660	\$ 39,715
2026	18,974	72	19,046
Total	58,029	\$ 732	\$ 58,761
Current	(39,055)		
Long-term	\$ 18,974		

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2024

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:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 13,204	\$ 2,397	\$ 15,601
2026	13,949	1,652	15,601
2027	14,736	865	15,601
2028	<u>7,677</u>	<u>124</u>	<u>7,801</u>
Total	49,566	<u>\$ 5,038</u>	<u>\$ 54,604</u>
Current	<u>(13,204)</u>		
Long-term	<u>\$ 36,362</u>		

Vehicle financing agreement III

On November 7, 2023, 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 \$44,830. The term is five years with an interest rate of 8.09%. Principal and interest payments are due monthly in the amount of \$904.82, with the final payment due in October 2028.

Future remaining payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 7,308	\$ 2,645	\$ 9,953
2026	8,614	2,244	10,858
2027	9,337	1,521	10,858
2028	10,121	737	10,858
2029	<u>3,559</u>	<u>60</u>	<u>3,619</u>
Total	38,939	<u>\$ 7,207</u>	<u>\$ 46,146</u>
Current	<u>(7,308)</u>		
Long-term	<u>\$ 31,631</u>		

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
 June 30, 2024

NOTE 7 – PENSION OBLIGATION BONDS

Changes in pension obligation bonds amounts for the year ended June 30, 2024, were as follows:

<u>Balance</u> <u>July 1, 2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2024</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
\$ 4,076,000	\$ -	\$ (174,000)	\$ 3,902,000	\$ 181,000	\$ 3,721,000

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, 2024 is \$5,298,937.

Future remaining payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	210,000	120,698	330,698
2030-2034	1,180,000	475,668	1,655,668
2035-2039	1,426,000	230,269	1,656,269
2040	319,000	12,282	331,282
Total	3,902,000	<u>\$ 1,396,937</u>	<u>\$ 5,298,937</u>
Current	<u>(181,000)</u>		
Long-term	<u>\$ 3,721,000</u>		

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.

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Summary

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

<u>Description</u>	<u>2024</u>
OPEB related deferred outflows	\$ 420,924
Net other post-employment benefits (OPEB) asset	439,781
OPEB related deferred inflows	232,784

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 90% of the cost of post-employment medical coverage up to a cap of the 2020 Kaiser Bay Area rates for the coverage selected. The District does not provide post-employment dental and vision benefits for retirees.

Plan Members

	<u>2024</u>
Inactive plan members or beneficiaries currently receiving benefit payments	15
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	<u>6</u>
Total	<u><u>21</u></u>

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, 2023, the measurement period, the District's contributions totaling \$183,513 included \$135,780 in current year premium payments, and an implied subsidy of \$47,733.

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.

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2024

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

A. General Information about the OPEB Plan (continued)

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.

B. Net OPEB Liability/(Asset)

The District's total OPEB liability was measured as of June 30, 2023 and was determined by an actuarial valuation as of June 30, 2023. 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, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2023
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	3.25%
Healthcare Trend Rates	Pre-65 - 7.64% trending down to 4.50% by 2052 Post-65 - 5.0% trending down to 4.50% by 2052
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.

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2024

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

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

Actuarial Assumptions (continued)

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	60.00%	5.07%
Fixed income	32.00%	1.56%
REITs	8.00%	4.53%
Total	100.00%	

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, 2023 (Measurement date July 1, 2022)	\$ 1,876,748	\$ 2,014,933	\$ (138,185)
Changes for the year:			
Service cost	85,414	-	85,414
Interest	112,124	-	112,124
Differences in experience	(240,803)	-	(240,803)
Changes in assumption	57,299	-	57,299
Changes in benefit terms	-	-	-
Employer contributions	-	186,846	(186,846)
Net investment income	-	129,369	(129,369)
Benefit payments	(186,846)	(186,846)	-
Administrative expenses	-	(585)	585
Net changes	(172,812)	128,784	(301,596)
Balance at June 30, 2024 (Measurement date June 30, 2023)	\$ 1,703,936	\$ 2,143,717	\$ (439,781)

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2024

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

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

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	<u>\$ (262,862)</u>	<u>\$ (439,781)</u>	<u>\$ (587,938)</u>

