

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

FINANCE COMMITTEE

Date of Meeting: May 29, 2013
Time of Meeting: 10:30 a.m.
Place of Meeting: Kensington Public Safety Building
Conference Room
217 Arlington Avenue, Kensington, CA 94707

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

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

AGENDA

1. Call To Order
2. Public Comment
3. Approval of January 23, 2013 Committee Minutes
4. El Cerrito Contract Fee Proposal for FY 2013-2014
5. FY 2012-2013 Auditor Proposals/Recommendation
6. Review and Recommend Draft FY 2013-2014 Budget
7. Discuss Reserve Policy Requirement for District Transparency Certificate
8. Review District Investments
9. 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.

COMMITTEE MINUTES

**EL CERRITO
CONTRACT FEE**

SECTION 5: FIRE DEPARTMENT

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

DEPARTMENT OVERVIEW

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

The Department operates three fire stations: Station 71 on San Pablo Avenue, Station 72 on Arlington Boulevard, and Station 65 in Kensington. The City contracts with the Kensington Fire Protection District to provide the full range of fire services to the residents of Kensington. This contract increases the level of service offered to both communities. The Department receives payment from the Kensington Fire Protection District for these services. The amount of the contract is proportionately related to the budgeted costs for the Department each fiscal year. Services to the Kensington Fire Protection District represent approximately 30 percent 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 key priorities for the Fire Department. The Department is responsible for the City's Emergency Operations Center (EOC) and development of the City's Emergency Operations plan in the event of a major disaster that affects El Cerrito and Kensington. Additionally, the Department runs the very successful Community Emergency Response Teams (CERT) program that trains citizens to be self sufficient in the event of an emergency. The Department also conducts outreach and educational opportunities to residents, businesses, and schools in order to inform the public about fire prevention and emergency preparedness techniques.

Organizational Structure

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

Fire Prevention Division

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

Training/EMS Division

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

Operations Division

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

Support Services Division

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

Chart 5-1 provides an organizational overview of the Fire Department:

Chart 5-1
Fire Department Organization Chart

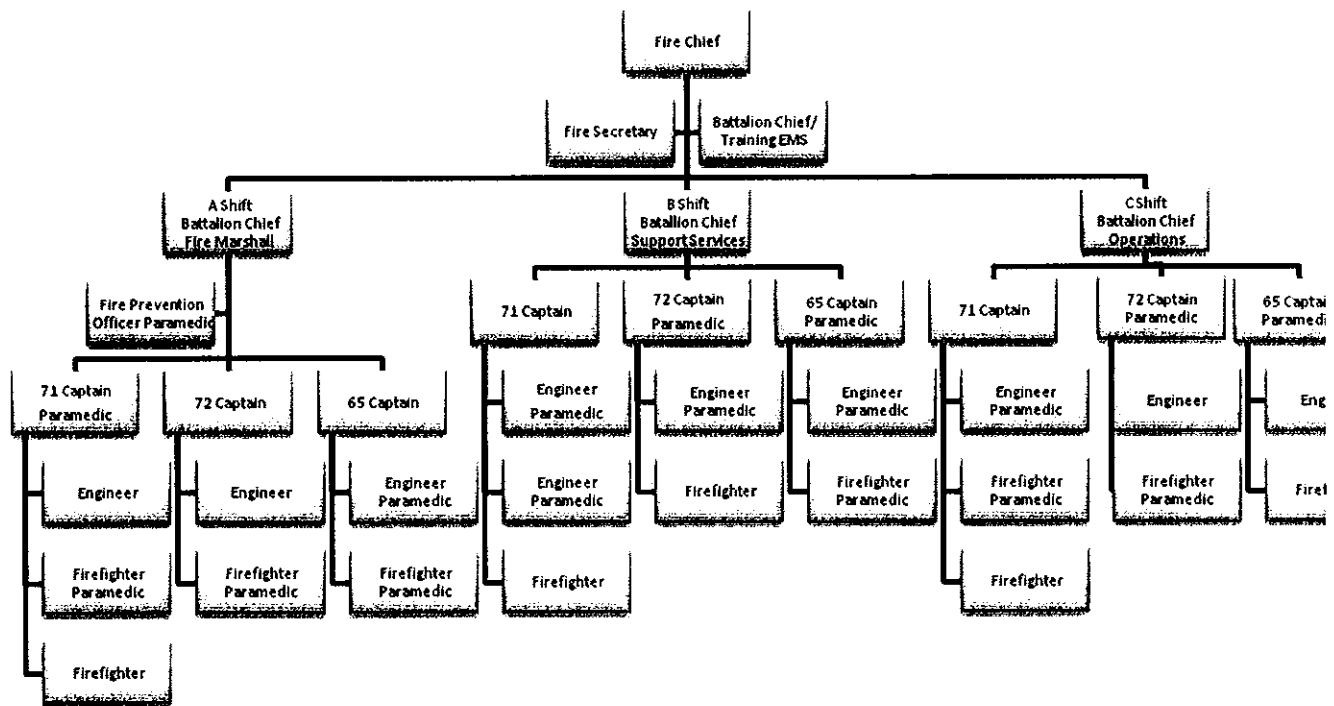


Table 5-1 shows the adopted personnel authorization for the Department. In FY 2013-14, the overall staffing level will remain the same. This staffing model is designed to assign two paramedic assignments on each responding engine to provide advanced life support services during emergency medical responses.

**Table 5-1
Fire Department Position Listing**

	FY 10-11	FY 11-12	FY 12-13	FY13-14
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	5.00
Captain	6.00	6.00	6.00	4.00
Engineer/Paramedic Assignment	10.00	10.00	10.00	8.00
Firefighter/Paramedic Assignment	5.00	5.00	5.00	4.00
Engineer	2.00	2.00	2.00	4.00
Firefighter	4.00	4.00	4.00	5.00
Fire Secretary	1.00	1.00	1.00	1.00
Total	37.00	37.00	37.00	37.00

FY 2012-13 ACCOMPLISHMENTS

Received a Department of Homeland Security Assistance to Firefighter Grant in the amount of \$2 million for the purchase of self-contained breathing apparatus.

Trained three 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 Battalion Chief and Fire Captain.

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

Completed a firefighter recruitment process and hired three new firefighters.

Managed the execution of a Department of Homeland Security Assistance to Firefighter Grant for the purchase and distribution of portable radios for all of the fire departments within Contra Costa County.

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 5-2** lists six response types, depicted graphically in **Chart 5-2**:

- Fire: Structure fire, fire in mobile property, wildland fire
- Emergency Medical Service/Rescue: Rescue, medical assistance, vehicle accident

- **Hazardous Condition:** Toxic condition, electrical arcing, flammable gas or liquid condition
- **Service Call:** Person(s) in distress, water problem, odor problem, unauthorized burning
- **Good Intent:** Hazardous material investigation/no hazard found, EMS call/ patient self transported
- **False Calls:** Unintentional alarm, system malfunction, malicious, bomb scare; no hazard

Table 5-2
Emergency Response Workload

Response Type	2008	2009	2010	2011	2012
Fires	124	110	103	113	112
EMS/Rescues	1610	1624	1536	1529	1537
Hazardous Conditions	83	72	64	69	69
Service Calls	299	264	255	256	251
Good Intent	596	605	663	693	835
False Calls	169	148	143	160	172

Chart 5-2
Emergency Response Workload

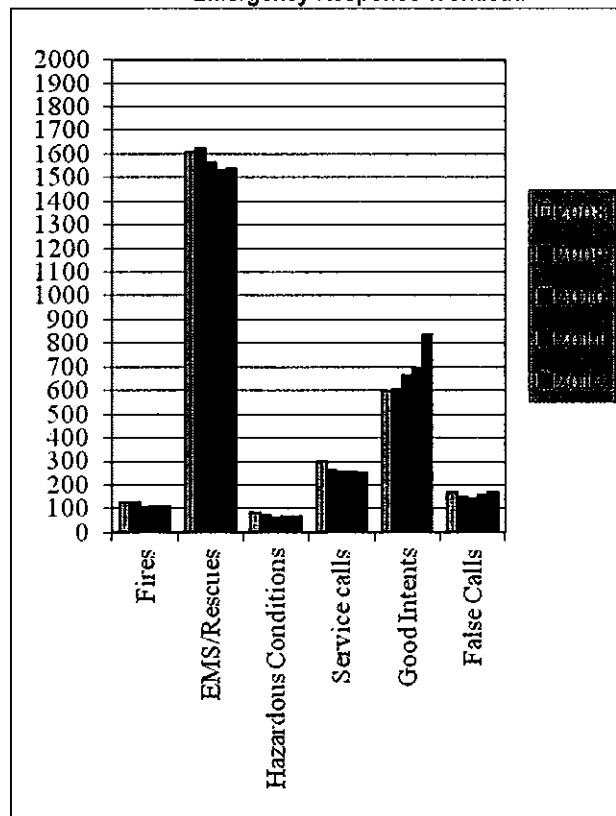


Table 5-3 shows that the Department responds to nearly 3,000 calls per year. Fire loss over this five-year period averages \$484,464 per year. However, fire loss averages remain very low compared to cities with similar demographics. In 2011 the Fire Department showed a slight increase in fire loss due to a pair of unintentionally caused structure fires for a combined fire loss of \$850,000. The Department anticipates that requests for service will remain flat over the next calendar year.

**Table 5-3
Total Responses, by Year**

Year	Number	Dollar Loss
2008	2,881	\$181,425
2009	2,823	367,250
2010	2,764	561,445
2011	2,820	883,950
2012	2,973	428,250
Average	2,852	\$484,464

Tables 5-4 through 5-5 illustrate the Department's commitment to continued training and education and public outreach:

**Table 5-4
Training Hours**

Type	2007	2008	2009	2010	2011	2012
Medical – EMS	540	875	950	887	782	760
Operations	17,280	16,348	13,785	13,882	12,907	12,172
Physical Fitness	1,372	1,372	1,285	1,349	1,113	979
Online	N/A	N/A	967	815	840	826
Total	19,912	18,594	16,987	16,933	15,642	14,737

**Table 5-5
Fire Prevention Activities**

Inspection Type	2008	2009	2010	2011	2012
Fire Inspections (Fire Company)	468	488	440	495	471
Mandatory (Schools/Jails/Convalescents)	16	18	18	23	23
Self-Inspection	223	202	217	252	254
Construction Plan Checks	83	92	70	59	64
Construction Inspections	111	80	63	232	200
Vegetation Management Inspections	12,059	12,059	15,351	14,270	14,270
Vegetation Management Re-inspections	131	100	237	329	283
Total	13,091	13,039	16,396	15,660	15,565

**Table 5-6
Current Certifications Held**

Type	2008	2009	2010	2011	2012
Chief Officer	1	1	1	1	1
Fire Officer	18	20	22	22	21
Firefighter II	31	34	34	34	33
Firefighter I	36	34	34	34	33
Driver Operator I	29	32	32	34	31
CERT Instructors	8	9	9	10	8
Rescue Systems I	23	25	25	26	27
Rescue Systems II	N/A	N/A	N/A	7	10
EMT	17	16	16	16	12
Paramedic	18	18	18	18	18
Total	181	189	191	202	194

**Table 5-7
Public Education Contacts**

Contact Type	2008	2009	2010	2011	2012
Station Tours	245	245	331	150	177
Preschool Programs	407	430	516	477	493
Open Houses	400	400	35	201	147
School Age Programs K-4	373	350	456	830	606
School Age Programs 5-8	238	205	239	672	497
Senior Programs	27	29	58	25	63
First Aid/ CPR	59	108	230	140	169
Car Seats	N/A	N/A	N/A	56	49
Public Functions	4,591	3,520	7,050	7,000	7,000
Total	6,340	5,287	9,915	9,495	9,201

CITY OF EL CERRITO / KENSINGTON FIRE PROTECTION DISTRICT

Proposed Contract Fee for FY 2013 - 2014

LINE ITEM DETAIL BUDGET EXPENDITURES

101 GENERAL FUND

2510 FIRE

**Proposed
Budget FY13-14**

5100 SALARIES & BENEFITS				
51110 Salaries	4,211,223	27.75%	\$	1,168,614.38
51130 Temporary/Part-time Salaries	0	27.75%	\$	-
51140 Overtime Pay	526,943	27.75%	\$	146,226.68
51145 FLSA Overtime pay	87,629	27.75%	\$	24,317.05
51146 Non Suppression Overtime pay	75,000	27.75%	\$	20,812.50
51150 Special Pay	0	27.75%	\$	-
51210 PERS Contributions	1,940,067	27.75%	\$	538,368.59
51220 FICA/MEDICARE	72,285	27.75%	\$	20,059.09
51230 Benefits & Insurance	972,224	27.75%	\$	269,792.16
51240 Workers Compensation	109,806	27.75%	\$	30,471.17
51990 Salary Savings	(565,431)	27.75%	\$	(156,907.10)
TOTAL	7,429,746		\$	2,061,754.52
5200 PROFESSIONAL SERVICES				
52190 Misc Professional Services	6,500	33.33%	\$	2,166.45
52220 Medical Services	5,000	33.33%	\$	1,666.50
TOTAL	11,500		\$	3,832.95
5300 PROPERTY SERVICES				
53110 Utilities	12,651	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	60,000	33.33%	\$	19,998.00
53320 Vehicle & Equip Lease	0	0.00%	\$	-
53330 Vehic Replcmt Rental Charge	128,532	18.83%	\$	24,202.58
53910 Solid Waste Services	6,000	33.33%	\$	1,999.80
TOTAL	322,183		\$	71,199.88
5400 OTHER SERVICES				
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	25,000	25.00%	\$	6,250.00
54910 Dues & Subscriptions	12,000	25.00%	\$	3,000.00
54990 Other Administrative Services	15,000	25.00%	\$	3,750.00
TOTAL	81,000		\$	18,900.00
5500 SUPPLIES				
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%	\$	-

EL CERRITO CONTRACT COMPARISON

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

AUDIT PROPOSALS

May 21, 2013

To: KFPD Finance Committee

AGENDA ITEM 5

Fr: Brenda Navellier
KFPD Manager

Re: Bid Solicit for FY2013 Audit Services

Helmut and Janice,

Attached are four proposals for our auditing services for the fiscal year ending 2013. While we have been happy with our auditor, Lamorena & Chang, and their product over the last few years, we have been using the firm since the fiscal year ending in 2005. In the interest of being transparent, both Debbie and I agreed it was time that we solicit bids for a fresh look at our books.

