



## Kensington Community Services District

DATE: March 12, 2026

TO: Board of Directors

FROM: David Aranda, Interim General Manager  
Mary A. Morris-Mayorga, Consultant

SUBJECT: Presentation and approval of the fiscal year 2025 Kensington Fire Protection District audit by Nigro and Nigro

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### RECOMMENDATION:

Receive a presentation of the fiscal year 2025 Kensington Fire Protection District audit by Nigro and Nigro and approve report.

### BACKGROUND:

In accordance with Government Code Section 26909, the District is required to have annual audits performed by a certified public accountant. Stacy Macias of Nigro & Nigro PC will present the fiscal year 2025 audit for the KFPD. The next fiscal year audit will be for the combined Kensington Community Services District audit which includes fire funds.

The auditors rendered an Unmodified Opinion on the financial statements which is the desired result of an audit and will be reviewed during the presentation. We had anticipated providing this a bit sooner; however, the transition of the finance team and software took some time. With these behind us, we are confident that future years will be presented in October or November.

### FISCAL IMPACT:

The annual audit fee of \$20,500 is included in the budget.

### EXHIBIT(S):

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

**KENSINGTON FIRE PROTECTION DISTRICT**  
**Presentation to the Board of Directors**  
**For the Fiscal Year Ended**  
**June 30, 2025**

**NIGRO & NIGRO<sup>PC</sup>**



## 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 and OPEB expenses.
- Required disclosures are properly reflected in the Annual Financial Statements.

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

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

**Any Minor Issues Were Discussed Orally and Corrected by Management**

## How Do We Make You Better?

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

**Kensington Fire Protection District**  
**Dashboard – Audited Financial Statements**  
**June 30, 2025 vs 2024**

Revenues & Expenses	2025	2024	Variance
<b>General Revenues:</b>			
Property Taxes - 4.2%	5,778,188	5,543,186	235,002
Special Taxes	200,827	200,827	-
Investment Earnings	231,797	228,030	3,767
Other Revenues	-	186	(186)
<b>Total Revenues</b>	<b>6,210,812</b>	<b>5,972,229</b>	<b>238,583</b>
<b>Expenses:</b>			
Salaries & Wages	211,393	222,346	(10,953)
Employee Benefits	(35,329)	(220,156)	184,827
Fire Contract – El Cerrito	4,337,362	4,157,316	180,046
Materials & Services	661,407	416,520	244,887
Depreciation Expense	183,009	179,758	3,251
Interest Expense	86,054	87,912	(1,858)
<b>Total Expenses</b>	<b>5,443,896</b>	<b>4,843,696</b>	<b>600,200</b>
<b>Change in Revenues &amp; Expenses</b>	<b>\$ 766,916</b>	<b>\$ 1,128,533</b>	<b>\$ (361,617)</b>

**Capital Outlay:**

<b>Capital Asset Additions</b>	\$ (1,095,083)	\$ (5,824,672)	\$ 4,729,589
<b>Depreciation Expense</b>	183,009	179,758	3,251
<b>Change in Capital Expense</b>	<b>(912,074)</b>	<b>(5,644,914)</b>	<b>4,732,840</b>

**Debt Service:**

<b>Principal Paid</b>	\$ (54,773)	-	-
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<b>Cash &amp; Investments</b>	\$ 5,888,287	\$ 6,848,347	\$ (960,060)
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**Quick Summary:**

<b>Change in Revenues &amp; Expenses</b>	\$ 766,916		
<b>Change in Capital Expense</b>	(912,074)	Use of Cash	
<b>Change in Debt Service</b>	(54,773)	Use of Cash	
<b>Change in Accounts Receivable</b>	517,518	Change to Cash	
<b>Change in Accounts Payable</b>	(1,281,286)	Change to Cash	
<b>Change in El Cerrito Payable</b>	45,095	Non-Cash	
<b>Change in OPEB asset</b>	(44,179)	Non-Cash	
<b>Change in Cash &amp; Investments</b>	<b>\$ (962,783)</b>	<b>Approximately</b>	<b>\$ (2,723)</b>

<b>Investment Earnings to Portfolio</b>	<b>3.64%</b>
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**KENSINGTON FIRE PROTECTION DISTRICT**  
**Report to the Board of Directors**  
**For the Fiscal Year Ended**  
**June 30, 2025**

**NIGRO & NIGRO<sup>PC</sup>**

**KENSINGTON FIRE PROTECTION DISTRICT**

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*For the Fiscal Year Ended June 30, 2025*

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Board of Directors  
Kensington Fire Protection District  
Kensington, California

We are pleased to present this report related to our audit of the financial statements of the Kensington Fire Protection 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,

Murrieta, California  
March 12, 2026

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***Required Communications***

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## KENSINGTON FIRE PROTECTION 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><b>Our Responsibilities with Regard to the Financial Statement Audit</b></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><b>Overview of the Planned Scope and Timing of the Financial Statement Audit</b></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><b>Accounting Policies and Practices</b></p>	<p><b>Accounting Policies and Practices</b> 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><b>Adoption of, or Change in, Significant Accounting Policies or Their Application</b> 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><b>Significant or Unusual Transactions</b> 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><b>Management's Judgments and Accounting Estimates</b> 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><b>Audit Adjustments</b></p>	<p>Audit adjustments are summarized in the attached <b>Summary of Adjusting Journal Entries</b>.</p>
<p><b>Uncorrected Misstatements</b></p>	<p>We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.</p>

## KENSINGTON FIRE PROTECTION DISTRICT

### Required Communications

For the Fiscal Year Ended June 30, 2025

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Area	Comments
<b>Discussions With Management</b>	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.
<b>Disagreements With Management</b>	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.
<b>Consultations With Other Accountants</b>	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
<b>Significant Issues Discussed With Management</b>	No significant issues arising from the audit were discussed or the subject of correspondence with management.
<b>Significant Difficulties Encountered in Performing the Audit</b>	No significant difficulties were encountered in performing our audit.
<b>Required Supplementary Information</b>	We applied certain limited procedures to the: <ol style="list-style-type: none"><li>1. Management's Discussion and Analysis</li><li>2. Budget to Actual Comparison</li><li>3. RSI - OPEB Disclosures</li></ol> 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 FIRE PROTECTION DISTRICT**

## *Required Communications*

*For the Fiscal Year Ended June 30, 2025*

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### **Our Audit Methodology**

As part of our firm's standard audit methodology, once our Audit Team has uploaded management's trial balance into our audit software, we are required to report to the Governance Board and Management all adjustments made to the trial balance during the audit process. This includes any proposed audit adjustments identified by our auditors as well as any adjustments provided by management. Our policy is designed to ensure full transparency and to give the Governance Board and Management a clear understanding of the nature and extent of changes considered during the audit, thereby reinforcing the integrity and depth of the audit procedures performed.

