



KENSINGTON FIRE
PROTECTION DISTRICT

ANNUAL FINANCIAL REPORT
WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2021

DRAFT

KENSINGTON FIRE PROTECTION DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2021

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 7
Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Balance Sheet - Governmental Funds	10
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	13
Notes to the Basic Financial Statements	14 - 32
Required Supplementary Information:	
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual for the General Fund and Special Revenue Fund	33
Schedule of Changes in the District's Net OPEB Asset and Related Ratios	34
Schedule of Contributions to the OPEB Plan	35
Other Reports:	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	36 - 37

DRAFT

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Kensington Fire Protection District
Kensington, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Kensington Fire Protection District (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Kensington Fire Protection District, as of June 30, 2021, and the respective changes in financial position, thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the schedules related to the District's net OPEB asset, as listed in the table of contents, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2022, on our consideration of the Kensington Fire Protection 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 Kensington Fire Protection District's internal control over financial reporting and compliance.

Sacramento, California
January 25, 2022

DRAFT

MANAGEMENT'S DISCUSSION AND ANALYSIS

DRAFT

KENSINGTON FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

The following discussion and analysis of the section of the Kensington Fire Protection District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ending June 30, 2021. This information is presented in conjunction with the audited financial statements.

FINANCIAL HIGHLIGHTS

- At the close of the fiscal year, June 30, 2021, assets of the District exceeded its liabilities by \$11,794,248 (net position). Of this amount, \$9,093,463 (unrestricted net position) may be used to meet the District's ongoing obligations to the citizens that the District serves.
- The District's total net position increased by \$748,373.
- At the close of the fiscal year, June 30, 2021, the District's general fund reported an ending fund balance of \$5,176,904, a decrease of \$122,144 when compared with prior year.
- At the close of the fiscal year, June 30, 2021, the District's special revenue fund reported an ending fund balance of \$409,440, an increase of \$198,635 when compared with the prior year.
- At the close of the fiscal year, June 30, 2021, the District's capital project fund reported an ending fund balance of \$3,821,952, an increase of \$99,165 when compared with the prior year.
- At the end of the fiscal year, June 30, 2021, unassigned fund balance for the governmental funds was \$1,745,216.

OVERVIEW OF THE ANNUAL FINANCIAL REPORT

The financial section of this report consists of four parts: ~~Government-wide financial statements, fund financial statements, the notes to the financial statements, and required supplementary information.~~

The government-wide financial statements are the statement of net position and the statement of activities, which are prepared using the economic resource measurement focus and the accrual basis of accounting. These statements provide both long-term and short-term information about the District's overall financial status. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of whether cash is received or paid. The two government-wide statements report the District's net position and how they have 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 financial position. Over time, increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating, respectively. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The fund financial statements are the balance sheet and statement of revenues, expenditures and changes in fund balance, and are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Fund financial statements keep track of specific sources of funding and spending for particular purposes. The District has three funds: general fund, special revenue fund, and capital project fund, which are all components of the governmental funds. The fund financial statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Changes in fund balance are reported if they will have an effect on the near-term cash flow of the District.

The notes provide additional information that is essential to the reader for a full understanding of the data provided in the government-wide and fund financial statements.

The required supplementary information presents the District's progress in funding its obligations to provide other post employee benefits as well as the District's budgetary comparison schedules.

KENSINGTON FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

NET POSITION

The Statement of Net Position presents the financial position of the District on a full accrual basis and provides information about the nature and amount of resources and obligations at year-end. It also provides the basis for computing rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District.

The following table summarizes the Statement of Net Position for the fiscal years ending June 30, 2021 and June 30, 2020:

STATEMENT OF NET POSITION

	2021	2020
ASSETS		
Current and other assets	\$ 9,887,381	\$ 9,725,429
Capital assets	<u>2,280,680</u>	<u>1,872,815</u>
Total Assets	<u>12,168,061</u>	<u>11,598,244</u>
DEFERRED OUTFLOW OF RESOURCES		
Net OPEB asset	<u>6,527</u>	-
LIABILITIES		
Accounts payable and other accruals	58,980	105,033
Long-term liability	<u>321,360</u>	<u>437,605</u>
Total Liabilities	<u>380,340</u>	<u>542,638</u>
DEFERRED INFLOW OF RESOURCES		
Net OPEB asset	-	9,731
NET POSITION		
Net investment in capital assets	2,280,680	1,872,815
Restricted	420,105	387,756
Unrestricted	<u>9,093,463</u>	<u>8,785,304</u>
Total Net Position	<u>\$ 11,794,248</u>	<u>\$ 11,045,875</u>

This table summarizes the net position of the District and reflects the net position increase of \$748,373 to \$11,794,248 in fiscal year 2021 from \$11,045,875 in fiscal year 2020. Net investment in capital assets increased \$407,865 reflecting the net of assets additions/disposals and depreciation on capital assets. Approximately 19% of the District's net position reflects its investment in capital assets (e.g., land, building, machinery, equipment and rolling stock). The District uses these capital assets to provide services to the citizens; consequently, these assets are not available for future spending. The largest portion of the District's net position, 77%, reflects its investment in unrestricted net position. The unrestricted net position is a resource that can be used for transactions relating to the general operations of the District and increased by \$308,159 primarily due to conservative spending in anticipation of new building construction.

KENSINGTON FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

CHANGES IN NET POSITION

The Statement of Net Position is a snapshot that shows assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position at a specific point in time. The Statements of Activities provides information on the nature and source of these assets and liabilities represented on the Statement of Net Position. This statement shows that revenues exceeded expenses by \$748,373 for fiscal year 2021. Ending net position totaled \$11,794,248 as of June 30, 2021. This is a 6.07% increase over June 30, 2020.

The following table summarizes the Statement of Activities for the fiscal years ending June 30, 2021 and June 30, 2020:

STATEMENT OF ACTIVITIES

	2021	2020
REVENUES		
General Revenues		
Property taxes	\$ 4,525,850	\$ 4,335,438
Other revenues	<u>378,222</u>	<u>415,874</u>
Total Revenue	<u>4,904,072</u>	<u>4,751,312</u>
EXPENSES		
Public safety-fire protection operation	<u>4,155,699</u>	<u>3,905,240</u>
Total Expenses	<u>4,155,699</u>	<u>3,905,240</u>
Change in net position	<u>748,373</u>	<u>846,072</u>
Net position - beginning	<u>11,045,875</u>	<u>10,199,803</u>
Net position - ending	<u>\$ 11,794,248</u>	<u>\$ 11,045,875</u>

Total revenues increased by \$152,760 or 3% during the fiscal year 2021 compared to 2020, totaling \$4,904,072. Property tax revenue increased in fiscal year 2021 compared to 2020 by \$190,412 or 4%. Total expenditures increased by \$250,459 or 6% to \$4,155,699 in 2021.