Attached are bids from:

Blomberg & Griffin Accountancy Corp., Stockton, CA \$7,975
Fechter & Company, Sacramento, CA \$9,500
Charles Z. Fedak & Company, Cypress, CA \$12,600
Lamorena & Chang, San Francisco, CA \$12,000

Other than Lamorena & Chang, the other three firms had sent us recent letters of interest to perform our audit which is why they were chosen to bid.

All three firms claim experience in governmental, special districts, and, particularly, fire protection districts. Once you have had a chance to review, we can discuss our thoughts at the Finance meeting and I can follow up on any specific questions you might have. Also, before we meet, I will contact at least two of each firm's references.

INDEPENDENT AUDIT PROPOSAL

Blomberg & Griffin Accountancy Corporation

1013 N. California Street
Stockton, CA 95202

John E. Blomberg, CPA, President

April 16, 2013

Kensington Fire Protection District-Audit Proposal-Table of Contents

Letter of Transmittal	1-2
Profile of Independent Auditor	3
Summary of Auditor's Qualifications	3-4
<i><u>Appendix</u></i>	
Resumes	5-7



Blomberg & Griffin Accountancy Corporation
Certified Public Accountant

TRANSMITTAL LETTER

Board of Directors
Kensington Fire Protection District
217 Arlington Avenue
Kensington, CA 94707

April 16, 2013

Dear Board of Directors:

Thank you for the opportunity to submit the following proposal to serve as independent auditor for the Kensington Fire Protection District.

We propose to conduct the audit of the financial statements of the Kensington Fire Protection District for the fiscal year ending June 30, 2013.

We will plan and perform the audit in accordance with GAGAS and will include tests of the accounting records and other procedures considered necessary under the circumstances. If our audit report is other than unqualified, we will fully discuss the reason with the District's manager prior to presentation of the report. If during the audit, we become aware of significant deficiencies in the design or operation of internal controls or of ways management practices can be improved, we will communicate such information to the District Board of Directors in a separate letter.

We propose to begin the audit for the fiscal year ending June 30, 2013 as soon as the District records are available. Setup, pre-list and certain other procedures would begin on notification of the contract. Fieldwork would begin soon after District personnel complete the trial balances. In addition to conducting the financial audit, we shall prepare and submit electronically the State Controller's Annual Report of Financial Transactions of Special Districts by the required due.

Our fee for the above services is based on hourly rates ranging \$45 to \$105 per hour with maximum audit fee not to exceed \$7,680 for the fiscal year ending June 30, 2013. The fee to prepare the State Controller's Annual Report of Financial Transactions of Special Districts shall be \$295. The total maximum fee shall be \$7,975 for the fiscal year ending June 30, 2013.

Kensington Fire Protection District-Audit Proposal-Page 2

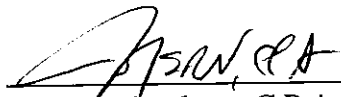
This audit proposal is for a financial audit and the above fees include our entire out of pocket expenses including up to 10 bound copies of the audit report. Additional copies are available at \$5 each.

We will need the cooperation and assistance of District personnel to successfully complete the audit. Such assistance will include obtaining copies of documents, contracts, invoices, etc., various audit inquiries and assistance with the preparation of audit confirmations and other standard audit procedures.

Should the District need additional services, our fee assisting shall be billed at the rate of \$105 per hour in addition to the audit fee discussed above. Such additional fees, if any, will be discussed with the District in advance of providing such services.

Should you need any additional information regarding this proposal please call John direct at (209) 466-3894.

Respectfully Submitted,



John E. Blomberg, C.P.A., President

Signature

Date

Profile of Independent Auditors

Blomberg & Griffin Accountancy Corporation is a local firm located in Stockton, CA. The firm currently employs two professional staff and three administrative staff which assist the professional staff. The firm provides different services to the Northern California public. For example, we provide attestation, tax, consulting, and bookkeeping, among other services to the general public and government agencies. We have provided these services for over thirty-five years. Our firm is able to audit different organizations with computerized accounting systems. In addition, the Manager in charge John E. Blomberg has a current Certified Public Accounting License in the State of California. The firm meets all applicable independent standards and meets all specific requirements imposed by the state, local law and regulations. Also, the firm participates in the AICPA peer review program administered by the California Society of Certified Public Accountants. In addition, management believes all firm quality control standards are currently met.

Summary of the Auditor's Qualifications

The manager in charge shall be John E. Blomberg, C.P.A. There will be one manager, one senior auditor, and one administrative personnel assigned to the audit. We have included resumes of the personnel in the appendix of this audit proposal. Each year, the firm conducts many audits of governmental agencies. Each audit adds to the experience of the staff and equips the staff to accurately and efficiently conduct audits of future engagements. The staff and the manager in charge have conducted many financial and single audits of local governments. The vast experience of the firm will ensure the District that the personnel assigned are up to date with internal control procedures, GASB pronouncements, and new audit testing techniques. In addition, the firm requires all Certified Public Accountants to take continuing education courses. Some of these courses include but not limited to Recovery and Reinvestment Act, Single Audits of Governmental Entities, Audits of State and Local Governments, and Internal Control and Fraud in Government Engagements. These courses are made available to the audit staff. These courses enable the C.P.A. and the staff to be knowledgeable in the latest GASB pronouncements. Approximately 97% of the financial audits we conduct are audits of local governments such as fire districts, water/sewer districts, cemetery districts, resource conservation districts, etc.

Kensington Fire Protection District-Audit Proposal-Page 4

Summary of the Auditor's Qualifications (Continued)

Below shows a partial list of current audit clients:

	<u>Audit Client</u>	<u>Contact</u>	<u>Phone Number</u>
1)	Woodside Fire Protection District	Kate Edwards	(650) 851-6205
2)	Sutter Creek Fire Protection District	Dominic Moreno	(209) 419-3151
3)	Patterson Irrigation District	Toni Russel	(209) 892-6233
4)	Pinedale County Water District	Pam Einsel	(559) 439-2362
5)	Twain Harte Community Services District	Jeanne Lawton	(209) 586-3172
6)	Eastside Fire Protection District	Ginger Root	(209) 956-3516
7)	Collegeville Fire Protection District	Betty Pettit	(209) 941-2339
8)	Lockeford Community Services District	Judy Hoag	(209) 727-5035



John E. Blomberg, C.P.A.
1013 N. California Street
Stockton, CA 95202

EDUCATION/LICENSE

- **Certified Public Accountant, California** 1978
- San Diego State University, Bachelor of Science degrees in Accounting and a minor in Economics 1974

EXPERIENCE

Blomberg & Griffin Accountancy Corporation

President

1981-Present

- Conducting audit services to various organizations such as special district, nonprofit, and professional health care organizations.
- Conducting water rate study to special district
- Prepare tax returns for clients of diverse situations.
- Financial Planner
- Managing the company's employees, finances, and marketing.
- Meeting with audit clients to improve financial and internal control measures

Steelgard, Inc.

1988-1990

Chief Financial Officer

- Managed all financial functions of 30 million dollar manufacturing organization.

Keller, Blomberg, Griffin, & Co.

1978-1981

Partner

- Perform audits of special districts, non -profit, and professional health care organizations.
- Prepare tax returns for clients who own rental properties, companies, conduct business in other states and countries, and sell stocks and bonds.

Blomberg & Bott

1974-1978

Staff Accountant

- Perform audits of special district, non-profit, and professional health care organizations.
- Prepare tax returns

COMPUTER SKILLS

- Microsoft Office 2010, Lacerte Tax Program, Creative Solutions Accounting, various accounting and bookkeeping programs, and ten key.



David J. Farnsworth, C.P.A.
1013 N. California St
Stockton, CA 95202

EDUCATION

- Certified Fraud Examiner, Candidate 2013
- **Certified Public Accountant, California** 2012
- California State University, Stanislaus/ Turlock, California
Bachelor of Science degree in Business Administration-Accounting, 2010

WORK EXPERIENCE

Blomberg & Griffin Accountancy Corporation 2010-Present
Senior Accountant

- Conducting single audits of special districts including water, fire, cemetery, resource conservation, etc.
- Conducting financial audits of special districts including water, fire, cemetery, resource conservation, etc.
- Testing internal control over financial reporting and compliance of various organizations
- Assisting clients improve to internal control measures
- Assisting management prepare the management's discussion & analysis
- Meeting and discussing audit draft with management and board of directors
- Presenting final audit report at board of director meeting
- Consulting clients to improve their organizations' accounting processes.

Kemper CPA Group LLP 2010
Intern

- Tax preparation of corporations, partnerships, and individuals

Warmerdam CPA Group LLP 2009
Intern

- Tax preparation of individuals, partnerships, and corporations
- Bank Reconciliations of various businesses

COMPUTER SKILLS

- C.S.A.
- QuickBooks
- Microsoft Office 2010

Kensington Fire Protection District-Audit Proposal-Page 7



Gladys Mendoza
1013 N. California Street
Stockton, CA 95202

EDUCATION

Individual Income Tax Course/Accounting I
San Joaquin Delta College, Stockton, CA -2004

Office Skills/Introduction to Business Math
Biz-Tech Training School, Stockton, CA -1999

WORK EXPERIENCE

Blomberg & Griffin Accountancy Corporation 2001-Present
Office Manager/Bookkeeper

- Assist CPA in various complex governmental, not-for-profit, and professional organizations audits
- Create format and review audit reports
- Prepare payroll tax returns
- Bookkeeping for small to medium size organizations in the Central Valley of California
- Prepare bank reconciliations
- Consult clients for greater economic improvement
- Prepared sales tax reports
- Delegate responsibilities to employees to meet company expectations

Diamond of California 1999-2001
Accounts Receivable Clerk

- Prepared A/R ledger
- Reconciled accounts receivable

COMPUTER SKILLS

- Microsoft Office Programs
- CSA Accounting Software
- Bookkeeping Solutions

LANGUAGE SKILLS

- Bilingual (Spanish/English)

Proposal for Fiscal Auditing Services

Kensington Fire Protection District

June 30, 2013

April 1, 2013

Fechter & Company
Certified Public Accountants
1870 Avondale Avenue Suite 4
Sacramento, CA 95825

Contact: Craig R. Fechter, CPA
T (916) 333-5360 F (916) 244-0116
Email: Cfechter@Fechtercpa.com

Contents

TRANSMITTAL LETTER.....	1
FIRM PROFILE.....	2 – 4
Licensing and Independence	
Engagement Partner and Staff	
Internal Quality Control Procedures	
External Review	
Technology and Security	
REFERENCES.....	5 – 6
SPECIFIC AUDIT APPROACH.....	7 – 10
AUDIT TIMELINE.....	11
COMPENSATION.....	12
QUALIFICATIONS.....	13 – 16

March 29, 2013

Brenda J. Navellier, Manager
Kensington Fire Protection District
217 Arlington Avenue
Kensington, CA 94707

Dear Ms. Navellier:

Fechter & Company, Certified Public Accountants, is pleased to present our proposal to provide audit or review services to the Kensington Fire Protection District (the District). The Statement of Firm Qualifications and the credentials listed in the resumes of our team will demonstrate our qualifications, competence, and capacity to perform the audit services requested within the time frame required by the District.

This proposal is an irrevocable offer valid for 60 days after the date of the proposal. I am authorized to represent and to obligate the firm contractually to the District. I am located at 1870 Avondale Avenue, Suite 4, Sacramento, CA 95825, and you can contact me by telephone at (916) 333-5360.

Thank you for considering our proposal. We look forward to a long and successful working relationship with you and your management team.

Very Truly Yours,



Craig R. Fechter, CPA, President
Fechter & Company, Certified Public Accountants

Firm Profile

Fechter & Company, CPAs is a professional corporation formed in April 2005. We provide finance consulting and auditing services to governmental and non-profit entities. We specialize in serving agencies with annual budgets of less than \$25 million.

Fechter & Company is based in Sacramento, with a staff of 4 certified public accountants. Our relatively small practice offers several advantages to you:

- Experienced auditors perform all audit procedures from initial planning meetings through fieldwork to financial statement preparation.
- You receive a high level of personal service with easy access to professionals who can answer your questions and facilitate the audit process.
- Because the firm president performs and supervises on-site fieldwork, the turnaround time from the end of our fieldwork to the report draft is typically only 10 days.
- Working with the same auditors from year to year greatly reduces the time your staff spends familiarizing us with your business procedures. Your audit process becomes increasingly efficient.
- Fechter & Company is pleased to note that Mr. Lamar Edwards, who is of African American descent, is a non-equity partner.

Licensing and Independence

- Our firm is licensed as a certified public accounting firm in the state of California.
- Each CPA in our firm meets the independence requirements of the American Institute of Certified Public Accountants and the Government Auditing Standards, 2003 revision, published by the U.S. General Accounting Office.
- Our firm has had no disciplinary action taken or pending since its inception in 2005.
- There are no conflicts of interest with the District or its personnel.
- We will continue to maintain requisite insurance coverage—professional liability, workers compensation, business occupancy and auto insurance—throughout the course of our engagement.

