

**KENSINGTON FIRE PROTECTION DISTRICT
NOTICE OF A MEETING OF A STANDING COMMITTEE**

FINANCE COMMITTEE

Date of Meeting: May 31, 2016
Time of Meeting: 2:00 p.m.
Place of Meeting: Kensington Public Safety Building
Conference Room
217 Arlington Avenue, Kensington, CA 94707

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Office Administrator, 510/527-8395. Notification 48 hours prior to the meeting will enable the Kensington Fire Protection District to make reasonable arrangements to ensure accessibility to this meeting (28 CFR 35.102-35.104 ADA Title 1).

Finance Committee Members: Janice Kosel and Don Dommer
Staff: Chief Lance Maples, Deborah Russell CPA,
Brenda Navellier, Manager

AGENDA

1. Call To Order
2. Public Comment
3. Approval of January 27, 2016 Committee Minutes
4. El Cerrito Contract Fee Proposal for FY 2016-2017
5. FY 2015-2016 Auditor Proposal/Recommendation
6. Review and Recommend Draft FY 2016-2017 Budget
7. Review District Investments
8. Adjourn

For time and date of the next meeting of the Kensington Fire Protection District Finance Committee, contact the District office, 217 Arlington Avenue, Kensington, CA 94707, 510/527-8395.

**MINUTES OF THE JANUARY 27, 2016 FINANCE COMMITTEE MEETING
OF THE KENSINGTON FIRE PROTECTION DISTRICT**

PRESENT: **Directors:** Janice Kosel and Don Dommer
 Staff: Manager Brenda Navellier, CPA Deborah Russell
 Director Observing: Larry Nagel

CALL TO ORDER:

Director Kosel called the meeting to order at 3:50 p.m. and noted the Committee members, the Board member and staff that were present. There were no members of the public.

ORAL COMMUNICATIONS:

None.

APPROVAL OF JUNE 2, 2015 COMMITTEE MINUTES:

Director Kosel noted that there were a total of three typos on pages 1 and 2 of the minutes. Kosel made a motion to approve the minutes with those corrections. Director Dommer seconded the motion. The Committee agreed by unanimous approval to accept the minutes with corrections.

REVIEW OF DRAFT FY14-15 INDEPENDENT AUDIT REPORT:

This is the first draft to go to the Committee members. Staff has previously reviewed several drafts. The draft is completely "clean" and there are no reservations from the auditor. Kosel has no questions or changes to the draft and believes the report is very user friendly. The approval of the audit will be agendaized for the February Board meeting. The Committee members did not think it necessary for the auditor to attend the Board meeting. Russell pointed to the back page under "findings" where the listing says "none". Russell gave further explanation on how the auditor makes any recommendations. The Committee asked Russell to attend the Board meeting to answer any factual questions. The Committee will recommend the report to the Board.

MID-YEAR BUDGET vs. ACTUAL REVIEW:

Director Kosel noted that property taxes are up 2% more than budgeted which gives the District \$70,000 more revenue than expected. The Committee directed staff to add that \$70,000 to the building reserves. Kosel noted that the police district is now 7 months delinquent on their \$1 lease agreement. Under expenses, legal fees are currently \$881 against a \$15,000 budget. KPPCSD legal fees are over \$200,000. In a budget amendment, the community shredder should be increased to \$3,500 since the event is now semi-annual. Also sandbags will be added at \$6,000 and taken out of the temporary contingency slot. Director Dommer asked if the new fire engine would be fully outfitted at the budget price or if there are additional expenses. The engine will be fully outfitted at \$632,000. The above changes will be made at the February meeting. Under planning 16-17, the Committee discussed adding another \$700,000 to the public safety building fund to plan for the needs assessment/master planning. The Committee then discussed the needs assessment and how it is currently budgeted for \$25,000 which did not include the seismic analysis. As part of the budget amendments in February, that line item will be increased to \$40,000 during the current fiscal year. The needs assessment should be moved to capital assuming this will end up in a building project. DFSC matching grants should be moved to \$5,000 for FY 16-17. Further discussion ensued on the building and the upcoming project/needs assessment.

REVIEW DISTRICT INVESTMENTS:

Navellier passed out investment schedules with the County showing \$2.5 million laddered across five years. The committee decided to stay with this approach for at least another year and then re-evaluate. The District was previously making less than 1 percent in interest. The Committee discussed investing with Wells Fargo and other services that the County provides besides investing. Navellier passed out a cash flow sheet through the remainder of the fiscal year. Cash flow changes dependent upon the property tax cash conversion schedule. The District is at its lowest financial point in November, prior to the December property tax date. Russell reviewed the

cash conversion schedule and the schedules attached to the budget including the building schedule. The District has left approximately \$1 million with LAIF.

ADJOURNMENT: The meeting was adjourned at 4:40 p.m.

MINUTES PREPARED BY: Brenda J. Navellier

These minutes were approved at the Committee meeting of May 31, 2016.

Attest:

Finance Committee Member

SECTION 6: FIRE DEPARTMENT

The Fire Department's mission is to enhance community safety by reducing loss of life and property and safeguarding the environment by effectively responding to fire, rescue, and medical emergencies, hazardous material incidents, and major disasters. The Department achieves this mission by helping the community reduce the frequency and severity of these emergencies by providing public education programs; reducing threats to public safety by enforcing laws, codes, and ordinances covering fire and life safety; abating identified fire hazards on City, private, and other agencies' property; and maintaining personnel, apparatus, equipment, and facilities in a constantly ready condition.

DEPARTMENT OVERVIEW

The Fire Department's primary responsibility is to keep the residents of El Cerrito and Kensington as safe as possible by developing, providing, and maintaining cost effective fire prevention, fire suppression, and advanced emergency services.

The Department operates three fire stations: Station 71 on San Pablo Avenue, Station 72 on Arlington Boulevard, and Station 65 in Kensington. The City contracts with the Kensington Fire Protection District to provide the full range of fire services to the residents of Kensington. This contract increases the level of service offered to both communities. The Department receives payment from the Kensington Fire Protection District for these services. The amount of the contract is proportionately related to the budgeted costs for the Department each fiscal year. Services to the Kensington Fire Protection District represent approximately 30% of the Department's expenditures.