KENSINGTON FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

CAPITAL ASSETS

The District's investment in capital assets, net of accumulated depreciation, as of June 30, 2021 and 2020 was \$2,280,680 and \$1,872,814 respectively. The increase in capital assets is due to the purchase of a new Type III engine.

CAPITAL ASSETS

	2021	2020
Land	\$ 5,800	\$ 5,800
Building and improvements	2,391,581	2,391,581
Equipment and furniture	547,192	547,192
Rolling stock	<u>1,246,698</u>	<u>979,747</u>
Subtotal	4,191,271	3,924,320
Less accumulated depreciation	<u>(1,910,591)</u>	<u>(2,051,506)</u>
Total net capital assets	<u>\$ 2,280,680</u>	<u>\$ 1,872,814</u>

Additional information about the District's capital assets can be found in Note 3 in the Notes to the Basic Financial Statements.

GENERAL FUND BUDGETARY HIGHLIGHTS

Total Revenues were below budget by \$40,050. Property tax revenues exceeded budget by \$56,234 which was offset by actual interest income which was below budget by \$104,390.

Total Expenses were below budget by \$56,507. Items significantly below budget were \$68,240 for outside professional service fees due primarily due to Emergency Preparedness Coordinator and Grant Writing consultants starting later than anticipated and \$39,278 for building utilities and services that could not be completed during the pandemic due to related COVID19 restrictions. Items significantly exceeding budget were \$15,450 for community service activities mainly due to a grant awarded to Kensington Police Protection and Community Services District in the amount of \$30,950 for the purchase of a new fire alarm.

General fund: The general fund's revenue is derived from County of Contra Costa property taxes, which are used to run daily operations of the District.

Special revenue fund: The special revenue fund receives the special assessment tax voted in by the Kensington taxpayers in 1980 to be used for fire protection and prevention operations as determined by the District. The revenue received remains consistent with prior years.

Capital project fund: The capital project fund receives no tax revenue of its own, and is funded by the general fund on an as-needed basis. The District's Board of Directors votes annually on an amount to transfer and invest from the general fund to the capital project fund for long-term expected replacements.

The final budget was adopted by the Board of Directors at the September 2020 meeting. A revised version was adopted by the Board of Directors at the March 2021 meeting.

**KENSINGTON FIRE PROTECTION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The primary factor affecting expenditures in the District's fiscal year 2021-22 budget is the City of El Cerrito service contract fee.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the finances for the Kensington Fire Protection District. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Kensington Fire Protection District, 217 Arlington Avenue, Kensington, CA 94707.

DRAFT

FINANCIAL STATEMENTS

DRAFT

KENSINGTON FIRE PROTECTION DISTRICT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2021

	Governmental Activities
<u>ASSETS</u>	
Cash and investments (Note 2)	\$ 9,374,393
Accounts receivable	44,810
Advance on taxes	46,914
Prepaid expenses and other assets	1,159
Net OPEB asset (Note 6)	420,105
Capital assets (Note 3)	
Nondepreciable capital assets	5,800
Depreciable capital assets, net	<u>2,274,880</u>
	<u>12,168,061</u>
TOTAL ASSETS	
<u>DEFERRED OUTFLOW OF RESOURCES</u>	
Deferred outflow of resources - OPEB (Note 6)	<u>6,527</u>
TOTAL DEFERRED OUTFLOW OF RESOURCES	<u>6,527</u>
<u>LIABILITIES</u>	
Accounts payable and other accruals	\$ 58,980
Long-term liabilities (Note 8)	<u>321,360</u>
	<u>380,340</u>
<u>NET POSITION</u>	
Net investment in capital assets	2,280,680
Restricted	420,105
Unrestricted	<u>9,093,463</u>
TOTAL NET POSITION	<u>11,794,248</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION	<u>\$ 12,174,588</u>

DRAFT

See accompanying notes to the basic financial statements.

KENSINGTON FIRE PROTECTION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Capital Grants and Contributions	
<u>Governmental Activities</u>				
General Government	\$ 4,155,699	\$ -	\$ -	\$ (4,155,699)
Total Governmental Activities	\$ 4,155,699	\$ -	\$ -	\$ (4,155,699)
General Revenues:				
Taxes				\$ 4,751,223
Lease income				36,549
Investment income				32,087
Other revenue				84,213
Total General Revenues				\$ 4,904,072
Change in Net Position				748,373
Net Position - July 1, 2020				\$ 11,045,875
Net Position - June 30, 2021				\$ 11,794,248

See accompanying notes to the basic financial statements.

KENSINGTON FIRE PROTECTION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2021

	General Fund	Special Revenue Fund	Capital Project Fund	Total Governmental Funds
ASSETS				
Cash and investments	\$ 5,143,001	\$ 409,440	\$ 3,821,952	\$ 9,374,393
Advance on supplemental taxes	46,914	-	-	46,914
Accounts receivable	44,810	-	-	44,810
Prepaid expenses and other assets	1,159	-	-	1,159
Total Assets	<u>\$ 5,235,884</u>	<u>\$ 409,440</u>	<u>\$ 3,821,952</u>	<u>\$ 9,467,276</u>
LIABILITIES				
Accounts payable and other accruals	\$ 51,513	\$ -	\$ -	\$ 51,513
Wages payable	7,467	-	-	7,467
Total Liabilities	<u>58,980</u>	<u>-</u>	<u>-</u>	<u>58,980</u>
FUND BALANCE				
Non-spendable	1,159	-	-	1,159
Committed	200,886	409,440	3,804,609	4,414,935
Assigned	3,229,643	-	17,343	3,246,986
Unassigned	1,745,216	-	-	1,745,216
Total Fund Balance	<u>5,176,904</u>	<u>409,440</u>	<u>3,821,952</u>	<u>9,408,296</u>
Total Liabilities and Fund Balances	<u>\$ 5,235,884</u>	<u>\$ 409,440</u>	<u>\$ 3,821,952</u>	<u>\$ 9,467,276</u>

See accompanying notes to the basic financial statements.

KENSINGTON FIRE PROTECTION DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021

Total fund balances of governmental funds	\$ 9,408,296
---	--------------

Amounts reported for governmental activities in the Statement of Net Position are different from those reported in the Governmental Funds above because of the following:

Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds, net of accumulated depreciation of \$1,910,587.	2,280,680
Other long-term assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Net other post employment benefit (OPEB) asset	420,105
Deferred outflows related to changes in the net OPEB asset	6,527
Long term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Long-term liabilities	<u>(321,360)</u>
Net position of governmental activities	\$ <u>11,794,248</u>

DRAFT

See accompanying notes to the basic financial statements.