### **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 Governance Board and Management 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.

### **Management Override of Controls**

Professional auditing standards require auditors to consider the risk that management may override established internal controls, regardless of the perceived effectiveness of those controls. During our audit, we identified management override of controls as a significant risk due to the inherent ability of management to initiate, authorize, record, or adjust transactions and financial records. Such override could occur through inappropriate journal entries, management bias in accounting estimates, or the circumvention of established approval and review processes, potentially resulting in material misstatement of the financial statements, whether due to error or fraud.

While our audit procedures did not identify any instances of inappropriate management override, the presence of this risk is inherent in all organizations and warrants continued attention. We recommend that the District continue to strengthen governance and oversight practices, including active involvement by the Governance Board, consistent monitoring of journal entries and significant estimates, segregation of duties where feasible, and periodic independent reviews of key financial processes. These measures help mitigate the risk of management override and support the integrity and reliability of the District's financial reporting.

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***Summary of Adjusting Journal Entries***

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# KENSINGTON FIRE PROTECTION DISTRICT

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

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Account	Description	Debit	Credit
<b>Adjusting Journal Entries</b>			
<b>Adjusting Journal Entries JE # 1</b>			
To add missing CIP from prior year			
4006	CIP	15,394.07	
9041	DISTRICT ACTIVITIES:Firefighters' Expenses	15,394.07	
4006	CIP		15,394.07
7006	Fund Equity		15,394.07
<b>Total</b>		<b>30,788.14</b>	<b>30,788.14</b>
<b>Adjusting Journal Entries JE # 2</b>			
To record depreciation expense			
9600	Depreciation Expense	66,504.95	
9600	Depreciation Expense	30,291.23	
9600	Depreciation Expense	86,212.93	
4003	Accumulated Depreciation-Equip		30,291.23
4003	Accumulated Depreciation-Equip		86,212.93
4005	Accumulated Depreciation - Bldg		66,504.95
<b>Total</b>		<b>183,009.11</b>	<b>183,009.11</b>
<b>Adjusting Journal Entries JE # 3</b>			
To reconcile debt and accrued interest			
6004	PSB Renovation Loan	54,773.00	
9550	Interest Expense	28,560.91	
6100	Interest Payable		28,560.91
9508	Debt Service - Principal		54,773.00
<b>Total</b>		<b>83,333.91</b>	<b>83,333.91</b>
<b>Adjusting Journal Entries JE # 4</b>			
To reconcile property taxes			
2003	Advance on Taxes	177,065.13	
8003	Other Tax Income	7,084.34	
9036	DISTRICT ACTIVITIES:Office:Office Expense	1.97	
2002	Advance on Supplemental Taxes		43,900.23
8001	Property Taxes		140,251.21
<b>Total</b>		<b>184,151.44</b>	<b>184,151.44</b>
	<b>Total Adjusting Journal Entries</b>	<b>481,282.60</b>	<b>481,282.60</b>

**KENSINGTON FIRE PROTECTION 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<sup>PC</sup>**

**KENSINGTON FIRE PROTECTION DISTRICT**

*For the Fiscal Year Ended June 30, 2025*

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***Financial Section***

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Kensington Fire Protection District  
Kensington, California

### Opinion

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Kensington Fire Protection 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 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, each major fund, and the aggregate remaining fund information 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.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 information, budgetary comparison information, schedule of proportionate share of the net pension liability, schedule of pension contributions, and schedule of changes in the District's total OPEB liability and related ratios 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 March 12, 2026, 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 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.

Murrieta, California  
March 12, 2026

# KENSINGTON FIRE PROTECTION DISTRICT

## Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2025

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Management's Discussion and Analysis (MD&A) offers readers of Kensington Fire Protection 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 \$766,916 as a result of this year's operations.
- Total revenues from all sources increased by 4.00%, or \$238,583 from \$5,972,229 to \$6,210,812, from the prior year, primarily due to increases in property taxes of \$235,002.
- Total expenses for the District's operations increased by 12.39% or \$600,200 from \$4,843,696 to \$5,443,896 from the prior year, primarily due to increases in materials and services expense of \$244,887.
- The District purchased new capital assets during the year in the amount of \$1,095,083. Depreciation expense was \$183,009.

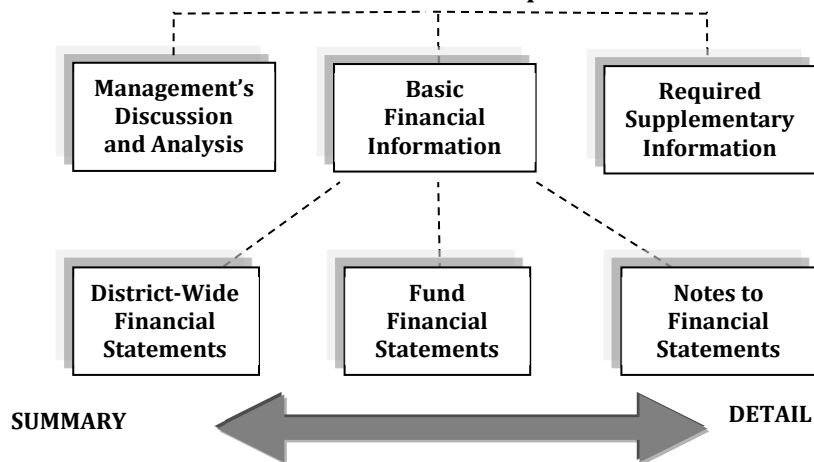
### OVERVIEW OF THE FINANCIAL STATEMENTS

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.

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.

**Figure A-1. Organization of Kensington Fire Protection District's Annual Financial Report**



**KENSINGTON FIRE PROTECTION DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2025*

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**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**

<b>Type of Statements</b>	<b>District-Wide</b>	<b>Governmental Funds</b>
<i>Scope</i>	Entire District	The activities of the District that are not proprietary or fiduciary, such as fire and ambulance services
<i>Required financial statements</i>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures &amp; Changes in Fund Balances</li> </ul>
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial 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 capital assets included
<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

# KENSINGTON FIRE PROTECTION DISTRICT

*Management's Discussion and Analysis (Unaudited)*

*For the Fiscal Year Ended June 30, 2025*

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## OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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

### 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 and liabilities. 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 property tax base 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 fire protection, medical transport, and administration. Local property taxes finance most of these activities.

## GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

### Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

**KENSINGTON FIRE PROTECTION DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
For the Fiscal Year Ended June 30, 2025

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**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>
<b>Assets:</b>			
Current assets	\$ 5,940,994	\$ 7,424,267	\$ (1,483,273)
Non-current assets	802,416	699,432	102,984
Capital assets, net	<u>11,634,502</u>	<u>10,722,428</u>	<u>912,074</u>
<b>Total assets</b>	<u>18,377,912</u>	<u>18,846,127</u>	<u>(468,215)</u>
<b>Deferred outflows of resources</b>	<u>68,093</u>	<u>126,898</u>	<u>(58,805)</u>
<b>Liabilities:</b>			
Current liabilities	541,432	1,821,232	(1,279,800)
Non-current liabilities	<u>2,201,407</u>	<u>2,215,543</u>	<u>(14,136)</u>
<b>Total liabilities</b>	<u>2,742,839</u>	<u>4,036,775</u>	<u>(1,293,936)</u>
<b>Net position (Deficit):</b>			
Net investment in capital assets	9,529,275	8,562,428	966,847
Restricted for OPEB related expenses	870,509	826,330	44,179
Unrestricted	<u>5,303,382</u>	<u>5,547,492</u>	<u>(244,110)</u>
<b>Total net position</b>	<u>\$ 15,703,166</u>	<u>\$ 14,936,250</u>	<u>\$ 766,916</u>

At the end of fiscal year 2025, the District shows a balance in its unrestricted net position of \$5,303,382.

**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>
<b>Expenses</b>	<u>\$ (5,443,896)</u>	<u>\$ (4,843,696)</u>	<u>\$ (600,200)</u>
<b>Net program expense</b>	(5,443,896)	(4,843,696)	(600,200)
<b>General revenues</b>	<u>6,210,812</u>	<u>5,972,229</u>	<u>238,583</u>
<b>Change in net position</b>	766,916	1,128,533	(361,617)
<b>Net position:</b>			
Beginning of year	<u>14,936,250</u>	<u>13,807,717</u>	<u>1,128,533</u>
End of year	<u>\$ 15,703,166</u>	<u>\$ 14,936,250</u>	<u>\$ 766,916</u>

**KENSINGTON FIRE PROTECTION DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2025*

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**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 net position of the District increased by \$766,916.

**Table A-3: Total Revenues**

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>Increase (Decrease)</u>
<b>General revenues:</b>			
Property taxes	\$ 5,778,188	\$ 5,543,186	\$ 235,002
Special taxes	200,827	200,827	-
Investment earnings	231,797	228,030	3,767
Other revenues	-	186	(186)
<b>Total general revenues</b>	<u>6,210,812</u>	<u>5,972,229</u>	<u>238,583</u>
<b>Total revenues</b>	<u>\$ 6,210,812</u>	<u>\$ 5,972,229</u>	<u>\$ 238,583</u>

Total revenues from all sources increased by 4.00%, or \$238,583 from \$5,972,229 to \$6,210,812, from the prior year, primarily due to increases in property taxes of \$235,002.

**Table A-4: Total Expenses**

	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>Increase (Decrease)</u>
<b>Expenses:</b>			
Salaries and wages	\$ 211,393	\$ 222,346	\$ (10,953)
Employee benefits	(35,329)	(220,156)	184,827
Fire contract – El Cerrito	4,337,362	4,157,316	180,046
Materials and services	661,407	416,520	244,887
Depreciation expense	183,009	179,758	3,251
Interest expense	86,054	87,912	(1,858)
<b>Total expenses</b>	<u>\$ 5,443,896</u>	<u>\$ 4,843,696</u>	<u>\$ 600,200</u>

Total expenses for the District's operations increased by 12.39% or \$600,200 from \$4,843,696 to \$5,443,896 from the prior year, primarily due to increases in materials and services expense of \$244,887.

**KENSINGTON FIRE PROTECTION DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2025*

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**GOVERNMENTAL FUNDS FINANCIAL ANALYSIS**

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, the *unreserved fund balance* may serve as a useful measure of the government's net resources for spending at the end of the fiscal year.

As of June 30, 2025, the District reported a total fund balance of \$5,437,374. An amount of \$1,753,355 constitutes the District's *unassigned fund balance*.

**OPERATIONS FUND BUDGETARY HIGHLIGHTS**

The final budgeted expenditures for the District's operational fund at year-end were \$471,996 more than actual. Actual revenues were more than the anticipated budget by \$64,270. Actual revenues less expenses were under budget by \$482,266.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

During the 2024-25 fiscal year end the District invested \$1,095,083 in new capital assets, of which \$937,454 related to the work in progress for a fire station project. (More detailed information about capital assets can be found in Note 3 to the financial statements). Total depreciation expense for the year was \$183,009.

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

	<u>Balance,</u> <u>June 30, 2025</u>	<u>Balance,</u> <u>June 30, 2024</u>
<b>Capital assets:</b>		
Non-depreciable assets	\$ 5,800	\$ 8,945,308
Depreciable assets	14,245,118	4,210,527
Accumulated depreciation	<u>(2,616,416)</u>	<u>(2,433,407)</u>
<b>Total capital assets, net</b>	<u>\$ 11,634,502</u>	<u>\$ 10,722,428</u>

**Long-Term Debt**

At year-end the District had \$2,105,227 in outstanding long-term debt as shown in Table A-6. (More detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements).

**Table A-6: Outstanding Long-Term Debt at Year-End**

	<u>Balance,</u> <u>June 30, 2025</u>	<u>Balance,</u> <u>June 30, 2024</u>
	<u>\$ 2,105,227</u>	<u>\$ 2,160,000</u>

## **KENSINGTON FIRE PROTECTION DISTRICT**

*Management's Discussion and Analysis (Unaudited)*

*For the Fiscal Year Ended June 30, 2025*

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### **FACTORS AFFECTING CURRENT AND FUTURE 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 at the Kensington Fire Protection District at 217 Arlington Avenue, Kensington, CA 94707.