The Department is able to provide a timely and appropriate level of response through automatic aid response agreements with the City of Richmond Fire Department, the Contra Costa County Fire Protection District, the City of Albany Fire Department, and the City of Berkeley Fire Department. These active partnerships utilize the combined resources of all four agencies to serve the area irrespective of jurisdictional lines.

Department personnel also assist when requested through the use of the State's Master Mutual Aid Program and can be sent all over the western states to assist others in need. In addition, the Department staffs one State Office of Emergency Services (OES) engine that can be called upon to respond throughout the State for major emergencies or disasters. All of the aforementioned departments participate in the cost sharing of dispatch and training services. Meeting common staffing, training, apparatus, and performance standards ensures reciprocity of services.

Prevention and preparedness are key priorities for the Fire Department. The Department is responsible for the City's Emergency Operations Center (EOC) and development of the City's Emergency Operations plan in the event of a major disaster that affects El Cerrito and Kensington. Additionally, the Department runs the very successful Community Emergency Response Teams (CERT) program that trains citizens to be self sufficient in the event of an

emergency. The Department also conducts outreach and educational opportunities to residents, businesses, and schools in order to inform the public about fire prevention and emergency preparedness techniques.

Organizational Structure

The Fire Department's resources are organized into four divisions: Fire Prevention, Training/EMS, Operations and Support Services. Fire Administration provides management oversight to these four divisions.

Fire Prevention Division

The Department utilizes a line Battalion Chief as Fire Marshal to oversee the Fire Prevention Division. The full fire prevention program includes development, interpretation, and enforcement of codes; review of construction plans; testing of fire protection systems; abatement of identified hazards; and educational programs for the public. A key component of this fire prevention is vegetation management on City, private, and public lands to minimize the effects of a wildland/urban interface fire and resulting structural conflagration. A Fire Prevention Officer provides code enforcement, specialized inspections, and coordination of the Department's line and staff prevention duties.

Training/EMS Division

A significant portion of the Fire Department's resources are dedicated to the task of maintaining departmental resources in a ready state. A department Battalion Chief serves as the company Training Officer and EMS Director. All personnel must maintain a high skill level for a diverse range of responsibilities. Many of these skill levels must be tested and certified annually. Training is both a daily priority and a program vital to providing reliable emergency services. Complex equipment and apparatus require continual testing and training. The Training Officer also supervises and manages the Emergency Medical Programs which encompass the training and operations of the Department's EMTs and Paramedics. The neighborhood disaster preparedness component of the Department's public education program, known as the CERT Program (Community Emergency Response Team), is also managed under this Division.

Operations Division

Emergency Operations of the Fire Department include controlling and extinguishing fires, intervention in medical emergencies that threaten life and health, and protection of life, the environment, and property from the effects of storm, flood, earthquake, disaster, hazardous chemical releases, and other emergency events. This division assists the Training/EMS Division in identifying and prioritizing the necessary training to provide safe and efficient delivery of service. A line Battalion Chief also manages this division.

Support Services Division

The Support Services Division is tasked with ensuring that Department facilities, apparatus, and equipment are maintained in a constant state of readiness that includes annual testing, maintenance, and purchasing. This Division is also in charge of the comprehensive administrative reporting system and the Department's staff level work assignments.

Chart 6-1 provides an organizational overview of the Fire Department:

