

Kensington Community Services District



Kensington Police Protection and
Community Services District



KENSINGTON
FIRE PROTECTION DISTRICT

Date: October 9, 2025

To: Board of Directors

Submitted by: David Aranda, Interim General Manager (IGM)

Presentation by: Paul Kaymark of Nigro and Nigro

Subject: Presentation and approval of the Fiscal Year 2025 audit by Nigro and Nigro for the KPPCSD

Recommendation

Listen to the presentation by Paul Kaymark and ask questions that will help board members to understand the financial position for KPPCSD which will fold into the KCSD.

Background

As required by the Government Code, the District must have an approved outside vendor audit the financials for the district. This presentation is specific to the financials for KPPCSD for fiscal year 2025. Soon there will be another presentation by this same audit firm regarding the audit for the KFPD.

For fiscal year 2026 expectations will be that Nigro and Nigro will perform one audit for the KCSD.

Exhibit(s)

- Presentation to the Board of Directors
- Final Communications with Governance Letter
- Financial Statements and Independent Auditors Report

**KENSINGTON POLICE PROTECTION
AND COMMUNITY SERVICES DISTRICT**
Presentation to the Board of Directors
For the Fiscal Year Ended
June 30, 2025

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.
- New GASB Pronouncements have been adopted.
- 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, 2025 vs 2024

Revenues & Expenses	2025	2024	Variance
Program Revenues:			
Special Assessment:			
Public Safety	\$ 686,040	\$ 685,470	\$ 570
Measure "G" Public Safety	705,523	679,346	26,177
Recreation	45,716	46,719	(1,003)
Charges for Services	65,692	90,743	(25,051)
Operating Grants & Contributions	310,663	194,699	115,964
Capital Grants & Contributions	-	181,055	(181,055)
Other Revenue	144,149	173,479	(29,330)
General Revenues:			(93,728)
Property Taxes 4.2% increase	2,600,038	2,495,653	104,385
Franchise Fees, net	74,287	66,995	7,292
Investment Earnings	119,002	100,455	18,547
Total Revenues	4,751,110	4,714,614	36,496
Expenses:			
Salaries & Wages	1,857,410	1,636,770	220,640
Employee Benefits	884,604	1,351,456	(466,852)
Materials & Services	1,486,554	1,314,754	171,800
Depreciation Expense	179,238	173,517	5,721
Interest Expense	157,474	166,166	(8,692)
Total Expenses	4,565,280	4,642,663	(77,383)
Change in Revenues & Expenses	\$ 185,830	\$ 71,951	\$ 113,879
Capital Outlay:			
Capital Asset Additions	\$ (11,817)	\$ (203,235)	\$ 191,418
Depreciation Expense	179,238	173,517	5,721
Change in Capital Expense	167,421	(29,718)	197,139
Debt Service:			
Principal Payments	\$ (300,810)	\$ (209,320)	\$ (91,490)
Cash & Investments	\$ 3,597,064	\$ 2,956,774	\$ 640,290
Quick Summary:			
Change in Revenues & Expenses	\$ 185,830		
Change in Capital Expense	167,421	Use of Cash	
Debt Service - Principal Payments	(300,810)	Use of Cash	
Change in Accounts Receivable	224,397	Change to Cash	
Change in Prepaid Items	(112,480)		
Change in Accounts Payable	148,543	Change to Cash	
Compensated Absences Change	85,470	Change to Cash	
OPEB Expense	(78,787)	Change to Cash	
Pension Expense	322,293	Change to Cash	
Change in Cash & Investments	\$ 641,877	Approximately	\$ 1,587
Investment Earnings to Portfolio	3.63%		

**KENSINGTON POLICE PROTECTION
AND COMMUNITY SERVICES DISTRICT**

Report to the Board of Directors

**For the Fiscal Year Ended
June 30, 2025**

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

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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, 2025. 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,

Walnut Creek, California
October 9, 2025

Required Communications

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Required Communications

For the Fiscal Year Ended June 30, 2025

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
<p>Our Responsibilities with Regard to the Financial Statement Audit</p>	<p>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, 2025. 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.</p>
<p>Overview of the Planned Scope and Timing of the Financial Statement Audit</p>	<p>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.</p>
<p>Accounting Policies and Practices</p>	<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>
<p>Audit Adjustments</p>	<p>Audit adjustments are summarized in the attached Summary of Adjusting Journal Entries.</p>
<p>Uncorrected Misstatements</p>	<p>We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.</p>

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Required Communications

For the Fiscal Year Ended June 30, 2025

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.

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Required Communications

For the Fiscal Year Ended June 30, 2025

Disclosure of Audit Adjustments and Reclassifications

As part of our external audit engagement, we operate under the presumption that the District's books and records are materially accurate and appropriately closed prior to the commencement of audit fieldwork. Nonetheless, audit adjustments and reclassifications are often proposed during the course of the audit to ensure the District's financial statements are presented in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), and to enhance comparability with prior-year financial data. In the interest of transparency and governance, we have included, as an attachment to this letter, a summary of audit adjustments and reclassification journal entries identified during the audit.

The existence or absence of such adjustments does not inherently indicate deficiencies, but rather reflects the auditor's role in enhancing the fair presentation of the financial statements. Disclosure of these items provides the Board of Directors with insight into the scope and depth of the audit procedures performed.

To promote timely and accurate financial reporting, we recommend that management strengthen internal controls and oversight over the year-end financial close process. Enhancing these procedures can reduce the volume of post-closing audit adjustments and reclassifications, improve the quality of interim and year-end financial reporting, and support the District's efforts in maintaining compliance with financial reporting requirements and best practices in fiscal governance.