# KENSINGTON FIRE PROTECTION DISTRICT

## Statement of Net Position

June 30, 2025 (With Comparative Amounts as of June 30, 2024)

	Governmental Activities	
	2025	2024
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and investments (Note 2)	\$ 5,888,287	\$ 6,848,347
Accounts receivable	4,805	522,323
Property taxes receivable	43,233	47,487
Prepaid items	4,669	6,110
<b>Total current assets</b>	<b>5,940,994</b>	<b>7,424,267</b>
<b>Non-current assets:</b>		
OPEB asset (Note 6)	802,416	699,432
Capital assets – not being depreciated (Note 3)	5,800	8,945,308
Capital assets – being depreciated, net (Note 3)	11,628,702	1,777,120
<b>Total non-current assets</b>	<b>12,436,918</b>	<b>11,421,860</b>
<b>Total assets</b>	<b>18,377,912</b>	<b>18,846,127</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
OPEB related deferred outflows of resources (Note 6)	68,093	126,898
<b>Total deferred outflows of resources</b>	<b>68,093</b>	<b>126,898</b>
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	455,869	1,737,155
Accrued interest payable	28,561	29,304
Long-term debt (Note 5)	57,002	54,773
<b>Total current liabilities</b>	<b>541,432</b>	<b>1,821,232</b>
<b>Non-current liabilities:</b>		
Long-term liabilities – due in more than one year:		
Long-term payable to City of El Cerrito (Note 4)	153,182	110,316
Long-term debt (Note 5)	2,048,225	2,105,227
<b>Total non-current liabilities</b>	<b>2,201,407</b>	<b>2,215,543</b>
<b>Total liabilities</b>	<b>2,742,839</b>	<b>4,036,775</b>
<b>NET POSITION</b>		
Net investment in capital assets (Note 7)	9,529,275	8,562,428
Restricted for OPEB related expenses (Note 6)	870,509	826,330
Unrestricted	5,303,382	5,547,492
<b>Total net position</b>	<b>\$ 15,703,166</b>	<b>\$ 14,936,250</b>

**KENSINGTON FIRE PROTECTION DISTRICT***Statement of Activities**For the Fiscal Year Ended June 30, 2025**With Comparative Amounts For the Fiscal Year Ended June 30, 2024)*

	<b>Governmental Activities</b>	
	<b>2025</b>	<b>2024</b>
<b>EXPENSES:</b>		
Fire protection, prevention and emergency medical transport:		
Operations:		
Salaries and wages	\$ 211,393	\$ 222,346
Employee benefits	(35,329)	(220,156)
Fire contract – El Cerrito	4,337,362	4,157,316
Materials and services	661,407	416,520
Depreciation expense	183,009	179,758
Interest expense	86,054	87,912
<b>Total expenses</b>	<b>5,443,896</b>	<b>4,843,696</b>
<b>GENERAL REVENUES:</b>		
Property taxes	5,778,188	5,543,186
Special taxes	200,827	200,827
Investment earnings	231,797	228,030
Other revenues	-	186
<b>Total general revenues</b>	<b>6,210,812</b>	<b>5,972,229</b>
<b>Change in net position</b>	<b>766,916</b>	<b>1,128,533</b>
<b>Net Position:</b>		
Beginning of year	14,936,250	13,807,717
End of year	<u>\$ 15,703,166</u>	<u>\$ 14,936,250</u>

**KENSINGTON FIRE PROTECTION DISTRICT**  
*Balance Sheet – Governmental Funds*  
*June 30, 2025*

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	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Capital Project Fund</b>	<b>Total Funds</b>
<b>ASSETS</b>				
<b>Assets:</b>				
Cash and investments	\$ 5,840,536	\$ 47,751	\$ -	\$ 5,888,287
Accounts receivable	4,805	-	-	4,805
Property taxes receivable	43,233	-	-	43,233
Prepaid items	4,669	-	-	4,669
<b>Total assets</b>	<b><u>\$ 5,893,243</u></b>	<b><u>\$ 47,751</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 5,940,994</u></b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable and accrued expenses	\$ 455,869	\$ -	\$ -	\$ 455,869
<b>Total liabilities</b>	<b><u>455,869</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>455,869</u></b>
<b>Fund Balances: (Note 8)</b>				
Nonspendable	4,669	-	-	4,669
Committed	153,182	47,751	-	200,933
Assigned	3,526,168	-	-	3,526,168
Unassigned	1,753,355	-	-	1,753,355
<b>Total fund balance</b>	<b><u>5,437,374</u></b>	<b><u>47,751</u></b>	<b><u>-</u></b>	<b><u>5,485,125</u></b>
<b>Total liabilities and fund balance</b>	<b><u>\$ 5,893,243</u></b>	<b><u>\$ 47,751</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 5,940,994</u></b>

**KENSINGTON FIRE PROTECTION DISTRICT**

*Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2025*

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<b>Fund Balances – Governmental Funds</b>	\$ 5,485,125
<b>Amounts reported for governmental activities in the statement of net position are different because:</b>	
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.	11,634,502
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.	68,093
Long-term liabilities/(assets) applicable to the District are not due and payable in the current period and accordingly are not reported as fund liabilities/(assets). All liabilities/(assets), both current and long-term, are reported in the statement of net position as follows:	
OPEB asset	802,416
Accrued interest payable	(28,561)
Long-term debt	(2,105,227)
Long-term payable to City of El Cerrito	<u>(153,182)</u>
<b>Total adjustments</b>	<u>10,218,041</u>
<b>Net Position of Governmental Activities</b>	<u><u>\$ 15,703,166</u></u>

**KENSINGTON FIRE PROTECTION DISTRICT**

*Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
For the Fiscal Year Ended June 30, 2025*

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>				
Property taxes	\$ 5,778,188	\$ -	\$ -	\$ 5,778,188
Special taxes	-	200,827	-	200,827
Investment earnings	230,228	1,380	189	231,797
<b>Total revenues</b>	<u>6,008,416</u>	<u>202,207</u>	<u>189</u>	<u>6,210,812</u>
<b>EXPENDITURES:</b>				
Current:				
Salaries and wages	211,393	-	-	211,393
Employee benefits	8,850	-	-	8,850
Fire contract – El Cerrito	4,337,362	-	-	4,337,362
Materials and services	616,353	2,188	-	618,541
Capital outlay	128,968	-	966,115	1,095,083
Debt service:				
Principal	54,773	-	-	54,773
Interest	86,797	-	-	86,797
<b>Total expenditures</b>	<u>5,444,496</u>	<u>2,188</u>	<u>966,115</u>	<u>6,412,799</u>
<b>REVENUES OVER(UUNDER) EXPENDITURES</b>	<u>563,920</u>	<u>200,019</u>	<u>(965,926)</u>	<u>(201,987)</u>
<b>OTHER FINANCING SOURCES(USES):</b>				
Transfers in/(out) (Note 9)	<u>(980,344)</u>	<u>(350,000)</u>	<u>1,330,344</u>	<u>-</u>
<b>Total other financing sources(uses)</b>	<u>(980,344)</u>	<u>(350,000)</u>	<u>1,330,344</u>	<u>-</u>
<b>Net Changes in Fund Balance</b>	<u>(416,424)</u>	<u>(149,981)</u>	<u>364,418</u>	<u>(201,987)</u>
<b>FUND BALANCES:</b>				
Beginning of year	<u>5,853,798</u>	<u>197,732</u>	<u>(364,418)</u>	<u>5,687,112</u>
End of year	<u>\$ 5,437,374</u>	<u>\$ 47,751</u>	<u>\$ -</u>	<u>\$ 5,485,125</u>