Chart 6-1
Fire Department Organization Chart

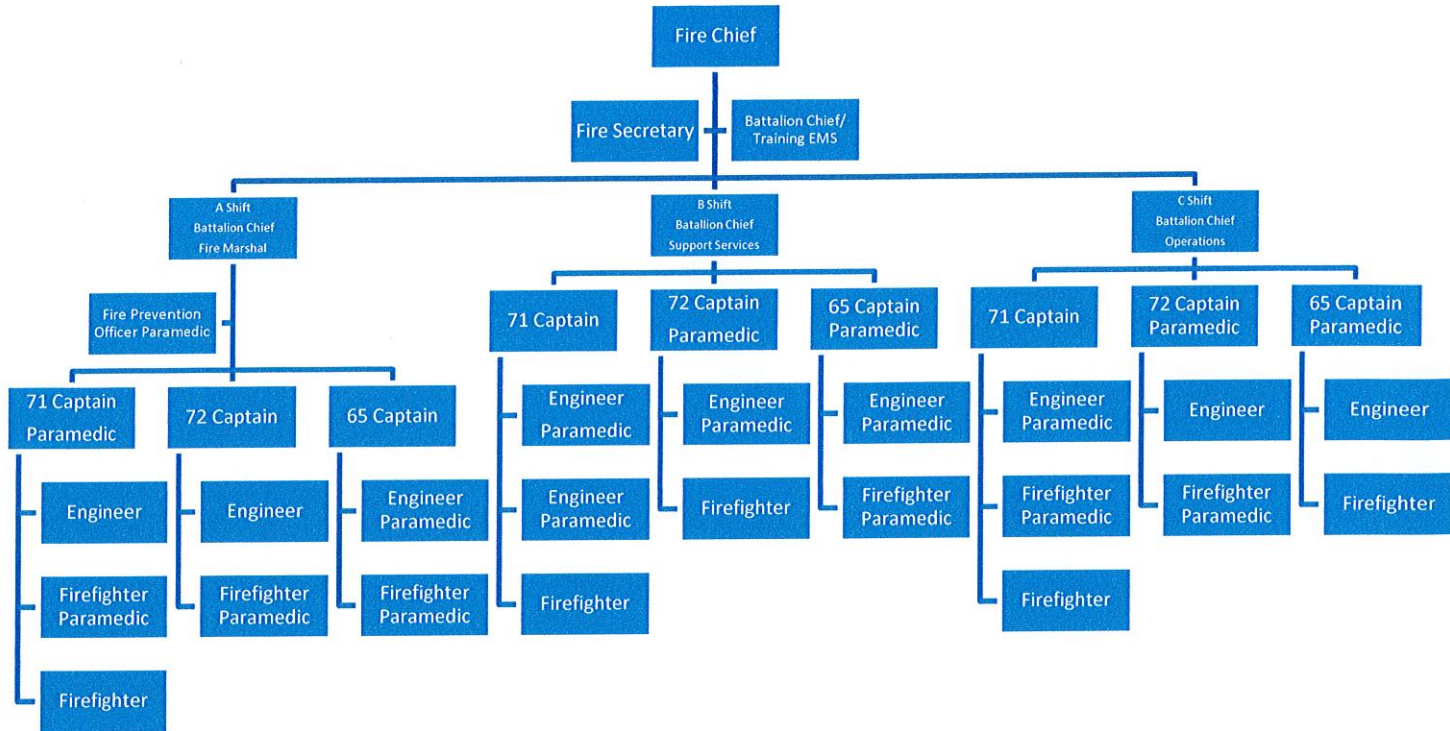


Table 6-1 shows the adopted personnel authorization for the Department. In FY 2016-17 and 2017-18, the overall staffing level will remain the same. This staffing model is designed to assign two paramedic assignments on each responding engine to provide advanced life support services during emergency medical responses.

Table 6-1
Fire Department Position Listing

FIRE DEPARTMENT	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
Battalion Chief	3	3	3	3	3
Battalion Chief/Training Officer	1	1	1	1	1
Fire Captain	6	4	4	4	2
Fire Captain/Paramedic	3	5	5	5	7
Fire Captain/Paramedic/FPO	1	1	1	1	1
Fire Chief	1	1	1	1	1
Fire Engineer	2	4	4	3	3
Fire Engineer/Paramedic	10	8	8	9	9
Fire Secretary	1	1	1	1	1
Firefighter	4	5	5	5	5
Firefighter/Paramedic	5	4	4	4	4
FIRE DEPARTMENT TOTAL	37	37	37	37	37

FY 2015-16 ACCOMPLISHMENTS

Completed the purchase and in service training for the replacement of an Aerial Ladder Truck, funded with a Department of Homeland Security Assistant to Firefighter Grant in the amount of \$856,406

Completed the Apparatus Room remodel at Station 65

Designed and purchased a replacement Type I Engine for Station 65

Completed the Recruitment for three new Firefighters

Received a Department of Homeland Security grant for \$180,000 for Technical Rescue Training

Continued to work with the Hills Emergency Forum and strengthened the relationships with Diablo Fire Safe Council and East Bay Regional Parks District

The Fire Department responded to nine major wildland fires throughout the State, providing mutual aid. During these responses, the Fire Department suffered no injuries to personnel or damage to departmental equipment. These responses were fully reimbursed by the State and Federal government.

Strategic Plan Alignment

Table 6-2 shows the services performed by the Fire Department as aligned to the Strategic Plan.

**Table 6-2
Fire Department Strategic Plan Alignment**

Program or Service	Strategic Plan Goal	Activity Required By:	Duration
Disaster Preparedness - CERT Program	Public Health & Safety	City	Ongoing
Disaster Preparedness - Emergency Plan Review and Exercise	Public Health & Safety	Federal	Ongoing
Emergency Response - All Risk and EMS Response	Public Health & Safety	City	Ongoing
Emergency Response - Automatic Aid Agreements	Public Health & Safety	City	Ongoing
Fire Prevention - Code Development and Enforcement; Construction Plan Check & Inspection; Fire inspections	Public Health & Safety	State	Ongoing
Fire Prevention - Vegetation Management Program	Public Health & Safety	State	Ongoing
Fire/EMS Training - Staff Development	Public Health & Safety	State	Ongoing
Operations - Continued Evaluation and Adjustment of Programs to Maximize Organizational Effectiveness	Public Health & Safety	No	Ongoing
Support Service - Facility and Equipment Maintenance	Public Health & Safety	State	Ongoing
Support Service - Grant Writing & Management	Financial Sustainability	No	Ongoing
Support Service - Apparatus and Equipment Maintenance	Public Health & Safety	State	Ongoing
Support Service - Wellness/Fitness Program	Exemplary Services	No	Ongoing
Public education: tours, school/comm. Presentations, Tri-City Safety Day, other events	Public Health & Safety	No	Ongoing
Administer Contract to provide fire service to Kensington	Financial Stability	City	Ongoing

Service Indicators

Based on a review of Department activities for prior fiscal years, the workload has remained relatively stable. The Department will be able to meet the anticipated workload for FY 2016-17 and FY 2017-18 with current staffing levels as shown in the Adopted budget. **Table 6-2** lists six response types, depicted graphically in **Chart 6-3**:

- Fire: Structure fire, fire in mobile property, wildland fire
- Emergency Medical Service/Rescue: Rescue, medical assistance, vehicle accident
- Hazardous Condition: Toxic condition, electrical arcing, flammable gas or liquid condition
- Service Call: Person(s) in distress, water problem, odor problem, unauthorized burning
- Good Intent: Hazardous material investigation/no hazard found, EMS call/ patient self transported
- False Calls: Unintentional alarm, system malfunction, malicious, bomb scare; no hazard

Table 6-3
Emergency Response Workload

Response Type	2011	2012	2013	2014	2015
Fires	113	112	113	160	140
EMS/Rescues	1,529	1,537	1,572	1,582	1,747
Hazardous Conditions	69	69	56	88	77
Service Calls	256	251	292	256	280
Good Intent	693	835	736	758	897
False Calls	160	172	187	174	185

