

*Public Packet*

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

**FINANCE COMMITTEE**

Date of Meeting: May 24, 2012  
Time of Meeting: 2:00 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 Helmut Blaschczyk  
Staff: Chief Lance Maples, Deborah Russell CPA,  
Brenda Navellier, Manager

**AGENDA**

1. Call To Order
2. Public Comment
3. Approval of January 26, 2012 Committee Minutes
4. El Cerrito Contract Fee Proposal for FY 2012-2013
5. FY 2011-2012 Auditor Recommendation
6. Review and Recommend Draft FY 2012-2013 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.



Attest:

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Finance Committee Member

## SECTION 6: FIRE DEPARTMENT

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

### **DEPARTMENT OVERVIEW**

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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 majority of the Department's revenue comes from the payment received 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 and the City of Albany Fire Department. These active partnerships utilize the combined resources of all three 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 another key priority 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 Health and Wellness program.

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

Chart 6-1  
Fire Department Organization Chart

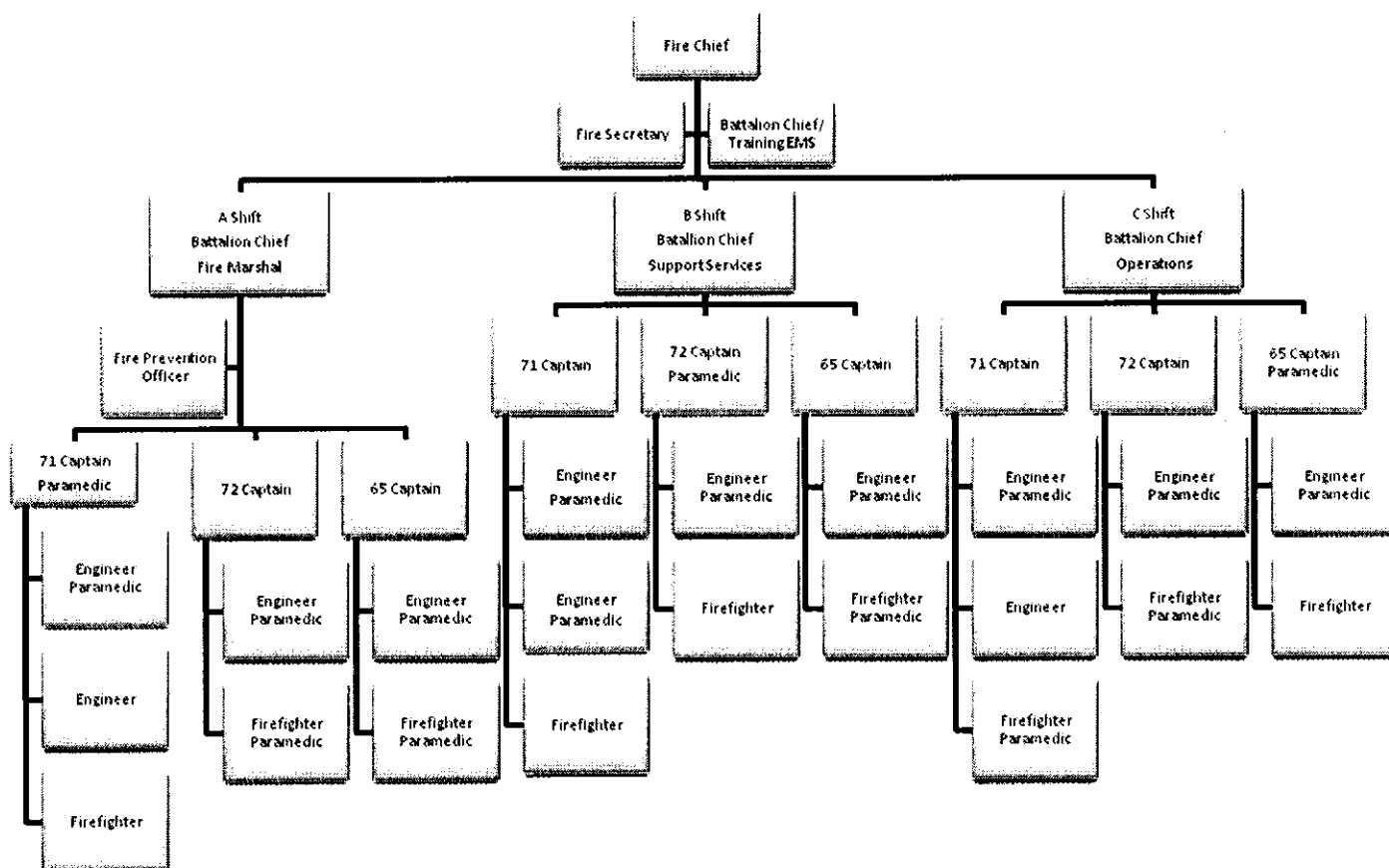


Table 6-1 shows the adopted personnel authorization for the Department. In FY 2012-13, the overall staffing level will remain the same. This staffing model is designed to assign two paramedic assignments on each responding engine to provide advanced life support services during emergency medical responses.

Table 6-1: Fire Department Position Listing

	FY 09-10	FY 10-11	FY 11-12	FY 12-13
Fire Chief	1.00	1.00	1.00	1.00
Battalion Chief/Training Officer	1.00	1.00	1.00	1.00
Battalion Chief	3.00	3.00	3.00	3.00
Captain/Fire Prevention Officer	1.00	1.00	1.00	1.00
Captain/Paramedic Assignment	3.00	3.00	3.00	3.00
Captain	6.00	6.00	6.00	6.00
Engineer/Paramedic Assignment	8.00	10.00	10.00	10.00
Firefighter/Paramedic Assignment	7.00	5.00	5.00	5.00
Engineer	6.00	2.00	2.00	2.00
Firefighter	2.00	4.00	4.00	4.00
Fire Secretary	1.00	1.00	1.00	1.00
<b>Total</b>	<b>37.00</b>	<b>37.00</b>	<b>37.00</b>	<b>37.00</b>

## FY 2011-12 ACCOMPLISHMENTS

Received a Department of Homeland Security Assistance to Firefighter Grant in the amount of \$2.6 million for the purchase of portable radios for all participating agencies in Contra Costa County.

Trained seven firefighters to the level of Rescue Systems II funded by a Department of Homeland Security grant.

Completed the process for the community of Kensington to achieve the Heartsafe Community designation from Contra Costa County and the American Heart Association

