

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

FINANCE COMMITTEE

Date of Meeting: May 31, 2018
Time of Meeting: 1:30 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 Nina Harmon
Staff: Chief Lance Maples, Deborah Russell CPA,
Brenda Navellier, Manager

AGENDA

1. Call To Order
2. Public Comment
3. Approval of January 23, 2018 Committee Minutes
4. El Cerrito Contract Fee Proposal for FY 2018-2019
5. FY 2017-2018 Auditor Proposal/Recommendation
6. Review and Recommend Draft FY 2018-2019 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 23, 2018 FINANCE COMMITTEE MEETING
OF THE KENSINGTON FIRE PROTECTION DISTRICT**

PRESENT: Directors: Janice Kosel and Nina Harmon
 Staff: Manager Brenda Navellier, Deborah Russell CPA

CALL TO ORDER:

Director Kosel called the meeting to order at 4:00 p.m. and noted the Committee members and staff that were present.

ORAL COMMUNICATIONS:

None.

APPROVAL OF JUNE 6, 2017 COMMITTEE MINUTES:

The Committee agreed by consensus to accept the minutes as submitted with the correction of three typos that were pointed out to Navellier.

REVIEW DRAFT FY16-17 FINANCIAL STATEMENTS:

Director Kosel asked about the retiree's benefit funding. It appears that the District is now underfunded by approximately \$50,000. Staff noted that they have received a new draft actuarial report that they have not reviewed yet. *The committee took a break while Navellier retrieved the report.* Russell quickly reviewed the draft actuarial report. The report, dated 6/30/17, shows the District is fully funded. Navellier will continue to submit for pay-as-you-go costs to CalPERS every six months. The auditors are also changing the way the District records its OPEB asset (Note 8). Russell has had lengthy discussions with the auditors about this change and is now in agreement with them. Explanation on the reporting format followed. The District still has 15 people participating in the retiree benefits. Kosel noted that the letter to the Board of Directors from the auditors shows a completely clean audit report. The Committee will present the draft to the Board at its February regular meeting.

MID-YEAR BUDGET vs. ACTUAL REVIEW:

Kosel noted that the first proposed change is the Diablo Fire Safe Council Matching Grants increase from \$8,000 to \$20,000. Ciara Wood has done a phenomenal job fund raising for DFSC and had raised over \$17,000 as of early January. Firefighting staff have requested the purchase of a drone. The Committee discussed its purpose for firefighting staff. The Committee decided to raise the Capital Outlay line item of Firefighters qtrs/equip to \$25,000 from \$15,000 to accommodate the drone. The Committee requested that Navellier include FPO Gagne's proposal for the drone in the February packet. Kosel explained the CalPERS situation regarding a disability retirement from KFPD to Director Harmon. CalPERS mistakenly charged the City of Roseville for the retiree's premiums and wants KFPD to pay over \$140,000 for back premiums. Legal counsel is currently reviewing the issue and, due to the statute of limitations, thinks KFPD may only be liable for four years worth of premiums. Russell suggested using the contingency fund line item for that expense. It is unexpected and not current year premiums. Kosel suggested that legal counsel compute the calculation and pay the amount out of contingency during this fiscal year. CalPERS should also sign a release. Further discussion followed regarding this particular retiree and the liability situation. Navellier requested that Actuarial Valuation be changed from \$3,600 to \$7,500. It appears the District is required to have a second calculation done per the auditors because of new GASB rules. Staff plans on presenting the actuarial valuation on the Board's March agenda. Navellier also requested \$2,000 for a new line item titled Fire Engineer Plan Review. She explained the change in law for construction and requirements for fire sprinkler plans. An outside expert needs to be hired to review fire sprinkler plan submittals to the fire department that take place in Kensington. Kosel suggested a new line item for website development/maintenance to improve the district's site. Navellier will look up the cost. The committee briefly discussed the Demonstration Garden. On the Building Schedule, the building funds will not be zeroed out by FY18-19 based on recent information. The current status of the building project was discussed and where it could be built since the current site appears to have a fault both in front and behind it. The Committee suggested putting in \$650,000 for FY17-18 and \$150,000 for FY18-19. Also, delete the language noted about the building anticipated to be completed in FY18-19.

REVIEW DISTRICT INVESTMENTS:

Navellier distributed a schedule of investments and current cash flow through June 2018. The District just had an investment roll for 12 months with a new interest rate of 2.05%. Russell reviewed the total investments minus the required set-asides of the capital replacement funds and the El Cerrito contract.