Summary of Adjusting Journal Entries

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Summary of Adjusting Journal Entries For the Fiscal Year Ended June 30, 2025

Account	Description	Debit	Credit
Adjusting Journal Entries			
Adjusting Journal Entries JE # 1			
To True up Loan Balance			
291	Community Center Loan - ST	30.80	
975	Community Center Loan Repayment		30.80
Total		30.80	30.80
Adjusting Journal Entries JE # 2			
To True up Vehicle Capital Lease			
293	Vehicle Capital Lease	94,483.76	
563	Vehicle Lease		94,483.76
Total		94,483.76	94,483.76
Adjusting Journal Entries JE # 3			
To true up the interest and advance on suppl taxes receivable			
144	Advance on Suppl. Taxes	20,559.50	
148	Interest Receivable	872.85	
401	Levy Tax - Co. Prop. 1%		20,559.50
456	Interest		872.85
Total		21,432.35	21,432.35
Adjusting Journal Entries JE # 4			
To reclass accrued interest from AP to accrued interest payable.FOR FINANCIAL REPORTING PURPOSES			
210	Accounts Payable	71,629.25	
253	Bond Interest Payable		71,629.25
Total		71,629.25	71,629.25
Adjusting Journal Entries JE # 5			
To Record LAIF FMV.			
134f	LAIF FMV	95.47	
431	Unrealized Gains/Loss		95.47
Total		95.47	95.47
Adjusting Journal Entries JE # 6			
To reclass CERBT reimbursement from revenue to net with OPEB expense.			
418	CERBT Reimbursements/Refunds	127,643.80	
548	GASB 75 - Expense		127,643.80
Total		127,643.80	127,643.80
Total Adjusting Journal Entries		315,315.43	315,315.43

**KENSINGTON POLICE PROTECTION
AND COMMUNITY SERVICES DISTRICT
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
For the Fiscal Year Ended
June 30, 2025
(With Comparative Information as of June 30, 2024)**

NIGRO & NIGRO^{PC}

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
For the Fiscal Year Ended June 30, 2025
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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, 2025, 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, 2025, 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.

Change in Accounting Principle

As described in Notes 1 and 4 to the financial statements, as of July 1, 2024, the District adopted new accounting guidance, GASB Statement No. 101, Compensated Absences. Our opinion is not modified with respect to this matter.

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, 2024, 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 October 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
October 9, 2025

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2025

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, 2025. 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 \$185,830 or 4.21% as a result of this year's operations.
- Total revenues from all sources increased \$36,496 or 0.77%, from \$4,714,614 to \$4,751,110, from the prior year, primarily due to an increase of \$115,964 in Operating grants and contribution and, which offset a decrease of \$180,599 in capital grants and contributions, as well as a \$104,385 increase in property tax revenue.
- Total expenses for the District's operations decreased by \$77,383 or 1.67%, from \$4,642,663 to \$4,565,280, from the prior year, primarily due to 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 \$11,817. Depreciation expense was \$179,238.

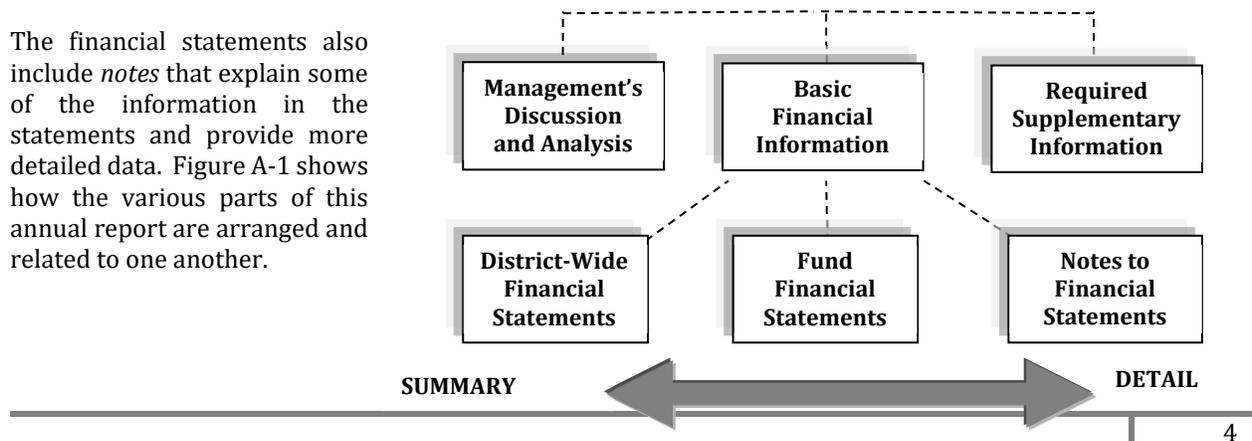
OVERVIEW OF THE FINANCIAL STATEMENTS

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, 2025

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, 2025

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, 2025

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION

Analysis of Net Position

Table A-1: Condensed Statement of Net Position

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>Change</u>
Assets:			
Current assets	\$ 3,778,650	\$ 3,252,175	\$ 526,475
Non-current assets	748,239	439,781	308,458
Capital assets, net	<u>5,285,140</u>	<u>5,452,561</u>	<u>(167,421)</u>
Total assets	<u>9,812,029</u>	<u>9,144,517</u>	<u>667,512</u>
Deferred outflows of resources	<u>1,179,251</u>	<u>2,098,149</u>	<u>(918,898)</u>
Liabilities:			
Current liabilities	755,256	589,431	165,825
Non-current liabilities	<u>4,785,528</u>	<u>5,106,832</u>	<u>(321,304)</u>
Total liabilities	<u>5,540,784</u>	<u>5,696,263</u>	<u>(155,479)</u>
Deferred inflows of resources	<u>854,587</u>	<u>1,136,324</u>	<u>(281,737)</u>
Net position:			
Net investment in capital assets	5,121,795	5,169,406	(47,611)
Restricted for net OPEB asset	748,239	439,781	308,458
Unrestricted (Deficit)	<u>(1,274,125)</u>	<u>(1,199,108)</u>	<u>(75,017)</u>
Total net position	<u>\$ 4,595,909</u>	<u>\$ 4,410,079</u>	<u>\$ 185,830</u>

At the end of fiscal year 2025, the District shows a positive balance overall for its net position of \$4,595,909. The decrease of the net investment in capital assets represents the amount of capital asset additions less depreciation expense. The District showed a negative (deficit) balance in its unrestricted net position of (\$1,274,125) 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, 2025</u>	<u>June 30, 2024</u>	<u>Change</u>
Program revenues	\$ 1,957,783	\$ 2,051,511	\$ (93,728)
Expenses	<u>(4,565,280)</u>	<u>(4,642,663)</u>	<u>77,383</u>
Net program expense	<u>(2,607,497)</u>	<u>(2,591,152)</u>	<u>(16,345)</u>
General revenues	<u>2,793,327</u>	<u>2,663,103</u>	<u>130,224</u>
Change in net position	<u>185,830</u>	<u>71,951</u>	<u>113,879</u>
Net position:			
Beginning of year	<u>4,410,079</u>	<u>4,338,128</u>	<u>71,951</u>
End of year	<u>\$ 4,595,909</u>	<u>\$ 4,410,079</u>	<u>\$ 185,830</u>

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2025

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 \$185,830.