Chart 6-2
Emergency Response Workload

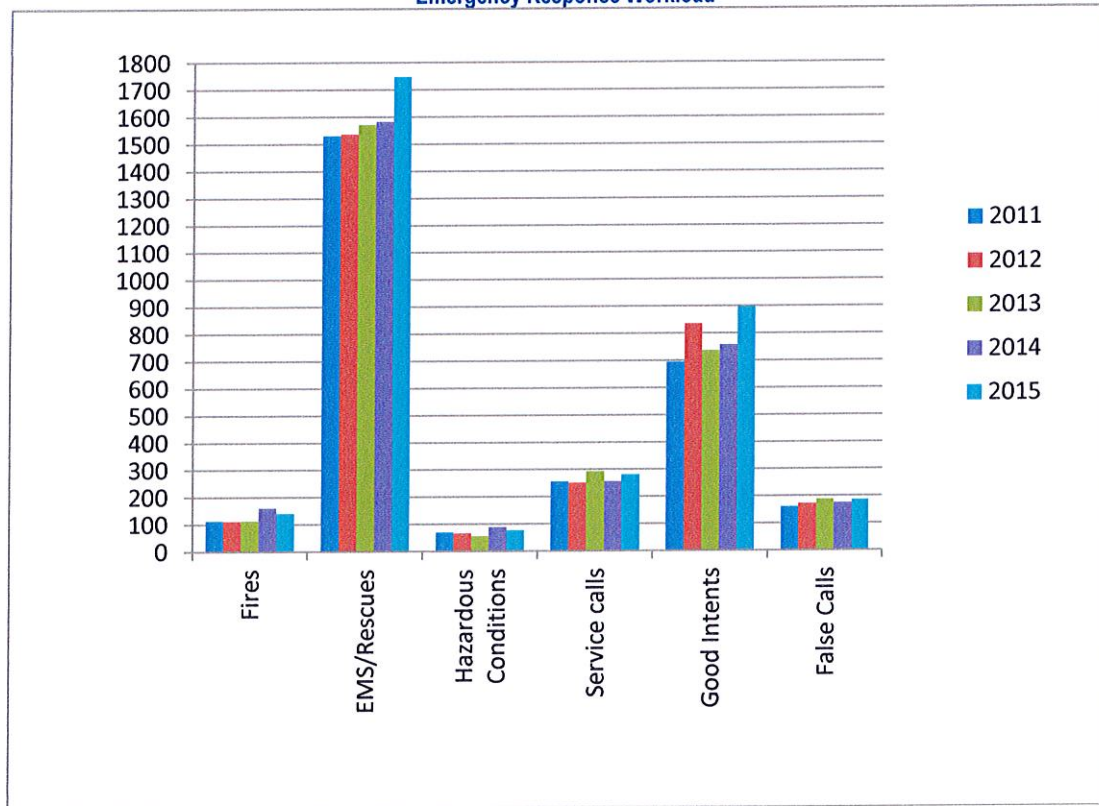


Table 6-4 shows that the Department responds to approximately 3,000 calls per year. Fire loss over this five-year period averages \$350,679 per year. However, fire loss averages remain very low compared to cities with similar demographics. In 2011, the Fire Department showed a slight increase in fire loss due to a pair of unintentionally caused structure fires for a combined fire loss of \$883,950. The Department anticipates that requests for service will remain flat over the next calendar year.

Table 6-4
Total Responses, by Year

Year	Number	Dollar Loss
2011	2,820	\$883,950
2012	2,976	428,250
2013	2,956	131,755
2014	3,018	196,725
2015	3,326	112,715
Average	3,019	\$350,679

Tables 6-5 through 6-8 illustrate the Department's commitment to continued training and education and public outreach:

Table 6-5
Training Hours

Type	2011	2012	2013	2014	2015
Medical – EMS	782	760	690	729	948
Operations	12,907	12,172	12,510	11,952	13,652
Physical Fitness	1,113	979	1,004	582	1,404
Online	840	826	1,043	1,266	1,075
Total	15,642	14,737	15,247	14,529	17,079

Table 6-6
Fire Prevention Activities

Inspection Type	2011	2012	2013	2014	2015
Fire Inspections (Fire Company)	495	471	602	521	518
Mandatory (Schools/Jails/Convalescents)	23	23	20	24	24
Self-Inspection	252	254	149	94	97
Construction Plan Checks	59	64	48	72	89
Construction Inspections	232	200	53	39	64
Vegetation Management Inspections	14,270	14,270	14,270	14,270	14,270
Vegetation Management Re-inspections	329	283	113	289	199
Total	15,660	15,565	15,255	15,309	15,261

Table 6-7
Current Certifications Held

Type	2011	2012	2013	2014	2015
Chief Officer	1	1	1	1	1
Fire Officer	22	21	21	23	21
Firefighter II	34	33	31	31	28
Firefighter I	34	33	33	31	31
Driver Operator I	34	31	31	31	30
CERT Instructors	10	8	8	8	8
Rescue Systems I	26	27	26	28	27
Rescue Systems II	7	10	10	12	12
EMT	16	12	15	15	15
Paramedic	18	18	18	18	18
Total	202	194	194	198	191

Table 6-8
Public Education Contacts

Contact Type	2011	2012	2013	2014	2015
Station Tours	150	177	245	265	247
Preschool-K Programs	477	493	430	325	662
Open Houses	201	147	400	137	194
School Age Programs 1-6	830	606	350	550	417
School Age Programs 7-12	672	497	205	334	463
Senior Programs	25	63	29	193	155
First Aid/ CPR	140	169	60	100	100
Car Seats	56	49	70	49	55
Total	2,495	2,201	1,781	1,953	2,293

