

**EL DORADO HILLS COUNTY WATER DISTRICT
(dba EL DORADO HILLS FIRE DEPARTMENT)**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
for the year ended June 30, 2011**

ROBERT W. JOHNSON
Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
El Dorado Hills Fire Department
El Dorado Hills, California

We have audited the accompanying financial statements of El Dorado Hills Fire Department (the "District"), as of and for the year ended June 30, 2011, which comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of El Dorado Hills Fire Department as of June 30, 2011, and the changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis is not a required part of the financial statements but is supplemental information required by the Government Auditing Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

The accompanying supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of El Dorado Hills Fire Department. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Robert W. Johnson, An Accountancy Corporation

Citrus Heights, California

November 18, 2011



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, 2011.

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. The discussion concludes with a description of currently known facts, decisions and conditions that are expected to impact the financial position of the District's operations. 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.

Background

The El Dorado Hills County Water District (Fire Department) is a special District established in 1963. The District provides fire and emergency medical services to the community of El Dorado Hills which is approximately 30,000 acres.

Financial Reporting

The Fire Department maintains its accounts in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), and where not in conflict with GASB pronouncements, accounting principles prescribed by the Financial Accounting Standards Board (FASB). The Fire Department is mostly financed from Property Tax distributed by the County of El Dorado.

Investment Policies and Procedures

The Board reviews the investment policy periodically. The Board is invested mostly with the State of California Local Agency Investment Fund and minimally with the El Dorado County Treasury.

Balance Sheets, Statements of Revenues, Expenses and Changes in Net Assets

The balance sheets include all of the Fire Department's assets and liabilities, using the accrual basis of accounting, as well as information about which assets can be utilized for general purposes, and which assets are restricted by other commitments. The statements of revenues, expenses, and changes in net assets report all of the revenues and expenses during the time periods indicated.

Management's Discussion and Analysis as of and for the Year Ended June 30, 2011, cont.
Summary of Financial Position and Changes in Net Assets as of and
for the years ended June 30, 2011 and June 30, 2010

Assets	2010-2011	2009-2010
Cash	21,662,072	23,617,009
Accounts Receivable	356,741	299,565
Grant Receivable	-	-
Capital Assets	26,439,850	25,848,835
Less, accumulated depreciation	(6,479,019)	(5,818,738)
Total Assets	41,979,644	43,946,671
Liabilities		
Accounts Payable	129,853	96,148
Accrued employee benefits payable	332,139	299,587
Accrued vacation and sick leave benefits	1,182,747	1,468,965
Weed abatement deposits	11,148	11,507
	1,655,887	1,876,207
Fund Balance / Net Assets		
Invested in Capital Assets	19,960,831	20,030,097
Reserved	91,584	475,081
Unreserved	20,271,342	21,565,286
Total Fund Balances	40,323,757	42,070,464
Total Liabilities and Fund Balances	41,979,644	43,946,671
Revenue, Expenses and Changes in Net Assets		
Operating Revenues	13,612,426	15,061,562
Operating Expenses	15,359,133	15,648,369
Operating Income	(1,746,707))	(586,807)
Decrease in Net Assets	(1,746,707)	(586,807)
Net Assets, beginning of year	42,070,464	42,657,271
Net Assets, end of year	40,323,757	42,070,464

Management's Discussion and Analysis as of and for the Year Ended June 30, 2011, cont.

Assets - Cash and Investments

During the year ended June 30, 2011, the District's cash and investments decreased slightly. The District continues to spend conservatively especially with the downturn in the economy.

Liabilities

The District has no long-term debt.

There was a \$250 thousand decrease in employee benefits payable due to the many retirements. This amount increases and decreases as the District's employees are hired or retire. The District experienced six retirements in this fiscal year, three more than the previous year.

Changes in Net Assets

Operating revenues decreased about \$1.4 million from \$15 million to \$13.6 million. This represented a \$1.1 million dollar decrease to Property Tax, a 9% decrease from the previous year. There was also a decrease in revenue received for Interest Income, OES/Mutual Aid and Grant money.

Operating expenses decreased almost \$289,000 in the same time period. The largest portion of the decrease was from salaries and wages.