KENSINGTON FIRE PROTECTION DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Special Revenue Fund	Capital Project Fund	Total Governmental Funds
<u>REVENUES</u>				
Property taxes	\$ 4,525,850	\$ -	\$ -	\$ 4,525,850
Special taxes	-	200,686	-	200,686
Other taxes	24,687	-	-	24,687
Other revenues	8,723	-	-	8,723
Lease income	36,549	-	-	36,549
Interest income	17,410	156	14,521	32,087
Total Revenues	<u>4,613,219</u>	<u>200,842</u>	<u>14,521</u>	<u>4,828,582</u>
<u>EXPENDITURES</u>				
Current expenditures/expenses:				
City of El Cerrito service contract	3,229,643	-	-	3,229,643
City of El Cerrito reconciliation(s)	298,738	-	-	298,738
Firefighter's apparel/expenses	1,187	-	-	1,187
Insurance	64,529	-	-	64,529
Office wages and related expenses	185,137	-	-	185,137
Contra Costa county expenses	31,787	2,207	148	34,142
Wildland vegetation management	6,500	-	-	6,500
Fire abatement contract	2,450	-	-	2,450
LAFCO	4,254	-	-	4,254
Outside professional service fees	168,640	-	-	168,640
Public education	3,100	-	-	3,100
Office expense and supplies	7,444	-	-	7,444
Building utilities/services	62,722	-	-	62,722
Memberships	7,853	-	-	7,853
Elections	4,991	-	-	4,991
Community service activities	54,950	-	-	54,950
Staff appreciation	1,247	-	-	1,247
Debt Services - Principal (CalPERS settlement)	24,044	-	-	24,044
Capital outlay	<u>566,845</u>	<u>-</u>	<u>-</u>	<u>566,845</u>
Total Expenditures	<u>4,726,061</u>	<u>2,207</u>	<u>148</u>	<u>4,728,416</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(112,842)</u>	<u>198,635</u>	<u>14,373</u>	<u>100,166</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Proceeds from sale of capital assets	75,490	-	-	75,490
Transfers in	20,000	-	104,792	124,792
Transfers out	<u>(104,792)</u>	<u>-</u>	<u>(20,000)</u>	<u>(124,792)</u>
Total other financing sources (uses)	<u>(9,302)</u>	<u>-</u>	<u>84,792</u>	<u>75,490</u>
Change in Fund Balance	<u>(122,144)</u>	<u>198,635</u>	<u>99,165</u>	<u>175,656</u>
Fund Balance - July 1, 2020	<u>5,299,048</u>	<u>210,805</u>	<u>3,722,787</u>	<u>9,232,640</u>
Fund Balance - June 30, 2021	<u>\$ 5,176,904</u>	<u>\$ 409,440</u>	<u>\$ 3,821,952</u>	<u>\$ 9,408,296</u>

See accompanying notes to the basic financial statements.

KENSINGTON FIRE PROTECTION DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

Reconciliation of the change in fund balances - total governmental funds to the change in net position of governmental activities:

Change in fund balances - governmental funds	\$ 175,656
The governmental funds report capital outlays as expenditures while governmental activities report depreciation as expense to allocate those expenditures over the life of the assets:	
Capital asset purchases capitalized	566,845
Depreciation expense	(158,979)
Repayment of debt principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the Statement of Net Position:	
Debt principal payments	32,613
True up of El Cerrito liability	83,633
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund:	
Change in other post employment benefits (OPEB)	<u>48,605</u>
Change in net position of governmental activities	\$ <u>748,373</u>

DRAFT

See accompanying notes to the basic financial statements.

KENSINGTON FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Reporting Entity

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 expires June 30, 2021. The annual fee that the District paid under this contract for the fiscal year ended June 30, 2021 totaled \$3,229,643. In June 2021, the District's contract with the City was subsequently renewed through June 30, 2022.

B. Basis of Presentation

The basic financial statements of the Kensington Fire District have been prepared in conformity with accounting principals generally accepted in the United States of America. The Government Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing governmental accounting and financial reporting standards followed by governmental entities in the United States of America.

These standards require that the financial statements described below be presented.

Government-wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include the activities of the District's overall government. The District's net position is reported in three parts: net investment in capital assets; restricted net position; and unrestricted net position. The District first utilizes restricted resources to finance qualifying activities. Governmental activities generally are financed through taxes and other nonexchange revenues.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment 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 needs of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures. A fund is established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions, or limitations. Governmental resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's funds, all of which are considered to be major governmental funds, are reported as separate columns in the fund financial statements. The District uses the following funds:

KENSINGTON FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Types

The *General Fund* is the operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

The *Special Revenue Fund* accounts for the special tax authorized by Section 53978 of the Government Code and approved by the District's electorate on April 8, 1980.

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

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and deferred outflows of resources, and all liabilities and deferred inflows of resources (whether current or noncurrent) associated with the operation of these funds are reported.

All governmental funds are accounted for using a "current financial resources" measurement focus. With this measurement focus, only current assets and current liabilities generally are included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available." "Measurable" means knowing or being able to reasonably estimate the amount and "available" means that revenues are collectible within the current period or soon enough thereafter to pay current liabilities. For this purpose, the District considers special and other taxes to be available if they are collected within 90 days of year-end. The District considers property taxes to be available if they are collected within 60 days of year-end. Revenues not considered available are recorded as deferred revenues. Expenditures are recorded when the related fund liability is incurred, except for compensated absences, such as vacation and sick leave, which are recognized when due.

D. Cash and Investments

Cash and investments include amounts in demand deposits as well as short-term and long-term investments with the county investment pool. Substantially all of the District's cash and investments are held by the County of Contra Costa (County) as its fiscal agent. The District's investments are reported at fair value. The fair value represents the amount the District could reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller. The fair value of investments is obtained by using quotations obtained from independent published sources. The District also maintains a general checking account to facilitate the processing of small transactions.

KENSINGTON FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As permitted by the California Government Code, contracts and agreements, the District is permitted to invest in the County's cash and investment pool, obligations of the U.S. Treasury or its agencies; certificates of deposits; mutual funds invested in U.S. Government securities; and other permitted investments.

Interest income earned on pooled cash and investments is allocated quarterly to the various funds based on quarter-end balances and is adjusted at fiscal year-end.

E. Accounts and Interest Receivable

In the government-wide statements, 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.

In the fund financial statements, material receivables in governmental funds include amounts due from county, advance on supplemental taxes, and interest receivable. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available.