CITY OF EL CERRITO /KENSINGTON FIRE PROTECTION DISTRICT

Proposed Contract Fee for FY 2016 - 2017

**LINE ITEM DETAIL BUDGET EXPENDITURES
101 GENERAL FUND**

	Proposed Budget FY16-17		
5100 SALARIES & BENEFITS			
51110 Salaries	\$4,756,748.00	27.75%	\$1,319,997.57
51130 Temporary/Part-time Salaries	\$1,500.00	27.75%	\$416.25
51140 Overtime Pay	\$600,000.00	27.75%	\$166,500.00
51145 FLSA Overtime pay	\$103,348.00	27.75%	\$28,679.07
51146 Non Suppression Overtime pay	\$81,902.00	27.75%	\$22,727.81
51150 Special Pay	\$0.00	27.75%	\$0.00
51210 PERS Contributions	\$1,565,624.00	27.75%	\$434,460.66
51220 FICA/MEDICARE	\$75,792.00	27.75%	\$21,032.28
51230 Benefits & Insurance	\$953,181.00	27.75%	\$264,507.73
51240 Workers Compensation	\$102,638.00	27.75%	\$28,482.05
51990 Salary Savings	(\$476,667.00)	27.75%	(\$132,275.09)
TOTAL	\$7,764,066.00		\$2,154,528.32
5200 PROFESSIONAL SERVICES			
52190 Misc Professional Services	\$10,000.00	33.33%	\$3,333.00
52220 Medical Services	\$15,000.00	33.33%	\$4,999.50
TOTAL	\$25,000.00		\$8,332.50
5300 PROPERTY SERVICES			
53110 Utilities	\$12,651.00	0.00%	\$0.00
53230 Building Maintenance Services	\$15,000.00	33.33%	\$4,999.50
53240 Landscape/Park Maint Svcs	\$30,000.00	0.00%	\$0.00
53250 Vehicle/Equip Maint Svcs	\$80,000.00	25.00%	\$20,000.00
53290 Misc R&M Svcs	\$70,000.00	33.33%	\$23,331.00
53320 Vehicle & Equip Lease	\$0.00	0.00%	\$0.00
53330 Vehic Replcmnt Rental Charge	\$161,532.00	18.83%	\$30,416.48
53910 Solid Waste Services	\$6,000.00	33.33%	\$1,999.80
TOTAL	\$375,183.00		\$80,746.78
5400 OTHER SERVICES			
54210 Telephone Expenses	\$15,000.00	20.00%	\$3,000.00
54220 Mobile/wireless Expenses	\$12,000.00	20.00%	\$2,400.00
54310 Legal Notices & Advertisements	\$1,000.00	25.00%	\$250.00
54410 Printing and Binding	\$1,000.00	25.00%	\$250.00
54610 Travel & Training	\$30,000.00	25.00%	\$7,500.00
54910 Dues & Subscriptions	\$12,000.00	25.00%	\$3,000.00
54990 Other Administrative Services	\$15,000.00	25.00%	\$3,750.00
TOTAL	\$86,000.00		\$20,150.00
5500 SUPPLIES			
55110 General Office Supplies	\$6,000.00	25.00%	\$1,500.00
55120 Postage & Delivery	\$1,300.00	25.00%	\$325.00
55130 Photocopying Charges	\$3,000.00	25.00%	\$750.00
55210 Fuel	\$40,000.00	27.00%	\$10,800.00
55230 Medical Supplies	\$25,000.00	30.00%	\$7,500.00
55240 Clothing & Uniform Supplies	\$25,000.00	33.33%	\$8,332.50
55250 Vehicle & Equipmt Supplies	\$0.00	25.00%	\$0.00
55290 Other Operating Supplies	\$7,000.00	25.00%	\$1,750.00
55520 Building Supplies	\$15,000.00	25.00%	\$3,750.00
TOTAL	\$122,300.00		\$32,882.50
5600 CAPITAL OUTLAY			
56310 Improvements, Not Buildings	\$15,000.00	0.00%	\$0.00
56710 Other Equipment < \$10K	\$20,000.00	0.00%	\$0.00
56720 Other Equipment > \$10K	\$0.00	0.00%	\$0.00
TOTAL	\$35,000.00		\$0.00
5800 OTHER CHARGES			
58220 Licenses & Permits	\$1,000.00	25.00%	\$250.00
TOTAL	\$1,000.00		\$250.00
GRAND TOTAL	\$8,408,549.00		\$2,296,890.09
OVERHEAD CHARGES (9% of Personnel)	\$698,765.94	27.75%	\$193,907.55
TOTAL COMPENSATION COST SHARE	\$106,924.00	50.00%	(\$53,462.00)
UNRECONCILED CONTRACT AMOUNT			\$2,437,335.64
RECONCILIATION 2014-2015 FY BUDGET TO ACTUAL			\$62,071.43
COMPENSATION COST SHARE RECONCILIATION FY 2014-15 BUDGET TO ACTUAL			\$398.00
PROPOSED EC CONTRACT FEE FY 2016-2017			\$2,499,805.07

EL CERRITO CONTRACT COMPARISON

<u>FISCAL YEAR</u> <u>ENDING</u>	<u>EL CERRITO</u> <u>CONTRACT</u>	<u>ANNUAL</u> <u>% INCREASE</u>
6/30/1996	\$952,990	
6/30/1997	\$1,023,834	7.43%
6/30/1998	\$1,027,441	0.35%
6/30/1999	\$1,044,276	1.64%
6/30/2000	\$1,087,979	4.19%
6/30/2001	\$1,156,963	6.34%
6/30/2002	\$1,223,418	5.74%
6/30/2003	\$1,373,181	12.24%
6/30/2004	\$1,442,060	5.02%
6/30/2005	\$1,603,088	11.17%
6/30/2006	\$1,659,114	3.49%
6/30/2007	\$1,861,790	12.22%
6/30/2008	\$1,929,915	3.66%
6/30/2009	\$2,105,158	9.08%
6/30/2010	\$2,120,231	0.72%
6/30/2011	\$2,132,128	0.56%
6/30/2012	\$2,260,942	6.04%
6/30/2013	\$2,365,475	4.62%
6/30/2014	\$2,360,834	-0.20%
6/30/2015	\$2,415,339	2.31%
6/30/2016	\$2,369,530	-1.90%
6/30/2017	\$2,552,869	7.74%

LAMORENA & CHANG
CERTIFIED PUBLIC ACCOUNTANT

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SAN FRANCISCO, CALIFORNIA 94111

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April 5, 2016

To Mrs. Brenda Navellier
Office manager and Board of Directors
Kensington Fire Protection District
217 Arlington Ave.
Kensington, CA 94707

Dear Brenda and Board of Directors,

I am pleased to confirm my understanding of the services I am to provide Kensington Fire Protection District (KFPD) for the year ended June 30, 2016. I will audit the financial statements general Fund, Special Revenue Fund and Capital Project Fund, including the related notes to the financial statements, which collectively comprise the basic financial statements of KFPD as of and for the 12 months ended June 30, 2016. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement KFPD's 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. As part of my engagement, I will apply certain limited procedures to KFPD's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I will not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- 1) Management's Discussion and Analysis.
- 2) Statement of revenue, expenditure and changes in fund balance schedule

I have also been engaged to report on supplementary information other than RSI that accompanies KFPD's financial statements. I will subject the following supplementary information to the auditing procedures applied in my audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and I will provide an opinion on it in relation to the financial statements as a whole.