- The majority of the annual revenue is generated from property tax. The total property tax for 2009/10 was \$13,159,515, and for 2010/11 \$12,002,181 a 9% decrease over the previous year. This decrease includes the loss of Supplemental Tax Revenue, which is a direct result of lack of building and the downturn in the economy.
- The JPA contributes an additional \$1,106,049 for the ambulance contract.
- The total revenue received from Development Fees was \$381,549, an increase over the \$169,186 received in the prior year. This was used to reimburse the reserves borrowed for capital assets.
- The total revenue received from Interest on all accounts was \$98,535. The District earned an average of 0.5% on our cash accounts this past year.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$13,846,931, which is approximately one year of the annual normal operating expenses.
- The District also maintains a Capital Reserve Fund which has a balance of \$6,424,411. There were no contributions to this fund this year, however, a Type I engine and Self Contained Breathing Apparatus were purchased using this fund for a total cost of \$863,825.

Management's Discussion and Analysis as of and for the Year Ended June 30, 2011, cont.

Capital Assets

The District purchased fixed assets amounting to \$1,024,705 in 2010/11. This included the Type I Engine, Self Contained Breathing Apparatus, and Radios.

All the capital assets are valued at actual historical cost. Contributed capital assets are valued at their estimated fair market value on the date contributed. Capital assets with a value of \$5,000 or more are recorded as capital assets. All capital assets are depreciated over their estimated useful lives, using the straight-line method.

General Revenues

The primary source of revenue for the operation of the District is generated through the collection of secured, unsecured, and supplemental property taxes. The overall assessed valuation decreased 4% in 2009/10, however due to the continuation of the economic downturn in the 2010/11 year the assessed valuation decreased another 1.35%. This will have a substantial effect on our property tax revenues in the future. This reflects the diminishing property values in the El Dorado Hills area and around the country.

The Development fees were up this year from last year. This could result in an increase in building and property tax revenues.

Economic Outlook

The District's financial position continues to be adequate. Financial planning is based on specific assumptions from recent trends in real property values, new commercial and residential development, economic forecasts and historical growth patterns in the foothills.

The economic condition of El Dorado Hills County Water District (Fire Department) as it appears on the balance sheet reflects financial stability. The District continues to be concerned with the downturn of the development throughout its boundaries. The District will continue to maintain a watchful eye over expenditures and remain committed to sound fiscal management practices to deliver the highest quality service to the citizens of the area.

Contacting the District's Financial Management

The Annual Financial Report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the District's finances. Questions about this report should be directed to Connie Bair, Chief Financial Officer, at 1050 Wilson Blvd., El Dorado Hills, California, 95762.

EL DORADO HILLS FIRE DEPARTMENT
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
June 30, 2011

ASSETS	General Fund	Adjustments	Statement of Net Assets
Cash (Note 3)	\$21,662,072	\$ -	\$ 21,662,072
Accounts receivable	356,741	-	356,741
Capital assets (Note 4)	-	26,439,850	26,439,850
Less, accumulated depreciation	<u>-</u>	<u>(6,479,019)</u>	<u>(6,479,019)</u>
Total assets	<u>\$22,018,813</u>	<u>\$ 19,960,831</u>	<u>\$ 41,979,644</u>
LIABILITIES			
Accounts payable	\$ 129,853	\$ -	\$ 129,853
Accrued employee benefits payable	332,139	-	332,139
Accrued vacation and sick leave benefits	1,182,747	-	1,182,747
Weed abatement deposits	<u>11,148</u>	<u>-</u>	<u>11,148</u>
Total liabilities	<u>1,655,887</u>	<u>-</u>	<u>1,655,887</u>
FUND BALANCES/NET ASSETS			
Fund balances:			
Restricted	91,584	(91,584)	-
Committed	6,424,411	(6,424,411)	-
Unassigned	<u>13,846,931</u>	<u>(13,846,931)</u>	<u>-</u>
Total fund balances	<u>20,362,926</u>	<u>(20,362,926)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$22,018,813</u>		
Net assets (Note 8):			
Invested in capital assets, net of related debt		19,960,831	19,960,831
Restricted		91,584	91,584
Unrestricted		<u>20,271,342</u>	<u>20,271,342</u>
		<u>\$ 40,323,757</u>	<u>\$ 40,323,757</u>

See notes to financial statements

EL DORADO HILLS FIRE DEPARTMENT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
for the year ended June 30, 2011

