

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

FINANCE COMMITTEE

Date of Meeting: May 30, 2019
Time of Meeting: 3:00 p.m.
Place of Meeting: Arlington Community Church
Fireside Room
52 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: Julie Stein and Don Dommer
Staff: Chief Michael Pigoni, Deborah Russell CPA,
Brenda Navellier, Manager

AGENDA

1. Call To Order
2. Public Comment
3. Approval of February 27, 2019 Committee Minutes
4. El Cerrito Contract Fee Proposal for FY 2019-2020
5. FY 2018-2019 Auditor Proposal/Recommendation
6. Review and Recommend Draft FY 2019-2020 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 FEBRUARY 27, 2019 FINANCE COMMITTEE MEETING
OF THE KENSINGTON FIRE PROTECTION DISTRICT**

PRESENT: Directors: Julie Stein and Don Dommer
 Staff: Manager Brenda Navellier, Deborah Russell CPA

CALL TO ORDER:

Director Stein called the meeting to order at 4:08 p.m. and noted the Committee members, staff and members of the public that were present.

PUBLIC COMMENT:

None.

APPROVAL OF MAY 31, 2018 COMMITTEE MINUTES:

President Stein noted that the Finance Committee asked Director Kosel if she had any concerns about these minutes since she was at the meeting. She had none. The Committee agreed to approve the minutes by consensus.

APPROVAL OF JANUARY 29, 2019 COMMITTEE MINUTES:

The Committee agreed to approve the minutes by consensus.

MID-YEAR BUDGET VS. ACTUAL REVIEW:

Director Stein had a couple of specific questions. She noted that some items are budgeted evenly throughout the year and some are budgeted at specific times when staff expects something to happen. She noted that KFPD received about \$60,000 more in property tax revenue during the first half of the year than budgeted. Does that affect the projection for the second half of the year or did the District simply receive more revenue? Russell said that the District just received more. She explained the normal timing of the property tax revenues and that there will still be both pluses and minus during the remainder of the fiscal year. Russell said it is only a 1.5% increase over budget but still a nice chunk of cash. Stein asked about the interest income that also exceeded expectations. Russell noted that interest income rates have continued to climb and KFPD has not yet spent the funds on the engine deposit. Stein asked if staff expects the second half of the year interest returns to be similar to the first half. Russell affirmed that expectation, particularly if the District doesn't spend the \$220,000 budgeted for the engine.

David Spath asked where the District's money is invested? Russell gave a brief explanation on the investments that were included on agenda item 5 and also said the District has funds in the Local Agency Investment Fund. Navellier said the current LAIF rate is about 2.4%. None of the investments are variable rates. Some pay out twice a year and some pay out at maturity. Russell accrues the interest.

Stein summarized that the District has about \$104,000 more income during the first half of the year than planned. Dommer said the District always budgets conservatively. Stein said the District was under budget on expenses by about \$25,000.

Dommer said he believes there will be public safety building expenses in the second six months that are not currently budgeted including possibly a geotech report that would be maybe \$30,000. Spath asked if the geotech report would be for the park site assuming the KPPCSD agrees to it? Dommer affirmed. More discussion on a geotechnical study followed.

Stein said according to the budget, the District will have net income of nearly \$850,000. In addition, the \$104,000 in additional revenue and \$25,000 under budget in expenses brings the total up to about \$979,000 if nothing else changes.

Navellier made a list of suggested budget adjustments for FY18-19 that was included in the committee's packet. Legal fees are recommended to be doubled from \$35,000 to \$70,000 since the District has already spent over \$50,000 during the first half of the year. Diablo Fire Safe Matching Grants are suggested to be raised to \$23,880 from \$23,000 since that was the amount that DFSC raised in Kensington this year. The Election should be increased from \$1,500 to \$3,900 to reflect actual. The CalPERS Settlement, which drove a large part of the legal fees, has settled for \$45,700 across four year in equal payments, interest free that KFPD will pay CalPERS. The cost is approximately \$1,000 per month. Russell said the entire \$45,700 needs to be put on the books this fiscal year.