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		
	6.64%	7.64%	8.64%
Net OPEB Liability	<u>\$ (514,822)</u>	<u>\$ (439,781)</u>	<u>\$ (337,960)</u>

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

For the year ended June 30, 2024, the District recognized OPEB income of \$36,755. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Account Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions made after the measurement date	\$ 177,368	\$ -
Changes in assumptions	89,856	-
Differences between expected and actual experience	-	(232,784)
Differences between projected and actual earnings on OPEB plan investments	153,700	-
Total Deferred Outflows/(Inflows) of Resources	<u>\$ 420,924</u>	<u>\$ (232,784)</u>

The differences between projected and actual earnings on plan investments is amortized over five years. The District reported \$177,368 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, 2025.

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
 June 30, 2024

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

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

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

<u>Amortization Period</u> <u>Fiscal Year Ended June 30</u>	<u>Deferred</u> <u>Outflows/(Inflows)</u> <u>of Resources</u>
2025	\$ (26,950)
2026	(30,764)
2027	70,187
2028	<u>(1,701)</u>
Total	<u>\$ 10,772</u>

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:

<u>Description</u>	<u>2024</u>
Net pension liability	\$ 1,146,972
Pension related deferred outflows	1,677,225
Pension related deferred inflows	903,540

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".

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2024

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

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
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
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 2023	23.750%	12.780%

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, 2023 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.

At June 30, 2023, the following members were covered by the benefit terms:

Plan Members	Safety Plans		Total
	Classic Tier 1	PEPRA Tier 2	
Active members	3	4	7
Transferred and terminated members	10	3	13
Retired members and beneficiaries	31	-	31
Total plan members	44	7	51

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.

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2024

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

A. General Information about the Pension Plan (continued)

Plan Description (continued)

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, 2024, (Measurement Date June 30, 2023) were as follows:

Contribution Type	Safety Plans		Total
	Classic Tier 1	PEPRA Tier 2	
Contributions – employer	\$ 119,917	\$ 75,975	\$ 195,892
Contributions – members	39,814	77,153	116,967
Total contributions	\$ 159,731	\$ 153,128	\$ 312,859

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, 2023, 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, 2022, rolled forward to June 30, 2023, 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.

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
 June 30, 2024

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 (continued)

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, 2023 (Measurement Date):

<u>Plan Type and Balance Descriptions</u>	<u>Total Pension Liability</u>	<u>Fiduciary Net Position</u>	<u>Net Pension Liability</u>
CalPERS – Safety Plan:			
Balance as of June 30, 2021 (Measurement Date)	\$ 16,817,570	\$ 16,079,371	\$ 738,199
Balance as of June 30, 2022 (Measurement Date)	\$ 17,471,395	\$ 16,324,423	\$ 1,146,972
Change in Plan Net Pension Liability	\$ 653,825	\$ 245,052	\$ 408,773

The District’s proportionate share percentage of the net pension liability for the June 30, 2023, measurement date was as follows:

	<u>Percentage Share of Risk Pool</u>		<u>Change Increase/ (Decrease)</u>
	<u>Fiscal Year Ending June 30, 2024</u>	<u>Fiscal Year Ending June 30, 2023</u>	
Measurement Date	<u>June 30, 2023</u>	<u>June 30, 2022</u>	
Percentage of Risk Pool Net Pension Liability	0.015340%	0.010743%	0.004597%
Percentage of Plan (PERF C) Net Pension Liability	0.009190%	0.006390%	0.002800%

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

For the year ended June 30, 2024, the District recognized pension credit of \$1,126,789. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Account Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions made after the measurement date	\$ 195,892	\$ -
Difference between actual and proportionate share of employer contributions	-	(896,330)
Adjustment due to differences in proportions	1,173,222	-
Differences between expected and actual experience	84,208	(7,210)
Differences between projected and actual earnings on pension plan investments	156,963	-
Changes in assumptions	66,939	-
Total Deferred Outflows/(Inflows) of Resources	\$ 1,677,224	\$ (903,540)

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2024

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

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

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 \$195,892 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, 2025. 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:

<u>Amortization Period</u> <u>Fiscal Year Ended June 30</u>	<u>Deferred</u> <u>Outflows/(Inflows)</u> <u>of Resources</u>
2025	\$ 331,991
2026	181,963
2027	59,458
2028	4,380
Total	<u>\$ 577,792</u>

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2023 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2023, total pension liability. The June 30, 2023, 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

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2024

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)

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.