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Program expenditures/expenses:			
Public protection	\$ 13,764,178	\$ -	\$ 13,764,178
Support services	680,139	-	680,139
Capital outlay	1,024,705	(1,024,705)	-
Depreciation	<u>-</u>	<u>914,816</u>	<u>914,816</u>
Total program expenditures/expenses	<u>15,469,022</u>	<u>(109,889)</u>	<u>15,359,133</u>
Program revenues:			
OES/Mutual Aid reimburse	269	-	269
JPA revenue	<u>1,106,049</u>	<u>-</u>	<u>1,106,049</u>
Total program revenues	<u>1,106,318</u>	<u>-</u>	<u>1,106,318</u>
General revenues:			
Tax revenue	12,002,181	-	12,002,181
Development fees	381,549	-	381,549
Interest income	99,144	-	99,144
Grant revenue	61,296	-	61,296
Contributions	200	-	200
Sale of assets	66,000	179,155	(113,155)
Other	<u>74,893</u>	<u>-</u>	<u>74,893</u>
Total general revenues	<u>12,685,263</u>	<u>179,155</u>	<u>12,506,108</u>
Excess of revenues (expenditures)/ changes in net assets	(1,677,441)	(69,266)	(1,746,707)
Fund balances/net assets:			
Beginning	<u>22,040,367</u>	<u>20,030,097</u>	<u>42,070,464</u>
Ending	<u>\$20,362,926</u>	<u>\$19,960,831</u>	<u>\$40,323,757</u>

See notes to financial statements

EL DORADO HILLS FIRE DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES
COMPARED TO BUDGET
for the year ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Favorable/ (Unfavorable) Variance</u>
Revenues:			
Tax revenue	\$12,120,175	\$12,002,181	\$(117,994)
Development fees, net	100,000	381,549	281,549
OES/Mutual Aid reimburse	550,000	269	(549,731)
JPA revenue	1,033,807	1,106,049	72,242
Interest income	100,000	99,144	(856)
Grant revenue	109,490	61,296	(48,194)
Contributions	-	200	200
Sale of assets	-	-	-
Other	<u>110,000</u>	<u>140,893</u>	<u>30,893</u>
Total revenues	<u>14,123,472</u>	<u>13,791,581</u>	<u>(331,891)</u>
Expenditures:			
Salaries	6,655,449	6,830,878	(175,429)
Overtime	2,040,000	1,736,438	303,562
Volunteer pay	85,000	63,070	21,930
Director pay	14,400	15,800	(1,400)
Other compensation	50,000	183,285	(133,285)
Retirement	2,289,598	2,217,160	72,438
Medicare	134,774	124,150	10,624
Other benefits	2,294,447	2,215,238	79,209
Clothing and personal supplies	119,450	57,665	61,785
Communications	73,300	60,958	12,342
Housekeeping	19,825	16,300	3,525
Insurance	50,000	46,486	3,514
Maintenance – equipment	238,900	145,446	93,454
– structures	84,470	29,592	54,878
Medical supplies	4,000	908	3,092
Memberships	8,725	5,711	3,014
Miscellaneous	13,000	14,873	(1,873)
Office supplies	36,450	19,459	16,991

(continued)

See notes to financial statements

EL DORADO HILLS FIRE DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES, continued
COMPARED TO BUDGET
for the year ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Favorable/ (Unfavorable) Variance</u>
Expenditures (continued):			
Professional services	\$ 347,400	\$ 349,735	\$ (2,335)
Small tools	98,800	57,071	41,729
Special expenses	145,650	84,754	60,896
Travel	106,000	82,935	23,065
Utilities	91,000	86,405	4,595
Fixed asset additions	948,000	1,024,705	(76,705)
Contingency	<u>160,000</u>	<u>-</u>	<u>160,000</u>
Total expenditures	<u>16,108,638</u>	<u>15,469,022</u>	<u>639,616</u>
Excess of revenues/ (expenditures)	<u>\$ (1,985,166)</u>	<u>\$ (1,677,441)</u>	<u>\$ 307,725</u>

See notes to financial statements

EL DORADO HILLS FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS

1. Organization:

In 1963 the Fire Department was established under the El Dorado Hills County Water District. After ten years the citizens of El Dorado Hills voted to have the water and sewer systems operated by El Dorado Irrigation District; therefore leaving only fire protection under the direction of the County Water District Board.