Kosel suggested changing the Interest Income line revenue budget to \$60,000 from \$40,000 since the District will not be spending the building set-aside money soon. FY18-19 planning budget can be changed to \$70,000 from \$30,000. Russell asked about the \$750,000 line item for construction? The Committee directed staff to zero out the capital outlay for building construction and add an additional \$10,000 to the expense line item for needs assessment/feasibility study.

The next investment maturities will be in FY18-19 during July, November and January. The Committee discussed interest rates and investment terms. The Committee directed Navellier to put \$250,000 more in investment for a 12-month term in the hopes of a minimum 2.05% return. Russell explained that the interest income currently being received is not being reinvested like LAIF does. It gets dumped into the District's General Fund instead of benefitting from compound interest. The Committee may increase the investment amounts in the future from \$250,000 each to one at \$275,000 or \$300,000 depending how much interest is made during the previous year.

ADJOURNMENT: The meeting was adjourned at 5:09 p.m.

MINUTES PREPARED BY: Brenda J. Navellier

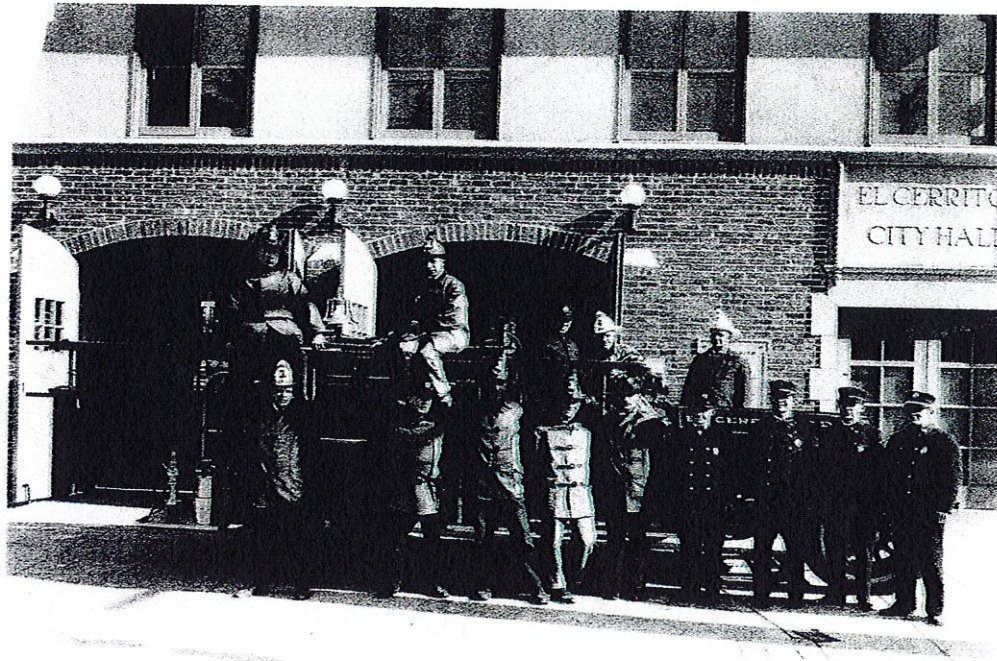
These minutes were approved at the Committee meeting of May 31, 2018.

Attest:

Finance Committee Member

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.



In 1926, the year of this photo, the City hired its first paid Fire Chief, William Hinds, plus a paid fireman. The rest of the department was volunteers. Hinds was also a police judge and dairy owner. This photo shows the Police and Fire Departments in front of the Fire Station/City Hall building. Photo from the El Cerrito Historical Society Collection.