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return ^{1,2}</u>
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%
	<u>100.0%</u>	

¹ An expected inflation of 2.30% used for this period.

² Figures are based on the 2021 Asset Liability Management study.

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. 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.

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
 June 30, 2024

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)

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%	Current Discount	Discount Rate + 1%
5.90%	Rate 6.90%	7.90%
\$ 3,543,737	\$ 1,146,972	\$ (812,553)

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, 2024, 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	2,644,214
Loan payable – current portion	(25,325)
Loan payable – non-current portion	(111,296)
Direct finance purchase – current portion	(59,567)
Direct finance purchase – non-current	(86,967)
Total	\$ 5,169,406

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2024

NOTE 11 – FUND BALANCES

At June 30, 2024, fund balances of the District’s governmental funds were classified as follows:

<u>Description</u>	<u>General Fund</u>
Nonspendable:	
Prepaid items	\$ 47,674
Assigned:	
Compensated absences	<u>81,194</u>
Unassigned	<u>2,915,479</u>
Total fund balances	<u>\$ 3,044,347</u>

NOTE 12 – NET POSITION – UNRESTRICTED (DEFICIT)

As of June 30, 2024, the District had an unrestricted net position deficit of (\$1,199,108). 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 – PRIOR PERIOD ADJUSTMENT

Beginning net position as of July 1, 2023, was restated in the amount of \$162,589, to correct the County’s overstatement of the District’s cash holdings as of June 30, 2023, as well as to include accrued interest payable on the District’s debt.

<u>Description</u>	<u>Balance</u>
Net position:	
Beginning of year, as previously stated	\$ 4,500,717
Cash in county	(84,128)
Accrued interest payable	<u>(78,461)</u>
Net adjustment	<u>(162,589)</u>
Beginning of year, as restated	<u>\$ 4,338,128</u>

Beginning fund balance as of July 1, 2023, was restated in the amount of \$84,128, to correct the County’s overstatement of the District’s cash holdings as of June 30, 2023.

Description	Balance
Fund balance:	
Beginning of year, as previously stated	\$ 2,514,331
Cash in county	(84,128)
Beginning of year, as restated	<u>\$ 2,430,203</u>

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 14 – 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, 2024 – 503 member agencies	
D. Governing board	Seven representatives employed by members	
E. District payments for FY 2024:		
Property/Liability policy	\$100,288	
Workers' compensation policy	\$51,569	
F. Condensed financial information	June 30, 2024	
Statement of net position:		<u>June 30, 2024</u>
Total assets		<u>\$ 162,354,367</u>
Deferred outflows		<u>1,620,957</u>
Total liabilities		<u>78,404,034</u>
Deferred inflows		<u>384,924</u>
Net position		<u><u>\$ 85,186,366</u></u>
Statement of revenues, expenses and changes in net position:		
Total revenues	\$ 117,816,189	
Total expenses	(104,151,026)	
Change in net position	13,665,163	
Beginning – net position	71,521,203	
Ending – net position	<u>\$ 85,186,366</u>	
G. Member agencies share of year-end financial position	Not Calculated	

At June 30, 2024, 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.

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2024

NOTE 14 – 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 2024, 2023, and 2022. 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, 2024, 2023, and 2022.

NOTE 15 – 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, *de 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.

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2024

NOTE 16 - CURRENT AND SUBSEQUENT EVENTS

The District has evaluated subsequent events through January 9, 2025, 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, 2024