Quality Controls

Engagement Partner and Staff for This Assignment

Mr. Craig Fechter will lead the audit while Mr. Scott German and Mr. David Fechter will assist with the fieldwork. Complete resumes are attached to this proposal.

Mr. Fechter takes annual courses on the Governmental Accounting & Audit Update. He completed a course in the implementation of the new Auditing Standards (SAS 108-114) in 2011. He also serves on the accounting advisory board for UC Davis Extension and teaches a course, which serves as a source of continuing professional education.

We have recognized the District's need for staff consistency. You will deal with the same principal each year on the audit – Mr. Craig Fechter, CPA. He will be on site for each day of fieldwork for each year our firm performs your audit.

Internal Quality Control Procedures

- Each member of our firm meets the continuing education and external quality control review requirements contained in the Government Auditing Standards, 2003 revision, published by the U.S. General Accounting Office.
- Each audit staff is required to complete annual update courses for both Government/A-133 and non-profit audits. These courses, which together comprise 26 hours of continuing education, help our audit staff maintain awareness of technical changes in both regular and single audits.
- During the years our firm is not peer reviewed, we conduct annual internal reviews. A principal inspects 4 randomly selected audits and makes notations and recommendations in the same manner as an external peer review. This helps to keep our working papers and audit processes fresh.
- Prior to being released, each audit is reviewed by a partner who is not involved with the audit or the client. This independent partner makes observations and suggestions as to additional audit procedures that should be performed. For new clients, a second partner reviews our audit planning memorandum prior to our

beginning the fieldwork in order to ascertain why certain procedures were selected while others were not.

Although our audit staff is extremely experienced, we continually strive to improve our audit quality, from the planning stages to the final report. We actively encourage all staff to suggest new or different procedures.

Technology and Security

We maximize both efficiency and security by using technology recognized as standard in the accounting industry. These are some examples:

- **Microsoft Office Applications**
Since most of our clients use Microsoft applications, we likewise use the programs, which enable us to collaborate on projects.
- **Engagement CS**
We use Engagement CS paperless auditing system to cut processing time and costs. All information can be uploaded to our secure file transfer website.
- **Biometric User Security**
All staff computers are protected with biometric access restrictions.
- **Data Storage**
All data is backed up to our local server daily through our secure VPN. In addition, our server data is backed up daily off-site.
- **Our firm subscribes to approximately a dozen industry periodicals and newsletters. We proactively inform our clients about potential changes in related accounting legislation and standards so they can quickly assess the impact on their organizations. In addition, we offer an annual Government Accounting Standards Board (GASB) and Financial Accounting Standards Board (FASB) update course to our clients at no additional charge.**

References

Fire Districts Audited

Approximately 70 percent of our firm's revenues are derived from governmental and non-profit audits under *Government Auditing Standards* as published by the U.S. General Accounting Office. We have a specific expertise in auditing local fire departments. Current fire department and other local clients and services performed are as follows:

Lakeside Fire Protection District

Scope of audit: Fechter & Company, CPAs was engaged to provide a special district financial statement and single audit of the Lakeside Fire Protection District under Government Auditing Standards and OMB A-133.

Services provided: Audit of the financial statements, single audit, management letter, and report on internal control structure.

Engagement partner: Craig R. Fechter, CPA

Contact:

Robert Schiwitz, Administrative Services Manager
12365 Parkside Street
Lakeside, CA 92040
619-390-2350 x310

Greater Vallejo Recreation District

Scope of audit: Fechter & Company, CPAs was engaged to provide a special district financial statement audit of Greater Vallejo Recreation & Parks District under Government Auditing Standards and OMB A-133.

Services provided: Audit of the financial statements, single audit, management letter, and report on internal control structure.

Engagement partner: Craig R. Fechter, CPA

Contact:

Romi Selfaison, Finance Director
Great Vallejo Recreation District
395 Amador Street

Vallejo, CA 94590
707-648-4600

References (continued)

Mokelumne Fire Protection District

Scope of audit: Fechter & Company, CPAs was engaged to provide a financial statement audit for the Mokelumne Fire Protection District under Government Auditing Standards and OMB A-133.

Services provided: Audit of the financial statements, management letter and report on internal control structure.

Engagement partner: Craig R. Fechter, CPA

Contact:

Kristy Berry, Finance Director
13157 East Brandt Road
Lockeford, CA 95237
209-727-0564

Alpine Fire Protection District

Scope of audit work: Fechter & Company, CPAs was engaged to provide a financial statement audit for the Alpine Fire Protection District under Government Auditing Standards and OMB A-133.

Services provided: Audit of the GASB 34 financial statements, management letter and report on internal control structure, and preparation of annual report of financial transactions of special districts.

Engagement partner: Craig R. Fechter, CPA

Contact information:

Jean Moore, Finance Director
1364 Tavern Road
Alpine, Ca 91901
619-445-2635

Specific Audit Approach

The District requests that the auditor express an opinion on the fair presentation of its financial statements in accordance with accounting principles generally accepted in the United States of America. We propose that the engagement be divided into the following segments:

Phase I

- Initial planning and preparation
- Preliminary analysis, report preparation, cash and other confirmations
- Information gathering
- Evaluating internal controls

Phase II

- Fieldwork
- Post-field-work activities (e.g., follow-up on pending items, collection of confirmation letters, etc.)

Phase III

- Report finalization and final analysis
- Report delivery and Board of Directors presentation

Initial Planning and Preparation

As the first step in our planning and preparation phase, we will meet with the staff of your company to establish a working relationship. We expect this meeting will involve the District's manager and its controller.

We will deliver a Prepared-by-Client list (PBC), which details the items we will need to perform the audit. We will resolve any ambiguities or questions we or the District might have about the services we are to perform.

We will gather contact information for the District's bankers, attorneys, prior accountant, and other relevant parties, and make inquiries as required by *Government Auditing Standards*.

We will examine prior year's financial statements to develop audit plans for each significant balance sheet and income statement account.

Specific Audit Approach (continued)

Preliminary analysis

The primary focus of an audit is to develop expectations and compare actual financial results against those expectations. We will compare the current year's results with budgetary expectations to identify any areas of material misstatement.

Report Preparation

Unlike other firms, we prepare financial statements prior to field work. Doing so allows us to focus on the overall financial position of the organization and limits our testing of clearly insignificant areas.

Cash and Other Confirmations

We will confirm cash with the bank, any material year-end accounts or grants receivable, grants or donations received during the year, debt outstanding at the end of the year, and any other financial transaction that we consider material to the financial statements as a whole. The decision to confirm a statement item depends on the materiality of the item, the susceptibility of the item to misstatement, or the likelihood of fraud.

Information Gathering

We will obtain the information requested in the PBC along with any associated report required.

1. Testing statistical samples

During sample selection we consider three questions: (1) purpose of the test—attribute or balance testing, (2) susceptibility of the population or process to fraud or misstatement, and (3) size of transactions—small and numerous, or large and infrequent.

2. Testing revenues and disbursements

In testing revenues and disbursements, we determine that the attribute being tested is applied to the transaction as approved by the District's Management and Board; we do not determine whether a balance is valued properly. For example, our sample for disbursements test has two purposes—attributes testing, and control testing. In attribute testing we see whether the amounts posted to the general ledger agree with the invoices and canceled checks. Since disbursements have the potential for defalcation, we check for any suspect or significant transactions that appear to be out of place in your detailed general ledger. We may select 20 items based on the results of a random number generator, and select another 20 to 40 items by scanning the detailed general ledger. The

Specific Audit Approach (continued)

result is an overall sample of 40 to 60 invoices to confirm compliance with board-approved procedures. We determine sample sizes in accordance with the objective of the test, the population to be sampled, and the risk associated with that population. The sample size also depends on the size of the population and whether or not we will be able to properly stratify populations into individually significant and individually insignificant items.

3. Examining the District's internal control structure
Among the items included in the PBC is a questionnaire regarding internal controls. We will review the completed questionnaires and compare them with procedures the District has established for actions such as purchasing, cash and check collections, inventorying fixed assets, billing, payroll disbursement, and budgeting. We will then audit each area of internal control that will materially affect the audit.
4. Determining pertinent laws and regulations
We will examine items such as grant agreements to determine their effect on the District, and audit them if necessary. We will also examine pertinent ordinances to determine whether the District is in compliance.
5. Assessing risk
Generally accepted auditing standards require that we assess the risks of material misstatement and fraud. After analyzing internal controls and evaluating potential weaknesses, we will determine which areas of the audit carry the risk of material misstatement, and take steps to mitigate that risk.
6. Testing for functionality of internal controls
We will conduct random tests on a year-to-year basis to determine the functionality of the District's internal controls. We will randomly select customers and trace each step of each payment into the system over the course of a year. We will audit any area of potential weakness with a specifically designed test.
7. Fire District specific procedures
Fire Districts have a number of different risk factors and areas due to the nature of the district, with the many different types of programs and services offered. We design specific audit procedures to address these risks.

Specific Audit Approach (continued)

Fieldwork

With the assistance of Company personnel, we will test the balances resulting from the following procedures:

- Cash deposits
- Internal control of disbursements
- Payroll
- Revenues
- Inventory control
- Billing and collections
- Unrecorded liabilities

We will also discuss with the Board any specific concerns or procedures they want performed.

Post-fieldwork Activities

Once we complete our fieldwork, we will resolve any pending items and ensure that all requested third-party confirmations have been received. After the District has reviewed the financial statements and any proposed adjusting journal entries, we will obtain signed representation letters from the District and from its counsel that confirm or explain any pending litigation against the District and its effect on the audited financial statements.

Report Finalization and Final Analysis

Prior to finalizing the financial statements, we will perform a second comparison of current year results with prior year results, and budgetary expectations to actual results. Performing these tests subsequent to the audit work provides additional assurance that the financial statements are free of material misstatement.

Report Delivery and Board of Directors Presentation

We will deliver our report in person to the Board of Directors. We will also attend a board meeting to answer questions that the Board may have. Our aim is to create an open line of communication between our firm and your organization so the Board feels comfortable asking for help with any questions or issues that may arise during the year.

Audit Timeline

Audit Timeline

Because the firm president performs and supervises on-site fieldwork, the turnaround time from the end of our fieldwork to the report draft is typically only 10 days. Completion of the final audit report depends on how promptly the District's staff is able to provide needed reports and confirmations. The typical turnaround is within 3 weeks. The following table shows our timeline for completing the major tasks of the audit.

Phase	Audit Task	Estimated Timeline
I	Entrance conference	July 2013
	Initial planning and audit planning Prepared-by-Client list Information from bankers, attorneys Prior year's statements	July 2013
	Preliminary analysis Report preparation Cash and other confirmations Internal controls Information gathering Statistical sampling and testing Revenues and disbursements Internal controls Laws and regulations Risk assessment Functionality testing	August 2013
II	Fieldwork: 2-3 days Cash deposits Internal control of disbursements Payroll Revenues Inventory control Billing and collections Unrecorded liabilities	Aug-Sept 2013
	Post-fieldwork activities Third-party confirmations	Sept. 2013
III	Report finalization and final analysis Final analysis	Sept. 2013
	Report draft delivery Final report delivery	Oct. 2013 Oct. 2013

Compensation

Proposed Fee Schedule for 2013

Financial Statement Audit	\$9,000
Direct engagement costs (e.g.):	\$500
Travel	
Administrative and printing	

Proposed Fee Schedule for 2014 and 2015

We propose a fee increase of 2.5 percent for each of the years 2014 and 2015. Total direct engagement costs for each year will not exceed \$500.

Qualifications

More detailed resumes are available upon request.

Craig R. Fechter, CPA

Fechter & Company, Certified Public Accountants

Classification: President

Years of Experience: 12

Mr. Fechter is the president of Fechter & Company, Certified Public Accountants.

Academic Background

Master of Science in Taxation at Golden Gate University, 2012

Bachelor of Science in Business Administration, Accountancy, California State University at Sacramento, 2001

Professional Certifications and Affiliations

Certified Public Accountant

Member California Society of Certified Public Accountants

Member American Institute of Certified Public Accountants

Adjunct Professor of Accounting, University of California, Davis Extension

Executive Committee, Big Brothers Big Sisters of the Greater Sacramento Area

Scoutmaster, Boy Scouts of America, Troop 320

Facilities, Transportation & Finance Committee, San Juan Unified School District

Past Finance Committee Chair, San Juan Education Foundation

Relevant Experience

Since his graduation from Sacramento State in 2001, Mr. Fechter has worked for two regional CPA firms. During college, he worked for a local sole practitioner. Mr. Fechter has performed financial statement audits of numerous counties and local government agencies, including other non-profit agencies. He has performed these audits in the capacity of both a staff auditor, lead auditor, and engagement partner.

Qualifications

(continued)

Financial Statement Audits

Mr. Fechter has participated in the following audits in the capacity of engagement partner:

Greater Vallejo Recreation & Parks District
Alpine Fire Protection District
Lakeside Fire Protection District
Borrego Springs Fire Protection District
Bonita-Sunnyside Fire Protection District
Carpinteria-Summerland Fire Protection District
South Lake County Fire Protection District
Stanislaus Consolidated Fire Protection

References for the above clients, who worked exclusively with Mr. Fechter, are available upon request.

Single Audit Act Compliance Audits

Mr. Fechter has participated in the following single audits in the capacity of lead auditor:

Marin County
MAAP, Inc.
San Joaquin County
Stanislaus County
Sierra County
San Luis Obispo County
Lassen County

Continuing Professional Education

Mr. Fechter takes annual courses on the Governmental Accounting & Audit Update. He has recently completed a course in the implementation of the new Auditing Standards (SAS 108-114). He also serves on the accounting advisory board for UC Davis Extension and teaches a course, which serves as a source of CPE for Mr. Fechter.