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:

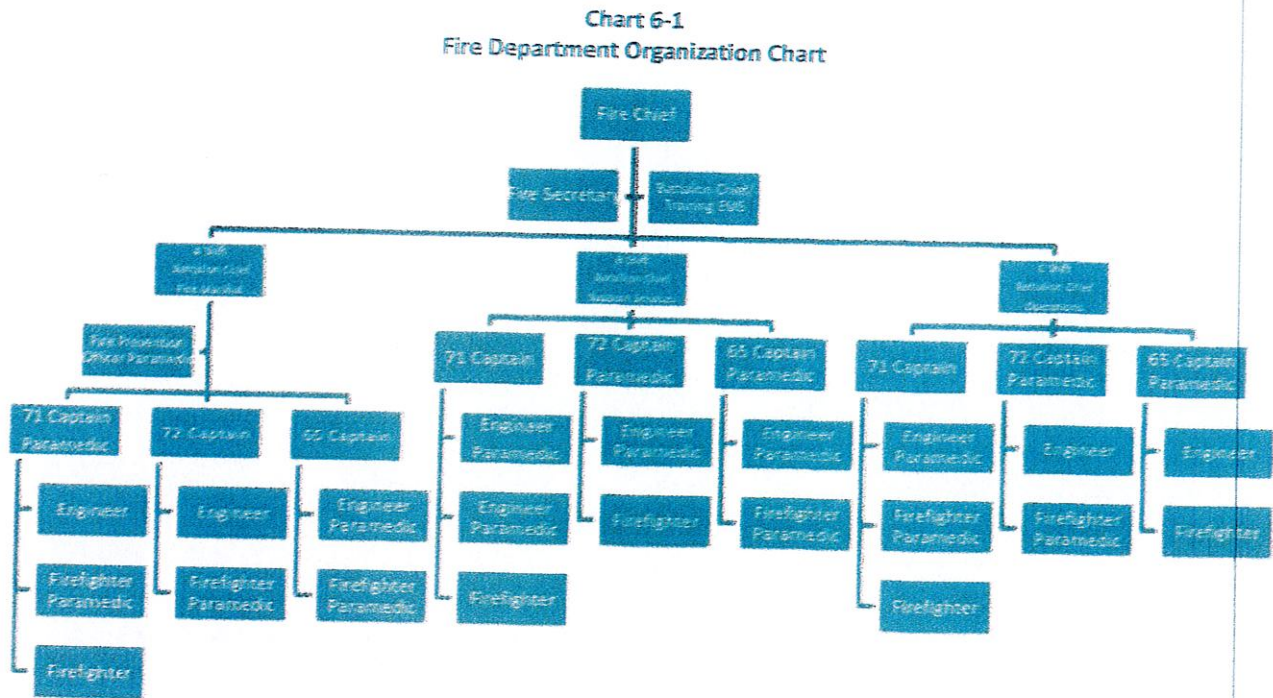


Table 6-1 shows the adopted personnel authorization for the Department. In FY 2018-19, the overall staffing level will remain the same. This staffing model is designed to assign two paramedic assignments on each responding engine to provide advanced life support services during emergency medical responses.

Table 6-1
Fire Department Position Listing

FIRE DEPARTMENT	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY2018-19
Battalion Chief	3	3	3	3	3
Battalion Chief/Training Officer	1	1	1	1	1
Fire Captain	4	4	2	2	3
Fire Captain/Paramedic	5	5	7	7	6
Fire Captain/Paramedic/FPO	1	1	1	1	1
Fire Chief	1	1	1	1	1
Fire Engineer	4	3	3	3	4
Fire Engineer/Paramedic	8	9	9	9	8
Fire Secretary	1	1	1	1	1
Firefighter	5	5	5	6	6
Firefighter/Paramedic	4	4	4	3	3
FIRE DEPARTMENT TOTAL	37	37	37	37	37

2016-2018 ACCOMPLISHMENTS

Completed the purchase and in service training for the replacement of Engine 65.

Completed the 2017 Fire Code adoption.

Adopted the Wildfire Protection Plan for El Cerrito and Kensington.

Completed two-year project of the adoption of the Hazard Mitigation Plan.

Completed the Recruitment of four new Firefighters.

Conducted promotional exams and promoted five firefighting personnel throughout the ranks.

Received a Department of Homeland Security grant for \$15,000 for Technical Rescue equipment.

