

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

**FINANCE COMMITTEE**

Date of Meeting: June 2, 2015  
Time of Meeting: 1:30 p.m.  
Place of Meeting: Kensington Public Safety Building  
Conference Room  
217 Arlington Avenue, Kensington, CA 94707

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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 Larry Nagel  
Staff: Chief Lance Maples, Deborah Russell CPA,  
Brenda Navellier, Manager

**AGENDA**

1. Call To Order
2. Public Comment
3. Approval of January 29, 2015 Committee Minutes
4. El Cerrito Contract Fee Proposal for FY 2015-2016
5. FY 2014-2015 Auditor Proposal/Recommendation
6. Review and Recommend Draft FY 2015-2016 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 29, 2015 FINANCE COMMITTEE MEETING  
OF THE KENSINGTON FIRE PROTECTION DISTRICT**

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

**CALL TO ORDER:**

Director Kosel called the meeting to order at 2:00 p.m. and noted the Committee members and Manager Navellier that were present along with members of the public.

**ORAL COMMUNICATIONS:**

None.

**APPROVAL OF MAY 28, 2014 COMMITTEE MINUTES:**

Previous Finance Committee member, Helmut Blaschczyk retired from the Board. This is Director Larry Nagel's first meeting. Director Kosel explained the Finance Committee meets twice a year at a minimum which is why the minutes are from last May. However, the entire Board reviews the finances of the District both when the budget is adopted and at mid-year budget review. The Committee agreed to approve the minutes by consensus as presented.

**REVIEW OF DRAFT FY13-14 INDEPENDENT AUDIT REPORT:**

Staff met with the auditor starting in the fall of 2014. After staff review and working with the auditor, draft number #5 has now been forwarded to the Finance Committee meeting to review and give feedback at this meeting. The audit is a result of a sampling of financial info. The conclusion of the audit (located on page 23) is a "clean" audit report and there are no recommendations for changes to internal controls. Day-to-day handling of the financials are appropriate and are free of material misstatements. The audit will be on the February Board agenda. The Committee did not have any changes to the draft. Director Kosel asked for public comments. Resident Paul Dorrah asked for an explanation on OPEB line item on page 22. *Accountant Deborah Russell joined the meeting.* Dorrah asked about the capital outlay of \$405,000 that was not spent. Russell explained that District had originally budgeted their portion of the ladder truck under capital outlay but the auditor reclassified it as an expense. Navellier pointed to the full explanation on page 3 of the audit. Kosel said she is very happy with the format of the audit and thinks it is very user friendly. The District should evaluate whether they have the right auditor for them every five years. Two or three years ago they solicited proposals and decided to stay with Lamorena & Chang. Staff is confident with the auditor's knowledge. The Finance Committee requested that Chang present the audit to the Board if he is available for their February meeting. The Committee approved and will recommend that the Board adopt the audit as presented.

**MID-YEAR BUDGET vs. ACTUAL REVIEW:**

Director Kosel reviewed Revenue & Expense Budget vs. Actual July through December 2014. She noted that property taxes are up 7.4% or over \$200,000 windfall over the District's budget. The lease agreement with KPPCSD is \$1 for the fiscal year which has not yet been received. Kosel noted that the District is setting aside \$108,000 during the fiscal year for building expenses and by not charging KPPCSD rent, KFPD is in effect subsidizing them by \$54,000. Legal fees are \$650 to date and there has been no contingency spent to date. Between the unexpected windfall of property tax revenues, low legal fees and no contingency puts the District ahead of its budget about \$277,000. The District's budget shows a total projected revenue of \$3.3 million and expenses of \$4 million. Initially the District was going to be upside down by about \$800,000 largely due to water system improvements and purchase of the new Type I engine. At mid-year, the District is projected to be upside down by only \$500,000 due to the factors above. On pages 4 and 16 of the audit report, based on the 2011 revised actuarial report, the District's OPEB liability is underfunded by \$144,000. Staff will check on the 2013 actuarial report and current CERBT statements to see if the District is still underfunded. Kosel explained the designated funds and that the District will be replacing its Type I engine during this fiscal year. The District has \$630,000 saved up for the purchase so that account will be zeroed out. Water system improvements are budgeted at \$380,000 but only about \$330,000 will be spent during FY14-15. The remaining will carry over into the following year. The apparatus bay