Mr. Fechter is an accomplished public speaker and published author. He has taught CPE courses for the American Society of Women Accountants (Sacramento chapter). He is also the author of accounting-related articles published by *Comstock's Magazine* and *The Nugget*, the journal of the Sacramento District Dental Society.

Qualifications

(continued)

David W. Fechter, CPA

Fechter & Company, Certified Public Accountants

Classification: Audit Senior

Years of Experience: 35

Mr. David Fechter is an audit Senior in the firm of Fechter & Company, Certified Public Accountants.

Academic Background:

Mr. Fechter received his Bachelor of Science in Business Management from California State University at Sacramento in 1971.

Professional Certifications/Accomplishments:

Certified Public Accountant

Enrolled Agent

Relevant Experience

Californation Department of Health and Human Services

Audit Manager (33 years)

Coordinated reviews of Medi-Cal care audit reports conducted in conformance with the Yellow Book, responsible for supervising 8 auditors in the performance of the reviews. Mr. Fechter was responsible for coordinating and completing the audits, appeals, and finalization.

Fechter & Company, CPAs

Senior Auditor (2 years)

Conducted a variety of audits in accordance with the Yellow Book and governmental auditing standards.

Participated in fraud investigations.

Qualifications

(continued)

Scott German, CPA

Fechter & Company, Certified Public Accountants

Classification: Partner

Years of Experience: 20

Academic Background

Mr. German received his Bachelor of Science in Accounting from California State University at Sacramento.

Professional Certifications and Affiliations

Certified Public Accountant

Board Member and Treasurer, California Hospice Association

Treasurer, St. Francis of Assisi Catholic Elementary School Parent Club and School Advisory District

Relevant Experience

KPMG Peat Marwick

Audit Manager (6 years)

Provided audit and business consulting to real estate, construction, and non-profit clients. Representative clients include California Dental Association, American Red Cross, United Way.

California's Optometric Association

Director of Business Services

Acted as chief financial officer, human resources, and general business manager. Oversight for financial reporting for five related entities and liaison for one for-profit wholly owned subsidiary.

California Association for Coordinated Transportation

Contract Chief Financial Officer

Assisted with budgets, grant proposals and cost allocations for contacts with the State of California

Fechter & Company, CPAs

Mr. German is a partner in the firm and has been with the firm for two years. He is the lead partner on the Sylvan Cemetery District engagement.

Continuing Professional Education

Mr. German has taken a variety of accounting and auditing courses, the most pertinent of which is the annual Governmental Accounting &

Auditing Update published by the American Institute of Certified Public Accountants.



From: Craig Fechter <cfechter@gmail.com>
To: Kensington Fire Protection Dist <kensingtonfirepd@aol.com>

Subject: Re: Request for bid for FY12-13 independent auditor's
Date: Thu, May 16, 2013 2:32 pm

Great question Brenda -

It is included in the overall fee. There would be no additional charge for its completion.

Craig

On Thu, May 16, 2013 at 10:41 AM, Kensington Fire Protection Dist <kensingtonfirepd@aol.com> wrote:
Hi Craig,

I do have one question prior to presentation to my Finance Committee. I do not see any mention of the Special Districts Transaction Report in your proposal. Is that a separate fee or is it included in your quote?

Thank you,

Brenda J. Navellier
Manager
Kensington Fire Protection District

-----Original Message-----

From: Craig Fechter <cfechter@gmail.com>
To: Kensington Fire Protection Dist <kensingtonfirepd@aol.com>
Cc: Esther Dunnaway <e.dunnaway@fechtercpa.com>
Sent: Fri, Mar 29, 2013 4:29 pm
Subject: Re: Request for bid for FY12-13 independent auditor's

Hi Brenda -

Attached is our firm's proposal. Please let us know if you have any questions upon reviewing. We look forward to having the opportunity to work with you should you choose our firm.

do you know the board's timeline in selecting an audit firm?

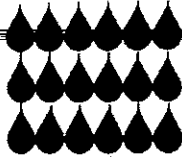
Craig Fechter, CPA

On Tue, Mar 12, 2013 at 2:30 PM, Kensington Fire Protection Dist <kensingtonfirepd@aol.com> wrote:
Mr. Fechter,

I am interested in receiving a quote for an audit and submission of our annual Special Districts Transaction Report for fiscal year 2012-2013. I have attached our most recent audit and report to the Board of Directors for your information. Please let me know if you require any additional information. I would appreciate receiving a quote no later than April 1, 2013.

Thank you,

Brenda J. Navellier
Manager
Kensington Fire Protection District



Charles Z. Fedak, CPA, MBA
Paul J. Kaymark, CPA

Charles Z. Fedak & Company

Certified Public Accountants
An Accountancy Corporation

6081 Orange Avenue
Cypress, California 90630
(714) 527-1818
(562) 598-6565
FAX (714) 527-9154
EMAIL czfco@czfcpa.com

March 26, 2013

Ms. Benda J. Navellier, District Manager
Kensington Fire Protection District
217 Arlington Avenue
Kensington, California 94707

Re: Request for Proposal for Independent Auditor Services

Dear Ms. Navellier:

Enclosed please find the Proposal for Independent Auditor Services for the Kensington Fire Protection District for the fiscal years ending June 30, 2013 through 2015.

Please contact our office if you have any questions.

Cordially,

Charles Z. Fedak, CPA

Enclosures

Technical Proposal
Independent Auditor Services
For The



Kensington Fire Protection District

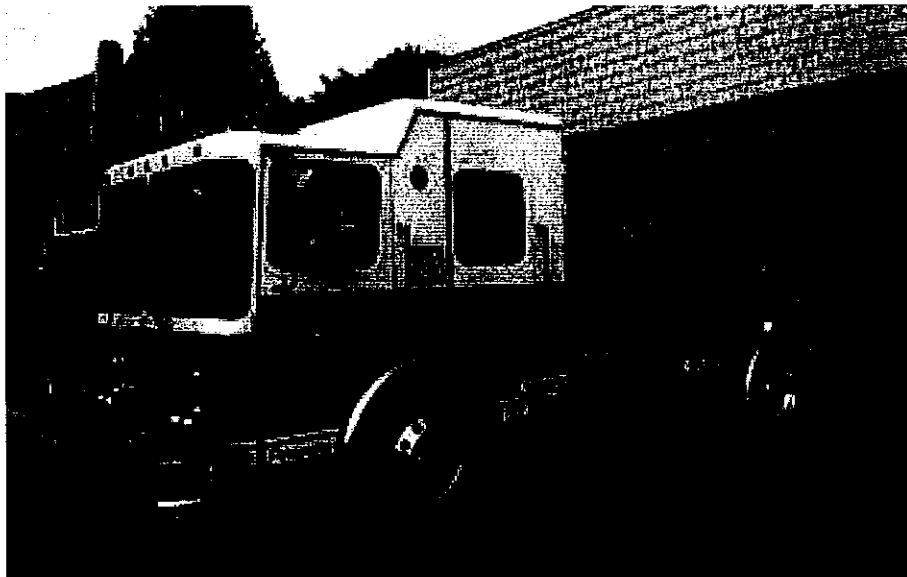
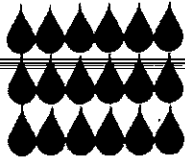


Table of Contents

Section and Content

1. **Executive Summary Letter**
2. **Proposer Affirmations**
3. **General Firm Information**
4. **Peer Review – Our Most Recent Quality Control Review Report**
5. **Relevant Experience**
6. **Staffing Plan**
7. **Our Approach to the Audit, Timing and Work Program**
8. **Cost Proposal – Separate Cover**



Charles Z. Fedak, CPA, MBA
Paul J. Kaymark, CPA

Charles Z. Fedak & Company

Certified Public Accountants

An Accountancy Corporation

6081 Orange Avenue
Cypress, California 90630
(714) 527-1818
(562) 598-6565
FAX (714) 527-9154
EMAIL czfco@czfcpa.com

March 26, 2013

Ms. Benda J. Navellier, District Manager
Kensington Fire Protection District
217 Arlington Avenue
Kensington, California 94707

Re: Request for Proposal for Independent Auditor Services

Dear Ms. Navellier:

We appreciate the opportunity to submit our proposal to provide independent auditor services for the Kensington Fire Protection District (District) for the years ended June 30, 2013 through 2015. In response to your inquiry of our firm, we have prepared a proposal that reflects our understanding of the District's audit requirements and demonstrates our capability and commitment to serve. We intend to demonstrate that Charles Z. Fedak & Company, CPAs is the right professional services firm for the District.

We understand that you expect a timely audit conducted in a professional manner in accordance with audit standards specific to governmental entities such as yours. We are committed to meet all the requirements you have indicated, will issue the reports, and meet the timing requirements you have specified. We believe we are uniquely qualified to provide the quality and scope of service that the District desires.

Focused on the Special District Industry

Our client service team members are specialists in the governmental special district sector. This means they each focus a substantial portion of their time serving special district governmental clients. We know and understand your organization and the climate you work in.

Our Firm currently audits approximately 70 special districts in the State of California (i.e., airport, cemetery, fire protection, harbor, library, parks and recreation, transit, etc.); therefore, enabling our Firm to continuously be immersed throughout the year in the financial and operational issues of special districts like the Kensington Fire Protection District.

Organized to Serve the District

Our service approach ensures you will receive high quality, personalized service when and where you need it. By tailoring our approach, we guarantee you will receive the timely, attentive service that forms the hallmark of our approach to serving clients. Our special district governmental audit and consulting practice accounts for approximately 50% of our firm's annual services. Therefore, we have made a substantial commitment and investment to serve our special district governmental clients.

Our special district governmental experience is substantial, but it is not this factor that sets us apart from other Firms. Rather, it is the commitment to utilize those resources and experience for the benefit of our clients. Simply put, the District will become one of our most important clients and, accordingly, will receive the priority service they deserve.

Our approach to the engagement will establish a delivery system for providing a truly exceptional level of service. Each element of that system, including staffing, audit approach, communication and coordination, will be examined and refined to fit the needs of the District.

The hardest to quantify may be the relationship aspects of working with one professional services firm versus another. Because of the service delivery approach we are recommending and our history of working with many special district governmental units like the District, we are confident that our firm knows how to address the unique needs of the District.

We are the current or former auditor of the following Fire Protection Districts and 911 Dispatch-JPA's:

- ◆ **Inverness Public Utility District – Inverness, Marin County – Fire & Water**
- ◆ **North County Dispatch – JPA – Rancho Santa Fe, San Diego County – 911 Dispatch**
- ◆ **Ranch Santa Fe Fire Protection District – San Diego County – Fire Protection**
- ◆ **Rincon Del Diablo Municipal Water District – San Diego County – Fire & Water**
- ◆ **South Bay Regional Public Communications Authority, Los Angeles County – 911 Dis.**

We are the current or former auditor of the following governmental entities within the NorCal Area:

- ◆ **North Coast County Water District – Pacifica, San Mateo County**
- ◆ **North Marin Water District – Novato, Marin County**
- ◆ **Novato Sanitary District – Novato, Marin County**
- ◆ **Purissima Hills Water District – Los Altos Hills, Santa Clara County**
- ◆ **San Lorenzo Valley Water District – Boulder Creek, Santa Cruz County**
- ◆ **Santa Clara County Open Space Authority – San Jose, Santa Clara County**
- ◆ **Saratoga Cemetery District – Saratoga, Santa Clara County**
- ◆ **Soquel Creek Water District – Capitola, Santa Cruz County**
- ◆ **Tres Pinos Water District – Tres Pinos, San Benito County**
- ◆ **Westborough Water District – South San Francisco, San Mateo County**

Our staff who will be assigned to the District's audit are experienced governmental professionals that have managed numerous audits. Each of our staff members has extensive experience that allows for a new outlook to the audit with innovative suggestions to improve quality and efficiency. We believe that our references will show that we are the best selection for the District. The choice of an audit firm should be based upon several factors including but not limited to: staff retention, training programs, proactively addressing governmental industry changes, and an adherence to a strict quality control program.

We have an extremely low percentage of staff turnover and we are confident that we will provide the District with consistent staff over the contract period as the continuity of staff is as important to us as it is to the District. We will be committed to the District and believe that our audit team is the best selection for the District.

We keep our clients updated on a number of accounting, auditing, finance and operational subjects continuously throughout the year through all means of communication via e-mail, letters and just by picking up the phone and having conversations about "The State of the District" throughout the year. Please know that this is part of our *Client Service Philosophy* and that this is service we provide without charge because we believe that it is very important to provide constant communication to our clients.

Our proposal represents our irrevocable offer for a period of 150 days from the date of this letter to provide audit services to the District for the years ending June 30, 2013 through 2015. If you have any questions or need additional information, please contact me at (714) 527-1818 or by e-mail Paul Kaymark at paul@czfcpa.com

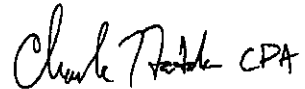
Ms. Benda J. Navellier, District Manager
Kensington Fire Protection District
March 26, 2013

Page 3

Please view our updated website www.czfcpa.com to find out more information about our Firm.

We look forward to hearing from you soon.

Cordially,

A handwritten signature in black ink that reads "Charles Z. Fedak CPA". The signature is written in a cursive style with a large initial "C".

**CHARLES Z. FEDAK & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
AN ACCOUNTANCY CORPORATION**

Requirements of the Annual Audit

Executive Summary

The purpose and scope of our audit will be to perform a financial and compliance audit of the District's basic financial statements and supplemental schedules in accordance with generally accepted auditing standards, and the "Standards for Audits of Governmental Organizations, Programs, Activities and Functions," promulgated by the General Accounting Office (GAO) (the Yellow-Book - 2007 Revision), as of and for the years ending on June 30, 2013 through 2015. The audit will be comprised of the following elements:

- 1. Audit of the District's Basic Financial Statements**
- 2. Preparation of the Annual State Controller's Report, as requested**

The audit will be conducted in accordance with generally accepted accounting principles and governmental audit standards as promulgated by the Comptroller General of the United States.

