



March 10, 2023

Dave Aranda  
Interim General Manager  
Kensington Police Protection and CSD  
10940 San Pablo Ave, Bldg. B  
El Cerrito, CA 94530

Dear Mr. Aranda,

This letter outlines the understanding of the terms and objectives of the consulting engagement between Eide Bailly LLP (Eide Bailly) and Kensington Police Protection and Community Services District (KPPCSD) for the fiscal year ended June 30, 2023.

Our engagement will be performed under the *Statements on Standards for Consulting Services* issued by the American Institute of Certified Public Accountants (AICPA). We will not provide audit, review, compilation or financial statement preparation services to any historical or prospective financial information or provide attestation services under the AICPA *Statements on Standards for Attestation Engagements* and assume no responsibility for any such information.

You will provide us, as promptly as possible, all requested information and documentation reasonably deemed necessary or desirable by us in connection with the engagement. You represent and warrant that all information and documentation provided or to be provided to us is true, correct and complete, to the best of your knowledge and belief. We are authorized to rely upon such information and documentation without independent investigation or verification.

We are not required to, and will not, verify the accuracy or completeness of the information you will provide to us for the engagement or otherwise gather evidence for the purpose of expressing an opinion or a conclusion. Accordingly, we will not express an opinion or a conclusion nor provide any assurance on the financial statements.

Our engagement cannot be relied upon to identify or disclose any financial statement misstatements, including those caused by fraud or error, or to identify or disclose any wrongdoing within the entity or noncompliance with laws and regulations.

#### **SCOPE OF WORK**

We will provide the District with outsourced full-service accounting services, to include, but not limited to:

1. Serve as the external CFO, providing financial advice and assistance with cash flow planning.
2. Prepare the annual budget in conjunction with District management and the Board of Directors.

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3. Develop financial policies, such as reserve policy, debt management policy, grant management policy, investment policy, purchasing policy, cash management, as needed.
4. Prepare year-end closing of the District's accounting books and records in accordance with Generally Accepted Accounting Principles to prepare for the annual audit.
5. Prepare year-end and/or interim audit schedules and coordinate the annual financial statement audit. Implementation of new GASB pronouncements is out of scope.
6. Prepare adjustments to record grant unearned/deferred revenue, fixed assets depreciation, interest and other receivable, prepaid expenses, and other year-end adjustments as needed.
7. Perform journal entries and monthly review, analysis and reconciliation of the District's general ledger accounts to ensure up-to-date and accurate accounting records are reported to District Management.
8. Prepare monthly bank and investment account reconciliations to ensure strong internal controls.
9. Prepare monthly financial statements with budget variance analysis.
10. Periodic review and monitoring of the District's internal controls and accounting/financial control structure.
11. Clean up transactions in QuickBooks, and update QuickBooks file as needed periodically.
12. Prepare and/or review the 1099s in January each year.
13. Prepare the State Government Compensation in California Report on an annual basis.
14. Review the State Financial Transactions Report (prepared by the auditor) on an annual basis.
15. Review payroll and benefit taxation to assure compliance with IRS and California EDD requirements.
16. Review W-2 forms, employee fringe benefit taxation, and payroll processing set up to ensure accuracy if requested.
17. Review payroll report filings on a quarterly and annual basis (W-2).
18. Assist with filing the California Sales and Use Tax return in January of each year if required to file.
19. Train staff as needed on financial/accounting related processes.
20. On call accounting and finance consulting as needed.

Our responsibilities and limitations of the engagement are as follows:

- We will perform the services in accordance with applicable professional standards.
- The nonattest services are limited to the services previously outlined above. Our firm, in its sole professional judgment, reserves the right to refuse to do any procedure or take any action that could be construed as making management decisions or assuming management responsibilities, including determining account coding and approving journal entries. Our

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firm will advise KPPCSD with regard to tax positions taken in the preparation of the tax return, but KPPCSD must make all decisions with regard to those matters.

## **OTHER**

If you intend to publish or otherwise reproduce documents and make reference to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

During the course of the engagement, we will only provide confidential engagement documentation to you via Eide Bailly's secure portal or other secure methods, and request that you use the same or similar tools in providing information to us. Should you choose not to utilize secure communication applications, you acknowledge that such communication contains a risk of the information being made available to unintended third parties. Similarly, we may communicate with you or your personnel via e-mail or other electronic methods, and you acknowledge that communication in those mediums contains a risk of misdirected or intercepted communications.