construction is currently budgeted at \$200,000 but the district has no formal bids to compare price. The plans have been at County plan check since early January. At this point, staff is confident the project should be complete by the end of the fiscal year or thereabouts. Kosel explained the building improvement schedule that is based on 20 years of expenses of maintaining the public safety building. There is currently only \$312,000 in this designated fund. The building is out of date and \$100,000 maintenance per year is an expensive band aid. The Committee agreed that the Building Committee should interview the Chief and staff to assess needs and determine how much longer the public safety building can function. The District may need to tear down and rebuild or move to another location there are very limited spaces in the community. \$100,000 every year is a lot to pay for a building that does not meet the District's needs. A new Type III engine will be purchased in FY18-19. Russell suggested that the building fund may be the appropriate place to put the property tax windfall money. More discussion followed on the functionality of the building and other possible locations. No revisions are needed to the budget mid-year. Director Nagel asked about the unbudgeted miscellaneous income at \$13,408. Navellier recalled that it was money from the State that the District does not receive consistently every year. Discussion on mandate reimbursements followed. Nagel asked about projections for property taxes for FY15-16? Kosel said the District often relies on information from the El Cerrito City Manager. The District has never been so far off on its property tax budget and does not expect such a large increase two years in a row. Russell explained the salary reimbursement agreement and the vacation wages accrual adjustment on the budget. Russell also explained that the medical benefits and how they tie to the actuary study. The Committee directed Navellier to check on El Cerrito's salary enhancements to use as a comparable and to check on the status of water system improvements with EBMUD. A member of the public asked what the \$100,000 per year goes toward. The Committee and staff explained that is a historical number over 20 years that includes several seismic strengthening projects. Resident Anthony Knight said there should be a schedule showing how the District has come to that number; staff answered that there is one available. Navellier reviewed the major seismic remodels in 1999, 2004 and 2009 along with the roof, parking lot, shingles, and windows. More discussion followed on continued remodels and seismic projects at the public safety building, possible alternative locations and response times. KPPCSD President Welsh agreed the building is a huge issue. The building was not designed for current needs, it is 45 years old. The Committee explained that the District owns two engines –one Type I and one Type III plus a small portion of the ladder engine that is housed in El Cerrito.

**REVIEW DISTRICT INVESTMENTS:**

Navellier passed out a cash flow for position through the remainder of the fiscal year. Cash flow changes dependent upon the property tax cash conversion schedule. The District is at its lowest point in November, prior to the December property tax date, and the highest point is in May. The largest share of the District's funds are held by the County and all large checks are passed through the County. The District also keeps a small checking account at Mechanics Bank for routine checks such as utilities, etc. Russell gave an explanation on the investments and the contract reserve and dependent upon the time of year, the District is not able to fund all of its obligations. The District holds the contract reserve amount and receives interest on it. LAIF is currently paying .25%.

**ADJOURNMENT:** The meeting was adjourned at 3:12 p.m.

**MINUTES PREPARED BY:** Brenda J. Navellier

These minutes were approved at the Committee meeting of June 2, 2015.