F. Capital Assets

In the government-wide financial statements, capital assets are defined as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Capital assets, which include land, buildings, rolling stock (vehicles), and equipment/ furniture, are valued at historical cost, or an estimate of historical cost if actual cost is unavailable. Donated capital assets are valued at their estimated fair market value on the date received. Depreciation is computed for financial statement purposes using the straight-line method. The estimated useful lives for these depreciated assets are as follows:

Building and improvements	15 to 40 years
Rolling stock, equipment and furniture	5 to 15 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

G. Property Taxes

Revenue is recognized in the fiscal year for which the tax and assessment are levied. The County levies, bills and collects property taxes and special assessments for the District. Under the County's "Teeter Plan", the County remits the entire amount levied and handles all delinquencies while retaining related interest and penalties.

Taxes are levied for each fiscal year on taxable real and personal property situated in the County. The levy is based on the assessed values as of the preceding January 1st, which is also the lien date. Property taxes on the secured roll are due in two installments: November 1st and February 1st and become delinquent after December 10th and April 10th, respectively. Supplemental property taxes are levied based on changes in assessed values between the date of real property sales or construction completion and the preceding assessment date. The additional supplemental property taxes are prorated from the first day of the month following the date of such occurrence.

KENSINGTON FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Capital Project Fund. There are no appropriations or encumbrances in the Special Revenue Fund. All appropriations lapse at fiscal year-end.

I. Long-term Liabilities

In the government-wide financial statements, long-term liabilities, and other long-term obligations are reported as liabilities in the applicable governmental activities. In the governmental fund financial statements, issuance of new debt is recorded as other financing sources and principal payments as debt service expenditures.

J. Interfund Transactions

All interfund transactions are treated as transfers. The general fund is the main operating fund for the District. Annually, tax revenues recorded in the special revenue fund are transferred to the general fund to fund the District's operations. Transfers between governmental funds are eliminated as part of the adjustments to the government-wide presentation.

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position, or balance sheet, will sometimes report a section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position of fund balance that applies to a future period(s) and so will be recognized as an outflow of resources (expense/expenditure) until then.

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

L. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB asset, 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 plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and assets information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 to June 30, 2020

KENSINGTON FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Equity Classifications

Government-Wide Statements

Net position is the excess of all the District's assets and deferred outflows of resources over all of its liabilities and deferred inflows of resources, regardless of fund. Net position is divided into three categories. These categories apply only to net position, which is determined at the government-wide level, and are described below:

- a. Net investment in capital assets - 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, constructions, or improvements of those assets.
- b. Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net position that do not meet the definition of "net investment in capital assets," or "restricted."

Fund Statements

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- a. Nonspendable - Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. Restricted - Amounts that are restricted for specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, laws, or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- c. Committed - Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the district's highest level of decision-making authority. Commitments may be changed or lifted only by the District taking the same formal action that imposed the constraint originally (for example: resolution and ordinance).
- d. Assigned - Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted or committed. *Intent* is expressed by (a) the District's Board or (b) a body (for example: a budget or finance committee) or (c) official to which the District's Board has delegated the authority to assign amounts to be used for specific purpose.
- e. Unassigned - Amounts representing the residual classification for the general fund, and includes all amounts not contained in the other classifications.

Further detail about the District's fund balance classification is described in Note 4.

KENSINGTON FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Budgets and Budgetary Accounting

The District follows the procedures below in establishing the budgetary data reflected in the basic financial statements:

- a. At the June Board of Directors (Board) meeting, the Finance Committee submits to the Board proposed operating and capital improvement draft budgets for the fiscal year commencing the following July 1. The operating and capital improvement budgets include proposed expenditures and the means of financing them.
- b. The Draft budget is legally enacted through the adoption of a resolution by the Board.
- c. A final operating and capital improvement budget is submitted to the Board at the September Board meeting. The budget is legally enacted through the adoption of a resolution by the Board.
- d. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund. The Capital Project Fund is budgeted over the life of the project.
- e. Budgets for the General Fund, Special Revenue Fund and the Capital Project Fund are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
- f. The Special Revenue Fund is only used to accumulate special tax revenues, which are then transferred to the other funds as needed.

O. Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

P. Subsequent Events

Subsequent events have been evaluated through January 25, 2022, which is the date the financial statements were issued.

Q. Implementation of Government Accounting Standards Board Statements

Effective July 1, 2020, the District implemented the following accounting and financial reporting standards:

Government Accounting Standards Board Statement No. 84

In January 2017, GASB issued Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The District adopted this accounting guidance for its June 30, 2021 year-end.

KENSINGTON FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government Accounting Standards Board Statement No. 90

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests*. The purpose of this statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The new standard clarifies the differences between a majority equity interests reported as an investment and majority equity interest reported as a component unit of the governmental entity. The District adopted this accounting guidance for its June 30, 2021 year-end.

R. Future Government Accounting Standards Board Statements

These statements are not effective until July 1, 2021 or later and may be applicable to the District. However, the District has not determined the effects, if any, on the financial statements.

Government Accounting Standards Board Statement No. 87

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Application of this statement is effective for the District's fiscal year ending June 30, 2022. The District has not determined what impact, if any, this pronouncement will have on the financial statements.

Government Accounting Standards Board Statement No. 89

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This statement requires interest costs incurred before the end of a construction period to be recorded as an expenditure in the applicable period. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The District has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the District's fiscal year ending June 30, 2022.

Government Accounting Standards Board Statement No. 91

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The purpose of this statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The District has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the District's fiscal year ending June 30, 2023.

Government Accounting Standards Board Statement No. 92

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The District has not determined what impact, if any, this pronouncement will have on the financial statements. Application of this statement is effective for the District's fiscal year ending June 30, 2022.

KENSINGTON FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government Accounting Standards Board Statement No. 93

In March 2020, GASB issued Statement No. 93, Replacement of Interbank Offered Rates. The primary objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). The District has not determined what impact, if any, this pronouncement will have on the financial statements. The removal of LIBOR as an appropriate benchmark interest rate is effective for the District's fiscal year ending June 30, 2022. All other requirements of this statement are effective for the District's fiscal year ending June 30, 2022.

Government Accounting Standards Board Statement No. 94

In March 2020, GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial assets, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The District has not determined what impact, if any, this pronouncement will have on the financial statements. The requirements of this statement are effective for the District's fiscal year ending June 30, 2023.

Government Accounting Standards Board Statement No. 96

In May 2020, GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments, defines a SBITA, establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding liability, provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and requires note disclosures regarding a SBITA. The District has not determined what impact, if any, this pronouncement will have on the financial statements. The requirements of this statement are effective for the District's fiscal year ending June 30, 2023.