Completed a promotional exam for the position of Fire Captain.

Developed a digital supply tracking program for all advanced life support equipment.

Completed the local hazard mitigation plans for the City of El Cerrito and the Community of Kensington.

Designed and managed a multi-casualty incident training program for all Fire Agencies in Contra Costa County.

### FY 2012-13 PRIMARY OBJECTIVES

### CORRESPONDING CITY COUNCIL GOAL(S)

Develop a Task Book Training Program for the rank of Captain

Public Safety

Review and strengthen all automatic aid agreements with surrounding Departments

Public Safety  
Fiscal Responsibility  
Community Engagement and Partnership

Complete promotion exams for the rank of Engineer

Public Safety

Seek Federal grant funding for the replacement of Ladder Truck 71

Public Safety  
Fiscal Responsibility

Train four Firefighters in the area of Trench Rescue, Water Rescue, and Rescue Systems II, funded by a Department of Homeland Security Grant

Public Safety  
Fiscal Responsibility

Complete Firefighter/Paramedic recruitment to fill vacancies created by retirement.

Public Safety  
Fiscal Responsibility

<b>FY 2012-13 OPERATIONAL ACTIVITY GOALS</b>	<b>CORRESPONDING CITY COUNCIL GOAL</b>
Continue to assertively implement the City's CERT Program	Public Safety Community Engagement and Partnership
Continue to cooperate with Diablo Fire Safe Council and East Bay Regional Park District to reduce the wildland/urban interface threat along the eastern boundary of Kensington and El Cerrito	Public Safety Community Engagement & Partnership Responsive Government
Continue to conduct Code Compliance activities and investigate hazard concerns, meeting 100% of targeted occupancies and properties, ensuring compliance with Fire and Life Safety codes including exterior hazard abatement	Public Safety Fiscal Responsibility Responsive Government
Continue to evaluate and adjust programs and structure to maximize the organizational effectiveness and public value of the Department	Fiscal Responsibility Responsive Government
Revise and update Department's Policies and Procedures	Public Safety
Enhance personnel skill levels in wildland firefighting and incident command by continued participation in the Regional Wildland Fire Response Training Exercise	Public Safety
Continue comprehensive maintenance and certification testing programs to ensure a constant state of readiness for the Department's complex fire apparatus and equipment	Public Safety
Support and develop the Department's Medical Priority Dispatch System and Quality Improvement Program.	Public Safety Fiscal Responsibility
Continue to train and prepare for all Risk Disasters	Public Safety
Continue a comprehensive Wellness/Fitness program for Fire Personnel	Public Safety Fiscal Responsibility



