EL DORADO HILLS COUNTY WATER DISTRICT
(DBA EL DORADO HILLS FIRE DEPARTMENT)

Audited Financial Statements and
Compliance Report

June 30, 2018

EL DORADO HILLS COUNTY WATER DISTRICT
(DBA EL DORADO HILLS FIRE DEPARTMENT)

AUDITED FINANCIAL STATEMENTS AND
COMPLIANCE REPORTS

June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
El Dorado Hills County Water District
(dba El Dorado Hills Fire Department)
El Dorado Hills, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the El Dorado Hills County Water District (dba El Dorado Hills Fire Department) (the District) as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Board of Directors
El Dorado Hills County Water District
(dba El Dorado Hills Fire Department)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the District as of June 30, 2018, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Correction of Errors

As described in Note J to the financial statements, the District corrected certain errors in the June 30, 2017 financial statements. Our opinion is not modified with respect to that matter.

Emphasis of Matters

As discussed in Note F to the financial statements, the District's actuary did not consider it necessary to use age adjusted health insurance premiums in the calculation of the District's net other postemployment benefits (OPEB) liability. Had the actuary included age adjusted health insurance premiums in the calculation of the net OPEB liability, the OPEB liability may have been significantly larger in amount. Our opinion is not modified with respect to this matter.

As discussed in Note J to the financial statements, during the year ended June 30, 2018 the District adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Prior Year Comparative Information

The financial statements of the District as of June 30, 2017 were audited by other auditors whose report dated October 18, 2017 expressed an unmodified option on those statements. As discussed in Note J to the financial statements, the District corrected certain errors in the June 30, 2017 financial statements. The other auditors reported on the June 30, 2017 financial statements before the restatements described above.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability, schedule of contributions to the pension plan, schedule of changes in the net OPEB liability and related ratios and schedule of contributions to the pension plan as listed in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Board of Directors
El Dorado Hills County Water District
(dba El Dorado Hills Fire Department)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Richardson & Company, LLP

November 7, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

As management of the El Dorado Hills County Water District (Fire Department), we offer this Management Discussion and Analysis Report as an overview and analysis of the financial activities of the Fire Department for the fiscal year ended June 30, 2018.

Our discussion and analysis of the Fire Department provides the reader with an overview of the District's financial position and performance. The MD&A describes the significant changes from the prior year that occurred in general operations and discusses the activities during the year for capital assets. We encourage the reader to consider the information presented here in conjunction with the additional information furnished in our annual financial report including the financial statements and notes to the financial statements.

FINANCIAL HIGHLIGHTS

- Revenues for the year, mostly comprised of property tax revenues, exceeded expenses by $2,510,151. Most of this excess, however, is comprised of restricted development fee revenue. Excluding development impact fees, revenues exceeded expenses by $280,866.
- The District ended the fiscal year with a positive Net Position of $31,419,903. This amount is made up of $21,475,181 in net capital assets and another $8,190,667 in assets that are restricted for qualifying capital improvements related to District growth. Unrestricted Net Position ended at $1,754,055, increasing from prior year's restated unrestricted net *deficit* of $862,035.
- The Net Pension Liability increased by $2,474,495 from prior year. In addition, the District implemented GASB 75 to account for other post-employment benefits (OPEB). A Net OPEB Liability of $6,464,923 was recorded. Total Net Pension and OPEB liabilities were $23,549,056 as of June 30, 2018.
- The District's General Fund reported total fund balances of $27,913,329. Of this balance, $219,700 is nonspendable and $19,502,969 is unrestricted. The portion of the unrestricted balance committed for future capital replacements is $3,803,787. The remaining $15,699,175 of unrestricted fund balance is approximately 85.2% of the year's total operating expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District maintains its accounts in accordance with general accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The attached audit report is comprised of both governmental fund and government-wide financial statements.

Government-Wide Financial Statements

The government-wide financial statements include a Statement of Net Position and Statement of Activities. These statements report financial information using the full accrual basis of accounting and reflect a longer-term perspective. The government-wide statement of net position includes non-current assets and liabilities such as net capital assets and the pension and other post-employment benefit (OPEB) unfunded liabilities, as well as related deferred inflows and outflows.

Fund Financial Statements

The governmental fund financial statements are comprised of a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances. These statements report current financial resources on a modified accrual basis and reflect a near term perspective. The fund balance sheet reflects assets, deferred outflows of resources and liabilities and deferred inflows of resources that are generally current in nature.

INVESTMENT POLICIES AND PROCEDURES

The Board reviews the District's investment policy periodically. During the 2017-18 fiscal year, the District was invested mostly with the State of California Local Agency Investment Fund and minimally with the El Dorado County Treasury.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The analysis below is based on information found in the District's Government-Wide Statement of Activities and Statement of Net Position.

Revenues

Total revenues for fiscal year 2017/18 increased by $1,224,124 from 2016/17. The primary source of funding for the District to provide services is property taxes, which makes up approximately 79.6% of total revenues. Property Tax Revenues increased by $1,722,250, or 11.0% from prior year. Other Revenue also increased by $135,926 primarily as a result of higher interest earnings. JPA Revenue was higher than prior year due to an increase in passthrough JPA overtime costs. There were partially offsetting decreases in OES/Mutual Aid Revenue (offset by OES expenses) and Development Impact Fees.

Summary of Total Revenues

	2017/18	2016/17	$ Change	% Change
General Revenues				
Property Tax Revenue	$ 17,315,334	$ 15,593,084	$ 1,722,250	11.0%
Development Fees	2,229,285	2,954,286	(725,001)	(24.5%)
Other Revenue	525,516	389,590	135,926	34.9%
Total General Revenues	$ 20,070,135	$ 18,936,960	$ 1,133,175	6.0%
Program Revenues				
JPA Revenue	1,162,437	982,207	180,230	18.3%
OES/Mutual Aid Revenue	524,276	613,557	(89,281)	(14.6%)
Total Program Revenues	$ 1,686,713	$ 1,595,764	$ 90,949	5.7%
Total Revenues	**$ 21,756,848**	**$ 20,532,724**	**$ 1,224,124**	**6.0%**

Expenses

Total expenses for fiscal year 2017/18 increased by $962,971, or 5.3% from prior year. The majority of the District's cost to operate is comprised of labor costs. Wages and Benefits made up approximately 83.9% of total expenses for the 2017/18 fiscal year, and increased by $756,861 or 4.9% from 2016/17. This increase is mostly due to a rise in overtime costs associated with long-term employee leaves as well as an increase in total retirement expense. Professional Services & IT costs increased by 23.6% from prior year due to an increase in legal fees related to pending legal matters. The loss on disposal of capital assets in 2017/18 represents the sale of a land parcel as well as the write off of several capital assets that did not meet a newly adopted capitalization threshold. There were partially offsetting decreases in Other Operating Expense which is mostly the result of a decrease in dispatch service costs of about $50,000 due to a one-time CAD system upgrade in 2016/17.