## KENSINGTON FIRE PROTECTION 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*

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<b>Net Change in Fund Balances – Governmental Funds</b>	<u>\$ (201,987)</u>
Amounts reported for governmental activities in the statement of activities is different because:	
Some expenses reported in the statement of activities do not require the use of current financial resources. Therefore, those expenses are not reported as expenditures in governmental funds as follows:	
Change in net other post-employment benefits obligations and related deferred resources	44,179
Change in long-term payable to City of El Cerrito	(42,866)
Change in accrued interest	743
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those capitalized assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlay	1,095,083
Depreciation expense	(183,009)
Principal repayment of long-term debt obligations are reported as expenditures 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>54,773</u>
<b>Total adjustments</b>	<u>968,903</u>
<b>Change in Net Position of Governmental Activities</b>	<u><u>\$ 766,916</u></u>

# KENSINGTON FIRE PROTECTION DISTRICT

## Notes to Financial Statements

June 30, 2025

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### NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

#### A. Description of Organization

The Kensington Fire Protection District (District) is a special district empowered to take all the necessary steps to provide for fire protection and prevention services including enforcement of California State (State) laws applicable to fire codes. The financial statements of the District include all funds of the District. An elected Board of Directors governs the District, and exercises powers granted by State statutes.

In August 1995, the District entered into a contract with the City of El Cerrito (City) under which the City provides fire suppression and emergency medical services for the District. The contract provides that the District will pay the City an annual fee as defined in the contract (paid on a monthly basis) that is extended until December 31, 2027. The annual fee that the District paid under contract for the fiscal year ended June 30, 2025 totaled \$4,337,362.

#### 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, other nonexchange transactions, and charges for services.

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.

# KENSINGTON FIRE PROTECTION DISTRICT

## Notes to Financial Statements

June 30, 2025

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

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

##### 1. Basis of Presentation (continued)

###### Major Governmental Funds

The District maintains the following major 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 when necessary.

**Special Revenue Fund:** This fund is used to account for the special tax authorized by Section 53978 of the Government Code and approved by the District's electorate on April 8, 1980.

**Capital Project Fund:** This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities and rolling stock.

##### 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.

# KENSINGTON FIRE PROTECTION DISTRICT

## Notes to Financial Statements

June 30, 2025

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

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

##### 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.

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

##### 1. Cash and Investments

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.

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.

# KENSINGTON FIRE PROTECTION DISTRICT

## Notes to Financial Statements

June 30, 2025

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

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

##### 1. Cash and Investments (continued)

*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.

##### 2. Accounts Receivable and Allowance for Doubtful Accounts

Receivables consist of all revenues earned at year-end and not yet received. Receivables are recorded in the financial statements net of any allowance for doubtful accounts if applicable, and estimated refunds due. Major receivable balances for the governmental activities include amounts due from county, advance on supplemental taxes, and interest receivable.

##### 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 \$1,000 and an estimated useful life in excess of one year. 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	15-40 years
Rolling stock, equipment and furniture	5-10 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 District’s policy is to permit full time employees to accumulate earned vacation time. Earned vacation time shall be earned by each employee subject to the accrual limitations and policies as defined by District policies. Such unused compensation is calculated at the employees’ then prevalent hourly rate at the time of retirement or termination. Whereas vacation time is compensated at 100% of accumulated hours.

# KENSINGTON FIRE PROTECTION DISTRICT

## Notes to Financial Statements

June 30, 2025

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

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

##### 6. Postemployment Benefits Other Than Pensions (OPEB)

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

The following timeframes are used for OPEB reporting:

Valuation Date June 30, 2023

Measurement Date June 30, 2024

Measurement Period July 1, 2022 to June 30, 2024

##### 7. Net Position

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

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

# KENSINGTON FIRE PROTECTION DISTRICT

## Notes to Financial Statements

June 30, 2025

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

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

##### 8. 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.

**Restricted:** Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

**Committed:** The District's highest decision-making level of authority rests with the District's Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

**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 committed, assigned, and then unassigned, as they are needed.

**KENSINGTON FIRE PROTECTION DISTRICT**

*Notes to Financial Statements*

*June 30, 2025*

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

**E. 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.

**F. Property Taxes**

The Contra Costa County Assessor’s Office assesses all real and personal property within the County each year. The Contra Costa County Tax Collector’s Office bills and collects the District’s share of property taxes and voter-approved taxes. The Contra Costa County Auditor-Controller’s Office remits current property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article XIII A of the State Constitution at one percent (1%) of countywide assessed valuations.

Property taxes receivable at year-end are related to property taxes collected by Contra Costa County, which have not been credited to the District's cash balance as of June 30. The property tax calendar is as follows:

Lien date	March 1
Levy date	July 1
Due dates	November 1 and March 1
Collection dates	December 10 and April 10

Property taxes levied are recorded as revenue when received, in the fiscal year of levy, because of the adoption of the *alternate method of property tax distribution* known as the Teeter Plan, by the District and Contra Costa County. The Teeter Plan authorizes the County Auditor-Controller to allocate 100% of the secured property tax billed but not yet received or paid to the District. Contra Costa County remits tax proceeds to the District in installments during the fiscal year.

# KENSINGTON FIRE PROTECTION DISTRICT

## Notes to Financial Statements

June 30, 2025

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### NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2025, consisted of the following:

<u>Description</u>	<u>Balance</u>
Demand deposits held with financial institutions	\$ 145,328
California Local Agency Investment Fund (LAIF)	5,683,902
Contra Costa County Treasury Investment Pool (CCCTIP)	59,057
<b>Total cash and investments</b>	<b><u>\$ 5,888,287</u></b>

#### **Demand Deposits**

At June 30, 2025, the carrying amount of the District's demand deposits was \$145,328, and the financial institutions balances totaled \$145,347. The net difference represents outstanding checks, deposits-in-transit and/or other reconciling items.

#### **Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the District'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 deposit 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.

#### **California 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 \$5,683,902 in LAIF.

## KENSINGTON FIRE PROTECTION DISTRICT

### Notes to Financial Statements

June 30, 2025

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#### NOTE 2 – CASH AND INVESTMENTS (continued)

##### Contra Costa County Treasury Investment Pool (CCCTIP)

The District's cash is included in the Contra Costa County Treasury Investment Pool. Investments made by the Treasurer are regulated by California Government Code and by a County investment policy approved annually by the County Treasury Oversight Committee. Adherence to the statutes and policies is monitored by the County Board of Supervisors and by the Treasury Oversight Committee via monthly reports and an annual audit. Investment income earned on the District's cash is allocated quarterly to the District. Changes in fair value are included in investment income. Redeemed or sold shares are priced at book value, which includes realized investment earnings such as interest income, realized gains or losses upon sale of investments, and amortized premiums and discounts. This number may differ from the shares' fair value, which would include unrealized gains or losses based on market conditions. Additional information regarding insurance, collateralization, and custodial risk categorization of the County's cash and investments is presented in the notes of the County's basic financial statements. As of June 30, 2025, the District had \$59,057 in the CCCTIP.