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.*

### **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

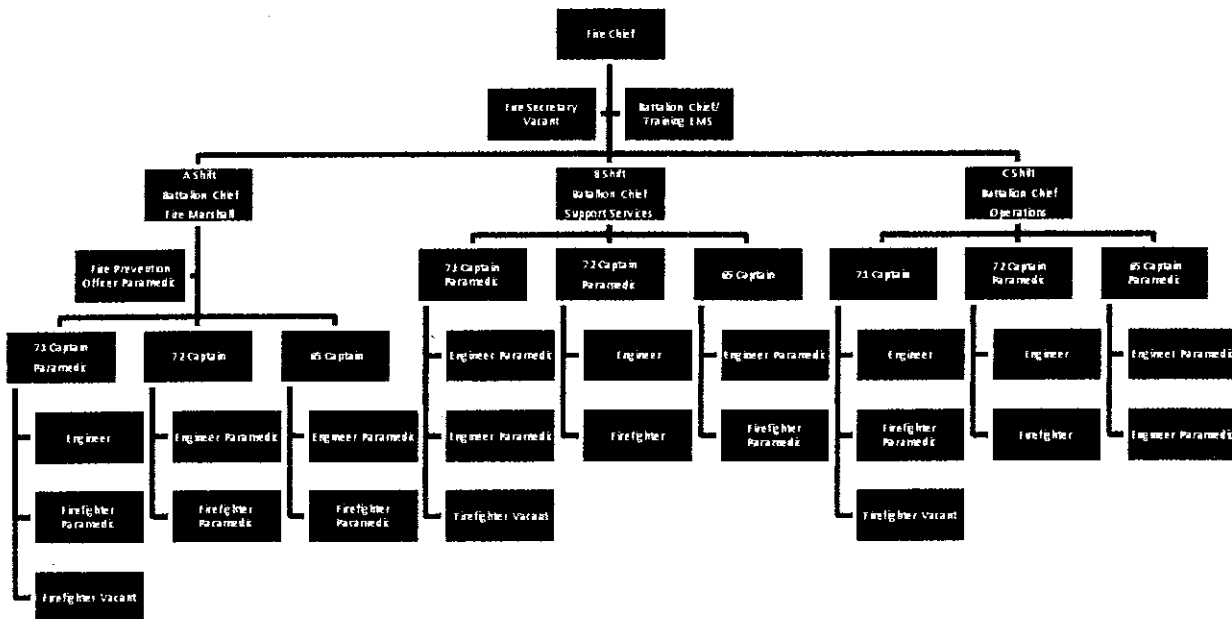


Table 6-1 shows the adopted personnel authorization for the Department. In FY 2015-16, the overall staffing level will remain the same. This staffing model is designed to assign two paramedic assignments on each responding engine to provide advanced life support services during emergency medical responses.

Table 6-1  
Fire Department Position Listing

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

### Service Indicators

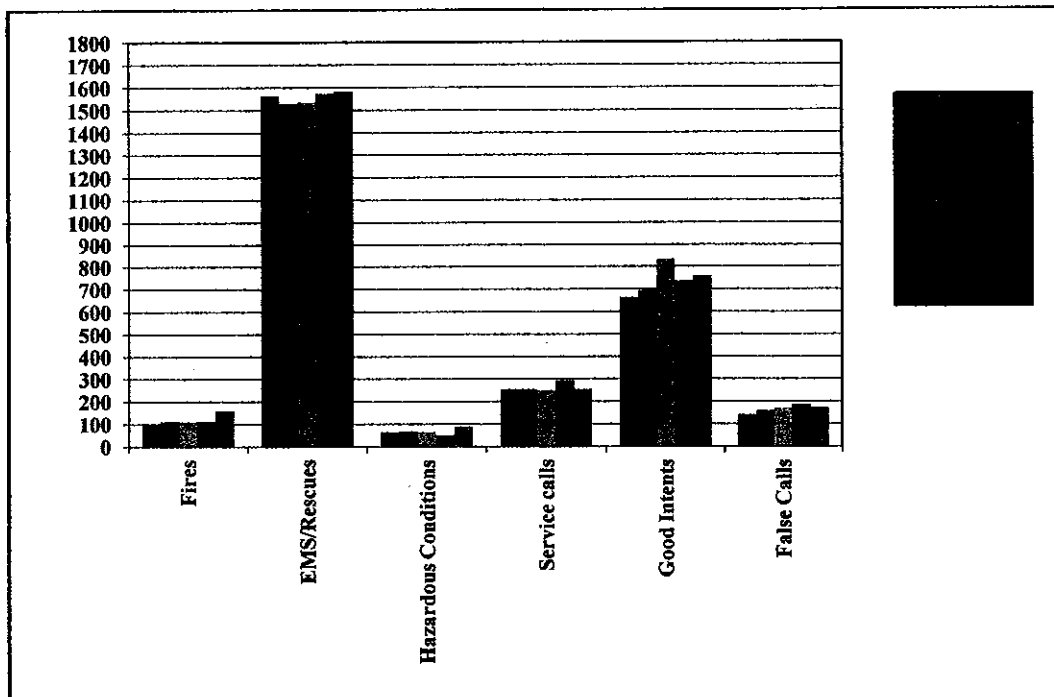
Based on a review of Department activities for prior fiscal years, the workload has remained relatively stable. The Department will be able to meet the anticipated workload for FY 2015-16 with current staffing levels as shown in the Adopted budget. Table 6-2 lists six response types, depicted graphically 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 6-2  
Emergency Response Workload**

Response Type	2010	2011	2012	2013	2014
Fires	103	113	112	113	160
EMS/Rescues	1536	1530	1537	1572	1582
Hazardous Conditions	64	69	66	56	88
Service Calls	255	256	251	292	256
Good Intent	663	694	835	736	758
False Calls	143	160	172	187	174

**Chart 6-3  
Emergency Response Workload**





**Table 6-4** shows that the Department responds to nearly 3,000 calls per year. Fire loss over this five-year period averages \$440,425 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 \$850,000. The Department anticipates that requests for service will remain flat over the next calendar year.