Government Accounting Standards Board Statement No. 97

In June 2020, GASB issued Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a partial component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The District has not determined what impact, if any, this pronouncement will have on the financial statements. The requirements of this statement related to the accounting and financial reporting for Section 457 plans are effective for the District's fiscal year ending June 30, 2022.

KENSINGTON FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2: CASH AND INVESTMENTS

Cash and investments at June 30, 2021 consisted of the following:

Deposits	\$ 131,964
Cash held by the county	1,811,065
Petty cash	<u>200</u>
Total cash	<u>1,943,229</u>
Local Agency Investment Fund	<u>7,431,164</u>
Total investments	<u>7,431,164</u>
Total Cash and Investments	<u>\$ 9,374,393</u>

Deposits

At year-end, the carrying amount of the District's demand deposits was \$131,964 with a commercial bank which is covered by federal depository insurance.

Cash held by the County

The District's cash is included in the Contra Costa County (County) Treasurer cash and investments 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.

Separately Held Investments

The County also has investments in the State Treasurer's Local Agency Investment Fund (LAIF) separately held for the District. As of June 30, 2021, the District's investment in LAIF is \$7,431,164 which is approximately 6.37% of total Contra Costa County LAIF. The total amount invested by all public agencies under the County Pool in LAIF at June 30, 2021 is \$284,246,498. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designed by State Statute. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis, which is different from the fair value of the District's position in the pool.

KENSINGTON FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2: CASH AND INVESTMENTS (Continued)

Authorized Investments of the District

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive) that addresses interest rate risk, credit risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligation	5 years	None	None
Banker's Acceptances	180 days	10%	5%
Commercial Paper	270 days	25%	5%
Certificates of Deposit	5 years	30%	None
Collateralized Bank Deposits	5 years	None	None
Medium-Term Corporate Notes	5 years	30%	None
Money Market Mutual Funds	N/A	20%	10%
CD Placement Services	5 years	30%	None
Local Agency Investment Fund (LAIF)	N/A	None	None
County Pooled Investment Funds	N/A	None	None
Joint Powers Authority Funds (CalTRUST)	N/A	None	None
U.S. Agency Obligations	5 years	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk in the market rate changes that could adversely affect the fair values of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for District operations.

Information about the sensitivity of the fair values of the District's investments (including investments held by bond trustee) to market rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity as of June 30, 2021:

	Remaining Maturity		
	12 months or less	1-5 years	Fair Value
Local Agency Investment Fund	\$ 7,431,164	\$ -	\$ 7,431,164

KENSINGTON FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2: CASH AND INVESTMENTS (Continued)

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of an investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the investment policy, or debt agreements, and the actual rating as of the fiscal year for each investment type.

	Total	Rating as of Fiscal Year End		
		S&P	Moody's	N/A
Local Agency Investment Fund	\$ <u>7,431,164</u>			Not rated
	\$ <u>7,431,164</u>			

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. As of June 30, 2021 there were no investments in any one issuer (other than U.S. Treasury securities, mutual funds and external investment pools) that represented 5% or more of the total District investments.

DRAFT

KENSINGTON FIRE PROTECTION DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2021

NOTE 3: CAPITAL ASSETS

The District's capital asset activity during the year was as follows:

Governmental activities:

	<u>July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2021</u>
Capital assets not being depreciated				
Land	\$ 5,800	\$ -	\$ -	\$ 5,800
Total capital assets not being depreciated	<u>5,800</u>	<u>-</u>	<u>-</u>	<u>5,800</u>
Capital assets being depreciated				
Building and improvements	2,391,581	-	-	2,391,581
Equipment and furniture	547,192	-	-	547,192
Rolling stock equipment	<u>979,747</u>	<u>566,845</u>	<u>(299,894)</u>	<u>1,246,698</u>
Total capital assets being depreciated	<u>3,918,520</u>	<u>566,845</u>	<u>(299,894)</u>	<u>4,185,471</u>
Less accumulated depreciation				
Building and improvements	(1,141,261)	(67,617)	-	(1,208,878)
Equipment and furniture	(396,984)	(26,265)	-	(423,249)
Rolling stock equipment	<u>(513,261)</u>	<u>(65,097)</u>	<u>299,894</u>	<u>(278,464)</u>
Total accumulated depreciation	<u>(2,051,506)</u>	<u>(158,979)</u>	<u>299,894</u>	<u>(1,910,591)</u>
Total capital asset being depreciated, net	<u>1,867,014</u>	<u>407,866</u>	<u>-</u>	<u>2,274,880</u>
Total capital assets, net	<u>\$ 1,872,814</u>	<u>\$ 407,866</u>	<u>\$ -</u>	<u>\$ 2,280,680</u>

Depreciation expense totaled \$158,979 for the year ended June 30, 2021.

KENSINGTON FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4: FUND BALANCE

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

The Board of Directors, as the District's highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by formal action. Committing fund balance is accomplished by approval of an action item by the Board of Directors. These committed amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use through the same type of formal action taken to establish the commitment.

Assigned fund balance are amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted or committed.

The accounting policies of the District consider restricted fund balance to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the District considers committed amounts to be reduced first, followed by assigned amounts, and unassigned amounts.

As of June 30, 2021, fund balances were comprised of the following:

	General Fund	Special Revenue Fund	Capital Project Fund	Total Governmental Funds
Nonspendable				
Prepays and other assets	\$ 1,159	\$ -	\$ -	\$ 1,159
Subtotal	<u>1,159</u>	<u>-</u>	<u>-</u>	<u>1,159</u>
Committed				
Public protection	-	409,440	-	409,440
Capital projects	-	-	3,804,609	3,804,609
City of El Cerrito contract reserve	<u>200,886</u>	<u>-</u>	<u>-</u>	<u>200,886</u>
Subtotal	<u>200,886</u>	<u>409,440</u>	<u>3,804,609</u>	<u>4,414,935</u>
Assigned				
Public protection	3,229,643	-	-	3,229,643
Capital projects	-	-	17,343	17,343
Subtotal	<u>3,229,643</u>	<u>-</u>	<u>17,343</u>	<u>3,246,986</u>
Unassigned	<u>1,745,216</u>	<u>-</u>	<u>-</u>	<u>1,745,216</u>
Total Fund Balance	<u>\$ 5,176,904</u>	<u>\$ 409,440</u>	<u>\$ 3,821,952</u>	<u>\$ 9,408,296</u>

The Board's financial planning aims to help reduce the negative impact on the District in times of economic uncertainty and potential losses of funding from federal or state governmental agencies. District funds are restricted, committed and assigned as part of a multi-year financial plan to balance the budget and avoid operating deficits.