The audit is accrual and it shows the budget vs. actual at full accrual. The monthly reports are sort of cash and full accrual adjustment is made at year end. Staff also accrued for the first half of the year for this mid-year meeting. In response to a question from Dommer, Russell explained that the County gives KFPD last year's property tax revenue number in July of a given fiscal year. The real number isn't adjusted until December which is why it all sits as one lump sum. The last item suggestion was the community center fire alarm. Navellier discussed this item with KPPCSD Director Hacaj. Hacaj said that KPPCSD had to have all of its funds in hand to accept a bid. KPPCSD's attorney has an agreement already drafted since other organizations have donated money to the community center for specific items. They want the money during the current fiscal year. Stein said it would be a deposit. Russell clarified if it was an asset or a contribution or a receivable if it's not installed by the end of the fiscal year. Stein again said it would be a deposit and would show on the Balance Sheet. Again, the total \$35,000 would be booked during FY18-19.

Stein said she just completed her Ethics Training and that the proposed agenda item in January to give funds to the Butte County Fire Relief fund was in fact legal. Linnea Due said she would have made a public outcry since she has been trying to get a grant to clear out the canyon. She would rather money be spent in Kensington. Stein said she was just clarifying the ethics of the situation.

Stein noted that some line items in were under budget. She asked if KFPD typically just increases the budget amount, like in the case of the legal fees, or do they take funds from other budget items that are under? Russell responded that staff can do it anyway she wants. Typically, since there is a surplus, we would not worry about taking from other items. Russell does not like to change every line item to equal actual. A budget's purpose is to give permission to spend with the thoughts that you have at the time you create it. A mid-year revision is helpful if there are big ticket items. Staff uses actual items for the budget for the following year. Again, there is room in the budget to make the adjustments but it's also okay to go over budget and then just explain why. It's the committee's decision. Stein said that the DFSC matching grants and the election are based on actual. She asked where staff will put the CalPERS settlement? Navellier and Russell said it would be a separate line item. Stein suggested a separate line item for the community center fire alarm under Community Service. Russell said the settlement should go under Retiree Medical Benefits as a line item. Russell gave an explanation on why the Retiree Medical Benefits are all booked at "0". Navellier asked what the committee wanted to do with legal fees. Last year the District spent \$19,000. Stein said that Navellier's estimate of \$70,000 would be the \$52,000 spent already plus about what was spent the previous year and that sounded reasonable. Stein asked if the committee should discuss items that might be coming up this fiscal year. There is a \$6,000+/- kiosk project at Colusa Circle that KIC and KPPCSD are participating in and want a \$2,000 donation from KFPD. It has not been brought to the KFPD Board yet to ask whether they want to participate. Russell said the items that the committee is talking about increasing also need to be approved by the Board. The kiosk project could be approached either way – put it in as an adjustment and then ask for the Board's approval of the project and take it out if they don't approve or present the budget and then let the Board know there is another item to consider and they can add it to the budget. Stein asked Dommer if the Building Committee was going to incur a geotech survey or anything on the building project? The current line item for the project is \$10,000 for the fiscal year. Dommer requested the line item be increased to \$50,000. More discussion followed on the project. Russell said that \$23,000 was spent in the previous fiscal year. Stein asked if KPPCSD hypothetically approved KFPD to conduct a geotech study in the park at their March meeting, would most of the \$50,000 be spent by the end of June? Dommer said it will take months and gave more explanation. Dommer said he needs to ask the structural engineer to write a letter about whether the current building could meet the requirements for an essential service building. The committee requested \$2,000 be added under Public Education for the potential kiosk. Stein is going to ask the various committees to start working on budget proposals for the upcoming year, accompanied by a program. Russell said that would be helpful for developing the budget. The Emergency Preparedness committee needs to start developing a program and prioritizing it. Dommer said the siren issue would require a consultant. Stein said the EPC should hold a strategic planning workshop. Dommer said KFPD should create a strategic financial plan to fund the building and see how that impacts the district for years afterwards. Spath said the district should create a five-year budget projection. First the District needs a site. Stein is interested in budgeting for a grant writer but she thinks it should come out of the EPC. Dommer said a grant writer could also look into capital money for a building. Russell said if there is going to be expense for the grant writer, there should also be expected revenue offset. Spath said if KFPD is thinking about a grant writer for emergency preparedness, it should probably be coordinated with KPPCSD. Stein thinks KFPD and KPPCSD should have a joint strategic planning session. Russell suggested KFPD have their own first to settle on their issues before having a joint session with KPPCSD. The DFSC matching grant line item is budgeted for February because KFPD sends one lump sum to DFSC after their fundraising year. Due gave an explanation of her neighborhood receiving a DFSC grant. Stein asked what the rationale is for the decreasing contribution to the Public Safety Building Fund. Navellier explained that the annual contribution started at \$100,000 with a 4% increase every year. The years where the contributions were more was because the Board allocated any excess funds to go toward that project. It is up to