**Table 6-4**  
**Total Responses, by Year**

<b>Year</b>	<b>Number</b>	<b>Dollar Loss</b>
2010	2,764	561,445
2011	2,822	883,950
2012	2,973	428,250
2013	2,956	131,755
2014	3,018	196,725
<b>Average</b>	<b>2,906</b>	<b>\$440,425</b>

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

**Table 6-5**  
**Training Hours**

<b>Type</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Medical – EMS	887	782	760	690	729
Operations	13,882	12,907	12,172	12,510	11,952
Physical Fitness	1,349	1,113	979	1,004	582
Online	815	840	826	1,043	1,266
<b>Total</b>	<b>16,933</b>	<b>15,642</b>	<b>14,737</b>	<b>15,247</b>	<b>14,529</b>

**Table 6-6**  
**Fire Prevention Activities**

<b>Inspection Type</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Fire Inspections ( Fire Company)	440	495	471	602	521
Mandatory ( Schools/Jails/Convalescents)	18	23	23	20	24
Self-Inspection	217	252	254	149	94
Construction Plan Checks	70	59	64	48	72
Construction Inspections	63	232	200	53	39
Vegetation Management Inspections	15,351	14,270	14,270	14,270	14,270
Vegetation Management Re-Inspections	237	329	283	113	289
<b>Total</b>	<b>16,396</b>	<b>15,660</b>	<b>15,565</b>	<b>15,255</b>	<b>15,309</b>

**Table 6-7  
Current Certifications Held**

<b>Type</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Chief Officer	1	1	1	1	1
Fire Officer	22	22	21	21	23
Firefighter II	34	34	33	31	31
Firefighter I	34	34	33	33	31
Driver Operator I	32	34	31	31	31
CERT Instructors	9	10	8	8	8
Rescue Systems I	25	26	27	26	28
Rescue Systems II	N/A	7	10	10	12
EMT	16	16	12	15	15
Paramedic	18	18	18	18	18
<b>Total</b>	<b>191</b>	<b>202</b>	<b>194</b>	<b>194</b>	<b>198</b>

**Table 6-8  
Public Education Contacts**

<b>Contact Type</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Station Tours	331	150	177	245	265
Preschool Programs	516	477	493	430	325
Open Houses	35	201	147	400	137
School Age Programs K-4	456	830	606	350	550
School Age Programs 5-8	239	672	497	205	334
Senior Programs	58	25	63	29	193
First Aid/ CPR	230	140	169	60	100
Car Seats	N/A	56	49	70	49
<b>Total</b>	<b>2,865</b>	<b>2,495</b>	<b>2,201</b>	<b>1,781</b>	<b>1,953</b>

**CITY OF EL CERRITO /KENSINGTON FIRE PROTECTION DISTRICT**

Proposed Contract Fee for FY 2015 - 2016

LINE ITEM DETAIL BUDGET EXPENDITURES  
GENERAL FUND

Proposed  
Budget FY15-16

<b>5100 SALARIES &amp; BENEFITS</b>				
51110	Salaries	\$4,549,323.34	27.75%	\$1,262,437.23
51130	Temporary/Part-time Salaries	\$0.00	27.75%	\$0.00
51140	Overtime Pay	\$594,708.45	27.75%	\$165,031.59
51145	FLSA Overtime pay	\$98,897.75	27.75%	\$27,444.13
51146	Non Suppression Overtime pay	\$78,735.00	27.75%	\$21,848.96
51150	Special Pay	\$0.00	27.75%	\$0.00
51210	PERS Contributions	\$1,456,155.48	27.75%	\$404,083.15
51220	FICAMEDICARE	\$73,479.83	27.75%	\$20,390.65
51230	Benefits & Insurance	\$967,484.71	27.75%	\$265,702.01
51240	Workers Compensation	\$102,638.00	27.75%	\$28,482.05
51990	Salary Savings	(\$484,468.00)	27.75%	(\$134,439.87)
<b>TOTAL</b>		<b>\$7,428,954.56</b>		<b>\$2,060,979.89</b>