The District's financial and administrative functions are governed by a five member Board of Directors elected by the voting population within the District.

The District operates four fire stations, employs 57 full-time employees and has approximately 35 volunteers. 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 has expanded to approximately 30,000 acres with over 14,000 homes and an estimated population of 42,000. Commercial development includes a 900-acre business park, a 260-acre town center, three grocery stores, and a Target. The total commercial square feet in the District is approximately 4,600,000.

The District's purpose, vision, and mission are as follows:

PURPOSE

To project the growth of the community and Fire Department and to establish a financial and operational plan to meet the emergency response needs of the community.

VISION

To be a leader in emergency services. We will be a diverse workforce that provides quality fire and life safety services through proactive and innovative training, education, code enforcement, risk assessment and community service.

MISSION

To serve the community of El Dorado Hills with integrity and excellence.

EL DORADO HILLS FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Policies:

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing GAAP for state and local government organizations. The District's significant accounting policies are described below.

Measurement Focus and Basis of Accounting

The District reports a *General Fund* that is used to account for all financial resources except those required or designated by the Board of Directors to be accounted for in another fund.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers revenues to be available if they are collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues that are accrued include property taxes, interest income, and charges for current services. Revenues that are not accrued include permits and fines, forfeitures, and penalties, if applicable. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. General capital assets are reported as expenditures in governmental funds. Proceeds of general long-term and capital assets are reported as other financing sources.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

EL DORADO HILLS FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Policies (continued):

Capital Assets

Capital assets are recorded at historical cost if purchased or constructed. Amortization of assets acquired under capital lease is included in depreciation. Structures and equipment are depreciated using the straight-line method over their estimated useful lives, which range from five to forty years.

Budgets

In accordance with the provisions of Sections 13901 through 13906 of the California Health & Safety Code and other statutory provisions, commonly known as the Budget Act, the District prepares and legally adopts a final balanced budget for each fiscal year.

Compensated Absences

Vested or accumulated vacation and sick leave that are expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability.

Cash

The District maintains cash balances with the Treasurer of El Dorado County in an interest-bearing pooled investment account. The District's operating cash is held in a bank. The principal amount of District cash is invested with LAIF, a state local agency investment pool. All cash invested is within the State statutes.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results may differ from those estimates.

EL DORADO HILLS FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Policies (continued):

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.

3. Cash:

The District had the following cash balances at June 30, 2011:

Petty cash		\$	100
Cash in bank			313,556
Cash with County:			
General	\$1,114,675		
Developer fees	382,159		
JPA Retiree health benefits	91,584		
Weed abatement	<u>10,874</u>		
			1,599,292
LAIF			<u>19,749,124</u>
			<u>\$21,662,072</u>

EL DORADO HILLS FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS, continued

4. Capital Assets:

Changes in capital assets for the year ended June 30, 2011 are as follows:

	<u>Balance, beginning of year</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance, end of year</u>
Land	\$ 4,489,525	\$ -	\$ -	\$ 4,489,525
Buildings and improvements	14,325,927	-	-	14,325,927
Vehicles	3,839,225	530,385	432,789	3,936,821
Equipment	<u>3,140,016</u>	<u>494,320</u>	<u>901</u>	<u>3,633,435</u>
	25,794,693	1,024,705	433,690	26,385,708
Work in progress:				
Training Facility	<u>54,142</u>	<u>-</u>	<u>-</u>	<u>54,142</u>
	<u>\$25,848,835</u>	<u>\$1,024,705</u>	<u>\$ 433,690</u>	<u>\$26,439,850</u>

EL DORADO HILLS FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS, continued

5. JPA:

The District is a member agency of a joint powers authority, the El Dorado County Emergency Services Authority (JPA), which provides ambulance and other pre-hospital emergency services on the west slope of El Dorado County. There are ten member agencies in total. The governing Board controls the operations of the JPA. The JPA changed from having one elected Board Member assigned from each District to having the Chief of every District make up its ten-member Board.

The JPA is independently accountable for its fiscal matters and maintains its own accounting records. Each of the ten member Fire Districts approves the JPA budget and their vote is carried by their Fire Chief to the Board. Separate financial statements for the JPA are available.

The JPA contracts with the District for one medic unit with six employees working shift work. The District is fully reimbursed for all authorized costs incurred in the execution of the Contract.

