

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, 2012

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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, 2012, 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 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 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, 2012, and the results of its operations thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and State Regulations governing Special Districts.

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

December 27, 2012



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, 2012.

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.

**Summary of Financial Position and Changes in Net Assets as of and
for the years ended June 30, 2012 and June 30, 2011**

Assets	2011-2012	2010-2011
Cash	21,688,648	21,662,072
Accounts Receivable	328,565	356,741
Capital Assets	26,118,081	26,439,850
Less, accumulated depreciation	(6,863,018)	(6,479,019)
	<hr/>	<hr/>
Total Assets	41,272,276	41,979,644

Liabilities

Accounts Payable	137,438	129,853
Accrued employee benefits payable	343,401	332,139
Accrued vacation and sick leave benefits	1,276,458	1,182,747
Weed abatement deposits	10,432	11,148
	<hr/>	<hr/>
	1,767,729	1,655,887

Fund Balance / Net Assets

Invested in Capital Assets	19,255,063	19,960,831
Reserved	794,839	91,584
Unreserved	19,454,645	20,271,342
	<hr/>	<hr/>
Total Fund Balances	39,504,547	40,323,757
	<hr/>	<hr/>
Total Liabilities and Fund Balances	41,272,276	41,979,644

Revenue, Expenses and Changes in Net Assets

Operating Revenues	13,837,999	13,612,426
Operating Expenses	14,657,209	15,359,133
Operating Income	(819,210)	(1,746,707)
	<hr/>	<hr/>
Increase in Net Assets	(819,210)	(1,746,707)
	<hr/>	<hr/>
Net Assets, beginning of year	40,323,757	42,070,464
Net Assets, end of year	39,504,547	40,323,757

Management's Discussion and Analysis as of and for the Year Ended June 30, 2012

Assets - Cash and Investments

During the year ended June 30, 2012, the District's cash and investments decreased slightly. The District continues to spend conservatively especially with the uncertain economy.

Liabilities

The District has no long-term debt. There were no significant changes in liabilities.

Changes in Net Assets

Operating revenues increased slightly, about \$225,000 from \$13.6 million to \$13.8 million. This represented a \$140,000 decrease to Property Tax, a 1.2% decrease from the previous year. There was also a decrease in revenue received for Interest Income and JPA Reimbursement and an increase in OES/Mutual Aid money. The largest increase was in Development which was two times the amount received in the previous year. Development fees were \$382,000 in 2010/11 and \$695,700 in 2011/12.

Operating expenses decreased almost \$700 thousand in the same time period. The largest portion of the decrease was from salaries and wages. This decrease would include the \$1,094,000 paid to CalPERS to pay off the side fund.

- The majority of the annual revenue is generated from property tax. The total property tax for 2010/11 was \$12,002,181 and for 2011/12 was \$11,861,078, a 1.2% decrease over the previous year. This decrease includes the loss of Supplemental Tax Revenue, which is a direct consequence of lack of building and the reevaluation of housing prices resultant from the downturn in the economy.
- The JPA contributes an additional \$1,063,290 for the ambulance contract.
- The total revenue received from Development Fees was \$695,721 an increase of \$313,563 over the \$381,549 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 \$70,697. 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 \$13,774,461, which is approximately one year of the annual normal operating expenses.
- The District also maintains a Capital Reserve Fund which has a balance of \$6,383,196. There were minimal contributions to this fund this year from some minor sale of assets, however, computers/servers and a portion of the Station 84 and 87 improvements were paid from this fund in the amount of \$72,985.

Capital Assets

The District purchased fixed assets amounting to \$152,382 in 2011/12. This included computers/servers, preliminary work and plans for Station 84 and Station 87.

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 1.35% in 2011/12; however in the continuation of the economic downturn in 2012/13 the assessed valuation is projected to increase a slight 0.35%. This will have a minimal effect on our property tax revenues next year.

The Development fees were almost double this year over last year. There appears to be more building in the future which would 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 is encouraged with the increase in building and 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, 2012

ASSETS	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
Cash (Note 3)	\$21,688,648	\$ -	\$ 21,688,648
Accounts receivable	328,565	-	328,565
Capital assets (Note 4)	-	26,118,081	26,118,081
Less, accumulated depreciation	<u>-</u>	<u>(6,863,018)</u>	<u>(6,863,018)</u>
Total assets	<u>\$22,017,213</u>	<u>\$ 19,255,063</u>	<u>\$ 41,272,276</u>
LIABILITIES			
Accounts payable	\$ 137,438	\$ -	\$ 137,438
Accrued employee benefits payable	343,401	-	343,401
Accrued vacation and sick leave benefits	1,276,458	-	1,276,458
Weed abatement deposits	<u>10,432</u>	<u>-</u>	<u>10,432</u>
Total liabilities	<u>1,767,729</u>	<u>-</u>	<u>1,767,729</u>
FUND BALANCES/NET ASSETS			
Fund balances:			
Restricted	794,839	(794,839)	-
Committed	6,383,196	(6,383,196)	-
Unassigned	<u>13,071,449</u>	<u>(13,071,449)</u>	<u>-</u>
Total fund balances	<u>20,249,484</u>	<u>(20,249,484)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$22,017,213</u>		
Net assets (Note 9):			
Invested in capital assets, net of related debt		19,255,063	19,255,063
Restricted		794,839	794,839
Unrestricted		<u>19,454,645</u>	<u>19,454,645</u>
		<u>\$ 39,504,547</u>	<u>\$ 39,504,547</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, 2012