### Service Indicators

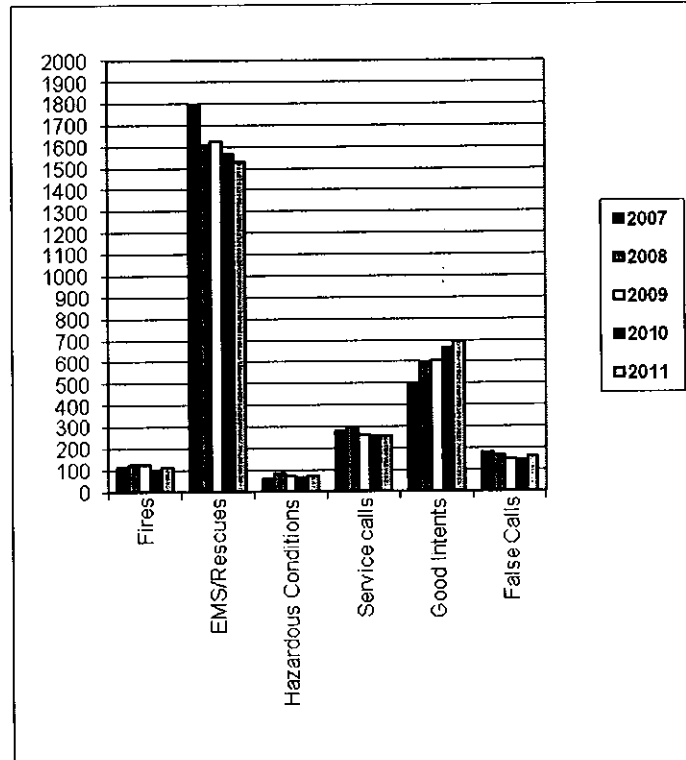
The information provided below gives the reader an overview of the annual Department activities. Based on a review of the Department activities for prior fiscal years, the workload has remained relatively stable. The Department will be able to meet the anticipated workload for FY 2012-13 with current staffing levels as shown in the adopted budget. Table 6-2 lists six response types:

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

Table 6-2  
Emergency Response Workload

Response Type	2007	2008	2009	2010	2011
Fires	111	124	110	103	113
EMS/Rescues	1799	1610	1624	1536	1529
Hazardous Conditions	62	83	72	64	69
Service Calls	282	299	264	255	256
Good Intent	491	596	605	663	693
False Calls	181	169	148	143	160

**Chart 6-2**  
**Emergency Response Workload**



**Table 6-3** shows that the Department responds to nearly 3,000 calls per year. Fire loss over this five-year period averages \$510,688 per year. However, fire loss averages remain very low compared to cities with similar demographics. Although this year the fire department had a slight increase in fire loss due to a pair of unintentionally caused structure fires for a combined fire loss of \$850,000 which in turn raised our annual fire loss average \$109,559, the department does not anticipate an increase in 2012. In closing, we anticipate that requests for service will remain flat over the next calendar year.

**Table 6-3**  
**Total Responses, by Year**

<b>Year</b>	<b>Number</b>	<b>Dollar Loss</b>
2007	2,926	\$559,370
2008	2,881	181,425
2009	2,823	367,250
2010	2,764	561,445
2011	2,820	883,950
<b>Average</b>	<b>2,843</b>	<b>\$510,688</b>

Tables 6-4 through 6-7 illustrate the Department's commitment to continued training, education and public outreach:

**Table 6-4**  
Training Hours

Type	2007	2008	2009	2010	2011
Medical – EMS	540	875	950	887	782
Operations	17,280	16,348	13,785	13,882	12,907
Physical Fitness	1,372	1,372	1,285	1,349	1,113
On-line	N/A	N/A	967	815	840
<b>Total</b>	<b>19,912</b>	<b>18,594</b>	<b>16,987</b>	<b>16,933</b>	<b>15,642</b>