<b>5200 PROFESSIONAL SERVICES</b>				
52190	Misc Professional Services	\$6,500.00	33.33%	\$2,166.45
52220	Medical Services	\$15,000.00	33.33%	\$4,999.50
<b>TOTAL</b>		<b>\$21,500.00</b>		<b>\$7,165.95</b>

<b>5300 PROPERTY SERVICES</b>				
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	\$20,000.00	0.00%	\$0.00
53250	Vehicle/Equip Maint Svcs	\$80,000.00	25.00%	\$20,000.00
53290	Misc R&M Svcs	\$80,000.00	33.33%	\$19,998.00
53320	Vehicle & Equip Lease	\$0.00	0.00%	\$0.00
53330	Vehicle Replcmt Rental Charge	\$153,532.00	18.83%	\$28,910.08
53910	Solid Waste Services	\$6,000.00	33.33%	\$1,999.80
<b>TOTAL</b>		<b>\$347,183.00</b>		<b>\$75,907.38</b>

<b>5400 OTHER SERVICES</b>				
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	\$25,000.00	25.00%	\$6,250.00
54910	Dues & Subscriptions	\$12,000.00	25.00%	\$3,000.00
54990	Other Administrative Services	\$15,000.00	25.00%	\$3,750.00
<b>TOTAL</b>		<b>\$81,000.00</b>		<b>\$18,900.00</b>

<b>5500 SUPPLIES</b>				
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	\$20,000.00	30.00%	\$6,000.00
55240	Clothing & Uniform Supplies	\$20,000.00	33.33%	\$6,666.00
55250	Vehicle & Equipment Supplies	\$0.00	25.00%	\$0.00
55290	Other Operating Supplies	\$7,000.00	25.00%	\$1,750.00
55520	Building Supplies	\$10,000.00	25.00%	\$2,500.00
<b>TOTAL</b>		<b>\$107,300.00</b>		<b>\$28,466.00</b>

<b>5600 CAPITAL OUTLAY</b>				
56310	Improvements, Not Buildings	\$10,000.00	0.00%	\$0.00
56710	Other Equipment < \$10K	\$15,000.00	0.00%	\$0.00
56720	Other Equipment > \$10K	\$0.00	0.00%	\$0.00
<b>TOTAL</b>		<b>\$25,000.00</b>		<b>\$0.00</b>

<b>5800 OTHER CHARGES</b>				
58220	Licenses & Permits	\$1,000.00	25.00%	\$250.00
<b>TOTAL</b>		<b>\$1,000.00</b>		<b>\$250.00</b>

**GRAND TOTAL**                      **\$8,009,937.56**                      **\$2,191,669.22**

**OVERHEAD CHARGES (9% of Personnel)**                      **\$668,425.91**                      **27.75%**                      **\$185,488.19**

**TOTAL COMPENSATION COST SHARE**                      **\$102,310.00**                      **50.00%**                      **(\$51,155.00)**

**UNRECONCILED CONTRACT AMOUNT**                      **\$2,326,002.41**

**RECONCILIATION 2013-2014 FY BUDGET TO ACTUAL**                      **(\$7,627.38)**

**COMPENSATION COST SHARE  
RECONCILIATION FY 2013-14 BUDGET  
TO ACTUAL**                      **\$810.83**

**PROPOSED EC CONTRACT FEE FY 2015-2016**                      **\$2,319,185.86**



April 8, 2015

To Ms. Brenda Navellier  
Office manager  
Kensington Fire Protection District  
217 Arlington Ave.  
Kensington, CA 94707

Dear Brenda,

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, 2015. 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, 2015. 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.

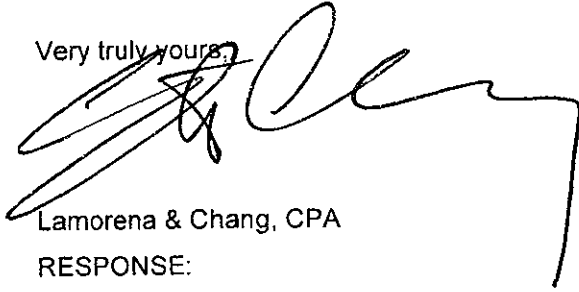
My fee for these services will be at my standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) except that I agree that I estimated flat rate of