Summary of Total Expenses

	2017/18	2016/17	$ Change	% Change
Public Protection				
Wages & Benefits	$ 16,155,973	$ 15,399,112	$ 756,861	4.9%
Professional Services & IT	570,569	461,806	108,763	23.6%
Maintenance	335,729	371,479	(35,750)	12.4%
Other Operating Expense	742,781	861,741	(118,960)	(13.8%)
Total Public Protection	$ 17,805,052	$ 17,094,138	$ 710,914	4.2%
Depreciation Expense	$ 1,117,604	$ 1,092,104	$ 25,500	2.3%
Loss on Disposal of Capital Assets	$ 324,041	$ 97,484	$ 226,557	232.4%
Total Expenses	**$ 19,246,697**	**$ 18,283,726**	**$ 962,971**	**5.3%**

Net Position

The District's net position of $31,419,903 at June 30, 2018 increased by $2,510,151, or 8.7% from prior year. This increase is primarily attributable to an increase in the District's Current Assets and Deferred Outflows, with a partially offsetting decrease in Capital Assets and increase in the Net Pension Liability. The increase in Current Assets is mostly due to an increase in the Development Fee Fund cash balance of $1,507,600 and an increase in the Local Agency Investment Fund (LAIF) balance of $2,062,345. The increase in Deferred Outflows is primarily due to the delayed recognition of pension and OPEB discretionary lump sum payments made after the GASB 68/75 measurement date of June 30, 2017 totaling $1,450,000. Deferred Outflows also increased due to a change in assumptions (CalPERS discount rate reduction). The decrease in Capital Assets is due to asset disposals and depreciation in excess of new asset additions. The increase in Net Pension Liability is mostly due to the decrease of 0.5% in the assumed discount rate or investment return rate.

Summary of Net Position

	2017/18	2016/17 (restated)	$ Change	% Change
Current Assets	$ 28,466,949	$ 24,801,672[1]	$ 3,665,277	14.8%
Capital Assets	21,475,181	23,089,566	(1,614,385)	(7.0%)
Deferred Outflows	8,613,435	6,277,126[1]	2,336,309	37.2%
Total Assets & Deferred Outflows	$ 58,555,565	$ 54,168,364	$ 4,387,201	8.1%
Current Liabilities	1,290,942	2,099,234[1]	(808,292)	(38.5%)
Net Pension Liability	17,084,133	14,609,638	2,474,495	16.9%
Net OPEB Liability	6,464,923	6,711,816[1]	(246,893)	(3.7%)
Other Non-Current Liabilities	975,763	-	975,763	N/A
Deferred Inflows	1,319,901	1,837,924[1]	(518,023)	(28.2%)
Total Liabilities & Deferred Inflows	$ 27,135,662	$ 25,258,612	$ 1,877,050	7.4%
Net Position	**$ 31,419,903**	**$ 28,909,752**	**$ 2,510,151**	**8.7%**

[1] Restated balance as of 6/30/2017

FINANCIAL ANALYSIS OF THE DISTRICT'S GENERAL FUND

The District's General Fund is broken down into a General Reserve Fund (unassigned and non-spendable), a Capital Replacement Fund (committed), and a Development Fee Fund (restricted). Fund balances totaled $27,913,329 at the end of 2017/18, an increase of $3,545,814 from 2016/17. The General Reserve Fund, comprised of unassigned and non-spendable (prepaid) fund balances, totaled $15,918,875. The 8.8% increase in this fund is primarily due to an excess of operating revenues over operating expenditures. The committed, or Capital Replacement Fund balance was $3,803,787 at the end of the fiscal year, an increase of $751,107 from prior year. This increase represents a transfer from the General Reserve Fund in excess of capital purchases out of the fund. The District's restricted, or Development Fee Fund balance ended at $8,190,667, also a significant increase from prior year, which is the result of development fee collections exceeding transfers out for qualifying expenditures. There are outstanding reimbursements due to the General Reserve Fund from the Development Fee Fund of approximately $6,090 as of June 30, 2018 for qualifying expenditures made in 2017/18.

Summary of Total Fund Balances

	2017/18	2016/17 (restated)	$ Change	% Change
General Reserve Fund	$ 15,918,875	$ 14,632,614[2]	$ 1,286,261	8.8%
Capital Replacement Fund	3,803,787	3,052,680	751,107	24.6%
Unrestricted Fund Balances	**$ 19,722,662**	**$ 18,003,119**	**$ 1,719,543**	**9.6%**
Development Fee Fund	8,190,667	6,682,221	1,508,446	22.6%
Total Fund Balances	**$ 27,913,329**	**$ 24,367,515**	**$ 3,545,814**	**14.6%**

[2] Restated balance as of 6/30/2017

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual financial results are evaluated against the District's final adopted budget monthly at its regular board meetings. Below is a comparison of the final budget and actual results for fiscal year 2017/18:

Budget vs. Actual – General Fund

	2017/18 Final Budget	2017/18 Actual	$ Variance Favorable/ (Unfavorable)
Total Revenues	$ 21,060,132	$ 21,709,568	$ 649,436
Operating Expenditures	(18,262,288)	(18,418,482)	(156,194)
Capital Outlay	(2,989,298)	(579,635)	2,409,663
Other Financing Sources (Uses)	-	834,363	834,363
Net Change in Fund Balance	**$ (191,454)**	**$ 3,545,814**	**$ 3,737,268**

- Actual revenue exceeded budgeted revenue by $649,436 due to the following:
  - Supplemental property tax revenue exceeded the budgeted estimate
  - Latrobe base transfer revenue was budgeted for the current year only, but collections were made for the prior year as well as the current year
  - JPA revenue was higher than budget due to an increase in JPA overtime (passthrough expense)
  - Interest revenue was significantly higher than budget due to rising interest rates
- Actual operating expenditures were consistent with the final budget. Capital outlay, however, was favorable to budget by $2,409,663 because of the following:
  - Delayed purchase of a budgeted Type I engine to fiscal year 2018/19
  - Delay in budgeted Training Center expenditures
- Other Financing Sources include proceeds from the sale of capital assets and proceeds from insurance. Actual results in this category were favorable to budget due to the unplanned sale of a land parcel in the Business Park and the collection of insurance proceeds for damage caused by a water leak at Station 86.

CAPITAL ASSETS

The District purchased fixed assets totaling $579,635 in 2017/18. This includes $333,852 for the remodel of Station 91 and $130,160 for the planning and design of the Training Facility (construction in progress). A Battalion Chief vehicle was also purchased totaling $79,763. Other expenditures include a Prevention iPlan table, a SCBA Mask Annual Fit Test System, and station appliance replacements. The District sold a 5-acre land parcel during the fiscal year. Sale proceeds totaled $746,749 and the District recognized a loss on the sale of $126,124.

The District adopted a Capital Asset Policy effective 6/30/2018 which implemented new capitalization thresholds and resulted in the write-off of a group of assets that did not meet this criterion. Approximately $694,789 in assets were written off and the District recognized a loss of $203,541, which represented the remaining net book value of these assets. All capital assets are valued at historical cost and depreciated over their estimated useful lives using the straight-line method.

ECONOMIC OUTLOOK

The District's net position continues to be adequate and reflects financial stability. Development and property values continue to grow and this trend it expected to continue into the 2018/19 fiscal year. However, the District recognizes the significant challenges that lie ahead with increased pension and healthcare costs and is active in its efforts to prefund its pension and OPEB obligations. The District made deposits of $1,450,000 to its PARS (Public Agency Retirement Services) Pension and OPEB trust accounts during the 2017/18 fiscal year and plans to make another $2,100,000 in deposits during 2018/19. These funds will serve to offset the growing unfunded liability balances and may also be utilized to offset future qualifying expenses in the event of an economic downturn. The District's Board of Directors and staff continuously monitor economic trends and forecasts to ensure sound fiscal management.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

For questions regarding this report, please contact the El Dorado Hills Fire Department Director of Finance at 1050 Wilson Blvd., El Dorado Hills, CA 95762. More information about the District can also be found at www.edhfire.com.