**Table 6-5**  
Fire Prevention Activities

Inspection Type	2007	2008	2009	2010	2011
Fire Inspections ( Fire Company)	447	468	488	440	495
Mandatory ( Schools/Jails/Convalescents)	22	16	18	18	23
Self-Inspection	208	223	202	217	252
Construction Plan Checks	115	83	92	70	59
Construction Inspections	170	111	80	63	232
Vegetation Management Inspections	12,059	12,059	12,059	15,351	14,270
Vegetation Management Re-inspections	315	131	100	237	329
<b>Total</b>	<b>13,336</b>	<b>13,091</b>	<b>13,039</b>	<b>16,396</b>	<b>15,660</b>

**Table 6-6**  
Current Certifications Held

Type	2007	2008	2009	2010	2011
Chief Officer	2	1	1	1	1
Fire Officer	21	18	20	22	22
Firefighter II	32	31	34	34	34
Firefighter I	35	36	34	34	34
Driver Operator I	32	29	32	32	34
CERT Instructors	5	8	9	9	10
Rescue Systems I	22	23	25	25	26
Rescue Systems II	N/A	N/A	N/A	N/A	7
EMT	19	17	16	16	16
Paramedic	17	18	18	18	18
<b>Total</b>	<b>185</b>	<b>181</b>	<b>189</b>	<b>191</b>	<b>202</b>

**Table 6-7**  
**Public Education Contacts**

<b>Contact Type</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Station Tours	32	245	245	331	150
Preschool Programs	145	407	430	516	477
Open Houses	100	400	400	35	201
School Age Programs K-4	275	373	350	456	830
School Age Programs 5-8	80	238	205	239	672
Senior Programs	30	27	29	58	25
First Aid/ CPR	20	59	108	230	140
Car Seats	N/A	N/A	N/A	N/A	56
Public Functions	4,400	4,591	3,520	7,050	7,000
<b>Total</b>	<b>5,082</b>	<b>6,340</b>	<b>5,287</b>	<b>9,915</b>	<b>9,495</b>

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

Proposed Contract Fee for FY 2012 - 2013

LINE ITEM DETAIL BUDGET EXPENDITURES

**101 GENERAL FUND  
2510 FIRE**

Proposed  
Budget FY12-13

<b>5100 SALARIES &amp; BENEFITS</b>				
51110	Salaries	4,296,616	27.75%	\$ 1,192,310.94
51130	Temporary/Part-time Salaries	0	27.75%	\$ -
51140	Overtime Pay	459,450	27.75%	\$ 127,497.38
51145	FLSA Overtime pay	89,139	27.75%	\$ 24,736.07
51146	Non Suppression Overtime pay	87,293	27.75%	\$ 24,223.81
51150	Special Pay	0	27.75%	\$ -
51210	PERS Contributions	1,912,820	27.75%	\$ 530,807.55
51220	FICA/MEDICARE	72,400	27.75%	\$ 20,091.00
51230	Insurance and Benefits	881,441	27.75%	\$ 244,599.88
51240	Workers Compensation	95,207	27.75%	\$ 26,419.94
51990	Salary Savings	(406,183)	27.75%	\$ (112,715.78)
<b>TOTAL</b>		<b>7,488,183</b>		<b>\$ 2,077,970.78</b>
<b>5200 PROFESSIONAL SERVICES</b>				
52190	Misc Professional Services	13,000	33.33%	\$ 4,332.90
52220	Medical Services	20,000	33.33%	\$ 6,666.00
<b>TOTAL</b>		<b>33,000</b>		<b>\$ 10,998.90</b>
<b>5300 PROPERTY SERVICES</b>				
53110	Utilities	35,000	0.00%	\$ -
53230	Building Maintenance Services	15,000	33.33%	\$ 4,999.50
53240	Landscape/Park Maint Svcs	20,000	0.00%	\$ -
53250	Vehicle/Equip Maint Svcs	80,000	25.00%	\$ 20,000.00
53290	Misc R&M Svcs	50,000	33.33%	\$ 16,665.00
53320	Vehicle & Equip Lease	0	0.00%	\$ -
53330	Vehic Replcmt Rental Charge	135,600	18.83%	\$ 25,533.48
53910	Solid Waste Services	5,000	33.33%	\$ 1,666.50
<b>TOTAL</b>		<b>340,600</b>		<b>\$ 68,864.48</b>
<b>5400 OTHER SERVICES</b>				
54210	Telephone Expenses	15,000	20.00%	\$ 3,000.00
54220	Mobile/wireless Expenses	12,000	20.00%	\$ 2,400.00
54310	Legal Notices & Advertisements	1,000	25.00%	\$ 250.00
54410	Printing and Binding	1,000	25.00%	\$ 250.00
54610	Travel & Training	30,000	25.00%	\$ 7,500.00
54910	Dues & Subscriptions	11,000	25.00%	\$ 2,750.00
54990	Other Administrative Services	15,000	25.00%	\$ 3,750.00
<b>TOTAL</b>		<b>85,000</b>		<b>\$ 19,900.00</b>
<b>5500 SUPPLIES</b>				
55110	General Office Supplies	6,000	25.00%	\$ 1,500.00
55120	Postage & Delivery	1,300	25.00%	\$ 325.00
55130	Photocopying Charges	3,000	25.00%	\$ 750.00
55210	Fuel	40,000	27.00%	\$ 10,800.00
55230	Medical Supplies	20,000	30.00%	\$ 6,000.00
55240	Clothing & Uniform Supplies	20,000	33.33%	\$ 6,666.00
55250	Vehicle & Equipmt Supplies	0	25.00%	\$ -