KENSINGTON FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5: INTERFUND TRANSFERS TO/FROM OTHER FUNDS

Transfers between funds during the fiscal year ended June 30, 2021 were as follows:

Transfer from	Transfer To	Description of Transfers	Amount
General Fund	Capital Project Fund	To fund budgeted contribution for Capital Replacement.	\$ 104,792
Capital Project Fund	General Fund	To keep capital reserves in line with budget	<u>20,000</u>
Total Interfund Transfers			\$ <u>124,792</u>

NOTE 6: POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Description of the Plan

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

As of the June 30, 2019 actuarial valuation, the following former employees were covered by the benefit terms under the Plan:

Active employees	-
Inactive employees currently receiving benefits	<u>9</u>
Total	<u>9</u>

Contributions

The contribution requirements of plan members and the District are established and may be amended by the Board. The District's policy is to fully fund the actuarially determined contribution, when required. The District makes the contributions on behalf of the participants. For the fiscal year ended June 30, 2021, there were no contributions, since the plan is fully funded and benefit payments are made from the Trust.

KENSINGTON FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6: OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Net OPEB Asset

The District's net OPEB asset was measured as of June 30, 2020 and the total OPEB asset used to calculate the net OPEB asset was determined by an actuarial valuation dated June 30, 2019 based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2019
Funding Method	Entry Age Normal Cost, level percent pay
Discount Rate	6.73%
Inflation	2.26% annual inflation
Payroll increases	3.25% annual increases.
Net Investment Return	6.73%
Mortality Rates	The mortality rates used are those used in the most recent CalPERS valuations: <i>Pre-Retirement: CalPERS 2017 Mortality pre-retirement</i> <i>Post-Retirement: CalPERS 2017 Mortality post-retirement</i>
Healthcare Trend Rate	<i>Pre-65: 7.00%</i> <i>Post-65: 5.00%</i>
Health Plan Participation	Assumed that 100% of eligible participants will participate.
Medicare Coverage	Assumed that all retirees under 65 will be eligible for Medicare when they reach age 65.

Changes in Assumptions

For the measurement period June 30, 2020, there were no changes in assumptions.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2020 was 6.73%. This discount rate was based on a blend of the long-term expected rate of return on assets for benefits covered by plan assets and a yield or index for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or better for benefits not covered by plan assets.

KENSINGTON FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6: OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Long-term Expected Rate of Return

The expected long-term return on assets takes into account the time horizon of the plan, the asset allocation, and the expected long-term real rates of return by asset class. Below are the arithmetic long-term expected real rates of return by asset class for the next 10 years as provided in a report by JP Morgan. For years thereafter, returns were based on historical average index real returns over the last 30 years assuming a similar equity/fixed investment mix and a 2.26% inflation rate. Investment expenses were assumed to be 10 basis points per year. These returns were matched with cash flows for benefits covered by plan assets and the Bond Buyer 20-Bond General Obligation index was matched with cash flows not covered by plan assets to measure the reasonableness of the choice in discount rate. The expected long-term real rates of return for each major investment class in the Plan's portfolio are as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	43.00 %	5.43%
Fixed Income	49.00 %	1.63%
Real Estate Investment Trusts	8.00 %	5.06%
Total	100.00 %	

Changes in the OPEB Asset

To determine the June 30, 2020 (measurement period) net OPEB asset, the District used a roll-forward technique for the total OPEB liability. The fiduciary net position is based on the actual June 30, 2020 fiduciary net position. The following table shows the results of the roll-forward.

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) (b)
Balance at June 30, 2019	\$ 1,072,175	\$ 1,459,931	\$ (387,756)
Interest cost	68,428	-	68,428
Differences between expected and actual experience	(22,395)	-	(22,395)
Net investment income	-	79,104	(79,104)
Benefit payments, including refunds of employee contribution	(112,644)	(112,644)	-
Administrative expenses	-	(722)	722
Net change during 2019-20	<u>(66,611)</u>	<u>(34,262)</u>	<u>(32,349)</u>
Balance at June 30, 2020	<u>\$ 1,005,564</u>	<u>\$ 1,425,669</u>	<u>\$ (420,105)</u>

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

The following represents the net OPEB Asset of the District if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate, for measurement period ended June 30, 2020:

	1% Decrease 5.73%	Current 6.73%	1% Increase 7.73%
Net OPEB Asset	\$ (326,430)	\$ (420,105)	\$ (499,274)

KENSINGTON FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6: OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Sensitivity of the Net OPEB Asset to Changes in the Health Care Cost Trend Rates

The following represents the net OPEB asset of the District if it were calculated using health care cost trend rates that are one percentage-point lower or one percentage-point higher than the current rate, for measurement period ended June 30, 2020:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB Asset	\$ <u>(330,545)</u>	\$ <u>(420,105)</u>	\$ <u>(497,048)</u>

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB asset and fiduciary net position are recognized in OPEB expense systematically over time.

Amounts first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on OPEB plan investments	5 year straight-line recognition
All other amounts	Straight-line recognition over the expected average remaining service lifetime (EARSL) of all members that are provided with benefits, determined as of the beginning of the Measurement Period.

OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2021, the District recognized OPEB benefit of \$48,605. As of fiscal year ended June 30, 2021, the District reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>
Net difference between projected and actual earnings on OPEB plan investments	\$ <u>6,527</u>
Total	\$ <u>6,527</u>

KENSINGTON FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6: OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Fiscal Year Ending June 30,	Recognized Deferred Inflows of Resources
2022	\$ (864)
2023	\$ 2,585
2024	\$ 1,726
2025	\$ 3,080

NOTE 7: RISK MANAGEMENT

The Kensington Fire Protection District is a member of Contra Costa County Fire District's Joint Power of Authority Insurance Pool (CSAC). 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:

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

NOTE 8: LONG TERM LIABILITIES

The District pays a true-up of expenses to the City of El Cerrito for fire protection services. The City of El Cerrito liability represents the "true-up" or reconciling costs for fire protection costs incurred from prior years. At the end of every year, these expenses are totaled by City of El Cerrito and the final true-up of expenses is provided to the District in the following year cost proposal. There is roughly a two year lag in information, so the District pays for the true-up expenses from two years ago. As of June 30, 2021, the long-term liability is \$301,366 which consists of \$191,060 related to actual reconciling costs for services performed in FY 19/20 and \$110,306 related to estimated costs for services performed in FY 20/21.

In June 2017, CalPERS issued a determination that the District owed \$139,711 in premium payments related to an internal accounting error involving a former District employee. The District filed an appeal, and on December 19, 2018, the parties reached a settlement. Following the settlement, the District will pay \$45,700 in 48 equal monthly installments. As of June 30, 2021, \$25,706 has been paid off and the remaining amount of \$19,994 has been recorded as a long-term liability.