#### NOTE 3 – CAPITAL ASSETS

Changes in capital assets for the year 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	\$ 5,800	\$ -	\$ -	\$ 5,800
Construction-in-progress	8,939,508	937,454	(9,876,962)	-
Total non-depreciable capital assets	<u>8,945,308</u>	<u>937,454</u>	<u>(9,876,962)</u>	<u>5,800</u>
Depreciable capital assets:				
Building and improvements	2,391,581	9,876,962	-	12,268,543
Equipment and furniture	536,392	149,372	-	685,764
Rolling stock equipment	1,282,554	8,257	-	1,290,811
Total depreciable capital assets	<u>4,210,527</u>	<u>10,034,591</u>	<u>-</u>	<u>14,245,118</u>
Accumulated depreciation:				
Building and improvements	(1,410,184)	(66,505)	-	(1,476,689)
Equipment and furniture	(492,123)	(30,291)	-	(522,414)
Rolling stock equipment	(531,100)	(86,213)	-	(617,313)
Total accumulated depreciation	<u>(2,433,407)</u>	<u>(183,009)</u>	<u>-</u>	<u>(2,616,416)</u>
Total depreciable capital assets, net	<u>1,777,120</u>	<u>9,851,582</u>	<u>-</u>	<u>11,628,702</u>
<b>Total capital assets, net</b>	<u>\$ 10,722,428</u>	<u>\$ 10,789,036</u>	<u>\$ (9,876,962)</u>	<u>\$ 11,634,502</u>

# KENSINGTON FIRE PROTECTION DISTRICT

## Notes to Financial Statements

June 30, 2025

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### NOTE 4 – LONG-TERM PAYABLE TO CITY OF EL CERRITO

As a component of the City of El Cerrito fire services contract fee, the District pays a reconciliation of expenses. The City of El Cerrito liability represents the “true-up” or reconciled expenses for fire protection costs incurred from prior years. Following the City of El Cerrito’s annual audit, actual expenses are reconciled to those included in the fire services contract fee with the final reconciliation of expenses provided to the District in the following year’s cost proposal. This represents roughly a two-year lag in information, so the District pays for the reconciled expenses from two years ago. As of June 30, 2025, the long-term liability is \$153,182 which consists of estimated costs for fiscal year 2024 and 2023.

### NOTE 5 – LONG-TERM DEBT

Changes in long-term debt obligations payable 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>
<u>\$ 2,160,000</u>	<u>\$ -</u>	<u>\$ (54,773)</u>	<u>\$ 2,105,227</u>	<u>\$ 57,002</u>	<u>\$ 2,048,225</u>

#### 2022 Loan payable

On July 22, 2022, the District entered into a loan payable agreement of \$2,160,000 with CSDA Finance Corporation to provide funds for the fire station project. The terms of the agreement provide for interest payable semi-annually on March 1<sup>st</sup> and September 1<sup>st</sup> at a rate of 4.070% per annum. The cost of issuance was \$92,000.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 57,002	\$ 84,523	\$ 141,525
2026	59,322	82,156	141,478
2027	61,736	79,692	141,428
2028	64,249	77,128	141,377
2029	66,864	74,460	141,324
2030-2034	377,423	328,319	705,742
2035-2039	460,741	243,306	704,047
2040-2044	562,452	139,526	701,978
2045-2047	<u>395,438</u>	<u>24,569</u>	<u>420,007</u>
Total	2,105,227	<u>\$ 1,133,679</u>	<u>\$ 3,238,906</u>
Current	<u>(57,002)</u>		
Long-term	<u>\$ 2,048,225</u>		

**KENSINGTON FIRE PROTECTION DISTRICT**

*Notes to Financial Statements*

*June 30, 2025*

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**NOTE 6 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**Summary**

The following balances on the statement of net position will be addressed in this footnote as follows:

<u>Description</u>	<u>Amount</u>
OPEB related deferred outflows of resources	\$ 68,093
Net other post-employment benefits asset	802,416
OPEB related deferred inflows of resources	-

**A. General Information about the OPEB Plan**

**Plan description**

The District provides post-retirement health benefits (medical, dental and vision) to a closed group of former employees who have retired from the District and to their surviving spouses and dependent children. The District pays 100% of the annuitants' health plan premiums. Currently, a total of 9 family units (13 individuals including 4 former employees, 5 widows and 4 spouses) are receiving post-retirement health benefits. There are no separate financial statements issued for the OPEB plan. The District participates in the California Employer's Retiree Benefit Trust (CERBT). CERBT is an irrevocable trust fund that allows public employers to prefund the future cost of their retiree health insurance benefits and other post employment benefits (OPEB) for their covered retirees. The District elected to participate in CERBT and contributed a total of \$1,165,000 in October 2008 to CalPERS, the CERBT's administrator. The prefunding was intended to reduce and stabilize the District's annual required contribution to its OPEB plan in future years at an expected level for budgeting purposes. CalPERS issued a publicly available financial report that includes financial statements and required supplementary information for CERBT in aggregate. The report may be obtained by writing to CalPERS, Lincoln Plaza North, 400 Q Street, Sacramento, CA 95811.

**Employees covered by benefit terms**

At June 30, 2025, the following employees were covered by the benefit terms:

<u>Description</u>	<u>Amount</u>
Retirees	7
Active employees	0
Total	<u>7</u>

# KENSINGTON FIRE PROTECTION DISTRICT

## Notes to Financial Statements

June 30, 2025

### NOTE 6 – OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

#### B. Total OPEB Liability/(Asset)

The District's total OPEB asset of \$802,416 was measured as of June 30, 2025, and was determined by an actuarial valuation as of that date.