55290	Other Operating Supplies	7,100	25.00%	\$	1,775.00
55520	Building Supplies	10,000	25.00%	\$	2,500.00
<b>TOTAL</b>		<b>107,400</b>		<b>\$</b>	<b>30,316.00</b>
<b>5600 CAPITAL OUTLAY</b>					
56310	Improvements, Not Buildings	10,000	0.00%	\$	-
56710	Other Equipment < \$10K	15,000	0.00%	\$	-
56720	Other Equipment > \$10K	0	0.00%	\$	-
<b>TOTAL</b>		<b>25,000</b>		<b>\$</b>	<b>-</b>
<b>5800 OTHER CHARGES</b>					
58220	Licenses & Permits	1,000	25.00%	\$	250.00
<b>TOTAL</b>		<b>1,000</b>		<b>\$</b>	<b>250.00</b>
<b>GRAND TOTAL</b>		<b>8,080,183</b>		<b>\$</b>	<b>2,208,300.16</b>
<b>OVERHEAD CHARGES (9% of Personnel)</b>					
		<b>673,936</b>	<b>27.75%</b>	<b>\$</b>	<b>187,017.37</b>
<b>TOTAL COMPENSATION COST SHARE</b>		<b>93,225</b>	<b>50.00%</b>	<b>\$</b>	<b>(46,612.50)</b>
<b>UNRECONCILED CONTRACT AMOUNT</b>				<b>\$</b>	<b>2,348,705.03</b>
<b>RECONCILIATION 2010-2011 FY BUDGET TO ACTUAL</b>				<b>\$</b>	<b>(29,851.74)</b>
<b>COMPENSATION COST SHARE</b>					
<b>RECONCILIATION FY 2010-11 BUDGET TO ACTUAL</b>				<b>\$</b>	<b>8.94</b>
<b>PROPOSED EC CONTRACT FEE FY 2012-2013</b>				<b>\$</b>	<b>2,318,862.23</b>

**COSTS PER FIRE STATION FY 10-11**

	<u>number of stations</u>	<u>total op expense</u>	<u>total exp/ station</u>	<u>total overtime</u>	<u>total ot/ station</u>
<b><u>One Station</u></b>					
Albany	1	4,251,000	<b>4,251,000</b>	498,000	<b>498,000</b>
Piedmont	1	5,151,243	<b>5,151,243</b>	660,000	<b>660,000</b>
<b><u>Two Stations</u></b>					
Rodeo/Hercules	2	5,024,206	<b>2,512,103</b>	605,757	<b>302,879</b>
Emeryville	2	5,366,929	<b>2,683,465</b>	261,630	<b>130,815</b>
<b><u>Three Stations</u></b>					
El Cerrito	3	7,134,729	<b>2,378,243</b>	439,912	<b>146,637</b>
Woodside	3	14,120,931	<b>4,706,977</b>	1,404,000	<b>468,000</b>
<b><u>Multiple Stations</u></b>					
Alameda County	28	86,644,573	<b>3,094,449</b>	10,568,114	<b>377,433</b>
Contra Costa County	28	90,792,857	<b>3,242,602</b>	12,283,360	<b>438,691</b>
Central County (Burlingame/Hillsborough)	4	14,424,771	<b>3,606,193</b>	977,467	<b>244,367</b>
Moraga/Orinda	5	18,250,611	<b>3,650,122</b>	1,508,072	<b>301,614</b>
Richmond	7	29,878,597	<b>4,268,371</b>	2,700,000	<b>385,714</b>
Berkeley	7	31,028,934	<b>4,432,705</b>	3,214,975	<b>459,282</b>
San Ramon	10	50,462,469	<b>5,046,247</b>	4,836,125	<b>483,613</b>