the Finance Committee to make the determination and they could add additional funds at this meeting. Russell clarified that out of the pot of money that the District has, it is allocating funds to be set earmarked for that purpose. It is not an expense. Paul Dorroh noted that these were not restricted funds. Russell gave an explanation of fund designations that are reflected in the audit. Russell explained the District investments are tiered in and the LAIF investment is liquid. Stein noted that the original FY17-18 budget was much lower than the revised and asked if that jump took place at the mid-year budget meeting. Staff answered yes. Several conversations broke out. The need for the building has not decreased. Navellier noted that the Committee had just added around \$140,000 to the FY18-19 budget. Stein suggested waiting until the FY19-20 budget and attempt to increase the building fund to the previous level.

REVIEW DISTRICT INVESTMENTS

A schedule of current investments was included in the packet. The committee reviewed it and didn't have any questions. Staff explained the reinvestment process and how it depends on if the District needs the funds for a large item. The investments are tiered. Again, after the District's cash conversion that was received in December, a large amount was invested in LAIF at 2.4% which is completely liquid. The dry spell for cash flow is in October/November every year. Navellier distributed a cash flow sheet from 12/18 through 12/19. Navellier is moving money out of investments as needed. Russell gave an explanation of the cash flow sheet. Spath asked about the delivery timing of the Type III engine. The \$220,000 in FY18-19 is the deposit. The engine is estimated to be delivered in late 2019. Once the entire engine is paid for, the amount will be deducted from the engine fund.

Staff affirmed that the Committee would meet next in May both to review the draft budget and to review the El Cerrito contract fee. The reconciliation of actual expenditures is a two-year lag. At the March meeting, Stein will ask the committees to submit budgets at the April meeting for FY19-20.

ADJOURNMENT: The meeting was adjourned at 5:25 p.m.

MINUTES PREPARED BY: Brenda J. Navellier

These minutes were approved at the Committee meeting of May 30, 2019.

Attest:

Finance Committee Member

CITY OF EL CERRITO /KENSINGTON FIRE PROTECTION DISTRICT

Proposed Contract Fee for FY 2019-20

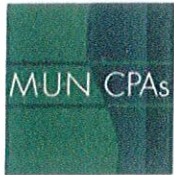
LINE ITEM DETAIL BUDGET EXPENDITURES
101 GENERAL FUND