Should you provide us with remote access to your information technology environment, including but not limited to your financial reporting system, you agree to (1) assign unique usernames and passwords for use by our personnel in accessing the system and to provide this information in a secure manner; (2) limit access to "read only" to prevent any unintentional deletion or alteration of your data; (3) limit access to the areas of your technology environment necessary to perform the procedures agreed upon; and (4) disable all usernames and passwords provided to us upon the completion of procedures for which access was provided. We agree to only access your technology environment to the extent necessary to perform the identified procedures.

Regarding the electronic dissemination of your financial statements, including financial statements published electronically on your website or elsewhere, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

Professional standards prohibit us from being the sole host and/or the sole storage for your financial and non-financial data. As such, it is your responsibility to maintain your original data and records and we cannot be responsible to maintain such original information. By signing this engagement letter, you affirm that you have all the data and records required to make your books and records complete.

Cindy Byerrum is the engagement partner for the services specified in this letter. Responsibilities include supervising services performed as part of this engagement and signing or authorizing another qualified firm representative to approve release of the financial statements.

We may be requested to make certain engagement documentation available to outside parties, including regulators, pursuant to authority provided by law or regulation or applicable professional

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standards. If requested, access to such documentation will be provided under the supervision of Eide Bailly LLP's personnel.

Furthermore, upon request, we may provide copies of selected documentation to the outside party, who may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies. We will be compensated for any time and expenses, including time and expenses of legal counsel, we may incur in making such documentation available or in conducting or responding to discovery requests or participating as a witness or otherwise in any legal, regulatory, or other proceedings as a result of our Firm's performance of these services. You and your attorney will receive, if lawful, a copy of every subpoena we are asked to respond to on your behalf and will have the ability to control the extent of the discovery process to control the costs you may incur.

We may use third party service providers and/or affiliated entities (including Eide Bailly Shared Services Private Limited) (collectively, "service providers") in order to facilitate delivering our services to you. Our use of service providers may require access to client information by the service provider. We will take reasonable precautions to determine that they have the appropriate procedures in place to prevent the unauthorized release of confidential information to others. We will remain responsible for the confidentiality of client information accessed by such service provider and any work performed by such service provider.

Neither of us may use or disclose the other's confidential information for any purpose except as permitted under this engagement letter or as otherwise necessary for Eide Bailly to provide the services. Your confidential information is defined as any information you provide to us that is not available to the public. Eide Bailly's confidential information includes our documentation for this engagement. Our engagement documentation shall at all times remain the property of Eide Bailly LLP. The confidentiality obligations described in this paragraph shall supersede and replace any and all prior confidentiality and/or nondisclosure agreements (NDAs) between us.

You agree to share all facts that may affect your financial statements, even if you first become aware of those facts after the completion of our preparation of the financial statements.

We agree to retain our documentation or work papers for a period of at least eight years from the date of the completion of our financial statement preparation procedures.

Eide Bailly LLP is a member of HLB International, a worldwide organization of accounting firms and business advisors, (HLB). Each member firm of HLB, including Eide Bailly LLP is a separate and independent legal entity and is not owned or controlled by any other member of HLB. Each member firm of HLB is solely responsible for its own acts and omissions and no other member assumes any liability for such acts or omissions. Neither Eide Bailly LLP, nor any of its affiliates, are responsible or liable for any acts or omission of HLB or any other member firm of HLB and hereby specifically disclaim any and all responsibility, even if Eide Bailly LLP, or any of its affiliates are aware of such acts or omissions of another member of HLB.

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Eide Bailly, LLP has owners that are not licensed as certified public accountants as permitted under Section 5079 of the California Business Code. It is not anticipated that any of the non-licensee owners will be performing services for KPPCSD.