April 16, 2012

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

Dear Brenda:

I would like to confirm my understanding for the services that I will be providing to Kensington Fire Protection District (KFPD) for the year ended June 30, 2012. I will audit the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, all major funds, and the aggregate remaining fund information, which collectively comprise the basic financial statements of Kensington Fire Protection District as of and for the year ended June 30, 2012. Accounting standards generally accepted in the United States provide certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to accompany Kensington Fire Protection District's basic financial statements. As part of my engagement, I will apply certain limited procedures to RSI. These limited procedures will consist principally of inquiring management regarding the methods of measurement and presentation, which the management is responsible for affirming to us in its representation letter. Unless I encounter problems with the presentation of the RSI or with the procedures relating to it, I will disclaim an opinion on it. The following RSI is required by generally accepted accounting principles, although it will be subjected to some limited procedures, it will not be audited:

1) Management's Discussion and Analysis.

Supplementary information other than RSI also accompanies KFPD's basic financial statements. I will subject the following supplementary information to the auditing procedures applied in My audit of the basic financial statements and will provide an opinion on it in relation to the basic financial statements:

1) None



## **Audit Objectives**

The objective of My audit is the expression of opinions as to whether your basic 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 additional information referred to in the first paragraph when considered in relation to the basic financial statements taken as a whole. My audit will be conducted in accordance with generally accepted auditing standards established by the Auditing Standards Board (United States) 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 us to express such opinions. If My opinions on the financial statements are other than unqualified, I will fully discuss the reasons with you in advance. If, for any reason, I am unable to complete the audit or are unable to form or have not formed opinions, I may decline to express opinions or to issue a report as a result of 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 laws, regulations, and the provisions of contracts or 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 compliance will include a statement that the report is intended solely for the information and use of management, the body or individuals charged with governance, others within the entity, and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties. 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 basic financial statements and all accompanying information as well as all representations contained therein. As part of the audit, I will prepare a draft of your financial statements and related notes. You are responsible for making all management decisions and performing all management functions relating to the financial statements and related notes and for accepting full responsibility for such decisions. You will be required to acknowledge in the management representation letter that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you are required to designate an individual with suitable skill, knowledge, or experience to oversee any non-audit services I provide and for evaluating the adequacy and results of those services and accepting responsibility for them.

Management is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the KFPD and the respective changes in financial position and cash flows, where applicable, in conformity with U.S. generally accepted accounting principles.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the 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 or illegal acts 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 entity complies with applicable laws, regulations, contracts, agreements, and grants for taking timely and appropriate steps to remedy any fraud, illegal acts, violations of contracts or grant agreements, or abuse that I may report.

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 us previous audits or other engagements or 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 or other engagements or studies. You are also responsible for providing management's views on My current findings, conclusions, and recommendations, as well as your planned corrective actions.

### **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. 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 entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because an audit is designed to provide reasonable, but not absolute assurance 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 us. 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 you of any material errors and any fraudulent financial reporting or misappropriation of assets that come to my attention. I will also inform you of any violations of laws or governmental regulations that come to my attention, unless clearly inconsequential. 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 auditors.

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 the financial statements and related matters.

### **Audit Procedures—Internal Controls**

My 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. 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. 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 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*.

### **Audit Administration, Fees, and Other**

I may from time to time, and depending on the circumstances, use third-party service providers in serving my 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 us for testing.

I will provide copies of my reports to California 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, pursuant to authority given by law or regulation, I may be requested to make certain audit documentation available to State or Federal agency 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 State. If I am aware that a federal awarding agency or auditee is contesting an audit finding, I will contact the party (ies) contesting the audit finding for guidance prior to destroying the audit documentation.