EL DORADO HILLS COUNTY WATER DISTRICT
(DBA EL DORADO HILLS FIRE DEPARTMENT)

STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET

June 30, 2018

	General Fund	Adjustments (Note J)	Statement of Net Position
ASSETS			
Cash and investments - unrestricted	$ 19,603,764		$ 19,603,764
Cash and investments - restricted	8,190,667		8,190,667
Receivables:			
Interest receivable - unrestricted	79,087		79,087
Due from other governments	370,789		370,789
Other receivables	2,942		2,942
Prepaid costs	219,700		219,700
Capital assets:			
Nondepreciable		$ 3,983,977	3,983,977
Depreciable, net		17,491,204	17,491,204
TOTAL ASSETS	28,466,949	21,475,181	49,942,130
DEFERRED OUTFLOWS OF RESOURCES			
Pension plan		6,723,110	6,723,110
Other postemployment benefits plan		1,890,325	1,890,325
TOTAL ASSETS AND DEFFERED OUTFLOWS OF RESOURCES	$ 28,466,949	30,088,616	58,555,565
LIABILITIES			
Accounts payable	$ 105,668		105,668
Salaries and benefits payable	400,672		400,672
Compensated absences - current		613,498	613,498
Health reimbursement arrangement liability - current		171,104	171,104
Noncurrent liabilities:			
Compensated absences - noncurrent		687,761	687,761
Health reimbursement arrangement liabiilty - noncurrent		288,002	288,002
Net other postemployment benefits liability		6,464,923	6,464,923
Net pension liability		17,084,133	17,084,133
TOTAL LIABILITIES	506,340	25,309,421	25,815,761
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	47,280	(47,280)	
Pension plan		1,153,861	1,153,861
Other postemployment benefits plan		166,040	166,040
TOTAL DEFFERED INFLOWS OF RESOURCES	47,280	1,272,621	1,319,901
FUND BALANCES/NET POSITION			
Fund balance:			
Nonspendable–prepaid costs	219,700	(219,700)	
Restricted for capital improvements	8,190,667	(8,190,667)	
Committed	3,803,787	(3,803,787)	
Unassigned	15,699,175	(15,699,175)	
TOTAL FUND BALANCES	27,913,329	(27,913,329)	
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 28,466,949		
Net position:			
Investment in capital assets		21,475,181	21,475,181
Restricted for capital improvements		8,190,667	8,190,667
Unrestricted		1,754,055	1,754,055
TOTAL NET POSITION		$ 31,419,903	$ 31,419,903

The accompanying notes are an integral part of these financial statements.

EL DORADO HILLS COUNTY WATER DISTRICT
(DBA EL DORADO HILLS FIRE DEPARTMENT)

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

For the Year Ended June 30, 2018

	General Fund	Adjustments (Note J)	Statement of Activities
EXPENDITURES/EXPENSES			
Current:			
Public protection	$ 18,418,482	$ (613,430)	$ 17,805,052
Capital outlay	579,635	(579,635)	
Depreciation		1,117,604	1,117,604
Loss on disposal of capital assets		324,041	324,041
TOTAL EXPENDITURES/EXPENSES	18,998,117	248,580	19,246,697
PROGRAM REVENUES			
Charges for services			
Reimbursements from other agencies	1,162,437		1,162,437
State operating grants	524,276		524,276
TOTAL PROGRAM REVENUES	1,686,713		1,686,713
NET PROGRAM EXPENSE	(17,311,404)	(248,580)	(17,559,984)
GENERAL REVENUES			
Property taxes and assessments	17,315,334		17,315,334
Fire impact fees	2,229,285		2,229,285
Other revenues	478,236	47,280	525,516
TOTAL GENERAL REVENUES	20,022,855	47,280	20,070,135
EXCESS OF REVENUES OVER EXPENDITURES	2,711,451	(201,300)	2,510,151
OTHER FINANCING SOURCES/(USES)			
Proceeds from sale of capital assets	752,375	(752,375)	
Proceeds from insurance	81,988	(81,988)	
TOTAL OTHER FINANCING SOURCES/(USES)	834,363	(834,363)	
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	3,545,814	(3,545,814)	
CHANGE IN NET POSITION		(1,035,663)	2,510,151
Fund balance/net position, beginning of year - as previously reported	23,048,106	12,274,570	35,322,676
Restatement	1,319,409	(7,732,333)	(6,412,924)
Fund balance/net position, beginning of year - as restated	24,367,515	4,542,237	28,909,752
FUND BALANCE/NET POSITION, END OF YEAR	$ 27,913,329	$ 3,506,574	$ 31,419,903

The accompanying notes are an integral part of these financial statements.

EL DORADO HILLS COUNTY WATER DISTRICT
(DBA EL DORADO HILLS FIRE DEPARTMENT)

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND

For the Year Ended June 30, 2018

	Budgeted Amounts			Variance With Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES				
Property taxes and assessments	$ 16,776,075	$ 16,776,075	$ 17,315,334	$ 539,259
Fire impact fees	2,500,000	2,500,000	2,229,285	(270,715)
Reimbursements from other agencies	1,028,857	1,028,857	1,162,437	133,580
State operating grants	560,000	560,000	524,276	(35,724)
Other revenues	195,200	195,200	478,236	283,036
TOTAL REVENUES	21,060,132	21,060,132	21,709,568	649,436
EXPENDITURES				
Current				
Public protection				
Salaries and wages	7,628,549	7,628,549	7,591,798	36,751
Retirement	2,174,379	2,174,379	2,065,849	108,530
Overtime	2,197,066	2,197,066	2,720,638	(523,572)
Health insurance	1,444,276	1,444,276	1,417,119	27,157
Retiree health insurance	1,881,479	1,881,479	1,890,325	(8,846)
Other insurance	874,067	874,067	701,027	173,040
Professional services	315,676	315,676	413,357	(97,681)
Employment taxes and benefits	350,274	350,274	319,031	31,243
Maintenance				
Equipment	223,754	223,754	236,630	(12,876)
Structures	98,364	98,364	181,088	(82,724)
Information technology	189,997	189,997	157,212	32,785
Communications	141,769	141,769	145,419	(3,650)
Special department expenditures	213,261	213,261	107,973	105,288
Clothing and personal supplies	100,483	100,483	102,090	(1,607)
Transportation and travel	109,880	109,880	101,705	8,175
Rents and leases	81,646	81,646	72,924	8,722
Other expenditures	237,368	237,368	194,297	43,071
Capital outlay	2,989,298	2,989,298	579,635	2,409,663
TOTAL EXPENDITURES	21,251,586	21,251,586	18,998,117	2,253,469
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets			752,375	752,375
Proceeds from insurance			81,988	81,988
TOTAL OTHER FINANCING SOURCES (USES)			834,363	834,363
NET CHANGE IN FUND BALANCE	$ (191,454)	$ (191,454)	3,545,814	$ 3,737,268
Fund balance at beginning of year - as previously reported			23,048,106	
Restatement			1,319,409	
Fund balance at beginning of year - as restated			24,367,515	
FUND BALANCE AT END OF YEAR			$ 27,913,329	

The accompanying notes are an integral part of these financial statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements present the El Dorado Hills County Water District, which is doing business as (DBA) the El Dorado Hills Fire Department. The financial statements of the El Dorado Hills County Water District (DBA El Dorado Hills Fire District) (District) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The most significant accounting policies of the District are described below.

Background: The El Dorado Hills County Water District was formed by the Board of Supervisors of the County of El Dorado pursuant to Division 12, Part 2, Chapter 4, Section 30320 of the Water Code of the State of California. In 1963, the El Dorado Hills Fire Department was established under the El Dorado Hills County Water District (the District). Ten years later, the citizens of El Dorado Hills voted to transfer all water and sewer system powers to the El Dorado Irrigation District; thereby leaving only fire protection under the direction of the District's Board.