Management Letter

The Statement on Auditing Standards (SAS) No. 115 (Revised SAS No. 112), *Communicating Internal Control Related Matters Identified in an Audit*, effective for periods ending on or after December 15, 2006, establishes standards and provides guidance on communicating significant deficiencies and material weaknesses to the governance board that are related to an entity's internal control over financial reporting identified in an audit of the entity's financial statements.

Audit Committee Letter and Meeting

The Statement on Auditing Standards (SAS) No. 114, establishes a requirement for auditors to communicate certain matters related to the conduct of the audit to those who have responsibility for oversight of the financial reporting process. This communication, often referred to as the audit committee letter, is in addition to the requirement to communicate internal control matters and matters relating to fraud and illegal acts. This letter will address the auditor's responsibilities under generally accepted auditing standards, significant accounting policies, management judgments and accounting estimates, significant audit adjustments, other information in documents containing audited financial statements, any disagreements with management, management consultation with other accountants, major issues discussed with management prior to retention, and difficulties encountered in performing the audit.

Also, Government Auditing Standards requires an additional reporting standard that auditors must follow. It requires the auditor to communicate his/her responsibility in a financial statement audit, including responsibilities for testing and reporting on internal controls and compliance with laws and regulations. It is our desire to discharge this responsibility at the front end of the audit by presentation to the District's Audit Committee or its equivalent during an Audit Committee Audit Entrance Conference.

Other Needs

The partner in charge of the audit will be available to attend meetings of the Board of Directors to discuss and report on the audit process and the deliverables associated with the audit. We will provide the District with accounting advice regarding subjects that could affect the financial report. We consider it our responsibility to keep the District advised, on a timely basis, of any new authoritative pronouncements of an audit or reporting nature, as well as any changes in finance-related compliance requirements as they pertain to the District's reporting responsibilities.

Proposer Affirmations

- A. Charles Z. Fedak & Company, CPAs an Accountancy Corporation affirms that it is independent of the District, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.
- B. Charles Z. Fedak & Company, CPAs an Accountancy Corporation affirms that the firm has in place and will provide the required insurance coverage and Accord insurance form to the District upon acceptance of the audit engagement.
- C. Charles Z. Fedak & Company, CPAs an Accountancy Corporation affirms that the firm and all key professional staff are properly registered and licensed to practice in the State of California.
- D. Charles Z. Fedak & Company, CPAs an Accountancy Corporation affirms that it has the necessary experience to conduct high quality audits of local government and enterprise special districts in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the United States Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.
- E. Charles Z. Fedak & Company, CPAs an Accountancy Corporation affirms that it will meet your timing requirements to begin and complete the audit of the District.
- F. Charles Z. Fedak & Company, CPAs an Accountancy Corporation affirms that it will staff the audit of the District with experienced personnel and not use these audits as training grounds for new staff and that no person designated as "key" to the project shall be removed or replaced without the prior written consent of the District
- G. Charles Z. Fedak & Company, CPAs an Accountancy Corporation affirms that has never been the subject of any lawsuits, claims of fraud, malpractice and/or disciplinary action by any State or Federal Agency in relation to the firm's governmental practice in its entire existence.
- H. Charles Z. Fedak & Company, CPAs an Accountancy Corporation affirms that it has been through more than three peer reviews with satisfactory results. Also, we have never been censured or disciplined from the State Board of Accountancy.
- I. Charles Z. Fedak & Company, CPAs an Accountancy Corporation affirms that we will allow the District or its designee access to pertinent District audit workpapers, financial reports and management letters.
- J. Charles Z. Fedak & Company, CPAs an Accountancy Corporation affirms that we have never filed bankruptcy, no pending litigation against the firm, no planned office closings, no impending mergers and no potential labor disputes that may impede us the ability to complete the audit for the District.

Signature of Official: Charles Z. Fedak CPA
Name: Charles Z. Fedak, CPA
Title: Principal
Firm: Charles Z. Fedak & Company, CPAs
An Accountancy Corporation
Date: March 26, 2013

Our Firm & Project Organization

Identification of Proposer and Geographic Location to the District

Charles Z. Fedak & Company, CPAs, An Accountancy Corporation, consists of a main office that has been located in Cypress, California since 1981. Basically, our office is about 2 to 3 miles west of Knott's Berry Farm. From 1981 to June 30, 2004, Charles Z. Fedak & Company, CPAs was a sole-proprietorship under the direction of Charles Z. Fedak. On January 1, 2005, Charles Z. Fedak & Company, CPAs incorporated into an accountancy corporation due to the firm's expanded business practices. The accountancy corporation is wholly-owned 100% by Charles Z. Fedak. The District's main contact will be Mr. Paul J. Kaymark, Governmental Audit and Consulting Senior Manager. Our contact information can be located on our cover letter letterhead.

Charles Z. Fedak & Company, CPAs is a full service firm licensed to practice in the State of California, providing auditing services for governmental and commercial enterprises, as well as extensive tax planning for domestic and international entities. Our firm also provides extensive management services for governmental and commercial enterprises. All of the work for the District will be staffed directly out of our Cypress office and will not be subcontracted out to any other firm.

Charles Z. Fedak & Company, CPAs is fully computerized in-house and utilizes IBM ® portable computers on all audit engagements. We utilize the Creative Solutions – GoSystem ® Audit Software. This software will enable us to download a data file from your financial software and upload the information into our Audit Software. We have trained many of our clients on the use of this software and they have benefited from the use of it.

Project Organization

Our firm's philosophy is to take a team approach with our clients in the conduct of our audits. A properly developed, mutually agreeable timeline results in the most efficient audit. We want you to not only think of us as your auditor, but as a resource to be used whenever the need occurs. Also, it is our firm's philosophy to have our partners and audit managers involved in the day-to-day audit details of our clients.

The District will have an engagement partner and a governmental audit manager assigned to the audit at all times. In addition, one supervising-senior, one senior and a staff accountant (governmental auditing staff only) will be assigned to the audit. All of these team members are in the field during the time the audit fieldwork is being conducted. Each member of the team has his or her own responsibilities as follows:

The engagement partner is responsible for all services provided to the District. His main responsibilities consist of the overall planning, supervision and review of the audit testwork and preparation of the financial statements.

The governmental audit senior manager is responsible for coordinating the audit testwork and financial reporting preparation. His main responsibility will be the coordinator of the audit testwork and 50% on-site supervision and coordination of staff. Once the audit testwork is completed, he will work with the staff to complete the financial reports for the District. He will be the District's main contact throughout the year.

Our governmental audit supervising-senior, senior and staff accountant will be in the field conducting the audit testwork. Their responsibilities consist of the performance of tests of transactions, tests of internal controls and substantive procedures over the District's financial transactions and balances. Our staff will interact with the District's staff when it is convenient for them. Before discussions with your staff, we will make sure that we have all the facts so as to minimize the District's staff time requirements in providing audit assistance to us.

Other Services Offered

Target Audit Capabilities in General Consulting and Compliance Testing

We believe that a performance evaluation or “target audit” is an examination of an entity’s department or function in order to assess efficient use of resources and program control effectiveness. Like a financial audit, a target audit involves an examination of organizational and/or departmental policies and procedures, compliance with those policies and procedures and internal controls to see how well the organization or department is meeting its standards. Target audits may address the organizational structure, finances, general management or workload and may be broad or narrow in scope.

A **target audit** is usually comprised of the following actions:

- Understanding certain objectives of an entity or division
- Determining current facts and conditions that reflect those objectives
- Defining problems and pointing out improvement opportunities
- Reporting of the findings and recommendations

The *core* of the target audit process is a series of interviews and other data gathering activities as determined is necessary. Once the data is gathered, certain conclusions can be made and the focus of the findings and recommendations can be prepared.

The target audit should assess the efficiency, quality and equality of certain matters within a division or function. Also, the target audit should assess the approach, design and merit of the controls and programs that are being offered and determine how these areas might be better aligned.

A well-administered target audit can provide evaluations that reflect how an organization is managing its financial and operational resources. A target audit that possesses valid and measurable objectives keeps an entity true to its purpose. Using data from the target audit to measure an entity’s successes allows the entity to determine if it is meeting its fundamental objectives and adjust its efforts in order to achieve broader goals.

We have utilized this understanding in the performance of the following target audits for numerous clients:

- Board member expenditure reimbursements – AB-1234 compliance
- Budgets and financial forecasts
- Check issuance and wire transfers
- Cash collection management
- Investment management
- Investment portfolio administration
- Investment policies and modifications thereto
- Analysis of investment yields to market returns
- Water and wastewater billing procedures
- Contractual agreement compliance
- Central purchasing
- Warehouse controls and inventory systems
- Card-lock fueling systems
- Inter-District cost-sharing charges and charge-backs.
- Analysis of input and access controls related to the new financial software system
- Organizational analysis of finance and accounting departments
- Accounting for development projects and fees to comply with AB-1600 revenues

Peer Review

During the week of March 1st thru March 5th, 2010, Charles Z. Fedak & Company, CPAs, underwent its every three-year required Quality Control Review (Peer Review). The review was conducted in accordance with standards established by the Peer Review Board of the AICPA. We are happy to announce that our Firm received an unqualified opinion (PASS) from the CPA Firm conducting the Peer Review. See the following Peer Review letter attached.

Quality Control

The Board of Directors of the District can measure the quality of the opinions expressed by Charles Z. Fedak & Company, CPAs by evaluating the level of professional standards maintained by the firm as discussed in this proposal. The Board of Directors can also measure the performance of the firm by its evaluation of the firm's quality control as evidence by its participation in the profession's peer review process as well as evaluating the Firm's professional standards and quality of work ethic in discussions with the Firm's current client base in the special district industry.

We are pleased to announce the successful completion of our most recent independent quality review of our accounting and auditing practice, which included a review of both commercial and governmental audit engagements. Our Firm's governmental audit engagements were reviewed as they related to governmental agencies and other special districts in the field of governmental auditing. After a thorough study of our procedures and work practices, the reviewers concluded that our firm complies with the stringent quality control standards established by the American Institute of Certified Public Accountants (AICPA). Our firm has received an unqualified opinion in every independent quality review that it has participated in since its inception of the program by the profession.

A team of independent CPAs, who were appointed by the California Society of Certified Public Accountants, conducted the review. Using guidelines established by the AICPA, the reviewers determined that Charles Z. Fedak & Company, CPAs has an effective quality control system and that our accounting and auditing work conforms to professional standards. The firm has not had any clients who have been the subject of any desk reviews. *Charles Z. Fedak & Company, CPAs has never been the subject of any disciplinary action by any State or Federal Agency in its entire existence.*

Our continued participation in required periodic quality reviews, our voluntary membership in the AICPA and California Society of CPAs, as well as our continuing professional education supports our commitment to quality and our high standards for client service.

Charles Z. Fedak & Company, CPAs is an equal opportunity employer and certifies that our firm is in compliance with the Civil Rights Act of 1964, the State Fair Employment Practice Act, and all other applicable federal and state laws and regulations relating to equal opportunity employment, including Executive Order No. 11246 of September 24, 1965. Our firm is committed to affirmative action in hiring practices.

Marcia J. Hein, CPA

807 Marble Drive

Fort Collins, CO 80526

Phone and fax: (970) 282-8229 e-mail: marcia@mjh-cpa.com

System Review Report

March 5, 2010

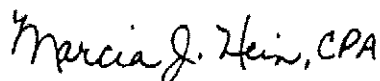
To the Shareholder

Charles Z. Fedak & Company, CPAs, An Accountancy Corporation
and the Peer Review Committee of the California Society of CPAs

I have reviewed the system of quality control for the accounting and auditing practice of Charles Z. Fedak & Company, CPAs, An Accountancy Corporation (the firm) in effect for the year ended September 30, 2009. My peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. My responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on my review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

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

In my opinion, the system of quality control for the accounting and auditing practice of Charles Z. Fedak & Company, CPAs, An Accountancy Corporation in effect for the year ended September 30, 2009, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Charles Z. Fedak & Company, CPAs, An Accountancy Corporation has received a peer review rating of *pass*.



Marcia J. Hein, CPA

Special District Clients Served

“We Are Committed to the Special District Industry!”