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 supported 19 responses to major wildland fires throughout the State, providing mutual aid; suffering no injuries to personnel or damage to departmental equipment; and were fully reimbursed by the State and Federal government

Strategic Plan Alignment

Table 6-2 shows 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 2018-19 with current staffing levels as shown in the Adopted budget. Table 6-3 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

Chart 6-3

Emergency Response Workload

Emergency Response Workload

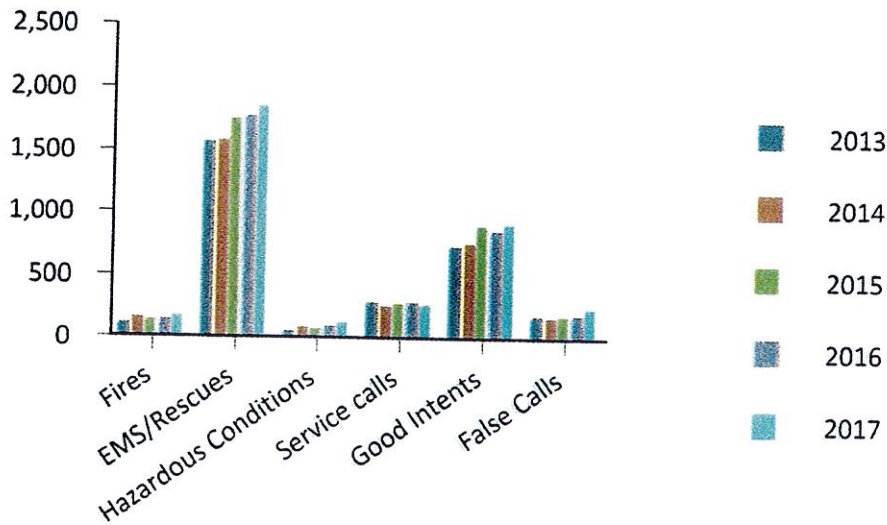


Table 6-3
Emergency Response Workload

	2013	2014	2015	2016	2017
Fires	113	160	140	145	181
EMS/Rescues	1572	1582	1747	1777	1848
Hazardous Conditions	51	88	77	100	129
Service calls	292	256	280	294	272
Good Intents	736	758	897	862	910
False Calls	187	174	185	199	245
Totals	2951	3018	3326	3377	3585

Table 6-4 shows that the Department responds to approximately 3,000 calls per year. Fire loss over this five-year period averages \$193,936 per year. However, fire loss averages remain very low compared to cities with similar demographics. 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
2013	2,956	\$131,755
2014	3,018	196,725
2015	3,326	112,715
2016	3,377	323,835
2017	3,585	204,650
Average	3,130	\$193,936

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	2013	2014	2015	2016	2017
Medical – EMS	690	729	948	785	1345
Operations	12,510	11,952	13,652	13,592	11,869
Physical Fitness	1,004	582	1,404	1,034	1,068
Online	1,043	1,266	1,075	1,071	1,037
Total	15,247	14,529	17,079	16,482	15,319

Table 6-6
Fire Prevention Activities

Inspection Type	2013	2014	2015	2016	2017
Fire Inspections (Fire Company)	602	521	518	518	514
Mandatory (Schools/Jails/Convalescents)	20	24	24	24	24
Self-Inspection	149	94	97	97	108
Construction Plan Checks	48	72	89	77	63
Construction Inspections	53	39	64	142	89
Vegetation Management Inspections	14,270	14,270	14,270	14,270	14,270
Vegetation Management Re-inspections	113	289	199	498	427
Total	15,255	15,309	15,261	15,626	15,495

Table 6-7
Current Certifications Held

Type	2013	2014	2015	2016	2017
Chief Officer	1	1	1	1	1
Fire Officer	21	23	21	23	25
Firefighter II	31	31	28	30	33
Firefighter I	33	31	31	33	33
Driver Operator I	31	31	30	32	33
CERT Instructors	8	8	8	8	9
Rescue Systems I	26	28	27	33	31
Rescue Systems II	10	12	12	12	12
EMT	15	15	15	16	16
Paramedic	18	18	18	17	18
Total	194	198	191	205	211

**Table 6-8
Public Education Contacts**

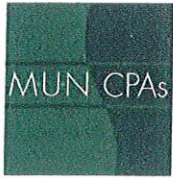
Contact Type	2013	2014	2015	2016	2017
Station Tours	245	265	247	255	643
Preschool-K Programs	430	325	662	679	635
Open Houses	400	137	194	129	123
School Age Programs 1-6	350	550	417	428	283
School Age Programs 7-12	205	334	463	522	400
Senior Programs	29	193	155	162	850
First Aid/ CPR	60	100	100	100	128
Car Seats	70	49	55	48	24
Total	1,789	1,953	2,293	2,323	3,086