\$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: \_\_\_\_\_



KFPD DRAFT COMBINED REVENUE, EXPENSE AND CAPITAL BUDGET

Fiscal Year 2015-2016

	FY 2014-2015	FY2014-2015	FY 2015-2016	FY 2016-2017
<u>REVENUE BUDGET</u>	<u>Budget</u>	<u>Est. Actual</u>	<u>Budget</u>	<u>Planning</u>
Property Taxes	2,982,110	3,251,446	3,316,475	3,382,803
Special Taxes	200,428	200,345	200,345	200,345
Other tax income	30,000	27,172	27,000	27,000
Interest income	6,000	8,000	8,000	8,000
Lease agreement	1	0	1	1
Salary reimb agreement	51,136	49,695	50,775	52,305
Miscellaneous income	0	13,409	0	0
<b>Total Revenue</b>	<b>3,269,675</b>	<b>3,550,067</b>	<b>3,602,596</b>	<b>3,670,454</b>
<u>OPERATING EXPENSE BUDGET</u>	<u>Budget</u>	<u>Est. Actual</u>	<u>Budget</u>	<u>Planning</u>
<b>OUTSIDE PROFESSIONAL SERVICES</b>				
Accounting	4,500	4,000	4,725	4,960
Actuarial Valuation	0	0	3,000	0
Audit	13,000	13,000	13,000	13,500
CC County Expenses	33,640	31,500	33,075	34,730
EI Cerrito Contract	2,415,339	2,415,339	2,369,530	2,488,005
Fire Abatement Contract	8,000	0	8,000	8,000
Insurance - Risk Mgmt	11,525	11,523	11,490	12,065
LAFCO Fees	1,850	1,796	1,850	1,850
Legal Fees	30,000	5,000	30,000	30,000
Needs Assessment/Feasibility Study	0	0	25,000	0
Water System Improvements **	380,000	330,000	185,000	20,000
Wildland Vegetation Mgmt	10,000	8,045	10,000	10,000
<b>RETIREE MEDICAL BENEFITS</b>				
PERS Medical (OPEB cost)	19,970	19,970	21,380	22,890
Delta Dental	2,555	2,555	2,735	2,930
Vision Care	695	695	745	795
<b>COMMUNITY SERVICE ACTIVITIES</b>				
Public Education	13,000	8,500	13,000	13,000
Community Pharmaceutical Drop-Off	2,500	1,685	2,500	2,500
Vial of Life Program	250	0	200	200
CERT Kits/Sheds/Preparedness	3,330	0	35,000	15,000
Open Houses	750	254	750	750
Community Shredder	1,000	1,065	2,500	2,500
DFSC Matching Grants	0	0	4,000	4,000
<b>DISTRICT ACTIVITIES</b>				
Professional Development	5,500	4,000	5,000	5,500
<b>District Office</b>				
Office expense	3,500	3,000	3,500	3,500
Office supplies	2,500	1,200	2,500	2,500
Telephone	6,645	7,800	8,190	8,600
Election	1,000	400	0	1,000
Firefighter's Apparel	1,500	0	1,500	1,500
Firefighters' Expenses	5,000	4,500	5,000	5,000
Staff Appreciation	2,500	1,366	2,500	2,500
Memberships	6,845	6,888	7,230	7,590
<b>P/S Building</b>				
Gardening service	1,900	1,580	2,000	2,000
Building alarm	2,000	1,696	2,000	2,000
Medical waste disposal	4,000	2,781	4,000	4,000
Janitorial	1,500	1,260	1,500	1,500
Misc. Maint/Improvements	12,500	6,000	12,500	12,500
PG&E	7,205	6,200	7,500	7,500
Water/Sewer	1,315	1,665	1,750	1,800
Garbage	1,005	1,030	1,080	1,135

June 2, 2015

KFPD DRAFT COMBINED REVENUE, EXPENSE AND CAPITAL BUDGET

Fiscal Year 2015-2016

Staff

Wages	75,110	75,108	78,104	78,900
Longevity Pay	1,000	1,000	1,000	1,000
Overtime Wages	1,300	300	1,300	1,300
Vacation Wages Accrual Adjustment	2,855	-108	0	0
Medical/dental insurance compensation	7,800	7,800	7,800	8,190
Retirement Contribution	5,710	5,708	5,934	5,997
Payroll Taxes	6,693	6,432	7,030	7,138
Insurance - Workers Comp/Life	1,695	1,210	1,800	1,800
Processing	1,410	1,434	1,505	1,580
Operating Contingency Fund	<u>25,000</u>	<u>3,800</u>	<u>25,000</u>	<u>25,000</u>