The following is a listing of some of our Special District Clients

Kern County

*Bear Valley Community Services District
Rosamond Community Services District
Stallion Springs Community Services District*

Los Angeles County

*Altadena Library District
Castaic Lake Water Agency
Cresenta Valley Water District
Greater Los Angeles County Vector Control District
Long Beach Airport
Long Beach Water Department
Palmdale Water District
Palos Verdes Library District
San Gabriel Valley Municipal Water District
Sanitation Districts of LA County
Southern California Library Cooperative
Valley County Water District
Water Replenishment District
Wilmington Cemetery District*

Orange County

*Buena Park Library District
Capistrano Bay Community Services District
East Orange County Water District
Irvine Ranch Water District
Mesa Consolidated Water District
Nature Reserve of Orange County
Rossmoor/Los Alamitos Area Sewer District
Santiago County Water District
Southern California Coastal Water Resources Auth
Yorba Linda Water District*

Riverside County

*Beaumont-Cherry Valley Water District
Cabazon Water District
Coachella Valley Mosquito and Vector Control
Farm Mutual Water Company
Jurupa Community Services District
Lake Elsinore & San Jacinto Watersheds Auth
Northwest Mosquito and Vector Control
Santa Ana Watershed Project Authority
Temecula Public Cemetery District
Western Municipal Water District
Western Riverside County Regional Wastewater*

Santa Barbara County

*Goleta Water District
Montecito Water District
Santa Maria Public Airport Authority
Summerland Sanitary District*

San Bernardino County

*Baldy Mesa Water District
Big Bear City Community Services District
Big River Community Services District
Chino Basin Water Conservation District
Chino Basin Watermaster
Hi-Desert Water District
Mojave Water Agency
Monte Vista Water District
Phelan Pinon Hills Community Services District
Pomona Valley Protective Agency
San Bernardino Valley Water Conservation District
Victor Valley Wastewater Reclamation Authority
Victor Valley Water District
Victorville Water District
Water Facilities Authority - JPA
West Valley Mosquito and Vector Control District
West Valley Water District*

San Diego County

*Leucadia Wastewater District
North County Dispatch - JPA
Public Agency Self-Insurance System
Rancho Santa Fe Fire Protection District
Vallecitos Water District*

Ventura County

*Casitas Municipal Water District
Gold Coast Transit
Oxnard Harbor District
Pleasant Valley Recreation and Park District
Saticoy Sanitary District
Triunfo Sanitation District
Ventura County Regional Energy Alliance
Ventura County Resource Conservation District
Ventura Regional Sanitation District*

Northern California/ Bay Area

*Inverness Public Utilities District
North Coast County Water District
North Marin Water District
Novato Sanitary District
Purissima Hills Water District
Sacramento Suburban Water District
San Lorenzo Valley Water District
Santa Clara County Open Space Authority
Saratoga Cemetery District
Soquel Creek Water District
Tres Pinos Water District
Westborough Water District*

Professional References

Experience and Technical Competence

We have prepared a listing of some of our governmental audit clients on the previous page. We believe that this listing exemplifies that we have significant experience in conducting high quality audits of local governments and enterprise special districts. The governmental audit team that we have assembled for the District may have conducted some of these audits over the past year. Our team has significant experience in auditing special district agencies.

Presented below are five client references of officials of California Special Districts and/or agencies who currently conduct governmental type activities. Please do not hesitate to contact these references regarding our firm and the high level of service we provide.

- | | |
|---|--|
| 1. Scott McMorrow, District Manager
Inverness Public Utility District
415-669-1414
ipud@firedept.net | Fire & Water District
Annual Audit
130 Team Hours |
| 2. Karlana Rannals, Admin Manger
North County Dispatch - JPA
858-756-6014
rannals@rsf-fire.org | 911 Dispatch
Annual Audit
80 Team Hours |
| 3. Karlana Rannals, Admin Manger
Rancho Santa Fe Fire Prot. Dist.
858-756-6014
rannals@rsf-fire.org | Fire District
Annual Audit
120 Team Hours |
| 4. Tish Berge, Dir of Fin.
Rincon del Diablo Muni Water
760-745-5522 x 500
tberge@rinconwater.org | Fire & Water District
Annual Audit
240 Team Hours |
| 5. Valerie Mohler, Finance Mngr.
South Bay Regional PCA
310-973-1802 x 105
vmohler@rcc911.org | 911-Dispatch
Annual Audit
100 Team Hours |

Summary of Qualifications of Personnel

Key Staffing

We have included resumes of the engagement partner, governmental audit managers who will be in charge of the fieldwork for the audit. All staff assigned to the engagement for the District are licensed as Certified Public Accountants in the State of California or in the process of attaining their license.

Engagement Partner

Charles Z. Fedak is a CPA in the State of California and has been in public accounting for thirty-seven years, having worked seven years at the national firm level before starting his own practice in January of 1981. Mr. Fedak holds a Bachelors of Science Degree in Accounting and a Masters in Business Administration from California State University, Long Beach. He has had extensive experience in the audits of governmental entities including cities, towns, and special districts while working at the national firm level as well as in our own firm.

Governmental Audit Senior Manager

Paul J. Kaymark is a CPA in the State of California and has over seventeen years of experience in public accounting and auditing governmental entities Mr. Kaymark has extensive experience in the areas of governmental and not-for-profit financial reporting through working with and advising local governmental entities and not-for-profits organizations in the Southern California area.

A native of California, Mr. Kaymark earned his Bachelor of Science degree from California State University, Long Beach, in 1994. Following graduation, he began working in public accounting for a big-five firm in downtown Los Angeles and then a mid-tier firm in July of 1999. In the fall of 2002, he joined our firm.

Mr. Kaymark has also provided significant other services to various governmental and not-for-profit entities. In these engagements, he has been involved in the strategic planning processes, design and implementation of policies and procedures manuals and operational and organizational reviews of accounting departments. He has also been involved in the implementation of performance management budgeting and planning processes, financial reviews, trend analysis, cash management practices and utility rate setting.

Governmental – Supervisor, Senior and Staff Accountants

This engagement will be staffed with our governmental audit senior manager, governmental audit supervisor and governmental audit senior at the time we perform the interim and year-end audit. Our team members are as follows:

Ms. Alicia Adams – Engagement Supervisor – 5 years of governmental audit experience

Mr. Jeff Palmer – Senior Auditor – 6 years of governmental audit experience

Staff Auditors may be selected from the staff pool based on the availability of their schedules at the time of fieldwork.

Detailed resumes of our audit team follow

Resumes of Key Personnel

CHARLES Z. FEDAK, CPA ENGAGEMENT PARTNER

Education

- 1973 - Bachelor of Science - Business Administration: Accountancy
California State University, Long Beach
- 1984 - Master of Business Administration
California State University, Long Beach

Employment Record

- 1/81 - Present Principal in the firm of
Charles Z. Fedak & Company, CPAs
An Accountancy Corporation
Cypress, California
- 2/75 - 1/80 KPMG Peat Marwick
Formerly: KMG Main Hurdman
Certified Public Accountants
Newport Beach, California
- 6/73 - 2/75 Ernst & Young, CPAs
Formerly: Ernst & Whinney & Co.,
Certified Public Accountants
Santa Ana, California

Work Experience

Auditing of governmental and non-profit entities as well as medium to large manufacturing, construction and service oriented corporations. Thoroughly knowledgeable in Generally Accepted Accounting Principles, Governmental Accounting, and Auditing Standards as well as the Single Audit Act. Work experience also includes tax planning and preparation at the corporate, individual, estate and trust levels.

Business Qualifications - Associations

- ◆ Certified Public Accountant - State of California
- ◆ Member of California State Society of Certified Public Accountants
- ◆ Member of American Institute of Certified Public Accountants
- ◆ Member of the National Association of Corporate Directors
- ◆ 40+ Hours Per Year in Professional Education in Auditing and Governmental Accounting

Public Work

- Member of Board of Directors – Molina Healthcare, Inc. (MOH)
New York Stock Exchange since 2002
 - ◆ Chairman, Compensation Committee – MOH; 2002 – 2006
 - ◆ Chairman, Audit Committee – MOH; 2004 – Present

Resumes of Key Personnel, continued

PAUL J. KAYMARK, CPA AUDIT SENIOR MANAGER

Education

1994 - Bachelor of Science - Business Administration: Accountancy
California State University, Long Beach

Employment Record

10/02 - Present	Governmental Audit & Consulting Senior Manager Charles Z. Fedak & Company, CPAs An Accountancy Corporation Cypress, California
07/99 - 09/02	Governmental Audit & Consulting Manager McGladrey & Pullen, LLP Anaheim & Riverside, California
09/94 - 07/99	Supervising Senior – Public Services Sector KPMG, LLP Los Angeles & Costa Mesa, California

Work Experience

Over seventeen years of experience in public accounting and auditing governmental entities and not-for-profit organizations. Extensive experience in the area of governmental financial and compliance reporting. Present reviewer of comprehensive annual financial reports for the California Society of Municipal Finance Officers Financial Report Awards Program.

Business Qualifications - Associations

- ◆ Certified Public Accountant - State of California
- ◆ Member of California State Society of Certified Public Accountants
- ◆ Member of American Institute of Certified Public Accountants
- ◆ Member of Government Finance Offices Association
- ◆ Member of California Society of Municipal Finance Officers Association
- ◆ 40+ Hours Per Year in Professional Education in Auditing and Governmental Accounting

Various Water District Client's Managed while working for KPMG, LLP in the Los Angeles office

- ◆ Metropolitan Water District of Southern California
- ◆ San Diego County Water Authority
- ◆ Imperial Irrigation District
- ◆ City of Los Angeles Department of Water & Power
- ◆ Glendale Water and Power

Mr. Kaymark has provided significant audit and consulting services to various governmental entities. In these consulting engagements, he has been involved in the strategic planning processes, design and implementation of policies and procedures manuals and operational and organizational reviews of accounting departments. He has also been involved in the implementation of performance management budgeting and planning processes.

Resumes of Key Personnel, continued

ALICIA ADAMS AUDIT SUPERVISOR

Education

2007 - Bachelor of Science - Business Administration: Accountancy
University of Washington

Employment Record

06/10 - Present	Supervisor - Governmental Audit & Consulting Charles Z. Fedak & Company Certified Public Accountants An Accountancy Corporation Cypress, California
09/07 - 06/10	Senior - Governmental Audit & Consulting PricewaterhouseCoopers Seattle, Washington

Work Experience

Four years of experience in public accounting and auditing governmental entities and not-for-profit organizations. Extensive experience in the area of governmental financial and compliance reporting.

Business Qualifications - Associations

- ◆ Member of California State Society of Certified Public Accountants
- ◆ Member of American Institute of Certified Public Accountants
- ◆ 40+ Hours Per Year in Professional Education in Auditing and Governmental Accounting

Client's Served

Ms. Adams is the Engagement Supervisor on 40%-45% of the Special District clients served.

Ms. Adams has provided significant audit and accounting services to various governmental entities. In these accounting engagements, she has been involved in the strategic planning processes, design and implementation of policies and procedures with our clients. She was work on various consulting projects with our clients throughout the year.

Resumes of Key Personnel, continued

JEFF PALMER AUDIT SENIOR

Education

12/05 - Bachelor of Science - Business Administration: Accountancy & Finance
California State University, Long Beach

Employment Record

6/10 - Present	Senior - Governmental Audit & Consulting Charles Z. Fedak & Company Certified Public Accountants An Accountancy Corporation Cypress, California
6/07 – 5/10	Senior - Governmental Audit & Consulting Diehl, Evans & Company, LLP Irvine, California
12/06 – 5/07	Staff Auditor White, Nelson & Company, LLP Irvine, California

Work Experience

Five years of experience in public accounting and auditing governmental entities and not-for-profit organizations. Extensive experience in the area of governmental financial and compliance reporting.

Mr. Palmer is the Engagement Staff on 40%-45% of the Special District clients served.

Business Qualifications

- ◆ Member of California State Society of Certified Public Accountants
- ◆ Member of American Institute of Certified Public Accountants
- ◆ 40+ Hours Per Year in Professional Education in Auditing and Governmental Accounting

Our Approach to the Audit

Audit Approach

Our Firm's audit approach is tailored to each client in the following manner:

- ◆ We understand the significant work requirements of our clients. We work with our client's schedules when scheduling segments of the audit or requesting documentation in order to minimize disruption during the audit process.
- ◆ We strive to utilize accounting support already prepared by our clients in order to avoid duplication or unnecessary requests for audit supporting schedules.
- ◆ We have developed an audit-binder strategy that has worked well with our governmental clients to analyze the audit supporting schedule that agree with the trial balance.
- ◆ Our staff is trained and familiar with government accounting and audit concepts, so you will see the difference in working with our professional staff.
- ◆ We audit various large and small governmental organizations, which has allowed us to consult with our clients on implementing various best-practices in their organizations.
- ◆ We believe constant communication is the most important part of the audit process, so we ask that if you ever have any questions about any financial, accounting or audit issues please contact us anytime throughout the year.

Audit Planning

Planning is necessary to ensure a quality audit, efficient use of professional staff and timely delivery of reports. Adequate planning of the audit is essential to minimize disruption of the ongoing daily operations of the District. We have developed a comprehensive, efficient planning process.

We will begin the planning of the audit upon notification of award of the contract. Tasks to be accomplished during this phase include:

- ◆ We will conduct an Audit Entrance Conference with the audit/finance committee and management to discuss the scope and dates of the interim and final audit testwork, availability of the District's accounting staff, prior audit problems encountered, the extent of interim audit testwork to be performed, establishment of an overall District liaison for the audit, and arrangements for workspace and other needs to conduct the audit testwork.
- ◆ Develop the program to study and evaluate internal controls
- ◆ Conferences with the audit team and District personnel to discuss the scope and timing of the audit and anticipated areas of audit emphasis.
- ◆ Complete an analytical view of the District's year-to-date financial information and the District's budget and related materials.
- ◆ Develop and submit an interim and final audit testwork schedule for the District's approval.

Analytical procedures will be utilized in planning the audit which will focus on:

- ◆ Enhancing our understanding of the District and the transactions and events that have occurred since its last year audit; and
- ◆ Identifying areas that may represent specific risks relevant to the audit (assessment of control risk).

Our Approach to the Audit, continued

Critical audit areas will be identified for purposes of sampling of transactions and other audit tests in conjunction with determining whether reliance can be placed upon the District's system of internal accounting controls.

We will be evaluating the following cycles of the District:

- ◆ Cash Reconciliation and Investment Reporting;
- ◆ Account Billing and Cash Collection of Customers – User Charges;
- ◆ Cash Receipting and Posting – Tax Allocations
- ◆ Capital Asset Inventory and Depreciation Accounting
- ◆ Purchasing/Accounts Payable and Cash Disbursements; and
- ◆ Payroll Accounting and Disbursement/Personnel Services.

We will identify areas of potential concern to District management.

Based upon our planning procedures we will develop levels of materiality for audit testing and develop and tailor our audit program of the District.

Interim Audit Testwork

In conjunction with our planning of the engagement, we will perform our *interim audit testwork*. We will have evaluated the critical audit areas and assessed the audit control risk. Our review of the District's internal control structure will be by questionnaire, and procedural write-up of your accounting system.