Table A-3: Total Revenues

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>Increase (Decrease)</u>
Program revenues:			
Special assessments:			
Public safety	\$ 686,040	\$ 685,470	\$ 570
Measure "G" public safety	705,523	679,346	26,177
Recreation	45,716	46,719	(1,003)
Charges for services	65,692	90,743	(25,051)
Operating grants and contributions	310,663	194,699	115,964
Capital grants and contributions	-	181,055	(181,055)
Other revenue	144,149	173,479	(29,330)
Total program revenues	<u>1,957,783</u>	<u>2,051,511</u>	<u>(93,728)</u>
General revenues:			
Property taxes	2,600,038	2,495,653	104,385
Franchise fees, net	74,287	66,995	7,292
Investment earnings	119,002	100,455	18,547
Total general revenues	<u>2,793,327</u>	<u>2,663,103</u>	<u>130,224</u>
Total revenues	<u>\$ 4,751,110</u>	<u>\$ 4,714,614</u>	<u>\$ 36,496</u>

Total revenues from all sources increased \$36,496 or 0.77%, from \$4,714,614 to \$4,751,110, from the prior year, primarily due to an increase of \$115,964 in operating grants and contribution and, which offset a decrease of \$180,599 in capital grants and contributions, as well as a \$104,385 increase in property tax revenue.

Table A-4: Total Expenses

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>Increase (Decrease)</u>
Expenses:			
Salaries and wages	\$ 1,857,410	\$ 1,636,770	\$ 220,640
Employee benefits	884,604	1,351,456	(466,852)
Materials and services	1,486,554	1,314,754	171,800
Depreciation expense	179,238	173,517	5,721
Interest expense	157,474	166,166	(8,692)
Total expenses	<u>\$ 4,565,280</u>	<u>\$ 4,642,663</u>	<u>\$ (77,383)</u>

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2025

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION (continued)

Analysis of Revenues and Expenses (continued)

Total expenses for the District's operations decreased by \$77,383 or 1.67%, from \$4,642,663 to \$4,565,280, from the prior year, primarily due to 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 \$3,422,279, which is an increase from last year's restated ending fund balance of \$3,044,347. 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 \$40,192 less than actual. The variance is principally due to \$34,918 more in actual principal payments on one of the District's vehicle loans. Actual revenues were more than budgeted by \$277,110, primarily due to greater than anticipated property tax, investment revenue and other revenue.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2024-25 the District had invested \$11,817 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 \$179,238.

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

	Balance	Balance
	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Capital assets:		
Non-depreciable assets	\$ 2,820,164	\$ 2,808,347
Depreciable assets	4,457,601	4,457,601
Accumulated depreciation	<u>(1,992,625)</u>	<u>(1,813,387)</u>
Total capital assets, net	<u>\$ 5,285,140</u>	<u>\$ 5,452,561</u>

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2025

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-term Debt

Capital related debt was being repaid in fiscal year 2024-25. (See note 5 for further information)

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

	<u>Balance</u> <u>June 30, 2025</u>	<u>Balance</u> <u>June 30, 2024</u>
Long-term debt:		
Loan payable	\$ 111,296	\$ 136,621
Direct finance purchase	<u>52,049</u>	<u>146,534</u>
Total long-term debt	<u>\$ 163,345</u>	<u>\$ 283,155</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, 2025 (With Comparative Information as of June 30, 2024)

	Governmental Activities	
ASSETS	2025	2024
Current assets:		
Cash and cash equivalents (note 2)	\$ 3,597,064	\$ 2,956,774
Accrued interest receivable	873	856
Accounts receivable	-	214,205
Property taxes receivable	20,559	22,474
Other receivables	-	10,192
Prepaid items	160,154	47,674
Total current assets	3,778,650	3,252,175
Non-current assets:		
Net other post-employment benefits asset (note 8)	748,239	439,781
Capital assets – not being depreciated (note 3)	2,820,164	2,808,347
Capital assets, net – being depreciated (note 3)	2,464,976	2,644,214
Total non-current assets	6,033,379	5,892,342
Total assets	9,812,029	9,144,517
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts related to net OPEB asset (note 8)	115,679	420,924
Deferred amounts related to net pension asset/liability (note 9)	1,063,572	1,677,225
Total deferred outflows of resources	1,179,251	2,098,149
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	356,371	132,828
Unearned revenue	-	75,000
Accrued interest payable	71,629	75,114
Long-term liabilities – due in one year:		
Compensated absences (note 4)	83,332	40,597
Loan payable (note 5)	26,287	25,325
Direct finance purchase (note 6)	29,637	59,567
Pension obligation bonds payable (note 7)	188,000	181,000
Total current liabilities	755,256	589,431
Noncurrent liabilities:		
Long-term liabilities – due in more than one year:		
Compensated absences (note 4)	83,332	40,597
Loan payable (note 5)	85,009	111,296
Direct finance purchase (note 6)	22,412	86,967
Pension obligation bonds payable (note 7)	3,533,000	3,721,000
Net pension liability (note 9)	1,061,775	1,146,972
Total noncurrent liabilities	4,785,528	5,106,832
Total liabilities	5,540,784	5,696,263
DEFERRED INFLOWS OF RESOURCES		
Deferred amounts related to net OPEB asset (note 8)	157,210	232,784
Deferred amounts related to net pension asset/liability (note 9)	697,377	903,540
Total deferred inflows of resources	854,587	1,136,324
NET POSITION		
Net investment in capital assets (note 10)	5,121,795	5,169,406
Restricted for net OPEB asset	748,239	439,781
Unrestricted (Deficit) (note 12)	(1,274,125)	(1,199,108)
Total net position	\$ 4,595,909	\$ 4,410,079

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2025

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

	<u>Governmental Activities</u>	
	<u>2025</u>	<u>2024</u>
Expenses:		
Public safety and recreation:		
Salaries and wages	\$ 1,857,410	\$ 1,636,770
Employee benefits	884,604	1,351,456
Materials and services	1,486,554	1,314,754
Depreciation expense	179,238	173,517
Interest expense	157,474	166,166
Total expenses	<u>4,565,280</u>	<u>4,642,663</u>
Program revenues:		
Special assessments:		
Public safety	686,040	685,470
Measure "G" public safety	705,523	679,346
Recreation	45,716	46,719
Charges for services	65,692	90,743
Operating grants and contributions	310,663	194,699
Capital grants and contributions	-	181,055
Other revenue	144,149	173,479
Total program revenues	<u>1,957,783</u>	<u>2,051,511</u>
Net program expense	<u>(2,607,497)</u>	<u>(2,591,152)</u>
General revenues:		
Property taxes	2,600,038	2,495,653
Franchise fees, net	74,287	66,995
Investment earnings	119,002	100,455
Total general revenues	<u>2,793,327</u>	<u>2,663,103</u>
Change in net position	185,830	71,951
Net position:		
Beginning of year	<u>4,410,079</u>	<u>4,338,128</u>
End of year	<u>\$ 4,595,909</u>	<u>\$ 4,410,079</u>