CITY OF EL CERRITO /KENSINGTON FIRE PROTECTION DISTRICT

Proposed Contract Fee for FY 2018-19

LINE ITEM DETAIL BUDGET EXPENDITURES
101 GENERAL FUND

	Proposed Budget FY18-19		
5100 SALARIES & BENEFITS			
51110 Salaries	\$5,081,717.00	27.75%	\$1,410,176.47
51130 Temporary/Part-time Salaries	\$1,500.00	27.75%	\$416.25
51140 Overtime Pay	\$700,000.00	27.75%	\$194,250.00
51145 FLSA Overtime pay	\$95,000.00	27.75%	\$26,362.50
51146 Non Suppression Overtime pay	\$84,000.00	27.75%	\$23,310.00
51150 Special Pay	\$0.00	27.75%	\$0.00
51210 PERS Contributions	\$2,235,778.00	27.75%	\$620,428.40
51220 FICA/MEDICARE	\$76,005.00	27.75%	\$21,091.39
51230 Benefits & Insurance	\$985,018.00	27.75%	\$273,342.50
51240 Workers Compensation	\$199,338.00	27.75%	\$55,316.30
51990 Salary Savings	(\$634,104.00)	27.75%	(\$175,963.86)
TOTAL	\$8,824,252.00		\$2,448,729.93
5200 PROFESSIONAL SERVICES			
52190 Misc Professional Services	\$25,000.00	33.33%	\$8,332.50
52220 Medical Services	\$15,000.00	33.33%	\$4,999.50
52230 Other Technical Services	\$3,500.00	33.33%	\$1,166.55
TOTAL	\$40,000.00		\$13,332.00
5300 PROPERTY SERVICES			
53110 Utilities	\$16,000.00	0.00%	\$0.00
53230 Building Maintenance Services	\$18,000.00	33.33%	\$5,999.40
53240 Landscape/Park Maint Svcs	\$30,000.00	0.00%	\$0.00
53250 Vehicle/Equip Maint Svcs	\$90,000.00	25.00%	\$22,500.00
53290 Misc R&M Svcs	\$194,460.00	33.33%	\$64,813.52
53320 Vehicle & Equip Lease	\$0.00	0.00%	\$0.00
53330 Vehic Replcmnt Rental Charge	\$162,000.00	18.83%	\$30,504.60
53910 Solid Waste Services	\$8,000.00	33.33%	\$2,666.40
TOTAL	\$518,460.00		\$126,483.92
5400 OTHER SERVICES			
54210 Telephone Expenses	\$17,000.00	20.00%	\$3,400.00
54220 Mobile/Wireless Expenses	\$17,000.00	20.00%	\$3,400.00
54310 Legal Notices & Advertisements	\$3,000.00	25.00%	\$750.00
54410 Printing and Binding	\$6,000.00	25.00%	\$1,500.00
54610 Travel & Training	\$35,000.00	25.00%	\$8,750.00
54910 Dues & Subscriptions	\$14,000.00	25.00%	\$3,500.00
54990 Other Administrative Services	\$20,000.00	25.00%	\$5,000.00
TOTAL	\$112,000.00		\$26,300.00
5500 SUPPLIES			
55110 General Office Supplies	\$6,000.00	25.00%	\$1,500.00
55120 Postage & Delivery	\$1,000.00	25.00%	\$250.00
55130 Photocopying Charges	\$3,000.00	25.00%	\$750.00
55210 Fuel	\$30,000.00	27.00%	\$8,100.00
55230 Medical Supplies	\$23,000.00	30.00%	\$6,900.00
55240 Clothing & Uniform Supplies	\$30,000.00	33.33%	\$9,999.00
55250 Vehicle & Equipmt Supplies	\$0.00	25.00%	\$0.00
55290 Other Operating Supplies	\$10,000.00	25.00%	\$2,500.00
55520 Building Supplies	\$6,000.00	25.00%	\$1,500.00
TOTAL	\$109,000.00		\$29,749.00
5600 CAPITAL OUTLAY			
56310 Improvements, Not Buildings	\$25,000.00	0.00%	\$0.00
56410 Office Equipment <\$10K	\$3,000.00	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	\$48,000.00		\$0.00
5800 OTHER CHARGES			
58220 Licenses & Permits	\$1,000.00	25.00%	\$250.00
TOTAL	\$1,000.00		\$250.00
GRAND TOTAL	\$9,652,712.00		\$2,644,844.85
OVERHEAD CHARGES (9% of Personnel)	\$794,182.68	27.75%	\$220,385.69
TOTAL COMPENSATION COST SHARE	\$175,625.00	50.00%	(\$62,812.50)
UNRECONCILED CONTRACT AMOUNT			\$2,802,418.04
RECONCILIATION 2016-2017 FY BUDGET TO ACTUAL			\$215,158.22
COMPENSATION COST SHARE RECONCILIATION FY 2016-17 BUDGET TO ACTUAL			(\$708.10)
PROPOSED EC CONTRACT FEE FY 2018-2019			\$3,016,868.16