The District's functions are governed by a five-member Board of Directors elected by the District's voting population. The Board of Directors manages the Fire Chief who oversees all financial, administrative and operational aspects of the District for the purpose of carrying-out fire and emergency services.

El Dorado Hills County Water District operates five fire stations. The District provides emergency medical services, rescue, fire suppression, and other public services as needed. The District is a member of the El Dorado County Emergency Services Authority, which also provides advanced life support and ambulance transport within the County. The District serves approximately 58,500 acres with close to 16,000 homes and an estimated population of 45,000.

Basis of Presentation – Fund Financial Statements: The accounts of the District are organized on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. All of the District's activities are reported in the General Fund.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers all revenues to be available if they are collected within 90 days of the end of the current fiscal period or 60 days for taxes. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Payable balances consist primarily of payables to vendors.

Property and other tax revenues, reimbursements and interest earnings associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental fund:

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Fund – The General Fund is the general operating fund of the District and accounts for revenues collected to provide services and finance the fundamental operations of the District. The fund is charged with all costs of operations.

Budgets: Budgets are adopted on a basis consistent with generally accepted accounting principles and in accordance with the District's policy and procedure. Budgetary control is exercised by major object. All budgetary changes during the fiscal year require the approval of the District's Board of Directors. Unencumbered budget appropriations lapse at the end of the fiscal year.

Risk Management: The District is subject to various risks of loss that are covered by commercial insurance. The District's claims have not exceeded the insurance coverage and no reductions of coverage have occurred during the past three years.

Restricted Assets: Restricted assets consist of unspent fire impact fees collected by the County of El Dorado on the District's behalf. The impact fees are required to be spent on public facilities and equipment by the related County of El Dorado Ordinance.

Prepaid Costs: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid costs in both government-wide and fund financial statements. Prepaid costs of governmental funds are offset by a nonspendable portion of fund balance to indicate they do not represent resources available for future appropriation.

Capital Assets: Capital assets for governmental funds are not capitalized in the funds used to acquire or construct them. Capital acquisitions are reflected as expenditures in the governmental fund, and the related assets are reported in the government-wide financial statements. Capital assets are stated at historical cost or estimated historical cost if actual historical cost is not available. The cost of normal repairs and maintenance that do not add to the value of the asset or materially extend asset lives are not capitalized. Contributed capital assets are recorded at their acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date.

Capital assets are defined by the District as assets with at least three years expected life and meet the required minimum value threshold seen below. Costs of assets sold or retired are eliminated from the accounts in the year of sale or retirement and the resulting gain or loss is included in the operating statement. In governmental funds, the sale of general capital assets is included in the statement of revenues, expenditures and changes in fund balances as proceeds from sale. Depreciation is recorded using the straight-line method over the useful lives of the assets as follows:

Capital Asset Category	Threshold	Estimated Useful Life
Land & Easements	-	N/A
Building/Improvements	50,000	39.5 years
Fire Equipment (SCBA's)	1,000	8-15 years
Fire Equipment (Other)	3,000	5-15 years
Hose (LDH)	3,000	15-20 years
Office Equipment	3,000	3-7 years
Radio Commuications Equipment	3,000	5 years
Fire Apparatus	3,000	15 years
Vehicles	3,000	5-7 years
Furniture/Fixtures/Tools	3,000	3-7 years

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows and Inflows of Resources: In addition to assets and liabilities, the balance sheet will sometimes report separate sections for deferred outflows and inflows of resources. Deferred outflows of resources represent a consumption of net position by the government that is applicable to a future reporting period. Deferred inflows of resources represent an acquisition of net position that is applicable to a future reporting period. These amounts will not be recognized as an outflow of resources (expense) or and inflow of resources (revenue) until the earnings process is complete. Deferred outflows and inflows of resources include amounts deferred related to the District's pension and OPEB plans under GASB Statements No. 68 and No. 75, respectively, as described in Notes E and F. Unavailable revenues in governmental funds arise when a potential revenue source does not meet both the "measurable" and "available" criteria for recognition in the current period. Revenues unavailable because they were not received in the availability period are recognized for the government-wide presentation.

Compensated Absences: The District compensates employees for unused vacation and, subject to certain conditions, sick leave upon separation from the District. The District's policy for sick leave states that sick leave will not be paid upon separation due to termination for cause, but otherwise up to 60% of accumulated sick leave will be paid to the employee or employee's beneficiary at retirement, separation or in the event of death. Sick leave may also be converted to service credit under the District's pension plan with CalPERS. All vacation is accrued when earned. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The General Fund is used to liquidate compensated absences.

Unearned Revenues: Unearned revenues arise when resources are received by the District before it has legal claim to them (i.e., when grant monies are received prior to the incurrence of qualifying expenditures). The District had no unearned revenues at year-end.

Fund Balance: In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned and unassigned balances.

Nonspendable Funds – Fund balance should be reported as nonspendable when the amounts cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Nonspendable balances are not expected to be converted to cash within the next operating cycle, which comprise prepaid items and other assets.

Restricted Funds – Fund balance should be reported as restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Amounts reported as restricted funds represent mitigation fees collected for future capital expenditures. The Districts restricted fund balance represents unspent fire impact fees restricted for certain capital improvements as defined in the County Ordinance establishing the fees.

Committed Funds – Fund balance should be reported as committed when the amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which is a Resolution of the Board of Directors. These amounts cannot be used for any other purpose unless the Board modifies or removes the fund balance commitment with another Resolution of the Board of Directors.

Assigned Funds – Fund balance should be reported as assigned when the amounts are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unassigned Funds – Unassigned fund balance is the residual classification of the District's funds and includes all spendable amounts that have not been restricted, committed, or assigned to specific purposes.

When both restricted and unrestricted resources are available, it is the District's policy to use restricted resources, then unrestricted resources as they are needed.

Net Position: The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

Net Investment in Capital Assets – This category groups all capital assets into one component of net position. The outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This category represents net position of the District not restricted for any project or other purpose.

Property Taxes: The District receives property taxes from El Dorado County. Property taxes become a lien on the first day of the year they are levied. Secured property tax is levied on July 1 and due in two installments, on November 1 and February 1. They become delinquent on December 10 and April 10, respectively. Unsecured property taxes are levied on July 1, and become delinquent on August 31. The District elected to receive the property taxes from the County under the Teeter Bill Program. Under this Program, the District receives 100% of the levied property taxes in periodic payments, with the County assuming responsibility for delinquencies.

These taxes are accrued as intergovernmental revenue only if they are received from the County within 60 days after year end in the governmental fund. They are accrued when earned regardless of the timing of the related cash flows in the government-wide statement.

Joint Powers Authority: The District is a member agency of the El Dorado County Emergency Services Authority, a Joint Powers Authority (JPA), which provides ambulance and other pre-hospital emergency transport services on the west slope of El Dorado County. There are ten member agencies in total. The governing Board of Directors controls the operations of the JPA. The JPA Board is made up of a Fire Chief or authorized alternate from each member agency. The JPA is independently accountable for its fiscal matters and maintains its own accounting records under the oversight of the El Dorado County board of Supervisors. Each of the ten member Fire Districts approves the JPA budget and their vote is carried by their Fire Chief to the Board. The JPA contracts with the District for one medic unit and six employees working shift work. The District is fully reimbursed for all authorized costs incurred in the execution of the contract. The District is not responsible for the liabilities of the JPA upon dissolution. Separate financial statements for the JPA are available by contacting the JPA staff through the link at edcjpa.org.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Health Reimbursement Arrangement: The District provides a health reimbursement arrangement (HRA) for each full-time and part-time employee working a minimum of 32 hours per week for dental and vision expenses. The benefit is also offered to the eligible employee's spouse and dependents. Eligible participants are allowed to submit qualifying dental and vision expenses for reimbursement under the HRA as defined in the Department Policy Manual. The benefit provided is $120, $150 and $200 per month for employees with no dependents, one dependent and two or more dependents, respectively. As described in Note F, HRA benefits are extended to retirees. Retirees are provided a benefit of $100 and $150 with no dependents and one dependent, respectively. The District does not have a trust where the HRA assets are set aside for the benefit of employees. Consequently, the HRA assets are available to the District's creditors.