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
Balance Sheet – Governmental Funds
June 30, 2025 (With Comparative Information as of June 30, 2024)

	<u>General Fund</u>	
<u>ASSETS</u>	<u>2025</u>	<u>2024</u>
Assets:		
Cash and cash equivalents	\$ 3,597,064	\$ 2,956,774
Accrued interest receivable	873	856
Accounts receivable	-	214,205
Property taxes receivable	20,559	22,474
Other receivables	-	10,192
Prepaid items	160,154	47,674
Total assets	<u>\$ 3,778,650</u>	<u>\$ 3,252,175</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 356,371	\$ 207,828
Total liabilities	<u>356,371</u>	<u>207,828</u>
Fund balance: (note 11)		
Nonspendable	160,154	47,674
Assigned	166,664	81,194
Unassigned	3,095,461	2,915,479
Total fund balance	<u>3,422,279</u>	<u>3,044,347</u>
Total liabilities and fund balance	<u>\$ 3,778,650</u>	<u>\$ 3,252,175</u>

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
*Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2025 (With Comparative Information as of June 30, 2024)*

	<u>2025</u>	<u>2024</u>
Fund Balance of Governmental Funds	\$ 3,422,279	\$ 3,044,347
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	748,239	439,781
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.	5,285,140	5,452,561
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.	1,179,251	2,098,149
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	(71,629)	(75,114)
Compensated absences	(166,664)	(81,194)
Loan payable	(111,296)	(136,621)
Direct finance purchase	(52,049)	(146,534)
Pension obligation bonds payable	(3,721,000)	(3,902,000)
Net pension liability	(1,061,775)	(1,146,972)
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>(854,587)</u>	<u>(1,136,324)</u>
Total adjustments	<u>1,173,630</u>	<u>1,365,732</u>
Net Position of Governmental Activities	<u>\$ 4,595,909</u>	<u>\$ 4,410,079</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, 2025*

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

	<u>General Fund</u>	
	<u>2025</u>	<u>2024</u>
Revenues:		
Property taxes	\$ 2,600,038	\$ 2,495,653
Franchise fees, net	74,287	66,995
Special assessments:		
Public safety	686,040	685,470
Measure "G" public safety	705,523	679,346
Recreation	45,716	46,719
Charges for services	65,692	90,743
Operating grants and contributions	310,663	194,699
Capital grants and contributions	-	181,055
Investment earnings	119,002	100,455
Other revenue	144,149	173,479
Total revenues	<u>4,751,110</u>	<u>4,714,614</u>
Expenditures:		
Current operations:		
Salaries and wages	1,771,940	1,647,538
Employee benefits	641,098	556,110
Materials and services	1,486,554	1,314,754
Capital outlay	11,817	203,235
Debt service:		
Principal payment	300,810	209,320
Interest payment	160,959	169,513
Total expenditures	<u>4,373,178</u>	<u>4,100,470</u>
Excess of revenues over expenditures	<u>377,932</u>	<u>614,144</u>
Change in fund balance	377,932	614,144
Fund Balance:		
Beginning of year	<u>3,044,347</u>	<u>2,430,203</u>
End of year	<u>\$ 3,422,279</u>	<u>\$ 3,044,347</u>

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, 2025

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

	<u>2025</u>	<u>2024</u>
Net Change in Fund Balance – Governmental Funds	<u>\$ 377,932</u>	<u>\$ 614,144</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	11,817	203,235
Depreciation expense	(179,238)	(173,517)
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	3,485	3,347
Net change in compensated absences	(85,470)	10,768
Net change in net OPEB asset and related deferred resources	78,787	135,551
Net change in net pension liability/(asset) and related deferred resources	(322,293)	(930,897)
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>300,810</u>	<u>209,320</u>
Total adjustments	<u>(192,102)</u>	<u>(542,193)</u>
Change in Net Position of Governmental Activities	<u>\$ 185,830</u>	<u>\$ 71,951</u>

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2025

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, 2025

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, 2025

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, 2025

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. In accordance with GASB Statement No. 101, Compensated Absences, leave is recognized when it is attributable to services already rendered, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. 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. Management evaluates sick leave for other District employees to determine the amount that is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This analysis includes assessing relevant factors such as historical information about the use, payment or forfeiture of compensated absences, and the District's policies related to compensated absences. The measurement of compensated absences includes salary-related payment such as the employer portion of medicare taxes, as well as social security taxes for the non-CalPERS employees.

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.

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2025

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)

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, 2023

Measurement Date June 30, 2024

Measurement Period July 1, 2022 to June 30, 2024

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, 2024

Measurement Date June 30, 2024

Measurement Period July 1, 2022 to June 30, 2024

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, 2025

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, 2025

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

G. Property Taxes

Property taxes attach as an enforceable lien on property as of October 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.

H. New Pronouncements – Governmental Accounting Standards Board (GASB)

During the fiscal year ended June 30, 2025, the District implemented a new pronouncement as follows:

GASB Statement No. 101 – Compensated Absences

This GASB Statement amends the definition of a compensated absence to encompass the various types of benefits offered by governmental employers and establishes a unified model for accounting and reporting. The statement also revises the related financial statement disclosure requirements, including eliminating certain disclosures previously required that GASB research found did not provide essential information to financial statement users. The GASB statement applies to all units of state and local governments. The District adopted the Statement as of July 1, 2024. See Note 5 for the effect of this Statement.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2025, were classified on the statement of net position as follows:

<u>Description</u>	<u>Balance</u>
Governmental funds:	
Cash and cash equivalents	\$ 3,597,064
Total cash and cash equivalents	<u>\$ 3,597,064</u>

Cash and investments at June 30, 2025, are reported at fair value and consisted of the following:

<u>Description</u>	<u>Balance</u>
Cash on hand	\$ 100
Demand deposits with financial institutions	331,501
Local Agency Investment Fund (LAIF)	79,764
California Cooperative Liquid Assets Securities System (CLASS)	3,185,699
Total cash and cash equivalents	<u>\$ 3,597,064</u>

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2025

NOTE 2 – CASH AND INVESTMENTS (continued)

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.