#### **INDEMNITY**

You agree that none of Eide Bailly LLP, its partners, affiliates, officers or employees (collectively "Eide Bailly") shall be responsible for or liable to you for any misstatements in your financial statements and/or tax return that we may fail to detect as a result of knowing representations made to us, or the concealment or intentional withholding of information from us, by any of your owners, directors, officers or employees, whether or not they acted in doing so in your interests or for your benefit, and to hold Eide Bailly harmless from any claims, losses, settlements, judgments, awards, damages and attorneys' fees from any such misstatement, provided that the services performed hereunder were performed in accordance with professional standards, in all material respects.

#### **LIMITATION OF LIABILITY**

The exclusive remedy available to you for any alleged loss or damages arising from or related to Eide Bailly's services or relationship with you shall be the right to pursue claims for actual damages that are directly caused by Eide Bailly's breach of this agreement or Eide Bailly's violation of applicable professional standards. In no event shall Eide Bailly's aggregate liability to you exceed two times fees paid under this agreement, nor shall Eide Bailly ever be liable to you for incidental, consequential, punitive or exemplary damages, or attorneys' fees.

#### **TIME LIMITATION**

The nature of our services makes it difficult, with the passage of time, to gather and present evidence that fully and fairly establishes the facts underlying any Dispute. We both agree that, notwithstanding any statute of limitations that might otherwise apply to a Dispute, it is reasonable that you may not bring any legal proceeding against us unless it is commenced within twenty-four (24) months ("Limitation Period") after the date when we deliver our report, return or other deliverable under this agreement to you, regardless of whether we do other services for you or that may relate to the agreed-upon procedure report.

The Limitations Period applies and begins to run even if you have not suffered any damage or loss or have not become aware of the existence or possible existence of a Dispute.

#### **GOVERNING LAW AND VENUE**

Any Dispute between us, including any Dispute related to the engagement contemplated by this agreement, shall be governed by California law. Any unresolved Dispute shall be submitted to a federal or state court located in Rancho Cucamonga, California.

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**FEES**

Our Fees are based on the amount of time required at various levels of responsibility, plus actual out-of-pocket expenses for mileage or incidentals. We also charge half of our hourly rate for travel time. Invoices are payable upon presentation.

We believe we will complete the initial round of work through June 30, 2023 for less than \$50,000. We will not exceed \$50,000 without explicit written and governing board approved consent. Our rates are subject to change July 1, 2023.

Staff Level	Hourly Rate
Partner	\$265
Senior Manager	\$230
Manager	\$210
Senior Associate	\$175
Associate	\$145

In addition, we will be compensated for any time and expenses, including time and expenses of legal counsel, we may incur in conducting or responding to discovery requests or participating as a witness or otherwise in any legal, regulatory, or other proceedings as a result of our Firm’s performance of these services. You and your attorney will receive, if lawful, a copy of every subpoena we are asked to respond to on your behalf and will have the ability to control the extent of the discovery process to control the costs you may incur.

Should our relationship terminate before the financial statement preparation procedures are, you will be billed for services to the date of termination. All bills are payable upon receipt. A service charge of 1% per month, which is an annual rate of 12%, will be added to all accounts unpaid 30 days after billing date. If collection action is necessary, expenses and reasonable attorney’s fees will be added to the amount due.

If the KPPCSD hires any of the staff working on this engagement, the KPPCSD agrees to reimburse Eide Bailly LLP a one-time fee of fifty percent (50%) of the staff member’s annual compensation to cover recruitment and training costs.

**PREMIUM RATES**

A 5% premium is applied to the above stand rate schedule for all services provided for payroll, employment taxation, and CalPERS reporting.

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**SERVICES**

Our services can be provided remotely as we are fully set up to be 100% remote. However, we will provide services onsite when needed and when requested by the client.

**TRAVEL**

We charge for general travel expenses, mileage at the Standard IRS rate, and travel time at 50% hourly rates.

**ASSIGNMENTS PROHIBITED**

You shall not assign, sell, barter or transfer any legal rights, causes of actions, claims or disputes you may have against Eide Bailly to any person.

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our preparation of the financial statements including our respective responsibilities.

We appreciate the opportunity to be your certified public accountants and look forward to working with you and your staff.

Respectfully,

Cindy Byerrum, CPA  
Partner

\*\*\*\*\*

**RESPONSE:**

This letter correctly sets forth our understanding.

Acknowledged and agreed on behalf of KPPCSD by:

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

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