Audit Objectives

The objective of my audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. My audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of KFPD and other procedures I consider necessary to enable me to express such opinions. I will issue a written report upon completion of my audit of KFPD's financial statements. My report will be addressed to KFPD's

manager and commissioner/board member provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for me to modify my opinions or add emphasis-of-matter or other-matter paragraphs. If my opinions on the financial statements are other than unmodified, I will discuss the reasons with you in advance. If, for any reason, I am unable to complete the audit or am unable to form or have not formed opinions, I may decline to express opinions or issue reports, or may withdraw from this engagement.

I will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and on compliance and other matters will include a paragraph that states (1) that the purpose of the report is solely to describe the scope of 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 on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The paragraph will also state that the report is not suitable for any other purpose. If during my audit I become aware that KFPD is subject to an audit requirement that is not encompassed in the terms of this engagement, I will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

Management Responsibilities

Management is responsible for the financial statements and all accompanying information as far as all representations contained therein. As part of the audit, I will assist with preparation of your financial statements and related notes. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. You agree to assume all management responsibilities relating to the financial statements and related notes and any other nonaudit services I provide. You will be required to acknowledge in the management representation letter my assistance with preparation of the financial statements and related notes and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Management is responsible for establishing and maintaining effective internal controls, including evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management is reliable and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles, for the preparation and fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles, and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to me and for the accuracy and completeness of that information. You are also responsible for providing me with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that I may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom I determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to me in the written representation letter that the effects of any uncorrected misstatements aggregated by me during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing me about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing me of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely

and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse that I report.

You are responsible for the preparation of the supplementary information in conformity with U.S. generally accepted accounting principles. You agree to include my report on the supplementary information in any document that contains and indicates that I have reported on the supplementary information. Your responsibilities include acknowledging to me in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to me any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for me previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to me corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management's views on my current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, my audit will involve judgment about the number of transactions to be examined and the areas to be tested. 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. I will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because I will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by me, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, I will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to my attention. I will also inform the appropriate level of management of any violations of laws or governmental regulations that come to my attention, unless clearly inconsequential, and of any material abuse that comes to my attention. My responsibility as an auditor is limited to the period covered by my audit and does not extend to later periods for which I am not engaged as an auditor.

My procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. I will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of my audit, I will require certain written representations from you about your responsibilities for the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

Audit Procedures—Internal Control

My audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain

controls that I consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. My tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in my report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, I will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I will perform tests of KFPD's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of my audit will not be to provide an opinion on overall compliance and I will not express such an opinion in my report on compliance issued pursuant to *Government Auditing Standards*.

Engagement Administration, Fees, and Other

I may from time to time, and depending on the circumstances, use third-party service providers in serving your account. I may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, I maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, I will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and I will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that I am unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, I will remain responsible for the work provided by any such third-party service providers.

I understand that your employees will prepare all cash or other confirmations I request and will locate any documents selected by me for testing.

I will provide copies of my reports to County of Contra Costa and state controller office; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of my reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Lamorena & Chang, CPA and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to County of Contra Costa or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. I will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Lamorena & Chang, CPA personnel. Furthermore, upon request, I may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the County of Contra Costa. If I am aware that a federal awarding agency or auditee is contesting an audit finding, I will contact the party contesting the audit finding for guidance prior to destroying the audit documentation.

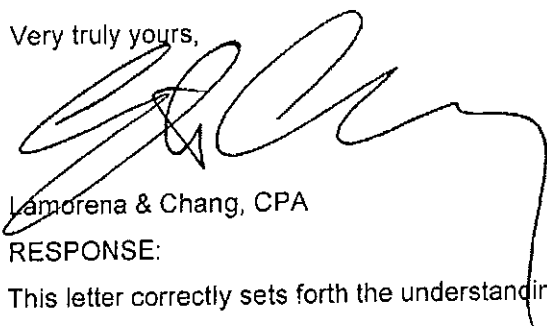
I expect to begin my audit on approximately early September and to issue my reports no later than November 15. Steven Chang is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

My fee for these services will be at my standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) except that I agree that my estimated flat rate of

\$13,000. My standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. My invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with my firm policies, work may be suspended if your account becomes 30 days or more overdue and may not be resumed until your account is paid in full. If I elect to terminate my services for nonpayment, my engagement will be deemed to have been completed upon written notification of termination, even if I have not completed my report. You will be obligated to compensate me for all time expended and to reimburse me for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, I will discuss it with you and arrive at a new fee estimate before I incur the additional costs.

I appreciate the opportunity to be of service to KFPD and believe this letter accurately summarizes the significant terms of my engagement. If you have any questions, please let me know. If you agree with the terms of my engagement as described in this letter, please sign the enclosed copy and return it to me.

Very truly yours,



Lamorena & Chang, CPA

RESPONSE:

This letter correctly sets forth the understanding of KFPD

Management signature: _____

Title: _____

Date: _____

Governance signature: _____

Title: _____

Date: _____



www.CoughlanNapaCPACo.com
Company@CoughlanNapaCPACo.com

System Review Report

July 1, 2015

To Lamorena & Chang CPA and the Peer Review Committee
of the California Society of Certified Public Accountants

We have reviewed the system of quality control for the accounting and auditing practice of Lamorena & Chang CPA (the firm) in effect for the year ended December 31, 2014. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included an engagement performed under *Government Auditing Standards*.

In our opinion, the system of quality control for the accounting and auditing practice of Lamorena & Chang CPA in effect for the year ended December 31, 2014 has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Lamorena & Chang CPA has received a peer review rating of *pass*.