6. Retirement Plan:

The District's policy is to fund retirement benefits with the State of California Public Employees' Retirement System (CALPERS). The amount of pension contributions by the District to CALPERS is actuarially determined under a program wherein contributions plus earnings of the retirement system are to provide the necessary funds to pay retirement benefits when due. The District relies on the competency of the State in determining the funding method, the adequacy of funding, and the spreading of actuarial gains and losses which is currently on a four-year basis.

A. Plan Description

The El Dorado Hills Fire Department contributes to the California Public Employees Retirement System (CALPERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. CALPERS issues a publicly available financial report that includes financial statements and required supplementary information for the El Dorado Hills Fire Department. The financial report may be obtained by writing to CALPERS Actuarial Office, P.O. Box 942709, Sacramento, CA 94229-2709.

EL DORADO HILLS FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS, continued

6. Retirement Plan, continued:

Pooled Report Format

Since the District's plan has less than 100 active members, it is required to participate in a risk pool (safety and miscellaneous, respectively).

Safety – 3% at 50 Risk Pool.

Miscellaneous – 3% at 60 Risk Pool.

Under GASB 27, an employer should recognize annual pension expenditures/expense equal to its contractually required contributions to the plan. Pension liabilities and assets result from the difference between contributions required and contributions made.

A summary of principal assumptions and methods used to determine the contractually required contributions is shown below for the cost-sharing multiple-employer defined benefit plans:

Valuation Date	June 30, 2009
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	18 years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.55% to 14.45% depending on Age, Service, and type of Employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%

EL DORADO HILLS FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS, continued

6. Retirement Plan, continued:

**Risk Pool's History of Funded Status and Funding Progress
(Safety Plan)**

<u>Valuation Date</u>	<u>Accrued Liabilities</u>	<u>Actuarial Assets</u>	<u>Unfunded Liabilities (UL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UL As a % of Payroll</u>
June 30, 2007	\$7,986,055,176	\$6,826,599,459	\$1,159,455,717	85.5%	\$831,607,658	139.4%
June 30, 2008	\$8,700,467,733	\$7,464,927,716	\$1,235,540,017	85.8%	\$914,840,596	135.1%
June 30, 2009	\$9,721,675,347	\$8,027,158,724	\$1,694,516,623	82.6%	\$973,814,168	174.0%

**Risk Pool's History of Funded Status and Funding Progress
(Miscellaneous Plan)**

<u>Valuation Date</u>	<u>Accrued Liabilities</u>	<u>Actuarial Assets</u>	<u>Unfunded Liabilities (UL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UL As a % of Payroll</u>
June 30, 2007	\$ 699,663,524	\$ 576,069,687	\$ 123,593,837	82.3%	\$139,334,562	88.7%
June 30, 2008	\$ 776,166,719	\$ 641,167,624	\$ 134,999,095	82.6%	\$155,115,302	87.0%
June 30, 2009	\$ 883,394,429	\$ 694,384,975	\$ 189,009,454	78.6%	\$161,972,631	116.7%

Annual employee contributions for active plan members, calculated as a % of covered salary, consist of:

Safety plan	9%
Miscellaneous plan	8%

The District pays the employees' share of contributions. The District is required to contribute additional amounts necessary to fund the benefits for its members, using the actuarial basis recommended by the PERS Actuaries and Actuarial Consultants and adopted by the Board of Administration. For the year ended June 30, 2011 the District paid total contributions of \$2,217,160.

EL DORADO HILLS FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS, continued

7. Development Fees:

The use of development fees is restricted solely for financing public facilities and equipment necessary to serve new developments.

Activities of development fees cash for 2010-11 follows:

Cash – beginning	\$ 193,736
Add, development fees collected	385,403
interest income	610
Deduct, provided for capital items	(193,736)
administrative fee	(3,854)
Cash – ending	<u>\$ 382,159</u>

The status of accumulated development fees through June 30, 2011 is analyzed as follows:

Capital costs attributable to	
development fees	\$ 12,156,250
Less, development fees collected	<u>539,632</u>
Balance, payable to General Fund,	
from future collection of	
development fees	<u>\$ 11,616,618</u>

EL DORADO HILLS FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS, continued

8. Net Assets:

Net assets at June 30, 2011 consist of:

Invested in capital assets, net of related debt	\$19,960,831
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Restricted

JPA medical benefits	\$ 91,584	91,584
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Unrestricted

Board Designated

Capital replacement	6,424,411
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<u>Undesignated</u>	<u>13,846,931</u>	<u>20,271,342</u>
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Total		<u>\$40,323,757</u>
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EL DORADO HILLS FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS, continued

9. Post Employment Benefits:

Plan Description

In addition to pension benefits, the District provides certain healthcare benefits through CALPERS for retired employees and their survivor dependents, subject to certain conditions.