	Proposed Budget FY19-20		
5100 SALARIES & BENEFITS			
51110 Salaries	\$5,249,744.00	27.75%	\$1,456,803.96
51130 Temporary/Part-time Salaries	\$1,560.00	27.75%	\$432.90
51140 Overtime Pay	\$700,000.00	27.75%	\$194,250.00
51145 FLSA Overtime pay	\$98,800.00	27.75%	\$27,417.00
51146 Non Suppression Overtime pay	\$87,360.00	27.75%	\$24,242.40
51150 Special Pay	\$0.00	27.75%	\$0.00
51210 PERS Contributions	\$2,467,586.00	27.75%	\$684,755.12
51220 FICA/MEDICARE	\$76,005.00	27.75%	\$21,091.39
51230 Benefits & Insurance	\$1,052,346.00	27.75%	\$292,026.02
51240 Workers Compensation	\$199,245.00	27.75%	\$55,290.49
51990 Salary Savings	(\$657,359.00)	27.75%	(\$182,417.12)
TOTAL	\$9,275,287.00		\$2,573,892.14
5200 PROFESSIONAL SERVICES			
52190 Misc Professional Services	\$55,000.00	33.33%	\$18,331.50
52220 Medical Services	\$15,450.00	33.33%	\$5,149.49
52230 Other Technical Services	\$13,500.00	33.33%	\$4,499.55
TOTAL	\$83,950.00		\$23,480.99
5300 PROPERTY SERVICES			
53110 Utilities	\$16,004.00	0.00%	\$0.00
53230 Building Maintenance Services	\$20,000.00	33.33%	\$6,666.00
53240 Landscape/Park Maint Svcs	\$35,000.00	0.00%	\$0.00
53250 Vehicle/Equip Maint Svcs	\$97,850.00	25.00%	\$24,462.50
53290 Misc R&M Svcs	\$220,000.00	33.33%	\$73,326.00
53320 Vehicle & Equip Lease	\$0.00	0.00%	\$0.00
53330 Vehic Replcm Rental Charge	\$166,860.00	18.83%	\$31,419.74
53910 Solid Waste Services	\$8,240.00	33.33%	\$2,746.39
TOTAL	\$563,954.00		\$138,620.63
5400 OTHER SERVICES			
54210 Telephone Expenses	\$17,510.00	20.00%	\$3,502.00
54220 Mobile/wireless Expenses	\$17,510.00	20.00%	\$3,502.00
54310 Legal Notices & Advertisements	\$6,180.00	25.00%	\$1,545.00
54410 Printing and Binding	\$6,180.00	25.00%	\$1,545.00
54610 Travel & Training	\$40,000.00	25.00%	\$10,000.00
54910 Dues & Subscriptions	\$14,420.00	25.00%	\$3,605.00
54990 Other Administrative Services	\$20,600.00	25.00%	\$5,150.00
TOTAL	\$122,400.00		\$28,849.00
5500 SUPPLIES			
55110 General Office Supplies	\$6,180.00	25.00%	\$1,545.00
55120 Postage & Delivery	\$1,030.00	25.00%	\$257.50
55130 Photocopying Charges	\$3,090.00	25.00%	\$772.50
55210 Fuel	\$41,200.00	27.00%	\$11,124.00
55230 Medical Supplies	\$25,000.00	30.00%	\$7,500.00
55240 Clothing & Uniform Supplies	\$36,050.00	33.33%	\$12,015.47
55250 Vehicle & Equipmt Supplies	\$0.00	25.00%	\$0.00
55290 Other Operating Supplies	\$10,300.00	25.00%	\$2,575.00
55520 Building Supplies	\$7,000.00	25.00%	\$1,750.00
TOTAL	\$129,850.00		\$35,736.97
5600 CAPITAL OUTLAY			
56310 Improvements, Not Buildings	\$25,750.00	0.00%	\$0.00
56410 Office Equipment <\$10K	\$3,090.00	0.00%	\$0.00
56710 Other Equipment < \$10K	\$20,600.00	0.00%	\$0.00
56720 Other Equipment > \$10K	\$0.00	0.00%	\$0.00
TOTAL	\$49,440.00		\$0.00
5800 OTHER CHARGES			
58220 Licenses & Permits	\$1,030.00	25.00%	\$257.50
TOTAL	\$1,030.00		\$257.50
GRAND TOTAL	\$10,225,911.00		\$2,800,837.22
OVERHEAD CHARGES (9% Of Personnel)	\$834,775.83	27.75%	\$231,650.29
TOTAL COMPENSATION COST SHARE	\$136,564.00	50.00%	(\$68,282.00)
UNRECONCILED CONTRACT AMOUNT			\$2,964,205.52
RECONCILIATION 2017-2018 FY BUDGET TO ACTUAL			\$124,526.93
COMPENSATION COST SHARE RECONCILIATION FY 2017-2018 BUDGET TO ACTUAL			(\$19,24)
PROPOSED EC CONTRACT FEE FY 2019-2020			\$3,088,713.21