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, 2025, the District held \$79,764 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.

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2025

NOTE 2 – CASH AND INVESTMENTS (continued)

California Cooperative Liquid Assets Securities System (California CLASS)

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, 2025, the District held \$3,185,699 in California CLASS.

NOTE 3 – CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2025, were as follows:

	<u>Balance</u> <u>July 1, 2024</u>	<u>Additions/</u> <u>Transfers</u>	<u>Deletions/</u> <u>Transfers</u>	<u>Balance</u> <u>June 30, 2025</u>
Non-depreciable capital assets:				
Land	\$ 2,808,347	\$ -	\$ -	\$ 2,808,347
Construction-in-progress	-	11,817	-	11,817
Total non-depreciable capital assets	<u>2,808,347</u>	<u>11,817</u>	<u>-</u>	<u>2,820,164</u>
Depreciable capital assets:				
Buildings and improvements	3,639,135	-	-	3,639,135
Machinery and equipment	157,289	-	-	157,289
Furniture and office equipment	122,590	-	-	122,590
Vehicles	538,587	-	-	538,587
Total depreciable capital assets	<u>4,457,601</u>	<u>-</u>	<u>-</u>	<u>4,457,601</u>
Accumulated depreciation:				
Buildings and improvements	(1,293,563)	(85,556)	-	(1,379,119)
Machinery and equipment	(125,399)	(8,889)	-	(134,288)
Furniture and office equipment	(86,032)	(12,346)	-	(98,378)
Vehicles	(308,393)	(72,447)	-	(380,840)
Total accumulated depreciation	<u>(1,813,387)</u>	<u>(179,238)</u>	<u>-</u>	<u>(1,992,625)</u>
Total depreciable capital assets, net	<u>2,644,214</u>	<u>(179,238)</u>	<u>-</u>	<u>2,464,976</u>
Total capital assets, net	<u>\$ 5,452,561</u>	<u>\$ (167,421)</u>	<u>\$ -</u>	<u>\$ 5,285,140</u>

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2025

NOTE 4 – COMPENSATED ABSENCES

Changes to compensated absences balances for the year ended June 30, 2025, were as follows:

<u>Balance</u> <u>July 1, 2024</u>	<u>Net Change</u>	<u>Balance</u> <u>June 30, 2025</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
\$ 81,194	\$ 85,470	\$ 166,664	\$ 83,332	\$ 83,332

As of June 30, 2025, the total liability for compensated absences was \$166,664, of which \$83,332 is expected to be paid within one year and is reported as a current liability. The beginning balance of compensated absences as of July 1, 2024, reflected an immaterial difference upon implementation of GASB Statement No. 101; therefore, no restatement was required.

NOTE 5 – LOAN PAYABLE

Changes to the loan payable balance for the year ended June 30, 2025, was as follows:

<u>Balance</u> <u>July 1, 2024</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2025</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
\$ 136,621	\$ -	\$ (25,325)	\$ 111,296	\$ 26,287	\$ 85,009

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>
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	111,296	<u>\$ 10,772</u>	<u>\$ 122,068</u>
Current	<u>(26,287)</u>		
Long-term	<u>\$ 85,009</u>		

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
 June 30, 2025

NOTE 6 – DIRECT PURCHASE FINANCING

Changes in direct purchase financing amounts for the year ended June 30, 2025, were as follows:

Direct Purchase Financing	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025	Current Portion	Long-term Portion
Vehicle financing agreement I	\$ 58,029	\$ -	\$ (42,341)	\$ 15,688	\$ 15,688	\$ -
Vehicle financing agreement II	49,566	-	(13,205)	36,361	13,949	22,412
Vehicle financing agreement III	38,939	-	(38,939)	-	-	-
	<u>\$ 146,534</u>	<u>\$ -</u>	<u>\$ (94,485)</u>	<u>\$ 52,049</u>	<u>\$ 29,637</u>	<u>\$ 22,412</u>

Vehicle financing agreement I

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

Fiscal Year	Principal	Interest	Total
2026	\$ 15,688	\$ 48	\$ 15,736
Total	15,688	\$ 48	\$ 15,736
Current	<u>(15,688)</u>		
Long-term	<u>\$ -</u>		

Vehicle financing agreement II

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

Fiscal Year	Principal	Interest	Total
2026	\$ 13,949	\$ 1,652	\$ 15,601
2027	14,736	865	15,601
2028	7,676	124	7,800
Total	36,361	\$ 2,641	\$ 39,002
Current	<u>(13,949)</u>		
Long-term	<u>\$ 22,412</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. The District paid the loan in full during the fiscal year.

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
 June 30, 2025

NOTE 7 – PENSION OBLIGATION BONDS

Changes in pension obligation bonds amounts for the year ended June 30, 2025, were as follows:

<u>Balance</u> <u>July 1, 2024</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2025</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
\$ 3,902,000	\$ -	\$ (181,000)	\$ 3,721,000	\$ 188,000	\$ 3,533,000

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 October 1 and July 1 of each year, commencing October 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, 2025 is \$5,298,937.

Future remaining payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	3,721,000	<u>\$ 1,246,710</u>	<u>\$ 4,967,710</u>
Current	<u>(188,000)</u>		
Long-term	<u>\$ 3,533,000</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, 2025

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>2025</u>
OPEB related deferred outflows	\$ 115,679
Net other post-employment benefits (OPEB) asset	748,239
OPEB related deferred inflows	157,210

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. For retirees who were hired on or before January 6, 2020, 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. For retirees who were hired after January 6, 2020, the District contributes only the PEMHCA minimum for retiree health benefits. 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	12
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	5
Total	<u>17</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, 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, 2024, the measurement period, the District's contributions totaling \$177,368 included \$129,635 in current year premium payments, and an implied subsidy of \$47,733.