MANN • URRUTIA • NELSON CPAs & ASSOCIATES, LLP
GLENDALE • ROSEVILLE • SACRAMENTO • SOUTH LAKE TAHOE • KAUAI, HAWAII

April 20, 2018

To the Board of Trustees and Management of
Kensington Fire Protection District
217 Arlington Avenue
Kensington, CA 94707

We are pleased to confirm our understanding of the services we are to provide Kensington Fire Protection District for the year ended June 30, 2018. We will audit the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements of Kensington Fire Protection District as of and for the year ended June 30, 2018. 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 Kensington Fire Protection District'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 our engagement, we will apply certain limited procedures to Kensington Fire Protection District'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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will 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. The following RSI is required by U.S. generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- 1) Management's Discussion and Analysis.
- 2) General Fund and Special Revenue Fund – Budget to Actual Schedules
- 3) Schedule of Funding Progress for Other Post-Employment Benefits

Audit Objectives

The objective of our 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. Our 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 Kensington Fire Protection District and other procedures we consider necessary to enable us to express such opinions. We will issue a written report upon completion of our audit of Kensington Fire Protection District's financial statements. Our report will be addressed to Board of Trustees and Management of Kensington Fire Protection District. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or may withdraw from this engagement.

We 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 our audit we become aware that Kensington Fire Protection District is subject to an audit requirement that is not encompassed in the terms of this engagement, we 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.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our 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. We will plan and perform the audit to obtain reasonable 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 we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, 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, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

Our 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. We 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 our audit, we 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

Our 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 we 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. Our 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 our 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, we 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, we will perform tests of Kensington Fire Protection District's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

Other Services

We will also assist in preparing the financial statements and related notes of Kensington Fire Protection District in conformity with U.S. generally accepted accounting principles based on information provided by you. We will also assist in preparing the 2017-2018 Special Districts Financial Transaction Report in accordance with Government Code 53891 based on information provided by you. 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*. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

Management Responsibilities

Management is responsible for designing, implementing, 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 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 and all accompanying information 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 us and for the accuracy and completeness of that information. You are also responsible for providing us 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 we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us 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 us 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 us 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 we report.

You are responsible for the preparation of the supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon OR make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us 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 us 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 and providing report copies of 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 us 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 our 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.

You agree to assume all management responsibilities relating to the financial statements and related notes and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our 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, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Engagement Administration, Fees, and Other

We may from time to time and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we 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 we are 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, we will remain responsible for the work provided by any such third-party service providers.

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

We will provide copies of our reports to Kensington Fire Protection District; 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 our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Mann, Uremia, Nelson, CPAs & Associates, LLP 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 any regulators 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. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Mann, Uremia, Nelson, CPAs & Associates, LLP personnel. Furthermore, upon request, we 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 regulators. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

We expect to begin our audit approximately in September 2018 and to issue our reports no later than December 2018. Justin Williams is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, including expenses, will not exceed \$14,500 and \$1,500 for the SCO Report. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 60 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us 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, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

If any dispute arises among the parties hereto, the parties agree first to try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its Rules for Professional Accounting and Related Services Disputes before resorting to litigation. The costs of any mediation proceeding shall be shared equally by all parties.

Client (Kensington Fire Protection District) and accountant (Mann, Uremia, Nelson CPAs & Associates, LLP) both agree that any dispute over fees charged by the accountant to the client will be submitted for resolution by arbitration in accordance with the Rules for Professional Accounting and Related Services Disputes of the American Arbitration Association. Such arbitration shall be binding and final. IN AGREEING TO ARBITRATION, WE BOTH ACKNOWLEDGE THAT, IN THE EVENT OF A DISPUTE OVER FEES CHARGED BY THE ACCOUNTANT, EACH OF US IS GIVING UP THE RIGHT TO HAVE THE DISPUTE DECIDED IN A COURT OF LAW BEFORE A JUDGE OR JURY AND INSTEAD WE ARE ACCEPTING THE USE OF ARBITRATION FOR RESOLUTION.