EL CERRITO CONTRACT 10-YEAR COMPARISON



<u>FISCAL YEAR</u> <u>ENDING</u>	<u>EL CERRITO</u> <u>CONTRACT</u>	<u>ANNUAL</u> <u>% INCREASE</u>
6/30/2011	\$2,132,128	0.56%
6/30/2012	\$2,260,942	6.04%
6/30/2013	\$2,365,475	4.62%
6/30/2014	\$2,360,834	-0.20%
6/30/2015	\$2,415,339	2.31%
6/30/2016	\$2,369,530	-1.90%
6/30/2017	\$2,552,869	7.74%
6/30/2018	\$2,826,907	10.73%
6/30/2019	\$3,078,930	8.92%
6/30/2020	\$3,157,014	<u>2.54%</u>



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

May 2, 2019

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, 2019. We will audit the financial statements of the governmental activities, 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, 2019. 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 Changes in the District's Net OPEB Asset and Related Ratios
- 4) Schedule of Contributions to the OPEB Plan

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. Accordingly, we will express no such opinion. 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. 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, establishing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, 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, Urrutia, 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, Urrutia, 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 2019 and to issue our reports no later than December 2019. 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, Urrutia, Nelson CPAs & Associates, LLP) both agree that any dispute over fees charged by the accountant to the client will be submitted for resolution by mediation 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, Urrutia, Nelson, CPAs & Associates, LLP

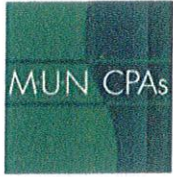
RESPONSE:

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

Management signature: _____

Title: _____

Date: _____



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

May 2, 2019

To the Board of Directors and Management
Kensington Fire Protection District

We are engaged to audit the financial statements of the governmental activities and each major fund of the Kensington Fire Protection District for the year ended June 30, 2019. Professional standards require that we provide you with the following information related to our audit. We would also appreciate the opportunity to meet with you to discuss this information further since a two-way dialogue can provide valuable information for the audit process.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 2, 2019 our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to Management's Discussion and Analysis, which supplements the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI will not be audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we will not express an opinion or provide any assurance on the RSI.

Planned Scope, Timing of the Audit, and Other

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.

Our audit will include obtaining an understanding of the entity 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. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. We will generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards.

We expect to begin our audit approximately in September, 2019. Justin Williams is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

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

Very truly yours,

A handwritten signature in blue ink that reads "Mann Urrutia Nelson CPAs".

Mann, Urrutia, Nelson, CPAs & Associates, LLP

KFPD COMBINED REVENUE, EXPENSE AND CAPITAL BUDGET

Fiscal Year 2019-2020

	FY 2018-2019 Budget	FY2018-2019 Est. Actual	FY 2019-2020 Budget	FY 2020-2021 Planning
REVENUE BUDGET				
Property Taxes	4,035,570	4,102,029	4,245,600	4,372,970
Special Taxes	200,453	200,453	200,450	200,450
Other tax income	25,500	24,991	25,000	25,000
Interest income	70,000	132,406	100,000	100,000
Lease agreement	36,002	36,036	36,603	37,700
Salary reimb agreement	62,848	63,521	65,863	69,346
Miscellaneous income	0	4,314	0	0
Total Revenue	4,430,373	4,563,750	4,673,516	4,805,466