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2025

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

A. General Information about the OPEB Plan (continued)

Accounting for the Plan

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

Method Used to Value Investments

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

B. Net OPEB Liability/(Asset)

The District’s total OPEB liability was measured as of June 30, 2024 and was determined by an actuarial valuation as of June 30, 2024. 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, 2024 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, 2024
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	6.40%
Inflation	2.30%
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 2021 Study
Mortality	CalPERS 2021 Study
Disability	Valued
Retirement	2021 CalPERS Police 3%@50 for actives hired before 1/1/13 and 2.7%@57 for actives hired after 1/1/13.
Percent Married	70% 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, 2025

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	49.00%	6.80%
Fixed income	23.00%	3.70%
REITs	20.00%	6.00%
TIPS	5.00%	2.80%
Commodities	3.00%	3.40%
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, 2024 (Measurement date July 1, 2023)	\$ 1,703,936	\$ 2,143,717	\$ (439,781)
Changes for the year:			
Service cost	65,764	-	65,764
Interest	100,938	-	100,938
Differences in experience	-	-	-
Changes in assumption	(63,472)	-	(63,472)
Changes in benefit terms	-	-	-
Employer contributions	-	177,368	(177,368)
Net investment income	-	235,019	(235,019)
Benefit payments	(177,368)	(177,368)	-
Administrative expenses	-	(699)	699
Net changes	(74,138)	234,320	(308,458)
Balance at June 30, 2025 (Measurement date June 30, 2024)	\$ 1,629,798	\$ 2,378,037	\$ (748,239)

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2025

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 (5.40%) or 1 percentage point higher (7.40%) than the current discount rate:

	1% Decrease	Discount Rate	1% Increase
	5.40%	6.40%	7.40%
Net OPEB Liability/(Asset)	<u>\$ (562,827)</u>	<u>\$ (748,239)</u>	<u>\$ (940,064)</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/(Asset)	<u>\$ (830,859)</u>	<u>\$ (748,239)</u>	<u>\$ (637,325)</u>

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

For the year ended June 30, 2025, the District recognized OPEB income of \$36,755. At June 30, 2025, 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	\$ 51,218	\$ -
Changes in assumptions	32,363	(45,337)
Differences between expected and actual experience	-	(111,873)
Differences between projected and actual earnings on OPEB plan investments	<u>32,098</u>	<u>-</u>
Total Deferred Outflows/(Inflows) of Resources	<u>\$ 115,679</u>	<u>\$ (157,210)</u>

The differences between projected and actual earnings on plan investments is amortized over five years. The District reported \$51,218 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, 2026.

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2025

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

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

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>
2026	\$ (70,182)
2027	30,767
2028	(32,049)
2029	<u>(21,285)</u>
Total	<u>\$ (92,749)</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>2025</u>
Net pension liability	\$ 1,061,775
Pension related deferred outflows	1,063,572
Pension related deferred inflows	697,377

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, 2025

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%	13.000%
Required employer contribution rates – FY 2024	27.110%	13.540%

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, 2024 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, 2024, the following members were covered by the benefit terms:

Plan Members	Safety Plans		Total
	Classic Tier 1	PEPRA Tier 2	
Active members	4	4	8
Transferred and terminated members	10	3	13
Retired members and beneficiaries	31	-	31
Total plan members	45	7	52

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, 2025

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, 2025, (Measurement Date June 30, 2024) were as follows:

Contribution Type	Safety Plans		Total
	Classic Tier 1	PEPRA Tier 2	
Contributions – employer	\$ 154,833	\$ 129,782	\$ 284,615
Contributions – members	34,203	128,462	162,665
Total contributions	\$ 189,036	\$ 258,244	\$ 447,280

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, 2024, 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, 2024, 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, 2025

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, 2024 (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, 2022 (Measurement Date)	\$ 17,471,395	\$ 16,324,423	\$ 1,146,972
Balance as of June 30, 2023 (Measurement Date)	\$ 17,924,151	\$ 16,862,376	\$ 1,061,775
Change in Plan Net Pension Liability	<u>\$ 452,756</u>	<u>\$ 537,953</u>	<u>\$ (85,197)</u>

The District’s proportionate share percentage of the net pension liability for the June 30, 2024, measurement date was as follows:

	<u>Percentage Share of Risk Pool</u>		<u>Change Increase/ (Decrease)</u>
	<u>Fiscal Year Ending June 30, 2025</u>	<u>Fiscal Year Ending June 30, 2024</u>	
Measurement Date	<u>June 30, 2024</u>	<u>June 30, 2023</u>	
Percentage of Risk Pool Net Pension Liability	0.001456%	0.015340%	-0.013884%
Percentage of Plan (PERF C) Net Pension Liability	0.001456%	0.009190%	-0.007734%

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

For the year ended June 30, 2025, the District recognized pension credit of \$1,126,789. At June 30, 2025, 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	\$ 284,615	\$ -
Difference between actual and proportionate share of employer contributions	-	(694,560)
Adjustment due to differences in proportions	614,825	-
Differences between expected and actual experience	86,651	(2,817)
Differences between projected and actual earnings on pension plan investments	51,321	-
Changes in assumptions	<u>26,160</u>	<u>-</u>
Total Deferred Outflows/(Inflows) of Resources	<u>\$ 1,063,572</u>	<u>\$ (697,377)</u>

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2025

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 \$284,615 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, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a reduction to pension expense as follows:

Amortization Period Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2026	\$ 130,995
2027	5,511
2028	(37,367)
2029	(17,559)
Total	\$ 81,580

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2024 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2024, total pension liability. The June 30, 2024, 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, 2025

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</u> ^{1,2}
Global Equity - Cap-weighted	30.0%	4.54%
Global Equity - Non-Cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Estate	15.0%	3.21%
Leverage	-5.0%	-0.59%
	<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, 2025

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%
\$ 3,510,197	\$ 1,061,775	\$ (940,690)

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, 2025, the net investment in capital assets was calculated as follows:

Description	Balance
Net investment in capital assets:	
Capital assets – not being depreciated	\$ 2,820,164
Capital assets, net – being depreciated	2,464,976
Loan payable – current portion	(26,287)
Loan payable – non-current portion	(85,009)
Direct finance purchase – current portion	(29,637)
Direct finance purchase – non-current	(22,412)
Total	\$ 5,121,795

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
Notes to Financial Statements
June 30, 2025

NOTE 11 – FUND BALANCES

At June 30, 2025, fund balances of the District’s governmental funds were classified as follows:

<u>Description</u>	<u>General Fund</u>
Nonspendable:	
Prepaid items	\$ 160,154
Assigned:	
Compensated absences	166,664
Unassigned	<u>3,095,461</u>
Total fund balances	<u><u>\$ 3,422,279</u></u>

NOTE 12 – NET POSITION – UNRESTRICTED (DEFICIT)

As of June 30, 2025, the District had an unrestricted net position deficit of (\$1,274,125). 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.