#### Actuarial assumptions and other inputs

The total OPEB liability on the June 30, 2025 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	6.10%
Inflation	2.30%
Salary Increases	3.25%
Investment Rate of Return	6.10%
Mortality Rate	CalPERS Membership Data
Pre-Retirement Turnover	CalPERS Membership Data
Healthcare Trend Rate	Pre-65 current 7.56% 2024+ (4.5%-7.56%)

#### Discount Rate

The discount rate used to measure the total OPEB liability was 6.10%. 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. 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

The changes in the Net OPEB liability are as follows:

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability/(Asset)</u>
<b>Balance at July 1, 2023</b>	\$ 599,094	\$ 1,298,526	\$ (699,432)
<b>Changes for the year:</b>			
Interest	31,337	-	31,337
Net investment income	-	105,242	(105,242)
Administrative expense	-	(419)	419
Changes in assumptions	(29,498)	-	(29,498)
Differences between expected and actual experience	-	-	-
Benefit payments	(59,444)	(59,444)	-
Net changes	(57,605)	45,379	(102,984)
<b>Balance at June 30, 2024</b>	<u>\$ 541,489</u>	<u>\$ 1,343,905</u>	<u>\$ (802,416)</u>

#### Changes of Assumptions

In fiscal year 2024-25, the measurement period, there were changes in assumptions such as change in trend, change in decrements and discount rate.

#### Change of Benefit Terms

In fiscal year 2024-25, the measurement period, there were no changes to the benefit terms.

#### Subsequent Events

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

**KENSINGTON FIRE PROTECTION DISTRICT**

*Notes to Financial Statements*

*June 30, 2025*

**NOTE 6 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)**

**C. Changes in the Net OPEB Liability (continued)**

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.10%) or 1 percentage point higher (7.10%) than the current discount rate:

1% Decrease 4.10%	Current Discount Rate 6.10%	1% Increase 7.10%
\$ (745,710)	\$ (802,416)	\$ (850,852)

**Sensitivity of the Total OPEB Liability to Changes in Medical Trend Rates**

The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using medical trend rates that are 1-percentage point lower:

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$ (849,156)	\$ (802,416)	\$ (748,686)

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

For the year ended June 30, 2024, the District recognized OPEB expense/(revenue) of (\$44,179). At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings	\$ 68,093	\$ -
Total	\$ 68,093	\$ -

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

Year Ended June 30	Amount
2026	\$ 20,277
2027	57,435
2028	(2,531)
2029	(7,088)
2030	-
Thereafter	-
Total	\$ 68,093

**KENSINGTON FIRE PROTECTION DISTRICT**  
*Notes to Financial Statements*  
 June 30, 2025

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**NOTE 7 – NET INVESTMENT IN CAPITAL ASSETS**

At June 30, 2025, the net investment in capital assets was calculated as follows:

<u>Description</u>	<u>Balance</u>
Capital assets – not being depreciated	\$ 5,800
Capital assets – being depreciated, net	11,628,702
Long-term debt obligations payable – current portion	(57,002)
Long-term debt payable – noncurrent portion	<u>(2,048,225)</u>
<b>Total net investment in capital assets</b>	<b><u>\$ 9,529,275</u></b>

**NOTE 8 – 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>	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	<u>Total</u>
<b>Nonspendable:</b>				
Prepaid items	\$ 4,669	\$ -	\$ -	\$ 4,669
<b>Committed</b>				
Special tax revenue	-	47,751	-	47,751
El Cerrito contract	153,182	-	-	153,182
<b>Total committed</b>	<u>153,182</u>	<u>47,751</u>	<u>-</u>	<u>200,933</u>
<b>Assigned</b>				
Capital outlay –rolling stock	2,138,896	-	-	2,138,896
El Cerrito contract projected 50% reserve	1,387,272	-	-	1,387,272
<b>Total assigned</b>	<u>3,526,168</u>	<u>-</u>	<u>-</u>	<u>3,526,168</u>
<b>Unassigned</b>	<u>1,753,355</u>	<u>-</u>	<u>-</u>	<u>1,753,355</u>
<b>Total fund balances</b>	<b><u>\$ 5,437,374</u></b>	<b><u>\$ 47,751</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 5,485,125</u></b>

**NOTE 9 – INTERFUND TRANSFERS**

At June 30, 2025, interfund transfers of the District’s governmental funds were made as follows:

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Purpose</u>
Special Revenue Fund	Capital Project Fund	\$ 350,000	Public Safety Building Project
General Fund	Capital Project Fund	\$ 980,344	Public Safety Building Project

# KENSINGTON FIRE PROTECTION DISTRICT

## Notes to Financial Statements

June 30, 2025

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### NOTE 10 – RISK MANAGEMENT

The Kensington Fire Protection District is a member of Contra Costa County Fire District's Joint Power of Authority Insurance Pool. The District is exposed to various risks of loss related to torts, theft damages, destruction of assets, public officials' errors and omissions, injuries to employees, and natural disasters. The District carries commercial insurance for risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any recent fiscal year, and there has been no significant reduction in insurance coverage over the past three fiscal years.

The District's deductibles and maximum coverage are as follows:

<u>Coverage Description</u>	<u>Deductibles</u>	<u>Insurance Coverage</u>
General and Auto Liability	None	\$50,000,000
At Risk Property	\$500 (all other property) \$100,000 (flood) \$500(mobile equipment)	\$600,000,000 (all other property) \$600,00 (flood) None
Earthquake	\$50,000 (terrorism) 2% per unit \$100,00 minimum	\$750,000,000 \$540,000,000 None
Pollution Liability	\$250,000	\$10,000,000
Boiler and Machinery	\$5,000	\$100,000,000

### NOTE 11 – COMMITMENTS AND CONTINGENCIES

#### Excluded Leases – Short-Term Leases and De Minimis Leases

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

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

#### Grant Awards

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

#### Litigation

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

## **KENSINGTON FIRE PROTECTION DISTRICT**

*Notes to Financial Statements*

*June 30, 2025*

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### **NOTE 12 – SUBSEQUENT EVENTS**

The District has evaluated subsequent events through March 12, 2026, the date 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.

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***Required Supplementary Information***

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**KENSINGTON FIRE PROTECTION DISTRICT**  
*Budgetary Comparison Schedule – General Fund*  
*For the Fiscal Year Ended June 30, 2025*

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	<u>Adopted Original Budget</u>	<u>Adopted Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES:</b>				
Property taxes	\$ 5,737,474	\$ 5,710,010	\$ 5,778,188	\$ 68,178
Interest earnings	232,136	232,136	230,228	(1,908)
Other revenues	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>(2,000)</u>
<b>Total revenues</b>	<u>5,971,610</u>	<u>5,944,146</u>	<u>6,008,416</u>	<u>64,270</u>
<b>EXPENDITURES:</b>				
Current:				
Salaries and wages	170,397	195,587	211,393	(15,806)
Employee benefits	16,282	16,282	8,850	7,432
Fire contract – El Cerrito	4,320,657	4,320,567	4,337,362	(16,795)
Materials and services	494,087	488,486	616,353	(127,867)
Capital outlay	700,000	700,000	128,968	571,032
Debt service:				
Principal	54,773	54,773	54,773	-
Interest	<u>86,797</u>	<u>86,797</u>	<u>86,797</u>	<u>-</u>
<b>Total expenditures</b>	<u>5,842,993</u>	<u>5,862,492</u>	<u>5,444,496</u>	<u>417,996</u>
<b>REVENUES OVER(UNDER) EXPENDITURES</b>	<u>\$ 128,617</u>	<u>\$ 81,654</u>	563,920	<u>\$ 482,266</u>
<b>OTHER FINANCING SOURCES(USES):</b>				
Transfers in/(out)	<u>-</u>	<u>-</u>	<u>(980,344)</u>	<u>(980,344)</u>
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>(980,344)</u>	<u>(980,344)</u>
<b>Net Changes in Fund Balance</b>	<u>\$ 128,617</u>	<u>\$ 81,654</u>	(416,424)	<u>\$ (498,078)</u>
<b>FUND BALANCE:</b>				
Beginning of year			<u>5,853,798</u>	
End of year			<u>\$ 5,437,374</u>	