KENSINGTON FIRE PROTECTION DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9: CONTINGENCIES AND COMMITMENTS

The District is subject to litigation arising in the normal course of business. In the opinion of the management, there is no pending litigation which is likely to have a material adverse effect on the financial position of the District.

The World Health Organization declared the worldwide coronavirus (COVID-19) outbreak a public health emergency on January 30, 2020 and officially declared it as a pandemic as of March 11, 2020. Management has performed an evaluation of certain financial statement line items such as accounts receivable, fixed assets, and accounts payable to determine whether valuation or impairment adjustments should be made. Management has determined that the amounts reported on the financial statements are properly valued as of June 30, 2021. However, since the duration and full effects of the COVID-19 outbreak are yet unknown there could be future negative impacts to the financial condition of the District.

DRAFT

REQUIRED SUPPLEMENTARY INFORMATION

DRAFT

KENSINGTON FIRE PROTECTION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL FOR THE GENERAL FUND AND SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund			Special Revenue Fund			Variance with Final Budget Under (Over)	
	Final Budget	Actual	Variance with Final Budget Under (Over)	Final Budget	Actual			
REVENUES								
Property taxes	\$ 4,469,616	\$ 4,525,850	\$ (56,234)	\$ -	\$ -	\$ -	\$ -	
Special taxes	-	-	-	200,686	200,686	-	-	
Other taxes	25,250	24,687	563	-	-	-	-	
Other revenues	-	8,723	(8,723)	-	-	-	-	
Lease income	36,603	36,549	54	-	-	-	-	
Interest income	121,800	17,410	104,390	-	156	-	(156)	
Total Revenues	<u>4,653,269</u>	<u>4,613,219</u>	<u>40,050</u>	<u>200,686</u>	<u>200,842</u>	<u>-</u>	<u>(156)</u>	
EXPENDITURES								
Current expenditures/expenses:								
City of El Cerrito service contract	3,229,643	3,229,643	-	-	-	-	-	
City of El Cerrito reconciliation(s)	288,532	298,738	(10,206)	-	-	-	-	
Firefighter's apparel/ expenses	4,900	1,187	3,713	-	-	-	-	
Insurance	39,420	64,529	(25,109)	-	-	-	-	
Office wages and related expenses	189,038	185,137	3,901	-	-	-	-	
Contra Costa county expenses	38,759	31,787	6,972	-	2,207	-	(2,207)	
Wildland vegetation management	7,600	6,500	1,100	-	-	-	-	
Fire abatement contract	2,450	2,450	-	-	-	-	-	
LAFCO	2,294	4,254	(1,960)	-	-	-	-	
Outside professional service fees	236,880	168,640	68,240	-	-	-	-	
Public education	17,000	3,100	13,900	-	-	-	-	
Office expense and supplies	6,314	7,444	(1,130)	-	-	-	-	
Building utilities/services	102,000	62,722	39,278	-	-	-	-	
Memberships	8,720	7,853	867	-	-	-	-	
Elections	4,000	4,991	(991)	-	-	-	-	
Community service activities	39,500	54,950	(15,450)	-	-	-	-	
Staff appreciation	1,750	1,247	503	-	-	-	-	
Debt Services - Principal (CalPERS settlement)	-	24,044	(24,044)	-	-	-	-	
Capital outlay	<u>525,880</u>	<u>566,845</u>	<u>(40,965)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Total Expenditures	<u>4,744,680</u>	<u>4,726,061</u>	<u>18,619</u>	<u>-</u>	<u>2,207</u>	<u>-</u>	<u>(2,207)</u>	
Subtotal - Revenues Less Expenditures	<u>(91,411)</u>	<u>(112,842)</u>	<u>21,431</u>	<u>200,686</u>	<u>198,635</u>	<u>-</u>	<u>2,051</u>	
OTHER FINANCING SOURCES (USES)								
Proceeds from the sale of capital assets	-	75,490	75,490	-	-	-	-	
Transfers in	-	20,000	20,000	-	-	-	-	
Transfers out	-	(104,792)	(104,792)	-	-	-	-	
Total other financing sources (uses)	-	(9,302)	(9,302)	-	-	-	-	
Change in Fund Balance	<u>(91,411)</u>	<u>(122,144)</u>	<u>(30,733)</u>	<u>200,686</u>	<u>198,635</u>	<u>-</u>	<u>(2,051)</u>	
Fund Balance - July 1, 2020		5,299,048			210,805			
Fund Balance - June 30, 2021	\$ <u>5,176,904</u>			\$ <u>409,440</u>				

**KENSINGTON FIRE PROTECTION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB ASSET AND RELATED RATIOS
For the Measurement Period Ended June 30**

Last 10 Years*

	2020	2019	2018	2017
Total OPEB Liability				
Interest	\$ 68,428	\$ 81,835	\$ 84,260	\$ 99,977
Difference between expected and actual experience	(22,395)	(167,556)	(14,315)	146,389
Changes of assumptions	-	(4,722)	-	(373,443)
Benefit payments, including refunds of employee contribution	<u>(112,644)</u>	<u>(105,006)</u>	<u>(106,929)</u>	<u>(105,986)</u>
Net change in total OPEB liability	(66,611)	(195,449)	(36,984)	(233,063)
Total OPEB liability, beginning	<u>1,072,175</u>	<u>1,267,624</u>	<u>1,304,608</u>	<u>1,537,671</u>
Total OPEB liability, ending (a)	<u>\$ 1,005,564</u>	<u>\$ 1,072,175</u>	<u>\$ 1,267,624</u>	<u>\$ 1,304,608</u>
Plan Fiduciary Net Position				
Net investment income	\$ 79,104	\$ 101,767	\$ 91,709	\$ 112,865
Benefit payments, including refunds of employee contributions	(112,644)	(105,006)	(106,929)	(105,986)
Administrative expenses	<u>(722)</u>	<u>(313)</u>	<u>(772)</u>	<u>(739)</u>
Net change in plan fiduciary net position	(34,262)	(3,552)	(15,992)	6,140
Plan fiduciary net position, beginning	<u>1,459,931</u>	<u>1,463,483</u>	<u>1,479,475</u>	<u>1,473,335</u>
Plan fiduciary net position, ending (b)	<u>\$ 1,425,669</u>	<u>\$ 1,459,931</u>	<u>\$ 1,463,483</u>	<u>\$ 1,479,475</u>
District's net OPEB asset, ending (a) - (b)	<u>\$ (420,105)</u>	<u>\$ (387,756)</u>	<u>\$ (195,859)</u>	<u>\$ (174,867)</u>
Plan Fiduciary net position as a percentage of the total OPEB liability	142 %	136 %	115 %	113 %
Covered-employee payroll**	-	-	-	-
District's net OPEB asset as a percentage of covered-employee payroll**	-	-	-	-

DRAFT

Notes to Schedule:

* Schedule is intended to show information for ten years. Fiscal year 2018 was the first year of implementation, therefore only four years are shown. Additional years' information will be displayed as it becomes available.