During the fiscal year ended June 30, 2009, the District implemented GASB Statement No. 45 prospectively, which changed the accounting and financial reporting used by local government employers for post employment benefits. A trust fund was established to prefund employee post employment benefits. Previously, the costs of such benefits were recognized as expenses of the District on a pay-as-you-go basis.

The prefunding plan name is the California Employers' Retiree Benefit Trust (CERBT) fund, which is an agent-multiple employer plan as defined in GASB Statement No. 43 and meets the requirements to qualify as a prefunding trust as defined by Section 115 of the Internal Revenue Code. CERBT is run by PERS for investment purposes. Copies of the CERBT annual financial report may be obtained by contacting PERS at (888) 225-7377.

Eligibility

Substantially all of the District's full-time employees may become eligible for the healthcare benefits after age fifty, and after working for the District for five years. Retirement from the District is also a condition of eligibility (the District must be the last employer prior to retirement). At January 1, 2011, 11 retired employees/survivor dependents met those eligibility requirements. Covered employees are not required to make contributions to receive the benefits. The contribution requirements of Plan members and the District are established and may be amended by the Board of Directors.

Fund Policy

During 2008, the District has adopted a policy to fully fund the Annual Required Contribution (ARC), for these benefits into CERBT. The ARC is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 10.37 percent of the annual covered payroll.

The ARC was funded in the amount of \$710,000 for the year ended June 30, 2009. The ARC was \$689,000 at January 1, 2010. The amount includes the normal cost of \$423,000 and \$266,000 to amortize the UAAL. At June 30, 2011, the fair market value of plan assets was \$2,312,133.

EL DORADO HILLS FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS, continued

9. Post Employment Benefits, continued:

Funded Status and Funding Progress of the Plan

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability UAAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
1/1/08	\$ 483,612	\$5,353,000	\$4,869,388	9.03%	\$6,123,000	79.53%
1/1/10	\$1,367,279	\$5,814,000	\$4,446,721	23.52%	\$6,641,000	66.96%

The most recent valuation (dated January 1, 2010) includes an AAL of \$5,814,000 and Unfunded Actuarial Accrued Liability (UAAL) of \$4,446,721. The covered payroll (annual payroll of active employees covered by the plan) was \$6,641,000, and the ratio of the UAAL to annual covered payroll was 66.96%.

The January 1, 2010 liability was determined using the Projected Unit Credit actuarial cost method. The actuarial assumptions included an interest rate of 7.75% on January 1, 2010 and medical premiums are assumed to increase 9% in 2010. A long-term general inflation rate of 3% was also used.

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and the pattern of sharing of costs between the employer and plan members to that point. Consistent with the long-term perspective of actuarial calculations, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities for benefits.

EL DORADO HILLS FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS, continued

9. Post Employment Benefits, continued:

Actuarial Methods and Assumptions, continued

Valuation date	January 1, 2010
Actuarial cost method	Projected Unit Credit
Amortization method	Level percent of payroll amortization
Remaining amortization period	30 years as of 1/1/08 valuation date
Asset valuation method	5 year spread of gain/loss with respect to assumption
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increase	3.25%
Inflation – discount rate	3.00%

10. Risk of Loss

El Dorado Hills Fire Department is exposed to various risks of loss related to theft of, damage to, and destruction of assets; and injuries to employees. During the 2011 fiscal year, the District purchased certain commercial insurance coverages to provide for these risks.

11. Subsequent Events:

Management has evaluated subsequent events through November 18, 2011, the date these June 30, 2011 financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

EL DORADO HILLS FIRE DEPARTMENT
PRINCIPAL OFFICIALS

Board of Directors:

Greg Durante

President

John Hidahl

Vice-President

James Hartley

Lou Barber

Barbara Winn

Operations:

David Roberts

Chief

Connie Bair

Chief Financial Officer