Coughlan Napa CPA Company, Inc.

Constance Coughlan

By: Constance Coughlan

KFPD COMBINED REVENUE, EXPENSE AND CAPITAL BUDGET

Fiscal Year 2016-2017

	FY 2015-2016	FY 2015-2016	FY 2016-2017	FY 2017-2018
<u>REVENUE BUDGET</u>	<u>Budget</u>	<u>Est. Actual</u>	<u>Budget</u>	<u>Planning</u>
Property Taxes	3,328,995	3,443,097	3,546,390	3,617,320
Special Taxes	200,345	200,345	200,345	200,345
Other tax income	27,000	26,266	26,000	26,000
Interest income	9,000	5,000	15,000	15,000
Lease agreement	1	1	1	
Salary reimb agreement	51,586	50,344	53,064	53,913
Miscellaneous income	0	52,025	0	0
Total Revenue	3,616,928	3,777,078	3,840,800	3,912,578
<u>OPERATING EXPENSE BUDGET</u>	<u>Budget</u>	<u>Est. Actual</u>	<u>Budget</u>	<u>Planning</u>
OUTSIDE PROFESSIONAL SERVICES				
Accounting	4,500	4,800	5,000	5,250
Actuarial Valuation	3,500	3,400	0	3,500
Audit	13,000	13,000	13,000	13,650
CC County Expenses	32,795	31,500	33,075	34,730
EI Cerrito Contract	2,369,530	2,369,530	2,552,869	2,654,985
Fire Abatement Contract	8,000	500	8,000	8,000
Insurance - Risk Mgmt	11,490	11,491	12,110	12,715
LAFCO Fees	1,800	1,801	1,850	1,900
Legal Fees	30,000	4,000	30,000	30,000
Water System Improvements	185,000	170,000	20,000	20,000
Wildland Vegetation Mgmt	10,000	8,000	10,000	10,000
RETIREE MEDICAL BENEFITS**				
PERS Medical (OPEB cost)	21,380	21,609	36,850	0
Delta Dental	2,735	2,555	5,770	0
Vision Care	745	695	1,775	0
COMMUNITY SERVICE ACTIVITES				
Public Education	13,000	6,300	13,000	13,000
Community Pharmaceutical Drop-Off	2,500	500	2,000	2,000
Vial of Life Program	200	0	200	200
CERT Kits/Sheds/Preparedness	35,000	10,000	30,000	15,000
Open Houses	750	1,127	750	1,200
Community Shredder	3,500	3,200	3,500	3,500
DFSC Matching Grants	4,000	4,225	5,000	5,000
Demonstration Garden	5,000	0	10,000	5,000
Community Sandbags	6,000	4,038	6,000	6,000
DISTRICT ACTIVITIES				
Professional Development	5,000	4,000	5,000	5,000
District Office				
Office expense	3,500	3,300	3,500	3,500
Office supplies	2,500	2,000	2,500	2,500
Telephone	8,455	7,145	8,000	8,400
Election	0	0	1,000	0
Firefighter's Apparel	1,500	1,228	1,500	1,500
Firefighters' Expenses	10,000	9,038	10,000	10,000
Staff Appreciation	2,500	1,264	4,000	2,500
Memberships	7,230	7,309	7,675	8,060
P/S Building				
Gardening service	2,000	1,300	2,000	2,000
Building alarm	2,000	1,444	2,000	2,000
Medical waste disposal	4,000	2,985	3,500	4,000
Janitorial	1,500	1,260	1,500	1,500
Misc. Maint/Improvements	12,500	8,000	12,000	12,000
PG&E	7,500	6,680	7,500	7,500
Water/Sewer	1,665	1,632	1,800	1,890

KFPD COMBINED REVENUE, EXPENSE AND CAPITAL BUDGET

Fiscal Year 2016-2017

Garbage	1,080	346	0	0
Staff				
Wages	78,104	78,113	80,445	81,255
Longevity Pay	1,000	1,000	1,000	1,000
Overtime Wages	1,300	1,000	1,350	1,400
Vacation Wages Accrual Adjustment	0	2,403	766	0
Medical/dental insurance compensation	7,800	7,800	8,190	8,600
Retirement Contribution	5,934	5,937	6,114	6,175
Payroll Taxes	7,030	6,997	7,289	7,405
Insurance - Workers Comp/Life	1,800	1,454	1,600	1,800
Processing	1,505	1,445	1,515	1,590
Operating Contingency Fund	<u>25,000</u>	<u>0</u>	<u>25,000</u>	<u>25,000</u>
Total Operating Expense	2,966,825	2,837,349	3,007,491	3,052,203
Capital Outlay				
Type I Engine	350,000	349,689	0	0
Firefighter qtrs/equip	15,000	10,000	15,000	15,000
Apparatus Bay Construction	370,000	359,517	0	0
Needs Assessment/Feasibility Study	40,000	16,200	60,000	0
Emergency Repair of Storage Room	45,000	33,640	0	0
Office Furniture/Computers	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>0</u>
Total Capital Outlay	825,000	774,046	80,000	15,000
TOTAL EXPENDITURES	3,791,825	3,611,395	3,087,491	3,067,203

Notes: The standard expenditure increase is 5% unless otherwise indicated or unless policy decisions mandated.

** Due to new reporting rules under GASB 75 and the fact that our OPEB assets equal liabilities, the actuary stated preliminarily that we will have no OPEB expense beginning in FY 17/18.