**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.

**KENSINGTON FIRE PROTECTION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF CONTRIBUTIONS TO THE OPEB PLAN
For the Fiscal Year Ended June 30**

Last 10 Years*

	2021**	2020**	2019**	2018**
Actuarially Determined Contribution (ADC)	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the ADC	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Covered-employee payroll***	-	-	-	-
Contributions as a percentage of covered-employee payroll***	-	-	-	-

Notes to Schedule:

* Schedule is intended to show information for ten years. Fiscal year 2018 was the first year of implementation, therefore only four years are shown. Additional years' information will be displayed as it becomes available.

** The District's policy is to fully fund the actuarially determined contribution, when required. The District makes the contributions on behalf of the participants. For the fiscal year ended June 30, 2021 and prior years presented, there were no contributions, since the plan is fully funded and benefit payments are made from the Trust.

*** 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.

OTHER REPORTS

DRAFT

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the 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 and each major fund, of the Kensington Fire Protection District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Kensington Fire Protection District's basic financial statements, and have issued our report thereon dated January 25, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Kensington Fire Protection District's internal control over financial reporting (internal control) as a basis for designing 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 entity'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 may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Sacramento, California
January 25, 2022

DRAFT

January 25, 2022

To the Board of Directors
Kensington Fire Protection District
Kensington, California

We have audited the financial statements of the governmental activities and each major fund of the Kensington Fire Protection District for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 24, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Kensington Fire Protection District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies were not changed during the year. We noted no transactions entered into by Kensington Fire Protection District during the year for which there was a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were depreciation, estimate of the net other-post employment benefit (OPEB) liability, and estimate related to the City of El Cerrito long term liability. Management's estimate for depreciation is based on the District's capitalization policy. Management's estimate for the OPEB liability is based on actuarial valuations. Management's estimate for El Cerrito long term liability is based on estimated costs for services performed. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Attachment "A" summarizes misstatements identified by us during the audit which were posted to the financial statements by management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 25, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Kensington Fire Protection District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Kensington Fire Protection District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, the budgetary comparison schedules, and the schedule of changes in the District's net OPEB liability and related ratios, 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 assurance on the RSI.

Restriction on Use

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

Very truly yours,

Mann, Urrutia, Nelson, CPAs & Associates, LLP

DRAFT

KENSINGTON FIRE PROTECTION DISTRICT
SUMMARY OF AUDIT ADJUSTMENTS
June 30, 2021

Description	Effect - Increase (Decrease)				
	Assets	Liabilities	Equity	Revenue	Expenses
<u>Current Year Differences</u>					
To adjust net OPEB asset as of measurement date June 30,2020	\$ 48,607			\$ 48,607	
To record paydown of CalPERS Settlement Liability	\$ (8,569)			\$ (8,569)	
Total Income Statement Effect				\$ - \$ 40,038	
Balance Sheet Effect	\$ - \$ 40,038			\$ -	

DRAFT

KENSINGTON FIRE PROTECTION DISTRICT

MANAGEMENT REPORT
FOR THE YEAR ENDED
JUNE 30, 2021

DRAFT

MANAGEMENT REPORT

To the Board of Directors and Management
of Kensington Fire Protection District

In planning and performing our audit of the financial statements of Kensington Fire Protection District as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered Kensington Fire Protection District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kensington Fire Protection District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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 may exist that have not been identified.

During our audit we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comment and suggestion regarding the matter. This letter does not affect our report dated January 25, 2021, on the financial statements of Kensington's Fire Protection District.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with the District's management, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

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

Sincerely,

Mann, Urrutia, Nelson, CPAs & Associates, LLP
Sacramento, California
January 25, 2021

**KENSINGTON FIRE PROTECTION DISTRICT
SUMMARY OF CURRENT YEAR FINDINGS AND RECOMMENDATIONS
JUNE 30, 2021**

Accounts Receivable (Repeat Finding)

We noted during our testing of Accounts Receivable a large volume of activity dating back to at least calendar year 2001 that should be cleared from the District's general ledger. We recommend that District's management review Accounts Receivable sub-ledger for stale activity.

Management Response: The GM is working with Maze & Associates to clear any stale activity.

Accounts Payable

We noted during our testing of Accounts Payable a large volume of activity dating back to at least calendar year 2000 that should be cleared from the District's general ledger. We recommend that District's management review Accounts Payable sub-ledger for stale activity.

Management Response: The GM is working with Maze & Associates to clear any stale activity.

Capital Assets

During our testing of the District's capital assets we identified an asset that had been disposed but was still included in the asset listing and included as part of the fixed asset general ledger balance. We recommend that management implement a process to review and update the fixed asset listing monthly.

Management Response: Maze & Associates has been directed to update the fixed asset listing for asset disposals which will then be reviewed by the General Manager.

DRAFT

**KENSINGTON FIRE PROTECTION DISTRICT
STATUS OF PRIOR YEAR AND RECOMMENDATIONS
JUNE 30, 2021**

Journal Entries

During our journal entry testing we noted that for all 25 entries selected for testing, we were unable to verify that the entries had been independently reviewed/approved by an authorized individual other than the individual responsible for preparing the entry. We recommend management implement a process by which an independent review of all manual journal entries is formally documented.

Status: Implemented in the current year.

Bank Reconciliations

During our walkthrough of the design and implementation of internal controls over financial close and reporting we noted that no review of monthly bank reconciliations is performed. We recommend the District Manager perform a timely review all monthly bank reconciliations.

Status: Implemented in the current year.

Accounts Receivable

We noted during our testing of Accounts Receivable a large volume of activity dating back to at least calendar year 2001 that should be cleared from the District's general ledger. We recommend that District's management review Accounts Receivable sub-ledger for stale activity.

Status: Repeat finding in current year.

Capital Assets

During our testing of the District's capital assets we noted that the asset listing provided did not agree to the general ledger accounts and management was unable to provide support for additions totaling \$10,907. Furthermore, we identified an asset that had received depreciation expense in excess of its gross book value requiring adjustment of \$9,996. We recommend that management reconcile asset listing to general ledger at year-end and implement procedures to prevent improper calculations of depreciation.

Status: Implemented in the current year.

Internal Control over Financial Reporting

Subsequent to our receipt of the trial balance and commencement of audit procedures, we identified several accounting issues and discrepancies that required a large volume of journal entries by management to correct general ledger balances. We recommend management perform a timely year-end close and that all book balances are reconciled to District records.

Status: Implemented in the current year.