Each of the approaches requires inquiry and observation of District personnel and will incorporate the audit requirements of SAS 99 – *Consideration of Fraud in Financial Statement Audit*. Comments and recommendations relating to the accounting system will be discussed with appropriate District personnel and where appropriate be included in our management letter which will be issued at the conclusion of the examination.

Additional procedures that will be accomplished during our interim audit procedures include the following:

- ◆ Review of the District's internal control structure and communication of recommendations to the District's management team concerning District policies and procedures.
- ◆ Substantive testing of audit areas where reliance can be placed upon internal control structure for audit purposes. (Minimum of 25 selections per area – revenue, expenses, payroll, capital assets)
- ◆ Reviewing of minutes of the Governing Board.
- ◆ Evaluation of any unusual items noted from our analytical procedures.
- ◆ Reviewing of important contracts, debt issues, leases and joint power agreements.
- ◆ Performing required compliance and internal control testing relating to the federal grant programs of the District, if any.
- ◆ Providing the District with suggestions regarding the closing of the District's books after year end. Our assistance and communication in the closing of the District's books is expected to minimize the number of audit adjustments required after the close of District's books.

Our Approach to the Audit, continued

Final Audit Testwork

After the final closing of the District's books and preparation of final trial balances and audit supporting schedule by District personnel, we will commence performing our *final audit testwork*.

Our final examination will include analysis of critical audit areas which we deem necessary, including:

- ◆ Analysis of cash and investment balances to online bank and brokerage websites
- ◆ Analysis of bank reconciliations.
- ◆ Analysis of allocations of interest income.
- ◆ Analysis of delinquent accounts receivable balances.
- ◆ Search for unrecorded liabilities.
- ◆ Analysis of long term debt balances.
- ◆ Analysis and proper valuation of the liabilities for compensated absences.
- ◆ Analysis of support for other significant assets and liabilities of the District.
- ◆ Analysis of the proper establishment of reserves and designations.
- ◆ Analysis of significant events after year end (through the completion of our audit).
- ◆ Analysis of attorney letters for significant legal matters affecting the District's financial position.
- ◆ Analysis of revenues and expenditures and lesser significant asset and liability balances through analytical procedures and other substantive procedures as necessary.

The abovementioned analysis and inquires are only a few of the tests performed during the examination and by no means is it meant to be all inclusive.

Audit Completion

At the completion of the audit each year, we will meet with the District's management team to review our audit findings and any adjusting journal entries. Also, we will conduct an Audit Exit Conference to discuss the completion of the audit and the reporting timetable.

Understand the District and the District's Business

We will gather information about the District. This will include prior audit reports and current year budgets. Our understanding will include:

- ◆ *External Factors* - affecting the District including the State and Federal regulatory environment and environmental requirements that affect the District.
- ◆ *Nature of the District's Business* - its operations, governance, types of investments it makes and plans to make, bonded indebtedness it has or plans to finance.
- ◆ *Strategies and Business Risks* - which may result in material misstatement of the financial statements as a whole, or individual assertions.
- ◆ *Measurement and Review of Financial Performance* - we will determine with management those indicators management believes to be important for its management of the District.
- ◆ *Internal Controls* - which consists of five components
 - The Control Environment
 - Risk Assessment
 - Information and Communication
 - Control Activities and
 - Monitoring

Our Approach to the Audit, continued

These components may operate at the entity level or the component unit business process activity level. Obtaining an appropriate understanding of internal control will require our Firm to understand and evaluate the design of all five components of internal control and determine whether the controls are in use at the District.

Performing Risk Assessments and Other Procedures

The audit procedures we will perform to obtain an understanding of the District and its internal control are referred to as risk assessment procedures. We will use the information we obtain by performing risk assessment procedures to support our assessments of the risks of material misstatement. Our risk assessment procedures will include:

- ◆ Inquiries of management
- ◆ Analytical Procedures
- ◆ Observation
- ◆ Inspection of Documents

Assessing the Risk of Material Misstatement

The risk of material misstatement is the risk that an account balance, class of transactions or disclosures, and relevant assertions are materially misstated. The risk of material misstatement consists of the following two components:

- ◆ *Inherent Risk* — the susceptibility of a relevant assertion to a material misstatement that could be material, either individually or when aggregated with other misstatements, assuming that there are no related controls.
- ◆ *Control Risk* — is the risk that a material misstatement that could occur in a relevant assertion and that could be material, either individually or when aggregated with other misstatements, will not be prevented or detected on a timely basis by the entity's internal control.

Inherent risk and control risk are the District's risks; that is they exist independently of our audit. Our risk assessment procedures will help better assess these District risks, but do not alter the District's existing inherent and control risks.

Assessing Versus Testing Controls

If we have assessed controls as effective based upon our review of their design and an observation that they have been implemented (that is placed in operation) based solely on that assessment, we would not necessarily have an adequate basis for considering that *control risk* if low (or event moderate). As part of our audit strategy we would consider further evidence of the effective operation of controls through *sufficient tests of controls* to reach that conclusion.

Our Approach to the Audit, continued

Financial Statement Level and the Assertion Level Risks

We will identify and assess the risks of material misstatement at both the financial statement level and relevant assertion level.

- ◆ *Financial Statement Level Risks and Controls* — Some risks of material misstatement relate persuasively to the financial statements taken as whole and potentially affect many relevant accounts and assertions. These risks of the financial statement level may be identifiable with specific assertions of the class of transaction, account balance or disclosure level. These are also called *Entity Level Controls*.
- ◆ *Relevant Assertion Level Risk and Controls* — Other risk of material misstatement relate to specific classes of transactions, account balances, and disclosures at the assertion level, for example, the valuation of unbilled water and bas receivables. Our risk assessment at the assertion level provides a basis for considering the appropriate audit approach for designing and performing further audit procedures, which include *substantive procedures* and may also include *test of controls*. Assertion level risks are also referred to as *Activity Level Risks*.

Responding to Assessed Risks

The risk assessment process culminates with our articulation of the account balances, classes of transactions or disclosures where material misstatements are most likely to occur given the unique circumstances of the District. This assessment of the risk of misstatement, which relates identified risks to what can go wrong at the assertion level, provides a basis for designing and performing further audit procedures. Further audit procedures are defined as tests of controls and substantive tests. Often a combined approach using both tests of controls and substantive procedures is an effective approach.

Identification and Communication of Internal Control Matters

The objective of our audit is to form an opinion on the District's financial statements taken as a whole. Our objective is not to identify deficiencies in internal; however when control deficiencies are identified in the course of our audit and if they constitute significant deficiencies or material weaknesses, we will communicate in writing those deficiencies to management and the Board of Directors of the District.

Audit Documentation

We will document matters pertaining to each phase of the risk assessment process. The audit documentation will clearly demonstrate procedures performed, results, evidence obtained and conclusions reached.

Consideration of Laws and Regulations

Our audit approach recognizes the importance of laws and regulations in planning the audit of a local governmental entity. As a part of the audit, our firm obtains an understanding of those laws and regulations that have a direct and material effect on the determination of financial statement amounts. We then design the audit to provide reasonable assurance of detecting material instances of noncompliance that will have a direct and material effect on the determination of financial statement amounts.

Our Approach to the Audit, continued

Communication with Management and the Board

In addition to our written reports and letters, we believe an oral presentation to the District's management and the Board, if requested, to be a minimum service provided by the auditors and would be pleased to schedule a mutually convenient time for such a presentation at the conclusion of the engagement.

Written Communication

A major benefit of employing outside auditors is the opportunity for the District's Board and management to receive comments about various aspects of their operations from qualified, independent professionals. We will issue three letters, which will give you such comments: the *Internal Control Letter*, the *Management Letter*, and the *Board Letter*.

The *Internal Control Letter* will communicate any reportable conditions we noted during our evaluation of those controls for the limited purpose of determining the nature, timing and extent of audit procedures to be performed. This letter will also contain our recommendations for any improvements in those controls, which might be needed.

The *Management Letter* will provide prioritized ideas and recommendations to help take advantage of specific opportunities to promote operational efficiency, achieve financial goals and help you improve effectiveness and efficiency within your operations.

The *Board Letter* will communicate the auditor's responsibility under generally accepted auditing standards, significant accounting policies, management judgments and accounting estimates, significant audit adjustments, other information in documents containing audited financial statements, disagreements with management, management consultations with other accountants, major issues discussed with management prior to retention, and any difficulties encountered in performing the audit.

The preparation of these communications is an essential part of our work. Management and Internal Control Letters are authored by the senior members of the audit team, in conjunction with the partner in charge of the engagement.

Our ability to provide innovative suggestions and ideas to management sets us apart from other Firms. Our assistance centers on practical solutions, which can be implemented. A goal we have with every client is to provide management advice that will generate significant annual savings.

Other Assistance

Providing management assistance requires more than having talented people on staff. First, we assign experienced senior level professionals to our engagements. Our client base of governmental entities and commercial companies demands broad business and industry experience, as well as technical expertise. Those talented professionals have to be exposed to clients and develop an in-depth understanding of particular situations.

Second, we actively look for opportunities to provide assistance. We try to initiate rather than respond. If we believe a situation is developing, we will approach the client, offer to investigate and provide recommendations. If a formal project to address the problem is called for, we will define the approach, execute the assignment and follow through with implementation assistance.

Our Approach to the Audit, continued

Timing of Our Procedures

We understand that the District is looking for value in the professional relationship they have with their auditors. Value comes from the knowledge, experience and dedication that the auditing Firm employs. We stress employ because all of the knowledge and expertise shown on paper will have no benefit for you unless it is applied. This application equates to time spent. We have developed an audit plan that we feel will accomplish the objectives of the District and meet your special needs.

In order to accomplish our audit objectives and meet your deadlines for delivery, the sequence and timing of our procedures are critical. Interim work is to be performed during the months of April-June (District preference of dates) of each year; year-end fieldwork to begin in August-September of each year (District preference of Dates), concluding by the week of September 14th of each year; and delivery of the Final auditor's opinions on the financial statements and Management Letter no later than October 8th of each year or earlier per District requirements.

In the table that follows, we provide a summary of our planned activities and their timing:

Timing	Activity (See Appendix A for more details)
April (schedule meeting during this period)	Conduct audit entrance conference.
During April-June each year (2 to 3 days scheduled during this period at the District's convenience)	Perform preliminary procedures including: transition efforts, initial control assessments, minute and contract/major agreement review, major transaction review, conduct EDP review, final controls assessment, determination of specific audit procedures, provide finance department with audit plan and listing of audit schedules required, conduct progress conference with key Finance personnel. Complete test for Federal Awards.
During August-September (2 to 3 working days during this period)	Commence audit fieldwork and execute detailed audit plan, conduct progress conference with key Finance personnel. Complete Single Audit Testwork, if necessary
By September 14 th	Present drafts of the Annual Financial Report Opinions, Management Report, Other Letters and conduct an exit conference.
By September 30 th	Provide final recommendations, revisions and suggestions of the District Financials.
By October 8 th	Deliver Final Opinions and then Present the Financials to Board.

Our Approach to the Audit, continued

Professional Education

It is a requirement of the State Board of Accountancy for all public accounting firms who are involved in governmental auditing to allocate a specific portion of continuing education in governmental accounting and auditing every two years. Charles Z. Fedak & Company, CPAs has met this requirement for all staff involved with governmental accounting and auditing. The firm's strict adherence to these continuing professional education standards insures the highest quality of staff assigned to the audit of the San Bernardino Associated Governments over the term of our agreement. Our firm also requires that all personnel at all organizational levels adhere to the independence rules, regulations, interpretations, and rulings of the AICPA, California State Society of CPAs, State Board of Accountancy, State Statute, and in some cases, the Securities and Exchange Commission and other regulatory agencies. Charles Z. Fedak & Company, CPAs has never been the object of any disciplinary action in its entire existence.

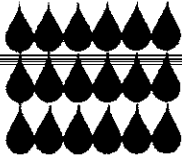
Charles Z. Fedak & Company, CPAs is independent with respect to performing the annual audit of the District. Charles Z. Fedak & Company, CPAs currently maintains errors and omissions insurance coverage in the aggregate amount of one million dollars and two million dollars general liability.

Cost Proposal
Independent Auditor Services
For The



Kensington Fire Protection District





Charles Z. Fedak, CPA, MBA
Paul J. Kaymark, CPA

Charles Z. Fedak & Company

Certified Public Accountants

An Accountancy Corporation

6081 Orange Avenue
Cypress, California 90630
~~(714) 527-1818~~
(562) 598-6565
FAX (714) 527-9154
EMAIL czfco@czfcpa.com

March 26, 2013

Ms. Benda J. Navellier, District Manager
Kensington Fire Protection District
217 Arlington Avenue
Kensington, California 94707

Re: Request for Proposal for Independent Auditor Services

Dear Ms. Navellier:

Based on our understanding of the Kensington Fire Protection District's (District) requirements, our fee for audit services for the fiscal year ending June 30, 2013 is **\$12,000**. This fee is based on our understanding of the District's audit requirements.

Assuming there is no substantial change in the District's activities and operations, our fee for audit services for the fiscal years ending June 30, 2014 and 2015 would be **\$12,265 and \$12,530**, respectively.

Our estimate for out-of-pocket expenses is part of our operating rate structure. Again, these fees are based on the estimated costs to complete the audit.

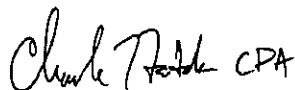
Our fee for the Preparation of the District's Annual State Controller's Report is an additional fee and is itemized in the attached Exhibits.

The components of this audit services fee proposal for the years ending June 30, 2013 through 2015 are itemized in the attached Exhibits.

Our not-to-exceed fee proposal is contingent upon our understanding of your requirements and the assistance we require as noted in our original audit technical proposal.