I expect to begin my audit on approximately mid/late August and to issue my reports no later than October 15, 2012. Steven Chang is the engagement partner and is responsible for supervising the engagement and signing the report. My fee for these services will be at my standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) except that I agree that my estimated flat fee of \$ 12,000.00. 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 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, I will discuss it with you and arrive at a new fee estimate before I incur the additional costs.

*Government Auditing Standards* require that I provide you with a copy of my most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. My 2009 peer review report accompanies this letter.

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 us.

Very truly yours,

Lamorena & Chang, CPA

RESPONSE:

This letter correctly sets forth the understanding of KFPD.

By:

Title:

Date:

KFPD DRAFT COMBINED REVENUE, EXPENSE AND CAPITAL BUDGET

Fiscal Year 2012-2013

	FY 2011-2012	FY 2011-2012	FY 2012-2013	FY 2013-2014
<u>REVENUE BUDGET</u>	<u>Budget</u>	<u>Est. Actual</u>	<u>Budget</u>	<u>Planning</u>
Property Taxes *	2,798,795	2,777,245	2,760,000	2,773,800
Special Taxes	200,196	200,196	200,196	200,200
Other tax income	32,000	34,301	34,000	34,000
Interest income	9,000	9,000	8,000	9,000
Lease agreement (3%)	29,705	30,596	31,515	32,460
Salary reimb agreement	45,943	45,961	46,558	47,500
Surety bond claim	0	0	0	0
Miscellaneous income	0	0	0	0
<b>Total Revenue</b>	<b>3,115,640</b>	<b>3,097,299</b>	<b>3,080,269</b>	<b>3,096,960</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	5,400	4,300	5,400	5,400
Actuarial Valuation	3,000	2,500	500	3,000
Audit	12,000	12,000	12,000	12,500
Mandate Reimbursement Filing	1,300	1,300	550	600
CC County Expenses	34,745	31,200	32,500	33,000
EI Cerrito Contract	2,260,942	2,260,941	2,318,862	2,434,803
Fire Abatement Contract	8,000	0	8,000	8,000
Insurance - Risk Mgmt	11,000	11,476	12,600	13,230
LAFCO Fees	1,490	1,177	1,500	1,500
Legal Fees	30,000	4,500	30,000	30,000
Water System Improvements	600,000	420,000	600,000	20,000
Wildland Vegetation Mgmt	10,000	10,000	10,000	10,000
<b>RETIREE MEDICAL BENEFITS</b>				
PERS Medical (OPEB cost)	59,250	60,000	48,190	51,270
Delta Dental	8,155	7,570	6,165	6,560
Vision Care	2,300	2,135	1,680	1,790
<b>COMMUNITY SERVICE ACTIVITES</b>				
Public Education	13,000	9,450	13,000	13,000
Community Pharmaceutical Drop-Off	3,000	3,600	3,500	2,500
Vial of Life Program	500	0	400	400
CERT Emergency Kits	2,500	3,828	3,000	3,000
Open Houses	2,500	580	1,500	1,500
Community Shredder	2,000	788	1,000	1,000
<b>DISTRICT ACTIVITIES</b>				
Professional Development	5,500	4,000	5,500	5,500
<b>District Office</b>				
Office expense	3,500	3,500	3,500	3,500
Office supplies	2,500	1,500	2,500	2,500
Telephone	4,800	4,800	5,040	5,290
Election	0	0	1,000	0
Firefighter's Apparel	1,500	1,000	1,500	1,575
Firefighters' Expenses	5,000	3,000	5,000	5,000
Engine Rescue Equipment	0	0	6,000	0
Staff Appreciation	4,000	811	2,500	3,000
Memberships	5,600	4,807	5,600	6,000
<b>P/S Building</b>				
Gardening service	1,400	1,140	1,500	1,575
Building alarm	2,000	1,691	2,000	2,000
Medical waste disposal (20%)	4,535	5,980	7,170	8,605
Janitorial	1,500	1,200	1,500	1,500
Misc. Maint/Improvements	10,000	7,800	12,000	12,000
PG&E	7,920	6,965	7,315	7,680