**Total Operating Expense** 3,146,888 3,008,975 2,974,701 2,888,703

Capital Outlay

Type I Engine	632,000	300,000	332,000	0
Firefighter qtrs/equip	15,000	14,000	15,000	15,000
Apparatus Bay Construction	200,000	80,000	140,000	0
Holmatro Tool	11,000	10,002	0	0
Office Furniture/Computers	<u>5,000</u>	<u>5,547</u>	<u>5,000</u>	5,000

**Total Capital Outlay** 863,000 409,549 492,000 20,000

**TOTAL EXPENDITURES** 4,009,888 3,418,524 3,466,701 2,908,703

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

\*\* For FY14/15 and 15/16, the total estimated cost of the Columbia improvement project is \$450,000. EBMUD will rebate 20% upon completion.

**Designated Funds (see attached schedules)**

Engine Replacement Fund	93,455	93,455	41,994	117,994
Public Safety Building Fund	<u>108,160</u>	<u>108,160</u>	<u>112,486</u>	<u>116,986</u>
	201,615	201,615	154,480	234,980

	FY 2014-2015	FY 2014-2015	FY 2015-2016	FY 2016-2017
	<u>Budget</u>	<u>Est. Actual</u>	<u>Budget</u>	<u>Planning</u>

Beginning Cash	5,592,768	5,592,764	5,724,307	5,860,202
Revenue	3,269,675	3,550,067	3,602,596	3,670,454
Operating Expenditures	-3,146,888	-3,008,975	-2,974,701	-2,888,703
Capital Expenditures	-863,000	-409,549	-492,000	-20,000
<i>Accrual to Cash Adjustment</i>				
<b><u>ENDING CASH</u></b>	4,852,555	5,724,307	5,860,202	6,621,954

**Cumulative Designated Funds**

Capital Replacement Funds	-736,285	-1,068,947	-890,765	-1,125,745
Prepaid CERBT - Retiree Trust	-1,020,819	-1,000,148	-1,000,148	-1,000,148
El Cerrito Contract 12 month set aside	-2,415,339	-2,415,339	-2,369,530	-2,488,005

**AVAILABLE CASH** 680,113 1,239,873 1,599,759 2,008,056

KFPD DRAFT COMBINED REVENUE, EXPENSE AND CAPITAL BUDGET  
 Fiscal Year 2015-2016

**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
	\$543,700					\$540,094			
\$123,464		99-00							
\$178,435		00-01	30,832	30,832					
		01-02	36,633	67,465					
		02-03	36,633	104,098	\$94,000		02-03		
		03-04	36,633	140,731	\$205,895		03-04		
		04-05	36,633	177,364			04-05	32,860	32,860
		05-06	36,633	213,997			05-06	32,860	65,720
		06-07	36,633	250,630			06-07	32,855	98,575
		07-08	36,633	287,263			07-08	36,793	135,368
		08-09	36,633	323,896			08-09	36,793	172,161
adjust to	\$632,660	09-10	51,461	375,357	adjust to	\$592,100	09-10	41,994	214,155
		10-11	51,461	426,818			10-11	41,994	256,149
		11-12	51,461	478,279			11-12	41,994	298,143
		12-13	51,461	529,740			12-13	41,994	340,137
		13-14	51,461	581,201			13-14	41,994	382,131
		14-15	<u>51,461</u>	632,662			14-15	41,994	424,125
			632,662				15-16	41,994	466,119
							16-17	41,994	508,113
							17-18	41,994	550,107
							18-19	<u>41,994</u>	592,101
								592,101	

KFPD DRAFT COMBINED REVENUE, EXPENSE AND CAPITAL BUDGET  
Fiscal Year 2015-2016

**SAVINGS SCHEDULE FOR BUILDING IMPROVEMENTS/RENOVATION**

<u>Adjusted for 4% Inflation</u>	<u>Fiscal Year</u>	<u>Yearly Contribution</u>	<u>Accumulated Reserves</u>
	12-13	100,000	100,000
	13-14	104,000	204,000
	14-15	108,160	312,160
	15-16	112,486	424,646
	16-17	116,986	541,632
	17-18	121,665	663,298
	18-19	126,532	789,829

\* 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.