We appreciate the opportunity to be of service to Kensington Fire Protection District and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,



Mann, Uremia, Nelson, CPAs & Associates, LLP

RESPONSE:

This letter correctly sets forth the understanding of Kensington Fire Protection District.

Management signature: _____

Title: _____

Date: _____

KFPD DRAFT COMBINED REVENUE, EXPENSE AND CAPITAL BUDGET

Fiscal Year 2018-2019

	FY 2017-2018	FY 2017-2018	FY 2018-2019	FY 2019-2020
<u>REVENUE BUDGET</u>	<u>Budget</u>	<u>Est. Actual</u>	<u>Budget</u>	<u>Planning</u>
Property Taxes	3,863,605	3,879,756	4,015,545	4,136,010
Special Taxes	200,287	200,395	200,395	200,395
Other tax income	26,000	25,540	25,500	25,500
Interest income	60,000	58,000	65,000	60,000
Lease agreement	35,470	35,470	36,002	37,630
Salary reimb agreement	57,873	59,603	62,879	66,555
Miscellaneous income	0	1,182	0	0
Total Revenue	4,243,235	4,259,946	4,405,322	4,526,090
	FY 2017-2018	FY 2017-2018	FY 2018-2019	FY 2019-2020
<u>OPERATING EXPENSE BUDGET</u>	<u>Budget</u>	<u>Est. Actual</u>	<u>Budget</u>	<u>Planning</u>
OUTSIDE PROFESSIONAL SERVICES				
Accounting	5,250	5,250	6,000	6,000
Actuarial Valuation	7,500	5,500	0	7,500
Audit	16,000	16,000	16,000	16,500
CC County Expenses	32,500	34,250	35,965	37,765
EI Cerrito Contract	2,826,907	2,826,907	3,080,388	3,172,800
Fire Abatement Contract	8,000	0	8,000	8,000
Fire Engineer Plan Review	2,000	1,093	2,000	2,000
Insurance - Risk Mgmt	14,000	13,268	14,500	15,000
LAFCO Fees	2,200	2,123	2,200	2,300
Legal Fees	40,000	15,000	35,000	35,000
Water System Improvements	20,000	0	20,000	20,000
Website Development/Maint.	3,700	3,100	2,500	2,750
Wildland Vegetation Mgmt	10,000	9,500	10,000	10,000
RETIREE MEDICAL BENEFITS*				
PERS Medical (OPEB cost)	0	0	0	0
Delta Dental	0	0	0	0
Vision Care	0	0	0	0
COMMUNITY SERVICE ACTIVITIES				
Public Education	10,000	10,000	11,500	12,000
Community Pharmaceutical Drop-Off	4,000	2,200	4,000	4,000
Vial of Life Program	200	99	200	200
CERT Kits/Sheds/Preparedness	17,500	3,833	12,000	12,000
Open Houses	1,200	307	750	750
Community Shredder	2,750	2,469	2,750	3,000
DFSC Matching Grants	20,000	19,116	20,000	20,000
Firesafe Planting Grants	3,000	219	3,000	3,000
Demonstration Garden	30,000	6,000	30,000	2,500
Community Sandbags	5,000	754	4,000	4,000
DISTRICT ACTIVITIES				
Professional Development	5,000	3,000	5,000	5,000
District Office				
Office expense	3,000	2,800	3,000	3,150
Office supplies	2,500	1,800	2,500	2,500
Telephone	8,000	8,000	8,000	8,400
Election	0	0	1,500	0
Firefighter's Apparel & PPE	1,500	542	1,500	1,575
Firefighters' Expenses	10,000	5,000	10,000	10,000
Staff Appreciation	2,000	1,019	1,750	2,000
Memberships	7,535	7,508	7,750	7,750
P/S Building				
Needs Assessment/Feasibility Study	30,000	23,127	10,000	0
Gardening service	2,000	1,300	2,500	3,200
Building alarm	2,000	1,379	1,500	1,550
Medical waste disposal	5,000	4,800	5,500	5,500