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2025

NOTE 13 – RISK MANAGEMENT

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

A. Entity	SDRMA	
B. Purpose	To pool member contributions and realize the advantages of self-insurance	
C. Participants	As of June 30, 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		<u>(104,151,026)</u>
Change in net position		13,665,163
Beginning – net position		<u>71,521,203</u>
Ending – net position		<u><u>\$ 85,186,366</u></u>
G. Member agencies share of year-end financial position	Not Calculated	

At June 30, 2025, 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, 2025

NOTE 13 – RISK MANAGEMENT (Continued)

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

- Employee dishonesty coverage up to \$400,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverage.
- Property loss is paid at the replacement cost for property on file, if replaced within three years after the loss, otherwise paid on an actual cash value basis, to a combined total of \$1.0 billion per occurrence, subject to a \$2,000 deductible per occurrence.
- Boiler and machinery coverage for the replacement cost up to \$100 million per occurrence, subject to a \$1,000 deductible per occurrence.
- Public official's personal liability up to \$500,000 each occurrence, with an annual aggregate of \$500,000 per each elected/appointed official to which this coverage applies, subject to the terms, with a deductible of \$500 per claim.

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

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years. There were no reductions in insurance coverage in fiscal year 2025, 2024, and 2023. 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, 2025, 2024, and 2023.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Excluded Leases – Short-Term Leases and De Minimis Leases

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

Also, *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.

Construction Contracts

The District has a variety of agreements with private parties relating to the installation, improvement, or modification of recreation facilities and equipment within its service area. The financing of such construction contracts is being provided primarily from the District's replacement reserves and advances for construction. The District has committed to approximately \$11,817 to complete the open construction contracts as of June 30, 2025.

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

Notes to Financial Statements

June 30, 2025

NOTE 14 – COMMITMENTS AND CONTINGENCIES (continued)

Grant Awards

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

Litigation

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

NOTE 15 – CURRENT AND SUBSEQUENT EVENTS

The District has evaluated subsequent events through October 9, 2025, the date on which the financial statements were available to be issued.

Formation of the Kensington Community Services District

Effective October 1, 2025, the Kensington Fire Protection District will combine operations into the Kensington Police Protection and Community Services District to form the newly named Kensington Community Services District (KCSD) per the Contra Costa LAFCO Resolution 25-02. All assets and liabilities of the former Kensington Fire Protection District will transfer into the KCSD. Operations will be managed under a single full-time general manager reporting to the board of directors, which currently consists of nine board members and will be reduced to five board members over the next several years.

Required Supplementary Information

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2025

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Property taxes	\$ 2,522,000	\$ 2,600,038	\$ 78,038
Franchise fees, net	120,000	74,287	(45,713)
Special assessments:			
Public safety	685,000	686,040	1,040
Measure "G" public safety	700,000	705,523	5,523
Recreation	47,000	45,716	(1,284)
Charges for services	18,000	65,692	47,692
Operating grants and contributions	200,000	310,663	110,663
Capital grants and contributions	180,000	-	(180,000)
Investment earnings	2,000	119,002	117,002
Other revenue	-	144,149	144,149
Total revenues	<u>4,474,000</u>	<u>4,751,110</u>	<u>277,110</u>
Expenditures:			
Current:			
Salaries and wages	1,741,558	1,771,940	(30,382)
Employee benefits	760,915	641,098	119,817
Materials and services	1,363,500	1,486,554	(123,054)
Capital outlay	40,000	11,817	28,183
Debt service:			
Principal payment	265,892	300,810	(34,918)
Interest payment	161,121	160,959	162
Total expenditures	<u>4,332,986</u>	<u>4,373,178</u>	<u>(40,192)</u>
Change in fund balance	<u>\$ 141,014</u>	377,932	<u>\$ 236,918</u>
Fund balance:			
Beginning of year		<u>3,044,347</u>	
End of year		<u>\$ 3,422,279</u>	

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT
Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2025

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, 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%
June 30, 2024	0.01456%	1,061,775	1,305,158	81.35%	94.08%

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, 2025:

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, 2025

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, 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%
June 30, 2025	284,615	(284,615)	-	1,412,576	20.15%

Notes to Schedule:

Fiscal Year	Valuation Date	Actuarial Cost Method	Asset Valuation Method	Inflation	Investment Rate of Return
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%
June 30, 2025	June 30, 2023	Entry Age	Fair Value	2.30%	6.90%

Amortization Method

Salary Increases

Investment Rate of Return

Retirement Age

Mortality

Level percentage of payroll, closed

Depending on age, service, and type of employment

Net of pension plan investment expense, including inflation

50 years (3.0%@50), 52 years (2.7%@57)

Mortality assumptions are based on mortality rates resulting from the

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, 2025

Fiscal Year Ended	Last Ten Fiscal Years*				
	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Measurement Date	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Total OPEB liability:					
Service cost	\$ 65,764	\$ 85,414	\$ 45,057	\$ 63,078	\$ 97,806
Interest	100,938	112,124	163,711	163,469	282,144
Changes of assumptions	(63,472)	57,299	130,983	-	(293,401)
Differences between expected and actual experience	-	(240,803)	(164,207)	-	(277,547)
Changes of benefit terms	-	-	(400,013)	-	(1,204,143)
Benefit payments	<u>(177,368)</u>	<u>(186,846)</u>	<u>(201,478)</u>	<u>(208,795)</u>	<u>(192,057)</u>
Net change in total OPEB liability	(74,138)	(172,812)	(425,947)	17,752	(1,587,198)
Total OPEB liability - beginning	<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>
Total OPEB liability - ending	<u>1,629,798</u>	<u>1,703,936</u>	<u>1,876,748</u>	<u>2,302,695</u>	<u>2,284,943</u>
Plan fiduciary net position:					
Contributions - employer	177,368	186,846	201,478	360,099	343,527
Net investment income	235,019	129,369	(311,417)	470,718	54,053
Administrative expense	(699)	(585)	(589)	(649)	(733)
Benefit payments	<u>(177,368)</u>	<u>(186,846)</u>	<u>(201,478)</u>	<u>(208,795)</u>	<u>(192,057)</u>
Net change in plan fiduciary net position	234,320	128,784	(312,006)	621,373	204,790
Plan fiduciary net position - beginning	<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>
Plan fiduciary net position - ending	<u>2,378,037</u>	<u>2,143,717</u>	<u>2,014,933</u>	<u>2,326,939</u>	<u>1,705,566</u>
District's net OPEB liability	<u>\$ (748,239)</u>	<u>\$ (439,781)</u>	<u>\$ (138,185)</u>	<u>\$ (24,244)</u>	<u>\$ 579,377</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>145.91%</u>	<u>125.81%</u>	<u>107.36%</u>	<u>101.05%</u>	<u>74.64%</u>
Covered payroll	<u>\$ 1,096,001</u>	<u>\$ 987,070</u>	<u>N/A</u>	<u>\$ 1,283,193</u>	<u>\$ 1,026,275</u>
District's net OPEB liability as a percentage of covered payroll	<u>-68.27%</u>	<u>-44.55%</u>	<u>0.00%</u>	<u>-1.89%</u>	<u>56.45%</u>

Notes to Schedule:

Benefit Changes:

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
Measurement Date June 30, 2024 – There were no changes in benefits

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 – The discount rate decreased from 7.28% to 6.0%.
Measurement Date June 30, 2023 – There were no changes in assumptions
Measurement Date June 30, 2024 – The discount rate increased from 6.0% to 6.40% and inflation decreased from 2.50% to 2.30%.