Additional services not included in this proposal will be based on our discounted billing rates based on the level of experience required. We would execute a separate contract for these services, if they are requested by the District.

I am authorized to make representations for Charles Z. Fedak & Company, CPAs an Accountancy Corporation and am duly authorized to sign a contract with the District.



Charles Z. Fedak, CPA

March 26, 2013

Date

Exhibit I – Proposed Hours and Our Fees

Proposed Hours and Our Fees

We anticipate that, for the years ending June 30, 2013 through 2015, the audit of the District will approximate 106 audit hours. These hours, by major area, are summarized as follows:

<u>Audit Steps</u>	<u>Partner</u>	<u>Manager</u>	<u>Staff</u>	<u>Total</u>
Planning	1	2	6	9
Control Testwork	2	4	14	20
Substantive Testwork	3	10	30	43
Reporting	<u>4</u>	<u>20</u>	<u>10</u>	<u>34</u>
Total Hours	<u>10</u>	<u>36</u>	<u>60</u>	<u>106</u>

As shown above, we expect approximately 44% of engagement hours to come from the Partners and Managers and Supervisors assigned to the engagement.

Working on the premise that we will be provided with a year-end trial balance, along with an audit package of reconciled balances and supporting schedules of all balance sheet accounts, we expect to perform the audit of the District at fees as stated in the attached Schedule of Professional Fees on Page 3 for the years ending June 30, 2013 through 2015, respectively.

Our fees are based on the product of the time spent on the engagement and the billing rates of the individuals assigned, plus out-of-pocket costs (such as, report reproductions, typing, postage, travel, copies, telephone, etc.). We will obtain the assistance of the District's personnel to the extent possible and otherwise endeavor to keep these charges to a minimum. We will submit progress billings monthly to your office as our work progresses, which will be due and payable thirty days from the date of the invoice.

Based upon the present size and scope of the activities of the District, we expect to perform the services enumerated above at our standard hourly rates. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to the audits.

In accordance with your request for proposal and the Office of Management and Budget Circular A-128, we will maintain our work papers for at least five years and make them available to the District, state agencies, the General Accounting Office, and other parties upon the direction of the District.

We want the Board to understand that we will provide any assistance and answer any questions that the District's staff or members of the Board may have when they arise for the entire duration of our contract. We find it important to stay abreast of the District's activities and accounting issues during the entire engagement.

We would like to thank you and the Board for the opportunity to submit a proposal for the auditing services of the District. Because of our experience in special districts and our interest in the District, we will provide you with assistance in your operations as well as meet the audit needs of the organization. We will also continually make recommendations on these and other matters that come to our attention. We are proud of the professional services we provide and encourage you to make inquiries to any of our clients about their satisfaction with our services and the quality of our staff.

Exhibit II – Schedule of Professional Fees

Breakdown of Fees by Hours

	<u>Hours</u>		<u>Hourly Rates</u>		<u>Total</u>
Fiscal Year 2013 Audit of:					
District's Basic Financial Statements					
Partner	10	\$	150.00	\$	1,500
Manager	36		125.00		4,500
Staff	60		100.00		6,000
Total Financial Statement Audit for 2013	106			\$ 12,000	
Total Maximum for 2013				\$ 12,000	
Optional Items Asked to be Priced by the District					
Preparation of the District's Annual State Controller's Report	6		100.00	\$	600
Total Maximum with Optional Item for 2013				\$ 12,600	

Breakdown of Fees by Hours

	<u>Hours</u>		<u>Hourly Rates</u>		<u>Total</u>
Fiscal Year 2014 Audit of:					
District's Basic Financial Statements					
Partner	10	\$	152.50	\$	1,525
Manager	36		127.50		4,590
Staff	60		102.50		6,150
Total Financial Statement Audit for 2014	106			\$ 12,265	
Total Maximum for 2014				\$ 12,265	
Optional Items Asked to be Priced by the District					
Preparation of the District's Annual State Controller's Report	6		102.50	\$	615
Total Maximum with Optional Item for 2014				\$ 12,880	

Breakdown of Fees by Hours

	<u>Hours</u>		<u>Hourly Rates</u>		<u>Total</u>
Fiscal Year 2015 Audit of:					
District's Basic Financial Statements					
Partner	10	\$	155.00	\$	1,550
Manager	36		130.00		4,680
Staff	60		105.00		6,300
Total Financial Statement Audit for 2015	106			\$ 12,530	
Total Maximum for 2015				\$ 12,530	
Optional Items Asked to be Priced by the District					
Preparation of the District's Annual State Controller's Report	6		105.00	\$	630
Total Maximum with Optional Item for 2015				\$ 13,160	

Please note that any additional services requested by the District during the audit period shall be negotiated at the stated hourly rates per year as noted in the following schedules per year.

April 16, 2013

Ms. Brenda Navellier, office manager
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, 2013. 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, 2013. *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.

2) Actual to budget comparison analysis(general fund)

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

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing 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.~~

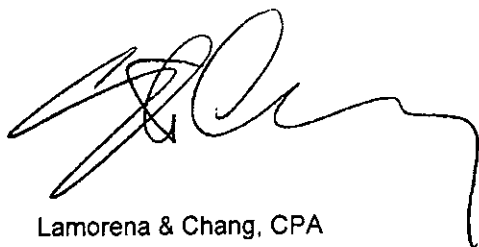
The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the State. If I am aware that a federal awarding agency or auditee is contesting an audit finding, I will contact the party (ies) contesting 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, 2013. 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 2012 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:

DRAFT FY13-14 BUDGET

KFPD COMBINED REVENUE, EXPENSE AND CAPITAL DRAFT BUDGET

Fiscal Year 2013-2014

<u>REVENUE BUDGET</u>	FY 2012-2013 <u>Budget</u>	FY 2012-2013 <u>Est. Actual</u>	FY 2013-2014 <u>Budget</u>	FY 2014-2015 <u>Planning</u>
Property Taxes *	2,790,000	2,736,667	2,735,000	2,748,675
Special Taxes	200,395	200,395	200,395	200,395
Other tax income	34,000	33,000	34,000	34,000
Interest income	8,000	7,500	8,000	8,000
Lease agreement (3%)	30,596	30,596	31,514	32,460
Salary reimb agreement	46,559	45,432	48,655	49,312
Grant revenue	0	101,592	49,440	0
Miscellaneous income	0	0	0	0
Total Revenue	3,109,551	3,155,182	3,107,004	3,072,843

<u>OPERATING EXPENSE BUDGET</u>	FY 2012-2013 <u>Budget</u>	FY 2012-2013 <u>Est. Actual</u>	FY 2013-2014 <u>Budget</u>	FY 2014-2015 <u>Planning</u>
OUTSIDE PROFESSIONAL SERVICES				
Accounting	5,400	4,000	5,000	5,250
Actuarial Valuation	500	0	3,500	500
Audit	12,000	12,000	12,500	13,000
Mandate Reimbursement Filing	550	550	0	0
CC County Expenses	32,975	31,200	32,760	34,400
EI Cerrito Contract	2,365,475	2,365,475	2,360,834	2,478,875
Fire Abatement Contract	8,000	2,550	8,000	8,000
Insurance - Risk Mgmt	12,600	10,200	10,600	11,130
LAFCO Fees	1,500	1,541	1,620	1,650
Legal Fees	30,000	1,809	30,000	30,000
Water System Improvements **	600,000	238,000	380,000	20,000
Wildland Vegetation Mgmt	10,000	9,500	10,000	10,000
RETIREE MEDICAL BENEFITS				
PERS Medical (OPEB cost)	48,190	48,190	51,265	54,545
Delta Dental	6,165	6,165	6,560	6,980
Vision Care	1,680	1,680	1,790	1,900
COMMUNITY SERVICE ACTIVITES				
Public Education	13,000	8,500	13,000	13,000
Community Pharmaceutical Drop-Off	4,000	2,500	3,000	3,000
Vial of Life Program	400	75	250	250
CERT Emergency Kits	3,000	0	3,000	3,000
Open Houses	1,500	319	1,000	1,000
Community Shredder	1,000	700	1,000	1,000
DISTRICT ACTIVITIES				
Professional Development	5,500	1,490	5,500	5,500
District Office				
Office expense	3,750	1,500	3,500	3,500
Office supplies	2,250	1,000	2,500	2,500
Telephone	5,090	5,430	5,700	5,985
Election	1,000	384	0	1,000
Firefighter's Apparel	1,500	1,600	1,600	1,680
Firefighters' Expenses	5,000	4,978	5,000	5,000
Engine Rescue Equipment	6,000	0	6,000	0
Staff Appreciation	2,500	1,590	2,500	2,500
Memberships	5,600	5,126	6,000	6,000
P/S Building				
Gardening service	1,750	960	1,500	1,500
Building alarm	2,000	1,696	2,000	2,000
Medical waste disposal	7,160	8,060	8,465	8,890
Janitorial	1,500	1,200	1,500	1,500
Misc. Maint/Improvements	12,000	9,000	12,000	12,000
PG&E	7,390	6,500	7,000	7,500

KFPD COMBINED REVENUE, EXPENSE AND CAPITAL DRAFT BUDGET

Fiscal Year 2013-2014

Water/Sewer	1,500	1,325	1,500	1,550
Garbage	860	860	905	950
Staff				
Wages (2%)	73,640	73,632	75,105	76,610
Overtime Wages	3,825	1,000	2,600	2,650
Vacation Wages Accrual Adjustment	-15	-1,330	1,650	57
Medical/dental insurance compensation (15%)	6,360	6,360	7,200	8,280
Retirement Contribution	3,680	3,680	3,755	3,830
Payroll Taxes	6,638	5,981	6,745	6,947
Insurance - Workers Comp/Life	1,530	1,264	1,500	1,500
Processing	1,290	1,280	1,355	1,400
Operating Contingency Fund	<u>20,000</u>	<u>0</u>	<u>25,000</u>	<u>25,000</u>
Total Operating Expense	3,347,232	2,889,518	3,133,756	2,893,308
Capital Outlay				
EBRICS Radios	32,000	126,990	0	0
Airpacks	0	0	61,800	0
Type I Engine	0	0	0	630,000
Firefighter qtrs/equip	32,000	24,095	12,000	12,000
Office Furniture/Computers	<u>5,000</u>	<u>0</u>	<u>5,000</u>	<u>5,000</u>
Total Capital Outlay	69,000	151,085	78,800	647,000
TOTAL EXPENDITURES	3,416,232	3,040,603	3,212,556	3,540,308

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.

** The total estimated cost of the Columbia improvement project is \$450,000. EBMUD will rebate 20% upon completion.

An additional \$20,000 is included for hydrants.

Designated Funds (see attached schedules)

Engine Replacement Fund	93,455	93,455	93,455	41,994
Public Safety Building Fund	<u>100,000</u>	<u>100,000</u>	<u>104,000</u>	<u>108,160</u>
	193,455	193,455	197,455	150,154
	FY 2012-2013	FY 2012-13	FY 2013-2014	FY 2014-2015
	<u>Budget</u>	<u>Est. Actual</u>	<u>Budget</u>	<u>Planning</u>
Beginning Cash	5,161,478	4,917,068	5,263,647	5,394,694
Revenue	3,109,551	3,155,182	3,107,004	3,072,843
State of California Loan Receivable	232,000	232,000	236,600	241,000
Operating Expenditures	-3,347,232	-2,889,518	-3,133,756	-2,893,308
Capital Expenditures	-69,000	-151,085	-78,800	-647,000
Accrual to Cash Adjustment				
<u>ENDING CASH</u>	5,086,796	5,263,647	5,394,694	5,168,229
<i>Cumulative Designated Funds</i>				
Capital Replacement Funds	-969,877	-969,877	-1,167,332	-538,830
Prepaid CERBT - Retiree Trust	-1,094,935	-1,092,046	-1,092,046	-1,092,046
El Cerrito Contract 12 month set aside	-2,365,475	-2,365,475	-2,360,834	-2,478,875
<u>AVAILABLE CASH</u>	656,509	836,249	774,482	1,058,478

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SCHEDULE FOR REPLACEMENT OF EQUIPMENT

Type I Vehicle Cost	Estimated Cost 15 yrs/4%	Fiscal Year	Yearly Contribution To Cap. Fund	Accumulated Funds	Type III Vehicle Cost	Estimated Cost 15 yrs/4%	Fiscal Year	Yearly Contribution To Cap. Fund	Accumulated Funds
	\$543,700					\$540,094			
\$123,464		99-00							
\$178,435		00-01	30,832	30,832					
		01-02	36,633	67,465					
		02-03	36,633	104,098	\$94,000		02-03		
		03-04	36,633	140,731	\$205,895		03-04		
		04-05	36,633	177,364			04-05	32,860	32,860
		05-06	36,633	213,997			05-06	32,860	65,720
		06-07	36,633	250,630			06-07	32,855	98,575
		07-08	36,633	287,263			07-08	36,793	135,368
		08-09	36,633	323,896			08-09	36,793	172,161
adjust to	\$632,660	09-10	51,461	375,357	adjust to	\$592,100	09-10	41,994	214,155
		10-11	51,461	426,818			10-11	41,994	256,149
		11-12	51,461	478,279			11-12	41,994	298,143
		12-13	51,461	529,740			12-13	41,994	340,137
		13-14	51,461	581,201			13-14	41,994	382,131
		14-15	<u>51,461</u>	632,662			14-15	41,994	424,125
			632,662				15-16	41,994	466,119
							16-17	41,994	508,113
							17-18	41,994	550,107
							18-19	<u>41,994</u>	592,101
								592,101	

SAVINGS SCHEDULE FOR BUILDING IMPROVEMENTS/RENOVATION

<u>Adjusted</u> <u>for 4%</u> <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	112,486	424,646
	16-17	116,986	541,632
	17-18	121,665	663,298
	18-19	126,532	789,829

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