	FY2018-2019 Budget	FY2018-2019 Est. Actual	FY 2019-2020 Budget	FY 2020-2021 Planning
OPERATING EXPENSE BUDGET				
OUTSIDE PROFESSIONAL SERVICES				
Accounting	7,250	5,200	5,460	5,735
Actuarial Valuation	0	0	2,900	5,500
Audit	16,000	16,000	16,000	16,800
CC County Expenses	36,030	36,000	37,800	39,690
El Cerrito Contract	3,078,930	3,078,930	3,157,015	3,314,865
Fire Abatement Contract	8,000	665	8,000	8,000
Fire Engineer Plan Review	2,000	404	2,000	2,000
Grant Writer	0	0	50,000	25,000
Insurance - Risk Mgmt	14,500	12,507	14,000	15,000
LAFCO Fees	2,200	2,278	2,450	2,575
Legal Fees	62,000	62,000	40,000	42,000
Traffic Study	0	0	20,000	0
Water System Improvements	20,000	0	20,000	20,000
Website Development/Maint.	2,500	2,600	2,520	2,600
Wildland Vegetation Mgmt	10,000	5,100	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
CalPERS Settlement	45,700	45,700	0	0
COMMUNITY SERVICE ACTIVITIES				
Public Education	14,000	8,415	20,000	15,000
Community Pharmaceutical Drop-Off	4,000	750	2,500	2,500
CERT Kits/Sheds/Preparedness	12,000	3,448	10,000	10,000
Open Houses	750	261	500	650
Community Shredder	2,750	2,295	2,750	3,000
DFSC Matching Grants	23,880	23,880	24,000	25,000
Firesafe Planting Grants	3,000	0	3,000	3,000
Demonstration Garden	50,000	6,147	15,000	15,000
Community Sandbags	4,000	1,994	3,000	3,000
Volunteer Appreciation	0	0	1,500	0
Community Center Fire Alarm	35,000	0	35,000	0
DISTRICT ACTIVITIES				
Professional Development	5,000	2,550	5,000	5,000
District Office				
Office expense	3,000	2,850	3,000	3,000
Office supplies	2,250	2,250	2,350	2,350
Telephone	8,000	4,955	7,000	7,500
Election	3,900	3,856	0	4,000
Firefighter's Apparel & PPE	1,500	100	750	750
Firefighters' Expenses	10,000	2,000	10,000	10,000
Staff Appreciation	1,750	1,275	1,750	1,750
Memberships	7,600	7,340	7,600	7,650

KFPD COMBINED REVENUE, EXPENSE AND CAPITAL BUDGET

Fiscal Year 2019-2020

P/S Building

Needs Assessment/Feasibility Study	20,000	0	115,000	0
Gardening service	2,500	1,550	3,200	3,200
Building alarm	1,500	1,264	1,500	1,500
Medical waste disposal	5,500	4,981	5,500	5,500
Janitorial	1,500	1,260	1,500	1,500
Misc. Maint/Improvements	13,000	8,471	13,000	13,000
PG&E	8,000	6,900	8,500	9,000
Water/Sewer	2,465	1,800	2,400	2,400

Staff

Wages	95,081	95,080	98,408	100,375
Longevity Pay	1,000	1,000	1,000	1,000
Overtime Wages	1,575	2,400	2,500	2,500
Vacation Wages Accrual Adjustment	332	185	608	3,861
Medical/dental insurance compensation	10,056	10,056	11,760	12,935
Retirement Contribution	7,226	7,226	7,480	7,630
Payroll Taxes	8,360	8,470	8,810	9,050
Insurance - Workers Comp/Life	2,000	1,842	1,935	2,030
Processing	1,645	1,646	1,730	1,815
Operating Contingency Fund	<u>25,000</u>	<u>10,000</u>	<u>25,000</u>	<u>25,000</u>

Total Operating Expense 3,704,228 3,505,879 3,852,674 3,831,208

Capital Outlay

Firefighter qtrs/equip	15,000	11,387	15,000	15,000
Office Furniture/Computers	5,000	2,001	5,000	5,000
Battalion Chief Vehicle	0	0	60,000	0
Type III Engine	<u>220,000</u>	<u>220,000</u>	<u>372,000</u>	<u>0</u>

Total Capital Outlay 240,000 233,388 452,000 20,000

TOTAL EXPENDITURES 3,944,228 3,739,267 4,304,674 3,851,208

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 or surpass 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	75,880	146,947
Public Safety Building Fund	<u>450,000</u>	<u>450,000</u>	<u>450,000</u>	<u>450,000</u>
	567,874	567,874	525,880	596,947

	FY 2018-2019	FY 2018-2019	FY2019-2020	FY 2020-2021
	<u>Budget</u>	<u>Est Actual</u>	<u>Budget</u>	<u>Planning</u>