KFPD DRAFT COMBINED REVENUE, EXPENSE AND CAPITAL BUDGET

Fiscal Year 2012-2013

Water/Sewer	1,220	1,340	1,500	1,575
Garbage	840	818	850	895
<b>Staff</b>				
Wages (2%)	72,200	72,198	73,642	75,105
Overtime Wages	3,750	1,800	3,825	3,900
Vacation Wages Accrual Adjustment	735	192	-15	55
Medical/dental insurance compensation	6,120	6,120	6,360	6,420
Retirement Contribution	3,610	3,610	3,680	3,755
Payroll Taxes	6,500	5,915	6,638	6,760
Insurance - Workers Comp/Life	1,500	1,501	1,530	1,560
Processing	1,225	1,224	1,285	1,350
Operating Contingency Fund	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>30,000</u>
<b>Total Operating Expense</b>	<b>3,248,534</b>	<b>3,010,255</b>	<b>3,299,266</b>	<b>2,850,150</b>
<b>Capital Outlay</b>				
P/S Building Repair/Replace	575,000	542,619	0	0
P/S Building Bay Doors	24,000	24,000	0	0
EBRICS Radios	0	0	32,000	0
Firefighter qtrs/equip	12,000	10,106	12,000	12,000
Office Furniture/Computers	<u>5,000</u>	<u>0</u>	<u>5,000</u>	<u>5,000</u>
<b>Total Capital Outlay</b>	<b>616,000</b>	<b>576,725</b>	<b>49,000</b>	<b>17,000</b>
<b>TOTAL EXPENDITURES</b>	<b>3,864,534</b>	<b>3,586,980</b>	<b>3,348,266</b>	<b>2,867,150</b>

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

\* The State of California "borrowed" \$218,628 from KFPD during FY09-10 to be repaid by the end of FY12-13 with interest. This will affect our cash balance and create a receivable shown on the Balance Sheet, but not revenue reported.

**Designated Funds (see attached schedules)**

Engine Replacement Fund	93,455	93,455	93,455	93,455
Public Safety Building Fund	0	0	100,000	104,000
Prepay CalPERS Trust	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	93,455	93,455	193,455	197,455

	FY 2011-2012 <u>Budget</u>	FY 2011-2012 <u>Est. Actual</u>	FY 2012-2013 <u>Budget</u>	FY 2013-2014 <u>Planning</u>
Beginning Cash	5,055,234	5,049,079	4,565,388	4,529,391
Revenue	3,115,640	3,097,299	3,080,269	3,096,960
State of California Loan Receivable	0	0	232,000	0
Operating Expenditures	-3,248,534	-3,010,255	-3,299,266	-2,850,150
Capital Expenditures	-616,000	-576,725	-49,000	-17,000
Accrual to Cash Adjustment		5,990		
<b><u>ENDING CASH</u></b>	<b>4,306,339</b>	<b>4,565,388</b>	<b>4,529,391</b>	<b>4,759,202</b>
<b><i>Cumulative Designated Funds</i></b>				
Capital Replacement Funds	-982,930	-776,422	-969,877	-1,167,332
Prepaid CERBT - Retiree Trust	-1,155,985	-1,094,935	-1,094,935	-1,094,935
El Cerrito Contract 12 month set aside	-2,260,942	-2,260,942	-2,318,862	-2,434,803
<b><u>AVAILABLE CASH</u></b>	<b>-93,518</b>	<b>433,089</b>	<b>145,717</b>	<b>62,132</b>

KFPD DRAFT COMBINED REVENUE, EXPENSE AND CAPITAL BUDGET  
 Fiscal Year 2012-2013

**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					
		03-04	36,633	140,731	\$94,000		02-03		
		04-05	36,633	177,364	\$205,895		03-04		
		05-06	36,633	213,997			04-05	32,860	32,860
		06-07	36,633	250,630			05-06	32,860	65,720
		07-08	36,633	287,263			06-07	32,855	98,575
		08-09	36,633	323,896			07-08	36,793	135,368
		09-10	51,461	375,357			08-09	36,793	172,161
adjust to	\$632,660	10-11	51,461	426,818	adjust to	\$592,100	09-10	41,994	214,155
		11-12	51,461	478,279			10-11	41,994	256,149
		12-13	51,461	529,740			11-12	41,994	298,143
		13-14	51,461	581,201			12-13	41,994	340,137
		14-15	<u>51,461</u>	632,662			13-14	41,994	382,131
			632,662				14-15	41,994	424,125
							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 2012-2013

**SAVINGS SCHEDULE FOR BUILDING IMPROVEMENTS/RENOVATION**

Adjusted for 4% <u>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.