Designated Funds (see attached schedules)

Engine Replacement Fund	41,994	41,994	117,874	117,874
Public Safety Building Fund	<u>432,486</u>	<u>432,486</u>	<u>889,786</u>	<u>197,377</u>
	474,480	474,480	1,007,660	315,251

	FY 2015-2016 <u>Budget</u>	FY 2015-2016 <u>Est. Actual</u>	FY 2016-2017 <u>Budget</u>	FY 2017-2018 <u>Planning</u>
Beginning Cash	5,829,574	6,000,755	5,958,594	6,711,903
Revenue	3,616,928	3,777,078	3,840,800	3,912,578
Operating Expenditures	-2,966,825	-2,837,349	-3,007,491	-3,052,203
Capital Expenditures	-825,000	-774,046	-80,000	-15,000
<i>Accrual to Cash Adjustment</i>		-207,844		
<u>ENDING CASH</u>	5,654,676	5,958,594	6,711,903	7,557,277
<i>Cumulative Designated Funds</i>				
Capital Replacement Funds	-1,210,765	-1,685,245	-2,218,425	-2,000,496
Prepaid CERBT - Retiree Trust	-1,000,148	-1,010,152	-1,010,152	-1,010,152
El Cerrito Contract 12 month set aside	-2,369,530	-2,369,530	-2,552,869	-2,654,985
<u>AVAILABLE CASH</u>	1,074,233	893,667	930,457	1,891,645

KFPD COMBINED REVENUE, EXPENSE AND CAPITAL BUDGET
 Fiscal Year 2016-2017

SCHEDULE FOR REPLACEMENT OF EQUIPMENT

Type I Vehicle Cost	Estimated Cost 15 yrs/4%	Fiscal Year	Yearly Contribution To Cap. Fund	Accumulated Funds	Type III Vehicle Cost	Estimated Cost 15 yrs/4%	Fiscal Year	Yearly Contribution To Cap. Fund	Accumulated Funds
						\$540,094			
					\$94,000		02-03		
					\$205,895		03-04		
							04-05	32,860	32,860
							05-06	32,860	65,720
							06-07	32,855	98,575
							07-08	36,793	135,368
							08-09	36,793	172,161
					adjust to	\$592,100	09-10	41,994	214,155
							10-11	41,994	256,149
							11-12	41,994	298,143
							12-13	41,994	340,137
							13-14	41,994	382,131
							14-15	41,994	424,125
632000	1,138,200	15-16					15-16	41,994	466,119
		16-17	75,880	75,880			16-17	41,994	508,113
		17-18	75,880	151,760			17-18	41,994	550,107
		18-19	75,880	227,640			18-19	<u>41,994</u>	592,101
		19-20	75,880	303,520				592,101	
		20-21	75,880	379,400					
		21-22	75,880	455,280					
		22-23	75,880	531,160					
		23-24	75,880	607,040					
		24-25	75,880	682,920					
		25-26	75,880	758,800					
		26-27	75,880	834,680					
		27-28	75,880	910,560					
		28-29	75,880	986,440					
		29-30	75,880	1,062,320					
		30-31	<u>75,880</u>	1,138,200					
			1,138,200						

KFPD COMBINED REVENUE, EXPENSE AND CAPITAL BUDGET
Fiscal Year 2016-2017

SAVINGS SCHEDULE FOR BUILDING IMPROVEMENTS/RENOVATION/REPLACEMENT

Adjusted for 4% <u>Inflation</u>	Fiscal <u>Year</u>	Yearly <u>Contribution</u>	Accumulated <u>Reserves</u>
	12-13	100,000	100,000
	13-14	104,000	204,000
	14-15	108,160	312,160
	15-16	432,486	744,646
	16-17	889,786	1,634,432
	17-18	197,377	1,831,810
	18-19	205,272	2,037,082

* Based on historical building expenditures, KFPD will be setting aside \$100,000 per fiscal year to accumulate funds to be available for future building improvements/major repairs.

Date: 05/11/2016 [03:50:38 PM CDT]
From: Doug Tokerud <dtokerud@nicolayconsulting.com>
To: "Brenda J. Navellier (fire@kensingtonfire.org)" <fire@kensingtonfire.org>
Cc: Gary Cline <gccline@nicolayconsulting.com>
Subject: Retiree Medical Expense Estimate Fiscal 2017/18

Hi Brenda,

This is in response to your request for an expense estimate for the fiscal year 2017/18 with respect to the District's retiree healthcare Plan. That is the first year subject to the recently issued GASB 75. GASB 75 replaces GASB 45. GASB 75 is extensively different from GASB 45.

Surprisingly at first, our expense estimate is **zero** for the 2017/18 fiscal year. The reason is that we are expecting that the Plan's assets and liabilities will be quite close to being the same. We have assumed they will be the same initially under GASB 75.

When assets and liabilities are the same, the new rules work as follows:

Since current assets are expected to cover all future benefit payouts, the discount rate used to calculate future liabilities is based entirely on the expected return on Trust assets (in this case 6.73%.) In cases where assets are less than liabilities, a lower discount rate would need to be used.

The two key expense components under the new rules are (1) interest on Plan liabilities and (2) expected return on Plan assets. These are both based on the same discount rate, so they approximately offset each other in this case. This is the reason for the above zero expense estimate.

When assets and liabilities turn out to be different, due to experience being different from the assumptions used, "gains and losses" are said to have occurred. When asset gains or losses occur (i.e. actual investment returns differ from the 6.73% assumption), the gain or loss is spread over five years as an expense component under GASB 75. When there are only retirees (and spouses) in the Plan, as in the District's case, liability gains or losses need to be recognized entirely in the year of occurrence.

Example. Suppose in the first year under GASB 75 that Trust assets earn a return of -3.27%, a "loss" of 10% compared to the expected +6.73%. And let's say assets were \$1,500,000. The resulting asset loss is 10% of \$1,500,000 = \$150,000. This is spread over five years so the additional expense in year 1 is \$30,000. (In this example, we are assuming there are no liability gains or losses.)

Balance sheet. Another very large change under GASB 75 is the impact on the District's balance sheet. This is entirely a "fresh start" determination as we understand the new rules. Under the new rules, the amount on the balance sheet is simply the difference between Plan assets and liabilities, which in your case is small. The District's prior balance sheet asset under GASB 45, roughly \$1 million, goes away.

It's important to note that the implementation guide for GASB 75 has not yet been issued, so please regard the above estimates as preliminary.

We will be happy to discuss the above with you in a phone call (or email.) I will be leaving at 4 today and not back in the office until next Tuesday. However, Gary Cline worked with me on the above and is equally conversant on the new rules. Please feel free to contact either of us.

Best,

Doug