* Fiscal year 2018 was the first year of implementation; therefore, only eight 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, 2025

Fiscal Year Ended	Last Ten Fiscal Years*		
	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Measurement Date	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Total OPEB liability:			
Service cost	\$ 93,148	\$ 171,680	\$ 171,679
Interest	270,617	303,635	287,783
Changes of assumptions	-	(349,558)	-
Differences between expected and actual experience	(6,903)	(291,717)	(68,601)
Benefit payments	<u>(213,923)</u>	<u>(204,377)</u>	<u>(142,894)</u>
Net change in total OPEB liability	142,939	(370,337)	247,967
Total OPEB liability - beginning	<u>3,729,202</u>	<u>4,099,539</u>	<u>3,851,572</u>
Total OPEB liability - ending	<u>3,872,141</u>	<u>3,729,202</u>	<u>4,099,539</u>
Plan fiduciary net position:			
Contributions - employer	460,959	466,839	238,762
Net investment income	78,934	69,586	76,726
Administrative expense	(265)	(481)	(383)
Benefit payments	<u>(213,923)</u>	<u>(204,377)</u>	<u>(142,894)</u>
Net change in plan fiduciary net position	325,705	331,567	172,211
Plan fiduciary net position - beginning	<u>1,175,071</u>	<u>843,504</u>	<u>671,293</u>
Plan fiduciary net position - ending	<u>1,500,776</u>	<u>1,175,071</u>	<u>843,504</u>
District's net OPEB liability	<u>\$ 2,371,365</u>	<u>\$ 2,554,131</u>	<u>\$ 3,256,035</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>38.76%</u>	<u>31.51%</u>	<u>20.58%</u>
Covered payroll	<u>\$ 730,130</u>	<u>\$ 686,340</u>	<u>\$ 879,501</u>
District's net OPEB liability as a percentage of covered payroll	<u>324.79%</u>	<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
Measurement Date June 30, 2019 – There were no changes in benefits

Changes in Assumptions:

Measurement Date June 30, 2017 – There were no changes in assumptions
Measurement Date June 30, 2018 – All eligible employees will be required to contribute at least \$125 monthly, regardless
Measurement Date June 30, 2019 – There were no changes in assumptions

* Fiscal year 2018 was the first year of implementation; therefore, only eight 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, 2025

Fiscal Year Ended	Last Ten Fiscal Years*				
	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Actuarially determined contribution	\$ 177,368	\$ 177,368	\$ 191,908	\$ 313,446	\$ 303,615
Contributions in relation to the actuarially determined contributions	<u>(186,846)</u>	<u>(186,846)</u>	<u>(201,478)</u>	<u>(360,099)</u>	<u>(343,527)</u>
Contribution deficiency (excess)	<u>\$ (9,478)</u>	<u>\$ (9,478)</u>	<u>\$ (9,570)</u>	<u>\$ (46,653)</u>	<u>\$ (39,912)</u>
Covered payroll	\$ 987,070	\$ 987,070	N/A	\$ 1,283,193	\$ 1,026,275
Contributions as a percentage of covered payroll	18.93%	18.93%	0.00%	28.06%	33.47%

Notes to Schedule:

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

Contribution Rates:

	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Actuarial cost method	Entry age normal	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method	Closed period, level percent of pay	(1)	(1)	(1)	(1)
Amortization period	20-years	20-years	20-years	20-years	20-years
Asset valuation method	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value
Discount rate	6.40%	6.00%	6.00%	7.28%	7.28%
Inflation	2.30%	2.50%	2.50%	2.01%	2.01%
Payroll increases	3.00%	3.00%	3.00%	2.75%	2.75%
Mortality	(2)	(2)	(2)	(2)	(2)
Morbidity	(3)	(3)	(3)	(3)	(3)
Disability	Valued	Valued	Valued	Valued	Valued
Retirement	(4)	(4)	(4)	(4)	(4)
Percent Married	100%	100%	100%	100%	100%
Healthcare trend rates	(5)	(5)	(5)	(5)	(5)

(1) Closed period, level percent of pay

(2) CalPERS 2021 Study

(3) CalPERS 2021 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 eight 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, 2025

Fiscal Year Ended	Last Ten Fiscal Years*		
	June 30, 2020	June 30, 2019	June 30, 2018
Actuarially determined contribution	\$ 433,330	\$ 418,693	\$ 404,577
Contributions in relation to the actuarially determined contributions	<u>(460,959)</u>	<u>(466,839)</u>	<u>(238,762)</u>
Contribution deficiency (excess)	<u>\$ (27,629)</u>	<u>\$ (48,146)</u>	<u>\$ 165,815</u>
Covered payroll	\$ 730,130	\$ 686,340	\$ 879,501
Contributions as a percentage of covered payroll	63.13%	68.02%	27.15%

Notes to Schedule:

Valuation Date	June 30, 2019	June 30, 2017	June 30, 2017
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Methods and Assumptions Used to Determine

Contribution Rates:

Actuarial cost method Entry age normal	Entry Age	Entry Age	Entry Age
Amortization method Closed period, level percent of pay	(1)	(1)	(1)
Amortization period	20-years	20-years	20-years
Asset valuation method	Fair Value	Fair Value	Fair Value
Discount rate	7.28%	7.28%	7.28%
Inflation	2.26%	2.26%	2.26%
Payroll increases	3.25%	3.25%	3.25%
Mortality	(2)	(2)	(2)
Morbidity	(3)	(3)	(3)
Disability	Valued	Valued	Valued
Retirement	(4)	(4)	(4)
Percent Married	100%	100%	100%
Healthcare trend rates	(5)	(5)	(5)

(1) Closed period, level percent of pay

(2) CalPERS 2021 Study

(3) CalPERS 2021 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 eight years are shown.

KENSINGTON POLICE PROTECTION AND COMMUNITY SERVICES DISTRICT

*Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2025*

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