Pension Plan: For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to the District's pension plan, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefits Plan (OPEB): For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from these estimates.

New Pronouncements: In June 2017, the GASB issued Statement No. 87, Leases. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

The District is currently analyzing the impact of the required implementation of this new statement.

NOTE B – CASH AND INVESTMENTS

As of June 30, 2018, the District's cash and investments consisted of the following:

Cash and investments - unrestricted	$ 19,603,764
Cash and investments - restricted	8,190,667
	$ 27,794,431
Deposits in financial institutions	$ 11,016
Paypal account	10,243
California Local Agency Investment Fund (LAIF)	18,893,719
Investment in County of El Dorado investment pool	8,879,453
Total cash and investments	$ 27,794,431

Investment policy: California statutes authorize districts to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 – Financial Affairs. The District does not have an investment policy that addresses its interest rate risk, credit risk and concentration of credit risk.

Investment in the County of El Dorado's Investment Pool: The District maintains an investment in the County of El Dorado cash and investment pool, which is managed by the County Treasurer. The County pool is stated at amortized cost, which approximates fair value. The amount invested by all public agencies in El Dorado County's cash and investment pool is $497,642,747 at June 30, 2018. The County does not invest in any derivative financial products. The County Treasury Investment Oversight Committee has oversight responsibility for the investment pool. The Committee consists of ten members as designated by State law. The value of pool shares in El Dorado County that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the District's position in the pool. Investments held in the County's investment pool are available on demand to the District and are stated at amortized cost. This investment is not subject to categorization under GASB No. 3.

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2018, the weighted average maturity of the investments contained in the County's investment pool was approximately 173 days.

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating issued by a nationally recognized statistical rating organization. The County's investment pool does not have a rating provided by a nationally recognized statistical rating organization.

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy does not contain legal or policy requirements that would limit the exposure to custodial

NOTE B – CASH AND INVESTMENTS (Continued)

credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2018, the carrying amount and balance per banks of the District's bank deposits were $11,016 and $74,859, respectively. Of the balance per banks, $74,859 was covered by federal depository insurance and the remaining amount was collateralized by the pledging financial institution's investment securities, which were not in the name of the District.

California Local Agency Investment Fund (LAIF): LAIF is stated at amortized cost, which approximates fair value. LAIF is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The total fair value amount invested by all public agencies in LAIF is $88,798,232,977, which is managed by the State Treasurer. Of that amount, 2.67 percent is invested in structured notes and asset-backed commercial paper. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The weighted average maturity of investments held by LAIF was 193 days at June 30, 2018.

NOTE C – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance at June 30, 2017	Additions	Retirements	Transfers	Balance at June 30, 2018
Capital assets, not being depreciated:					
Land	$ 4,587,512		$ (872,873)		$ 3,714,639
Construction in process:					
Station 91 remodel	49,534	$ 333,852		$ (383,386)	
Training facility	139,178	130,160			269,338
Total capital assets, not being depreciated	4,776,224	464,012	(872,873)	(383,386)	3,983,977
Capital assets, being depreciated:					
Buildings and improvements	19,261,721		(19,360)	383,386	19,625,747
Vehicles	5,244,950	63,129	(1,268)		5,306,811
Equipment	2,908,463	52,494	(674,162)		2,286,795
Total capital assets being depreciated	27,415,134	115,623	(694,790)	383,386	27,219,353
Less accumulated depreciation:					
Buildings and improvements	(4,537,406)	(509,227)	6,210		(5,040,423)
Vehicles	(2,797,724)	(381,254)			(3,178,978)
Equipment	(1,766,662)	(227,123)	485,037		(1,508,748)
Total accumulated depreciation	(9,101,792)	(1,117,604)	491,247		(9,728,149)
Total capital assets being depreciated	18,313,342	(1,001,981)	(203,543)	383,386	17,491,204
Capital assets, net	$ 23,089,566	$ (537,969)	$ (1,076,416)	$ -	$ 21,475,181

NOTE D – LONG-TERM LIABILITIES

The following is a summary of long-term liabilities activity other than pension and OPEB liability activity for the year ended June 30, 2018:

	Balance June 30, 2017	Additions	Repayments	Balance June 30, 2018	Due Within One Year	Due in More Than One Year
Compensated absences	$ 1,229,941	$ 739,648	$ (668,330)	$ 1,301,259	$ 613,498	$ 687,761
Health reimbursement arrangement (HRA) liability	435,136	192,786	(168,816)	459,106	171,104	288,002
	$ 1,665,077	$ 932,434	$ (837,146)	$ 1,760,365	$ 784,602	$ 975,763

NOTE E – DEFINED BENEFIT PENSION PLAN

Plan Description: All qualified permanent and probationary employees are eligible to participate in the District's Cost-Sharing Multiple Employer Defined Benefit Pension Plan (the Plan or PERFC) administered by the California Public Employees' Retirement System (CalPERS). PERFC consists of a miscellaneous risk pool and a safety risk pool, which are comprised of the following rate plans:

- Miscellaneous Rate Plan
- Miscellaneous Second Tier Rate Plan
- PEPRA Miscellaneous Rate Plan
- Safety Rate Plan
- Safety Second Tier Rate Plan
- PEPRA Safety Police Rate Plan

Although one Plan exists, CalPERS provides the information separately for the Miscellaneous and Safety Risk Pools and the information is presented separately below where available. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at www.calpers.ca.gov.

Benefits Provided: CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 (52 for PEPRA Miscellaneous Plan) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 5 years of service. The death benefit is one of the following: the 1959 Survivor Benefit level 4, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

NOTE E – DEFINED BENEFIT PENSION PLAN (Continued)

The rate plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous Rate Plan	**Miscellaneous Second Tier Rate Plan**	**PEPRA Miscellaneous Rate Plan**
Hire date	Prior to August 13, 2011	August 13, 2011 to December 31, 2012	On or after January 1, 2013
Benefit formula (at full retirement)	3.0% @ 60	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 60	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 3.0%	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	12.50%	11.50%	6.25%
Required employer contribution rates	8.939%	4.392%	6.842%

	Safety Rate Plan	**Safety Second Tier Rate Plan**	**PEPRA Safety Rate Plan**
	Prior to August 13, 2011	August 13, 2011 to December 31, 2012	On or after January 1, 2013
Benefit formula (at full retirement)	3.0% @ 50	3.0% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 55	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	3.00%	2.40% to 3.00%	2.00% to 2.70%
Required employee contribution rates	15.00%	15.00%	12.00%
Required employer contribution rates	14.556%	11.614%	12.141%

All rate plans except the PEPRA rate plans are closed to new members that are not already CalPERS participants. All miscellaneous rate plans are combined and reported below as the Miscellaneous Risk Pool and all safety rate plans are combined and reported below as the Safety Risk Pool.