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Property taxes	\$ 2,400,000	\$ 2,495,653	\$ 95,653
Franchise fees, net	120,000	66,995	(53,005)
Special assessments:			
Public safety	685,000	685,470	470
Measure "G" public safety	660,000	679,346	19,346
Recreation	46,000	46,719	719
Charges for services	45,300	90,743	45,443
Operating grants and contributions	195,000	194,699	(301)
Capital grants and contributions	180,000	181,055	1,055
Investment earnings	10,000	100,455	90,455
Other revenue	118,500	173,479	54,979
Total revenues	<u>4,459,800</u>	<u>4,714,614</u>	<u>254,814</u>
Expenditures:			
Current:			
Salaries and wages	1,735,400	1,647,538	87,862
Employee benefits	1,110,700	556,110	554,590
Materials and services	1,281,030	1,314,754	(33,724)
Capital outlay	80,000	203,235	(123,235)
Debt service:			
Principal payment	209,320	209,320	-
Interest payment	169,513	169,513	-
Total expenditures	<u>4,585,963</u>	<u>4,100,470</u>	<u>485,493</u>
Change in fund balance	<u>\$ (126,163)</u>	614,144	<u>\$ 740,307</u>
Fund balance:			
Beginning of year, as restated (note 13)		<u>2,430,203</u>	
End of year		<u>\$ 3,044,347</u>	

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2024

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	0.00639%	738,199	1,022,338	72.21%	95.61%
June 30, 2023	0.00919%	1,146,972	1,123,532	102.09%	93.44%

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, 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%.

From fiscal year June 30, 2023 to June 30, 2024:

There were no significant changes in assumptions.

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
Schedule of Pension Contributions
For the Fiscal Year Ended June 30, 2024

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, 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%
June 30, 2024	195,892	(195,892)	-	1,234,742	15.87%

Notes to Schedule:

Fiscal Year	Valuation Date	Actuarial Cost Method	Asset Valuation Method	Inflation	Investment Rate of Return
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%
June 30, 2024	June 30, 2022	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.

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, 2024

Fiscal Year Ended	Last Ten Fiscal Years*				
	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
Measurement Date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
Total OPEB liability:					
Service cost	\$ 85,414	\$ 45,057	\$ 63,078	\$ 97,806	\$ 93,148
Interest	112,124	163,711	163,469	282,144	270,617
Changes of assumptions	57,299	130,983	-	(293,401)	-
Differences between expected and actual experience	(240,803)	(164,207)	-	(277,547)	(6,903)
Changes of benefit terms	-	(400,013)	-	(1,204,143)	-
Benefit payments	<u>(186,846)</u>	<u>(201,478)</u>	<u>(208,795)</u>	<u>(192,057)</u>	<u>(213,923)</u>
Net change in total OPEB liability	(172,812)	(425,947)	17,752	(1,587,198)	142,939
Total OPEB liability - beginning	1,876,748	2,302,695	2,284,943	3,872,141	3,729,202
Total OPEB liability - ending	<u>1,703,936</u>	<u>1,876,748</u>	<u>2,302,695</u>	<u>2,284,943</u>	<u>3,872,141</u>
Plan fiduciary net position:					
Contributions - employer	186,846	201,478	360,099	343,527	460,959
Net investment income	129,369	(311,417)	470,718	54,053	78,934
Administrative expense	(585)	(589)	(649)	(733)	(265)
Benefit payments	<u>(186,846)</u>	<u>(201,478)</u>	<u>(208,795)</u>	<u>(192,057)</u>	<u>(213,923)</u>
Net change in plan fiduciary net position	128,784	(312,006)	621,373	204,790	325,705
Plan fiduciary net position - beginning	2,014,933	2,326,939	1,705,566	1,500,776	1,175,071
Plan fiduciary net position - ending	<u>2,143,717</u>	<u>2,014,933</u>	<u>2,326,939</u>	<u>1,705,566</u>	<u>1,500,776</u>
District's net OPEB liability	<u>\$ (439,781)</u>	<u>\$ (138,185)</u>	<u>\$ (24,244)</u>	<u>\$ 579,377</u>	<u>\$ 2,371,365</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>125.81%</u>	<u>107.36%</u>	<u>101.05%</u>	<u>74.64%</u>	<u>38.76%</u>
Covered payroll	<u>\$ 987,070</u>	<u>N/A</u>	<u>\$ 1,283,193</u>	<u>\$ 1,026,275</u>	<u>\$ 730,130</u>
District's net OPEB liability as a percentage of covered payroll	<u>-44.55%</u>	<u>0.00%</u>	<u>-1.89%</u>	<u>56.45%</u>	<u>324.79%</u>