Beginning Cash	8,126,594	7,940,014	8,704,670	9,073,513
Revenue	4,430,373	4,563,750	4,673,516	4,805,466
Operating Expenditures	-3,704,228	-3,505,879	-3,852,674	-3,831,208
Capital Expenditures	-240,000	-233,388	-452,000	-20,000
Accrual to Cash Adjustment		-59,827		
ENDING CASH	8,612,738	8,704,670	9,073,513	10,027,771

Cumulative Designated Funds

Capital Replacement Funds	-3,754,173	-3,754,173	-4,280,053	-4,877,000
Prepaid CERBT - Retiree Trust	-1,010,137	-1,104,815	-1,104,815	-1,104,815
EI Cerrito Contract 12 month set aside	-3,078,930	-3,078,930	-3,157,015	-3,314,865

AVAILABLE CASH 769,498 766,752 531,630 731,091

KFPD COMBINED REVENUE, EXPENSE AND CAPITAL BUDGET
 Fiscal Year 2019-2020

SCHEDULE FOR REPLACEMENT OF EQUIPMENT

Type I Vehicle Cost	Estimated Cost 15 yrs/4%	Fiscal Year	Yearly Contribution To Cap. Fund	Accumulated Funds	Type III Vehicle Cost	Estimated Cost 15 yrs/4%	Fiscal Year	Yearly Contribution To Cap. Fund	Accumulated Funds
						\$540,094			
					\$94,000		02-03		
					\$205,895		03-04		
							04-05	32,860	32,860
							05-06	32,860	65,720
							06-07	32,855	98,575
							07-08	36,793	135,368
							08-09	36,793	172,161
					adjust to	\$592,100	09-10	41,994	214,155
							10-11	41,994	256,149
							11-12	41,994	298,143
							12-13	41,994	340,137
							13-14	41,994	382,131
							14-15	41,994	424,125
\$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 COMBINED REVENUE, EXPENSE AND CAPITAL BUDGET
Fiscal Year 2019-2020

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	450,000	2,934,432
	19-20	450,000	3,384,432
	20-21	450,000	3,834,432

* 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.

Kensington Fire Protection District
Investment Recap Outside of LAIF
As of 4/25/2019

Name	Abbreviation	Purchase Date	Net Cost	Par Value	Maturity Date	Coupon %	Yield %	When Int Pays Out
U.S. Treasury Bills	USTB	7/26/2018	245,810.21	250,000.00	4/25/2019	2.210	2.270	@ Maturity
Freddie Mac	FHLMC NT	1/25/2016	250,260.90	250,000.00	10/2/2019	1.250	1.330	Oct/Apr
Federal Home Loan Bank	FHLB NT	1/27/2016	249,664.44	250,000.00	12/13/2019	1.250	1.326	Dec/Jun
Fannie Mae	FNMA	4/25/2019	248,648.11	250,000.00	6/5/2020		2.390	@ Maturity
Federal Farm Credit Bank	FFCB	7/25/2018	499,288.50	500,000.00	7/16/2020	2.600	2.600	@ Maturity
Fannie Mae	FNMA	1/16/2019	499,195.20	504,000.00	7/30/2020	1.500	2.600	@ Maturity
Federal Home Loan Bank	FHLB NT #1	1/25/2106	254,137.92	250,000.00	12/11/2020	1.875	1.875	Dec/Jun
Federal Home Loan Bank	FHLB NT #2	1/27/2016	248,816.74	250,000.00	12/11/2020	1.375	1.514	Dec/Jun
Federal Farm Credit Bank	FFCB	1/22/2019	249,722.04	250,000.00	1/11/2021	2.649	2.649	@ Maturity
			2,499,733.85	2,504,000.00				
TOTAL INVESTMENTS PER CCC RUN		7,799,769.31			Capital Replacement Fund		3,754,173.00	
LESS ABOVE TOTAL		<u>(2,504,000.00)</u>			EI Cerrito Contract		3,078,929.57	
CURRENT LAIF BAL		5,295,769.31			Available Investments		<u>966,666.74</u>	
							7,799,769.31	