Contributions: Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the risk pools are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

NOTE E – DEFINED BENEFIT PENSION PLAN (Continued)

For the year ended June 30, 2018, the contributions recognized as part of pension expense for each risk pool were as follows:

	Miscellaneous Risk Pool	Safety Risk Pool	Total
Contributions - employer	$ 99,091	$ 1,966,758	$ 2,065,849

A. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2018, the District reported net pension liabilities for its proportionate shares of the net pension liability of each risk pool as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous Risk Pool	$ 823,658
Safety Risk Pool	16,260,475
Total Net Pension Liability	$ 17,084,133

The District's net pension liability for each risk pool is measured as the proportionate share of the net pension liability. The net pension liability of each risk pool is measured as of June 30, 2017, and the total pension liability for each risk pool used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the risk pool relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for each risk pool as of June 30, 2016 and 2017 were as follows:

	Miscellaneous Risk Pool	Safety Risk Pool	Total
Proportion - June 30, 2016	0.019986%	0.268676%	0.168837%
Proportion - June 30, 2017	0.020894%	0.272132%	0.172267%
Change - Increase (Decrease)	0.000908%	0.003456%	0.003430%

NOTE E – DEFINED BENEFIT PENSION PLAN (Continued)

For the year ended June 30, 2018, the District recognized pension expense of $2,065,849 for both risk pools combined. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources for the Plan from the following sources:

	Miscellaneous Risk Pool		Safety Risk Pool		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 99,091		$ 1,966,758		$ 2,065,849	
Differences between actual and expected experience	1,193	$ (17,093)	199,697	$ (52,066)	200,890	$ (69,159)
Changes in assumptions	148,036	(11,288)	2,896,112	(222,197)	3,044,148	(233,485)
Differences between the employer'scontribution and the employer's proportionate share of contributions		(37,752)	469,228	(201,893)	469,228	(239,645)
Change in employer's proportion	22,873	(3,159)	255,176	(608,413)	278,049	(611,572)
Net differences between projected and actual earnings on plan investments	33,480		631,466		664,946	
Total	$ 304,673	$ (69,292)	$ 6,418,437	$ (1,084,569)	$ 6,723,110	$ (1,153,861)

The $2,065,849 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the following fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the risk pools will be recognized as pension expense as follows:

Year Ended June 30	Miscellaneous Risk Pool	Safety Risk Pool	Total
2019	$ 24,633	$ 890,143	$ 914,776
2020	82,517	1,740,250	1,822,767
2021	49,017	1,106,209	1,155,226
2022	(19,877)	(369,492)	(389,369)
	$ 136,290	$ 3,367,110	$ 3,503,400

NOTE E – DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions: The total pension liabilities in the June 30, 2017 actuarial valuations for each risk pool was determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increases	3.2% to 12.2% Miscellaneous and 3.4% to 20.0% Safety, Depending on Entry Age and Service
Investment Rate of Return	7.375%
Mortality[1]	Derived using CalPERS Membership Data for all funds

[1] The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study Report can be found on CalPERS' website under Forms and Publications.

Change of Assumptions: In 2017, the accounting discount rate declined from 7.65% to 7.15%.

Discount Rate: The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of the discount rate for public agency plans (including PERF C), CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.15% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15% is applied to all plans in the Public Employees Retirement Fund, including PERF C. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained on CalPERS' website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (Public Employee's Retirement Fund) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of

NOTE E – DEFINED BENEFIT PENSION PLAN (Continued)

all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class for each risk pool. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
Total	100.00%		

(a) An expected inflation of 2.5% used for this period.
(b) An expected inflation of 3.0% used for this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension liability for each risk pool, calculated using the discount rate for each risk pool, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous Risk Pool	Safety Risk Pool	Total
1% Decrease	6.15%	6.15%	6.15%
Net Pension Liability	$ 1,311,629	$ 25,828,028	$ 27,139,657
Current Discount Rate	7.15%	7.15%	7.15%
Net Pension Liability	$ 823,658	$ 16,260,475	$ 17,084,133
1% Increase	8.15%	8.15%	8.15%
Net Pension Liability	$ 419,512	$ 8,439,477	$ 8,858,989

NOTE E – DEFINED BENEFIT PENSION PLAN (Continued)

Pension Plan Fiduciary Net Position: Detailed information about each risk pool's fiduciary net position is available in the separately issued CalPERS financial reports.

B. Payable to the Pension Plans

At June 30, 2018, the District reported payables for the outstanding amount of employer contributions to the Plan of $53,397.

NOTE F – OTHER POSTEMPLOYMENT BENEFITS PLAN

Plan Description: The District's defined benefit OPEB plan (the Plan), is an agent multiple-employer defined benefit OPEB plan that provides OPEB benefit for all miscellaneous and public safety employees once they have a minimum of five years of CalPERS credited service with the District and a minimum of ten years of CalPERS credited service, including service at other public agencies. Employees hired prior to March 1, 2012 receive the same benefits as other employees whether or not the District remains in CalPERS. Eligible employees' surviving spouses and dependents are also eligible for benefits. The California Water Code grants the Board of Directors the authority to establish and amend the benefit terms. The District participates in the CalPERS CERBT, which is a Sect 115 trust fund administered by CalPERS. The CERBT is included in the CalPERS publicly available financial report that can be obtained at www.calpers.ca.gov under Forms and Publications. No other publicly available reports are available for the Plan.

Benefits Provided: The Plan provides healthcare benefits for retirees, surviving spouses and their dependents. Benefits are provided through CalPERS, and the full cost of the benefits are covered by the Plan. The plan provides a cash subsidy for monthly insurance premiums on a graded scale of 50% of insurance premium costs at ten years of service up to 100% of insurance premium costs at twenty years of service. Benefits do not cease at age 65 when the retiree or spouse is eligible for Medicare. Retirees are eligible to continue medical coverage as a participant with active employees at a blended premium rate until eligible for Medicare under CalPERS requirements. Retirees are also eligible for a contribution to a health reimbursement arrangement (HRA) of $150 per month for dental and vision expenses. The HRA contributions are not held in a trust for the benefit of participants and, therefore, are not considered plan assets.

Employees Covered by Benefit Terms: At the June 30, 2017 actuarial valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	31
Active employees	63
Total	94

Contributions: The Board of Directors has the authority to establish and amend the contribution requirements of the District and employees under powers granted to it under the California Water Code, subject to the District's Memorandum of Understanding with employee bargaining units.

NOTE F – OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)

The Board of Directors has established reimbursement percentages of actual insurance premiums paid by Plan members. No other contribution requirements exist under the Plan. Employees are not required to contribute to the Plan. During the fiscal year ended June 30, 2018, the District's direct payments of insurance premiums were $890,325 and cash contributions to the trust were $1,000,000, resulting in total contributions of $1,890,325. The District makes contributions to the CERBT, which is administered by CalPERS.

Net OPEB Liability: The District's net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017.

Actuarial Assumptions: The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	June 30, 2017
Measurement date	June 30, 2017
Actuarial cost method	Entry-age normal cost method
Actuarial assumptions:	
Discount rate	7.00%
Inflation	2.75%
Salary increases	2.75%, average, including inflation
Investment rate of return	7.0%
Mortality rate	Derived using CalPERS membership data
Pre-retirement turnover	Derived using CalPERS membership data
Healthcare trend rate	4% per year
Participation rate	100%

Pre-retirement mortality information was derived from data collected during 1997 to 2011 CalPERS Experience Study dated January 2014 and post-retirement mortality information was derived from the 2007 to 2011 CalPERS Experience Study. The Experience Study Reports may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications.