Notes to Schedule:

Benefit Changes:

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
Measurement Date June 30, 2023 – There were no changes in benefits

Changes in Assumptions:

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
Measurement Date June 30, 2023 – There were no changes in assumptions

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

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
Schedule of Changes in the District's Net OPEB Liability and Related Ratios (continued)
For the Fiscal Year Ended June 30, 2024

Fiscal Year Ended Measurement Date	Last Ten Fiscal Years*	
	<u>June 30, 2019</u>	<u>June 30, 2018</u>
	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Total OPEB liability:		
Service cost	\$ 171,680	\$ 171,679
Interest	303,635	287,783
Changes of assumptions	(349,558)	-
Differences between expected and actual experience	(291,717)	(68,601)
Changes of benefit terms	-	-
Benefit payments	<u>(204,377)</u>	<u>(142,894)</u>
Net change in total OPEB liability	(370,337)	247,967
Total OPEB liability - beginning	<u>4,099,539</u>	<u>3,851,572</u>
Total OPEB liability - ending	<u>3,729,202</u>	<u>4,099,539</u>
Plan fiduciary net position:		
Contributions - employer	466,839	238,762
Net investment income	69,586	76,726
Administrative expense	(481)	(383)
Benefit payments	<u>(204,377)</u>	<u>(142,894)</u>
Net change in plan fiduciary net position	331,567	172,211
Plan fiduciary net position - beginning	<u>843,504</u>	<u>671,293</u>
Plan fiduciary net position - ending	<u>1,175,071</u>	<u>843,504</u>
District's net OPEB liability	<u>\$ 2,554,131</u>	<u>\$ 3,256,035</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>31.51%</u>	<u>20.58%</u>
Covered payroll	<u>\$ 686,340</u>	<u>\$ 879,501</u>
District's net OPEB liability as a percentage of covered payroll	<u>372.14%</u>	<u>370.21%</u>

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

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

* Fiscal year 2018 was the first year of implementation; therefore, only seven 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, 2024

Fiscal Year Ended	Last Ten Fiscal Years*				
	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
Actuarially determined contribution	\$ 177,368	\$ 191,908	\$ 313,446	\$ 303,615	\$ 433,330
Contributions in relation to the actuarially determined contributions	<u>(186,846)</u>	<u>(201,478)</u>	<u>(360,099)</u>	<u>(343,527)</u>	<u>(460,959)</u>
Contribution deficiency (excess)	<u>\$ (9,478)</u>	<u>\$ (9,570)</u>	<u>\$ (46,653)</u>	<u>\$ (39,912)</u>	<u>\$ (27,629)</u>
Covered payroll	\$ 987,070	N/A	\$ 1,283,193	\$ 1,026,275	\$ 730,130
Contributions as a percentage of covered payroll	18.93%	0.00%	28.06%	33.47%	63.13%

Notes to Schedule:

Valuation Date	June 30, 2023	June 30, 2022	June 30, 2020	June 30, 2020	June 30, 2019
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Methods and Assumptions Used to Determine

Contribution Rates:

Actuarial cost method	Entry age normal	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method	Closed period, level percent of pay	(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%	6.00%	7.28%	7.28%	7.28%	7.28%
Inflation	2.50%	2.50%	2.01%	2.01%	2.01%	2.26%
Payroll increases	3.00%	3.00%	2.75%	2.75%	2.75%	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

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
Schedule of Contributions – Other Post-Employment Benefits (OPEB) Plan
For the Fiscal Year Ended June 30, 2024

Last Ten Fiscal Years*

Fiscal Year Ended	June 30, 2019	June 30, 2018
Actuarially determined contribution	\$ 418,693	\$ 404,577
Contributions in relation to the actuarially determined contributions	<u>(466,839)</u>	<u>(238,762)</u>
Contribution deficiency (excess)	\$ <u>(48,146)</u>	\$ <u>165,815</u>
Covered payroll	\$ 686,340	\$ 879,501
Contributions as a percentage of covered payroll	68.02%	27.15%

Notes to Schedule:

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

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Notes to the Required Supplementary Information

For the Fiscal Year Ended June 30, 2024

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, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 9, 2025.

Report on 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.

Report on 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*.

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
January 9, 2025