**KENSINGTON FIRE PROTECTION DISTRICT***Budgetary Comparison Schedule – Special Revenue Fund  
For the Fiscal Year Ended June 30, 2025*

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	<b>Adopted Original Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>REVENUES:</b>			
Special taxes	\$ 201,000	\$ 200,827	\$ (173)
Interest earnings	-	1,380	1,380
<b>Total revenues</b>	<u>201,000</u>	<u>202,207</u>	<u>1,207</u>
<b>EXPENDITURES:</b>			
Current:			
Materials and services	-	2,188	(2,188)
<b>Total expenditures</b>	<u>-</u>	<u>2,188</u>	<u>(2,188)</u>
<b>REVENUES OVER(UUNDER) EXPENDITURES</b>	<u>\$ 201,000</u>	200,019	<u>\$ (981)</u>
<b>OTHER FINANCING SOURCES(USES):</b>			
Transfers (out)	-	(350,000)	(350,000)
<b>Total other financing sources(uses)</b>	<u>-</u>	<u>(350,000)</u>	<u>(350,000)</u>
<b>NET CHANGES IN FUND BALANCE</b>	<u>\$ 201,000</u>	(149,981)	<u>\$ (350,981)</u>
<b>FUND BALANCE:</b>			
Beginning of year (Deficit)		<u>197,732</u>	
End of year		<u>\$ 47,751</u>	

# KENSINGTON FIRE PROTECTION DISTRICT

## Schedule of Changes in the District's Total OPEB Liability and Related Ratios For the Fiscal Year Ended June 30, 2025

Fiscal Year Ended	380							
	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
<b>Total OPEB liability:</b>								
Interest	\$ 31,337	\$ 52,265	\$ 54,752	\$ 64,309	\$ 68,428	\$ 81,835	\$ 84,260	\$ 99,977
Changes in assumptions	-	-	-	(125,183)	-	(4,722)	-	(373,443)
Differences between expected and actual experience	-	(258,884)	(13,254)	13,722	(22,395)	(167,556)	(14,315)	146,389
Changes of assumptions	(29,498)	62,927	-	-	-	-	-	-
Benefit payments	(59,444)	(67,617)	(87,859)	(101,648)	(112,644)	(105,006)	(106,929)	(105,986)
<b>Net change in total OPEB liability</b>	<b>(57,605)</b>	<b>(211,309)</b>	<b>(46,361)</b>	<b>(148,800)</b>	<b>(66,611)</b>	<b>(195,449)</b>	<b>(36,984)</b>	<b>(233,063)</b>
<b>Total OPEB liability - beginning</b>	<b>599,094</b>	<b>810,403</b>	<b>856,764</b>	<b>1,005,564</b>	<b>1,072,175</b>	<b>1,267,624</b>	<b>1,304,608</b>	<b>1,537,671</b>
<b>Total OPEB liability - ending</b>	<b>541,489</b>	<b>599,094</b>	<b>810,403</b>	<b>856,764</b>	<b>1,005,564</b>	<b>1,072,175</b>	<b>1,267,624</b>	<b>1,304,608</b>
<b>Plan fiduciary net position:</b>								
Net investment income	105,242	47,866	(194,954)	278,361	79,104	101,767	91,709	112,865
Administrative expense	(419)	(378)	(401)	(101,648)	(722)	(313)	(772)	(739)
Benefit payments	(59,444)	(67,617)	(87,859)	(513)	(112,644)	(105,006)	(106,929)	(105,986)
<b>Net change in plan fiduciary net position</b>	<b>45,379</b>	<b>(20,129)</b>	<b>(283,214)</b>	<b>176,200</b>	<b>(34,262)</b>	<b>(3,552)</b>	<b>(15,992)</b>	<b>6,140</b>
<b>Plan fiduciary net position - beginning</b>	<b>1,298,526</b>	<b>1,318,655</b>	<b>1,601,869</b>	<b>1,425,669</b>	<b>1,459,931</b>	<b>1,463,483</b>	<b>1,479,475</b>	<b>1,473,335</b>
<b>Plan fiduciary net position - ending</b>	<b>1,343,905</b>	<b>1,298,526</b>	<b>1,318,655</b>	<b>1,601,869</b>	<b>1,425,669</b>	<b>1,459,931</b>	<b>1,463,483</b>	<b>1,479,475</b>
<b>District's net OPEB liability</b>	<b>\$ (802,416)</b>	<b>\$ (699,432)</b>	<b>\$ (508,252)</b>	<b>\$ (745,105)</b>	<b>\$ (420,105)</b>	<b>\$ (387,756)</b>	<b>\$ (195,859)</b>	<b>\$ (174,867)</b>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	<b>248.19%</b>	<b>216.75%</b>	<b>162.72%</b>	<b>186.97%</b>	<b>141.78%</b>	<b>136.17%</b>	<b>115.45%</b>	<b>113.40%</b>
<b>Covered-employee payroll**</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>District's net OPEB liability as a percentage of covered-employee payroll**</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>

### Notes to Schedule:

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

\*\* Covered employee payroll is annual compensation paid (or expected to be paid) to active employees covered by an OPEB plan, in aggregate. The District provides post-retirement health benefits (medical, dental, and vision) to a closed group of former employees who have retired from the District and to their surviving spouses and dependent children, thus there is no covered-employee payroll.

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***Other Independent Auditors' Report***

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**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 Fire Protection 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, each major fund, and the aggregate remaining fund information of the Kensington Fire Protection District as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Kensington Fire Protection District's basic financial statements, and have issued our report thereon dated March 12, 2026.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Kensington Fire Protection District's internal control over financial reporting (internal control) 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 Kensington Fire Protection District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Kensington Fire Protection 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 Kensington Fire Protection 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 determination of financial statement amounts. 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.

Murrieta, California  
March 12, 2026