The pre-retirement turnover information was developed based on CalPERS' specific data. For more details, please refer to the 2007 to 2011 Experience Study Report. The Experience Study Report may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

NOTE F – OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Rate of Return
U.S. Large Cap	43.0%	7.795%
U.S. Small Cap	23.0%	7.795%
Long-Term Corporate Bonds	12.0%	5.295%
Long-Term Government Bonds	6.0%	4.500%
Treasury Inflation Protected Securities (TIPS)	5.0%	7.795%
U.S. Real Estate	8.0%	7.795%
All Commodities	3.0%	7.795%
Total	100.0%	

Discount Rate: The discount rate used to measure the total OPEB liability was 7.0%, which was the same discount rate used in the previous valuation. The projection of cash flows used to determine the discount rate assumed that District's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
Balance at June 30, 2017	$ 12,127,917	$ 5,416,101	$ 6,711,816
Changes in the year:			
Service cost	355,436		355,436
Interest	841,728		841,728
Differences between expected and actual experience			
Changes in assumptions			
Changes in benefit terms			
Contributions - employer		852,110	(852,110)
Investment income		597,001	(597,001)
Administrative expenses		(5,054)	5,054
Benefit payments	(552,110)	(552,110)	
Net changes	645,054	891,947	(246,893)
Balance at June 30, 2018	$ 12,772,971	$ 6,308,048	$ 6,464,923

NOTE F – OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates: The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease 6%	Current Discount Rate 7%	1% Increase 8%
Net OPEB liability	$ 8,122,165	$ 6,464,923	$ 5,091,652

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease 3%	Healthcare Cost Trend Rates 4%	1% Increase 5%
Net OPEB liability	$ 5,191,878	$ 6,464,923	$ 7,930,169

OPEB Plan Fiduciary Net Position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CERBT financial report at www.calpers.ca.gov.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended June 30, 2018, the District recognized OPEB expense of $563,707.

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 1,890,325	
Differences between actual and expected experience		
Changes in benefit terms		
Changes in assumptions		
Net differences between projected and actual earnings on plan investments		$ (166,040)
Total	$ 1,890,325	$ (166,040)

NOTE F – OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)

The amount reported as deferred outflows of resources related to contributions after the measurement date will be recognized as a reduction of the net pension liability in the following fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30	
2019	$ (41,510)
2020	(41,510)
2021	(41,510)
2022	(41,510)
	$ (166,040)

Payable to the OPEB Plan: At June 30, 2018, there was no payable to the OPEB Plan.

Age-adjusted Premiums Not Used: As a general rule, Actuarial Standard of Practice 6 (ASOP 6) indicates retiree costs should be based on actual claim costs or age-adjusted premiums. However, the Plan's net OPEB liability was not computed using age-adjusted premiums because the District's actuary did not consider the use of age-adjusted premiums to be appropriate under the circumstances. This is due to the District participating in the CalPERS health insurance plan, PEMHCA. PEMHCA uses blended premiums for active and retired participants and is expected to continue this practice into the future. Contributions based on age-adjusted premiums would be larger than contributions based on actual premiums charged by PEMHCA. The actuary believes this would overstate contributions to the CERBT that would not be able to be recovered by the District. Many other actuaries believe it is appropriate to use age-adjusted premiums when computing net OPEB liabilities under GASB Statement No. 75. The District's net OPEB liability would have been significantly larger had it been computed using age-adjusted premiums.

NOTE G – FIRE IMPACT FEES

The use of fire impact fees is restricted solely for financing public facilities and equipment necessary to serve new developments. Changes in unspent fire impact fees reported as restricted cash and investments were as follows during the year ended June 30, 2018:

Amount available at June 30, 2017	$ 6,682,221
Add fees collected and interest income	2,307,139
Less transfers for prior year capital items	(798,693)
Amount available in county investment pool at June 30, 2018	8,190,667
Less outstanding transfer at June 30, 2018	
Amount available at June 30, 2018	$ 8,190,667

NOTE H – COMMITMENTS AND CONTINGENCIES

Operating Lease: The District leases various equipment including solar energy systems. Monthly payments for these leases total approximately $6,000.

Contingencies: The District is a party to claims and lawsuits arising in the normal course of business. The District's management does not believe that the ultimate liability, if any, arising from these claims will have a material adverse impact on the financial position of the District.

The District has a number of funding sources under grant and other funding agreements that are subject to compliance audits by the provider. The amount of expenditures, if any, which may be disallowed by the provider cannot be determined although the District expects such amounts, if any, to be immaterial.

The County of El Dorado (the County) collects fire impact fees imposed on behalf of the District and deposits those fees into a separate account within the County's investment pool. The balance of the account in the County's investment pool holding the impact fees is reported as part of the District's cash and investments. The County will only release the fees from the County investment pool when the District incurs qualifying expenditures and provides supporting documentation for expenditures incurred that is acceptable to the County. It is possible that the County could disallow costs incurred by the District as part of the approval process.

The District's Board of Directors approved the design of a fire training facility as part of its strategic plan. Design costs are being included as part of construction in progress, which is reported in capital assets on the District's balance sheet. Construction of the training facility has not been approved by the Board of Directors. If the project is cancelled the design costs included in construction in process are required to be written-off through expenditures under generally accepted accounting principles.

NOTE I – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Amounts reported for governmental activities in the governmental funds balance sheet are being adjusted to arrive at the statement of net position. The adjustments are as follows at June 30, 2018:

Fund balances - Total Governmental Funds	$ 27,913,329
Deferred outflows of resources on pensions and OBEB are not reported in the governmental funds.	8,613,435
Capital assets used in governmental activities are not financial resources and therefore not reported in the governmental funds.	21,475,181
Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.	
Compensated absences	(1,301,259)
Net HRA Liability	(459,106)
Net OBEB Liability	(6,464,923)
Net pension obligation	(17,084,133)
Deferred inflows of resoures on pensions and OBEB are not reported in the govermental funds.	(1,319,901)
Revenues that are deferred in the governmental funds because they are not current financial resources are recognized in the government-wide statements.	47,280
NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 31,419,903

NOTE I – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

Amounts reported for governmental activities in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances are adjusted to arrive at the Statement of Activities for Government-wide presentation. The adjustments for the fiscal year ended June 30, 2018 are as follows:

Net change in fund balance - Governmental Funds	$ 3,545,814
The change in net position for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:	
Capital outlay	579,635
Depreciation	(1,117,604)
Governmental funds report proceeds from disposal of capital assets as revenues. However, in the government-wide statement of activities only the gain or (loss) on the sale of capital assets is reported. This is the difference between the gain or (loss) and proceeds.	(1,076,416)
Changes in deferred inflows and outflows related to the pension and OPEB plans doe not result in the receipt or use of current financial resources and are not reported in the governmental funds.	
Change in deferred outflows of resources	2,336,309
Change in deferred inflows of resources	518,023
Governmental funds do not present revenues that are not available to pay current expenditures. Such revenues are recognized in the Statement of Activities.	47,280
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Change in compensated absences liability	(71,318)
Change in health reimbursement arrangement liability	(23,970)
Change in OBEB liability	246,893
Change in pension liability	(2,474,495)
NET CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 2,510,151

NOTE J – RESTATEMENT

During the year ended June 30, 2018 the District discovered certain errors to the June 30, 2017 financial statements, including revenue that was inadvertently recognized that was related to the subsequent fiscal year, the compensated absences and health reimbursement arrangement liabilities that do not represent current liabilities were inadvertently recorded in the General Fund rather than in the government-wide statements and the payroll liability for the last payroll period of the year was not accrued. The District corrected these errors during the year ended June 30, 2018, which resulted in a decrease in General Fund assets of $27,844, a decrease in liabilities of $1,347,253, an increase in fund balance of $1,319,409 and a decrease in change in fund balance of $345,668 as well as a decrease in government-wide net position of $345,668 as of and for the year ended June 30, 2017.