KFPD DRAFT COMBINED REVENUE, EXPENSE AND CAPITAL BUDGET

Fiscal Year 2018-2019

Janitorial	1,500	1,365	1,500	1,575
Misc. Maint/Improvements	12,000	12,000	12,600	13,000
PG&E	7,500	7,600	8,500	9,500
Water/Sewer	2,040	2,600	2,730	2,865
Staff				
Wages	86,420	86,437	95,080	97,930
Longevity Pay	1,000	1,000	1,000	1,000
Overtime Wages	1,540	1,200	1,575	1,655
Vacation Wages Accrual Adjustment	2,433	2,433	332	3,766
Medical/dental insurance compensation	8,190	8,190	10,056	10,560
Retirement Contribution	6,568	6,568	7,226	7,443
Payroll Taxes	7,789	7,700	8,360	8,620
Insurance - Workers Comp/Life	1,800	1,830	2,000	2,000
Processing	1,550	1,630	1,710	1,795
Operating Contingency Fund	<u>25,000</u>	<u>1,440</u>	<u>25,000</u>	<u>25,000</u>
Total Operating Expense	3,325,570	3,179,254	3,558,918	3,634,395
Capital Outlay				
Firefighter qtrs/equip	25,000	20,000	15,000	15,000
Office Furniture/Computers	5,000	0	5,000	5,000
Type III Engine	<u>0</u>	<u>0</u>	<u>227,000</u>	<u>365,000</u>
Total Capital Outlay	30,000	20,000	247,000	385,000
TOTAL EXPENDITURES	3,355,570	3,199,254	3,805,918	4,019,395

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 that we will have no OPEB expense beginning in FY 17/18.

Designated Funds (see attached schedules)

Engine Replacement Fund	117,874	117,874	117,874	75,880
Public Safety Building Fund	<u>650,000</u>	<u>650,000</u>	<u>150,000</u>	<u>131,590</u>
	767,874	767,874	267,874	207,470

	FY 2017-2018 <u>Budget</u>	FY 2017-2018 <u>Est. Actual</u>	FY 2018-2019 <u>Budget</u>	FY2019-2020 <u>Planning</u>
Beginning Cash	6,957,198	7,093,176	8,051,755	8,651,159
Revenue	4,243,235	4,259,946	4,405,322	4,526,090
Operating Expenditures	-3,325,570	-3,179,254	-3,558,918	-3,634,395
Capital Expenditures	-30,000	-20,000	-247,000	-385,000
Accrual to Cash Adjustment		-102112.71		
<u>ENDING CASH</u>	7,844,864	8,051,755	8,651,159	9,157,853
Cumulative Designated Funds				
Capital Replacement Funds	-3,186,299	-3,954,173	-3,454,173	-4,161,643
Prepaid CERBT - Retiree Trust	-953,491	-1,059,475	-1,059,475	-1,059,475
EI Cerrito Contract 12 month set aside	-2,826,907	-2,826,907	-3,080,388	-3,172,800
<u>AVAILABLE CASH</u>	878,167	211,200	1,057,123	763,935

KFPD DRAFT COMBINED REVENUE, EXPENSE AND CAPITAL BUDGET
 Fiscal Year 2018-2019

SCHEDULE FOR REPLACEMENT OF EQUIPMENT

Type I Vehicle <u>Cost</u>	Estimated Cost <u>15 yrs/4%</u>	Fiscal <u>Year</u>	Yearly Contribution <u>To Cap. Fund</u>	Accumulated <u>Funds</u>	Type III Vehicle <u>Cost</u>	Estimated Cost <u>15 yrs/4%</u>	Fiscal <u>Year</u>	Yearly Contribution <u>To Cap. Fund</u>	Accumulated <u>Funds</u>
						\$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
\$632,000	\$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 DRAFT COMBINED REVENUE, EXPENSE AND CAPITAL BUDGET
Fiscal Year 2018-2019

SAVINGS SCHEDULE FOR BUILDING IMPROVEMENTS/RENOVATION/REPLACEMENT

Adjusted for 4% <u>Inflation</u>	<u>Fiscal</u> <u>Year</u>	<u>Yearly</u> <u>Contribution</u>	<u>Accumulated</u> <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	1,089,786	1,834,432
	17-18	650,000	2,484,432
	18-19	150,000	2,634,432
	19-20	131,590	2,766,022

* Based on historical building expenditures, KFPD was setting aside \$100,000 plus inflation per fiscal year to accumulate funds to be available for future building improvements/major repairs. In preparation for a major building remodel/replacement, any surplus funding from each year will also be contributed to the building replacement fund.