The District also adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the year ended June 30, 2018. Due to the implementation of this Statement, the District recorded deferred outflows of resources of $852,110 and a net OPEB liability of $6,711,816 and deferred inflows of resources of $207,550 in its government-wide statements as of July 1, 2017. The effect of these changes on the change in net position for the year ended June 30, 2017 was not known because the effect of GASB Statement No. 75 on the June 30, 2016 balances would need to be known to determine the change in net position for the year ended June 30, 2017, but was not determined.

The effects of these restatements are listed below:

	Fund Balance General Fund	Government-wide Net Position
Balance as originally reported - June 30, 2017	$ 23,048,106	$ 35,322,676
To report strike team revenue in proper period	(27,844)	(27,844)
To move compensated absences liability out of General Fund	1,229,941	
To move health reimbursement arrangement liability out of General Fund	435,136	
To accrue payroll payable in the proper period	(317,824)	(317,824)
Total effect of the correction of errors	1,319,409	(345,668)
To adjust OPEB deferred outflows to implement GASB Statement No. 75		852,110
To adjust net OPEB liability to implement GASB Statement No. 75		(6,711,816)
To adjust OPEB deferred inflows to implement GASB Statement No. 75		(207,550)
Total effect of the implementation of GASB Statement No. 75		(6,067,256)
Total change to fund balance/net position	1,319,409	(6,412,924)
Balance as restated - June 30, 2017	$ 24,367,515	$ 28,909,752

REQUIRED SUPPLEMENTARY INFORMATION

EL DORADO HILLS COUNTY WATER DISTRICT
(DBA EL DORADO HILLS FIRE DEPARTMENT)

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2018

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (UNAUDITED)
Last 10 Years

	2018	2017	2016	2015
Proportion of the net pension liability	0.172267%	0.168837%	0.176436%	0.166733%
Proportionate share of the net pension liability	$ 17,084,133	$ 14,609,638	$ 12,110,427	$ 10,374,901
Covered payroll - measuremant period	$ 7,684,157	$ 7,132,639	$ 6,686,466	$ 6,342,947
Proportionate share of the net pension liability as a percentage of covered payroll	222.33%	204.83%	181.12%	163.57%
Plan fiduciary net position as a percentage of the total pension liability	76.22%	74.06%	78.40%	79.82%

SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN (UNAUDITED)
Last 10 Years

	2018	2017	2016	2015
Contactually required contribution (actuarially determiend)	$ 1,615,849	$ 1,609,245	$ 1,506,948	$ 1,535,189
Contributions in relation to the actuarially determined contributions	(2,065,849)	(1,609,245)	(2,706,948)	(1,535,189)
Contribution deficiency (excess)	$ (450,000)	$ -	$ (1,200,000)	$ -
Covered payroll - employer's fiscal year	$ 7,786,603	$ 7,684,157	$ 7,132,639	$ 6,686,466
Contributions as a percentage of covered payroll	26.53%	20.94%	37.95%	22.96%
Notes to schedule:				
Valuation date:	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Measurement date:	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Investment rate of return and discount rate used to compute contribution rates	7.375%	7.50%	7.50%	7.50%

Change in benefit terms: There were no changes to benefit terms.

Methods and assumptions used to determine contribution rates:

Actuarial method	Entry age normal cost method
Amortized method	Difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over average remaining service life of participants
Remaining amortization period	Not specified
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	Varies by entry age and service
Retirement age	50-67 years. Probabilities of retirement are based on the 2010 CalPeRS Experience Study for the period 1997 to 2007.
Mortality	CalPERS specific data from January 2014 Actuarial Experience Study for the period 1997 to 2011 that uses 20 years of mortality improvements using Society of Actuaries Scale BB.

Omitted Years: GASB Statement No. 68 was Implemented During the Year Ended June 30, 2015. No information was Available Prior to this Date. Future years will be reported prospectively as they become available.

EL DORADO HILLS COUNTY WATER DISTRICT
(DBA EL DORADO HILLS FIRE DEPARTMENT)
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

For the Year Ended June 30, 2018

	2018
Total OPEB liability	
Service cost	$ 355,436
Interest	841,728
Differences between expected and actual experience	
Changes in assumptions	
Changes in benefit terms	
Benefit payments	(552,110)
Net change in total OPEB liability	645,054
Total OPEB liability - beginning	12,127,917
Total OPEB liability - ending (a)	$ 12,772,971
Plan fiduciary net position	
Contributions - employer	$ 852,110
Investment income	597,001
Benefit payments	(552,110)
Administrative expenses	(5,054)
Net change in plan fiduciary net position	891,947
Plan fiduciary net position - beginning	5,416,101
Plan fiduciary net position - ending (b)	$ 6,308,048
Net OPEB liability - ending (a)-(b)	$ 6,464,923
Plan fiduciary net position as a percentage of the total OPEB liability	49.39%
Covered-employee payroll - measurement period	$ 7,684,157
Net OPEB liability as percentage of covered-employee payroll	84.13%

Notes to schedule:

Valuation date	June 30, 2017
Measurement period - fiscal year ended	June 30, 2017
Benefit changes:	None
Changes in assumptions:	None
Actuarial cost method:	Entry age normal cost method
Discount rate and investment rate of return:	7.00%
Healthcare trend:	4.00%
Inflation	2.75%
Mortality rate and pre-retirement turnover	Derived using CalPERS membership data

Omitted years: GASB Statement No. 75 was implemented during the year ended June 30, 2018. No information was available prior to this date. Information will be added prospectively as it becomes available until 10 years are reported.

EL DORADO HILLS COUNTY WATER DISTRICT
(DBA EL DORADO HILLS FIRE DEPARTMENT
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF CONTRIBUTIONS TO THE OPEB PLAN
LAST TEN FISCAL YEARS

For the Year Ended June 30, 2018

	2018
Contractually determined contribution - employer fiscal year	$ 890,325
Contributions in relation to the contractually determined contributions	(1,890,325)
Contribution deficiency (excess)	$ (1,000,000)
Covered-employee payroll - employer fiscal year	$ 7,786,603
Contributions as a percentage of covered-employee payroll	24.28%

Notes to Schedule:

Valuation date	June 30, 2016
Measurement period - fiscal year ended	June 30, 2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Cost Method
Amortization method/period	Level percentage of payroll over working lifetime of employees. Period not stated.
Asset valuation method	Market value
Inflation	2.75%
Payroll growth	2.75%
Investment rate of return	7.00%
Healthcare cost-trent rate	4.00% per year
Retirement age	Fire fighters hired before 2013: 2009 CalPERS 3%@50 retirement rates for sworn fire employees. Fire fighters hired after 2012: 2009 CalPERS 3%@55 retirement rates for sworn fire employees adjusted to reflect minimum retirement age of 52. General employees hired before 2013: 2009 CalPERS 3%@60 retirement rates for miscellaneous employees. General employees hired after 2012: 2009 CalPERS 2%@60 retirement rates for miscellaneous employees adjusted to reflect minimum retirement age of 52.
Mortality	2014 CalPERS 1997-2011 Experience Study mortality for fire fighters and miscellaneous employees.

Omitted years: GASB Statement No. 75 was implemented during the year ended June 30, 2018. No information was available prior to this date. Information will be added prospectively as it becomes available until 10 years are reported.

COMPLIANCE REPORT

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CERTIFIED PUBLIC ACCOUNTANTS

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
El Dorado Hills County Water District
(dba El Dorado Hills Fire Department)
El Dorado Hills, California

We have audited, in accordance with the 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, the financial statements of the governmental activities and the major fund of the El Dorado Hills Fire Department (dba El Dorado Hills Fire Department) (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 7, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Richardson & Company, LLP

November 7, 2018