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Program expenditures/expenses:			
Public protection	\$ 13,677,602	\$ -	\$ 13,677,602
Support services	187,806	-	187,806
Capital outlay	144,617	(144,617)	-
Depreciation	<u>-</u>	<u>791,801</u>	<u>791,801</u>
Total program expenditures/expenses	<u>14,010,025</u>	<u>647,184</u>	<u>14,657,209</u>
Program revenues:			
OES/Mutual Aid reimburse	38,639	-	38,639
JPA revenue	<u>1,063,290</u>	<u>-</u>	<u>1,063,290</u>
Total program revenues	<u>1,101,929</u>	<u>-</u>	<u>1,101,929</u>
General revenues:			
Tax revenue	11,861,078	-	11,861,078
Development fees	694,827	-	694,827
Interest income	70,697	-	70,697
Grant revenue	-	-	-
Contributions	-	-	-
Sale of assets	12,771	58,584	(45,813)
Other	<u>155,281</u>	<u>-</u>	<u>155,281</u>
Total general revenues	<u>12,794,654</u>	<u>58,584</u>	<u>12,736,070</u>
Excess of revenues (expenditures)/ changes in net assets	(113,442)	(705,768)	(819,210)
Fund balances/net assets:			
Beginning	<u>20,362,926</u>	<u>19,960,831</u>	<u>40,323,757</u>
Ending	<u>\$20,249,484</u>	<u>\$19,255,063</u>	<u>\$39,504,547</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, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Favorable/ (Unfavorable) Variance</u>
Revenues:			
Tax revenue	\$11,884,234	\$11,861,078	\$(23,156)
Development fees, net	100,000	694,827	594,827
OES/Mutual Aid reimburse	250,000	38,639	(211,361)
JPA revenue	1,050,654	1,063,290	12,636
Interest income	100,000	70,697	(29,303)
Grant revenue	-	-	-
Contributions	-	-	-
Sale of assets	-	12,771	12,771
Other	<u>135,000</u>	<u>155,281</u>	<u>20,281</u>
Total revenues	<u>13,519,888</u>	<u>13,896,583</u>	<u>376,695</u>
Expenditures:			
Salaries	5,927,986	5,872,262	55,724
Overtime	1,435,000	1,323,357	111,643
Volunteer pay	65,000	72,005	(7,005)
Director pay	14,400	13,100	1,300
Other compensation	50,000	104,539	(54,539)
Retirement	2,077,843	2,018,524	59,319
Medicare	109,763	99,305	10,458
Other benefits	2,207,848	2,235,965	(28,117)
Clothing and personal supplies	71,000	73,825	(2,825)
Communications	74,500	58,217	16,283
Housekeeping	20,325	13,430	6,895
Insurance	50,000	44,274	5,726
Maintenance – equipment	201,900	154,028	47,872
– structures	85,700	54,170	31,530
Medical supplies	4,000	393	3,607
Memberships	7,555	5,257	2,298
Miscellaneous	24,000	20,905	3,095
Office supplies	27,650	21,935	5,715

(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, 2012

	<u>Budget</u>	<u>Actual</u>	Favorable/ (Unfavorable) <u>Variance</u>
Expenditures (continued):			
Professional services	\$ 308,900	\$ 316,321	\$(7,421)
Small tools	65,250	49,134	16,116
Special expenses	89,600	56,861	32,739
Travel	113,000	85,581	27,419
Utilities	98,000	77,802	20,198
Fixed asset additions	761,000	144,617	616,383
PERS side fund (one time payoff)	1,094,218	1,094,218	-
Contingency	<u>-</u>	<u>-</u>	<u>-</u>
 Total expenditures	 <u>14,984,438</u>	 <u>14,010,025</u>	 <u>974,413</u>
 Excess of revenues/ (expenditures)	 <u>\$(1,464,550)</u>	 <u>\$(113,442)</u>	 <u>\$ 1,351,108</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 56 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, 2012:

Petty cash		\$	100
Cash in bank			556,776
Cash with County:			
General	\$1,005,602		
Development fees	703,012		
JPA Retiree health benefits	91,827		
Weed abatement	<u>9,156</u>		
			1,809,597
LAIF			<u>19,322,175</u>
			<u>\$21,688,648</u>

EL DORADO HILLS FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS, continued

4. Capital Assets:

Changes in capital assets for the year ended June 30, 2012 are as follows:

	Balance, beginning <u>of year</u>	<u>Additions</u>	<u>Disposals</u>	Balance, end of <u>year</u>
Land	\$ 4,489,525	\$ -	\$ 52,013	\$ 4,437,512
Buildings and improvements	14,325,927	-	-	14,325,927
Vehicles	3,936,821	-	-	3,936,821
Equipment	<u>3,633,435</u>	<u>90,000</u>	<u>414,372</u>	<u>3,309,063</u>
	26,385,708	90,000	466,385	26,009,323
Work in progress:				
Training Facility	<u>54,142</u>	<u>54,616</u>	<u>-</u>	<u>108,758</u>
	<u>\$26,439,850</u>	<u>\$ 144,616</u>	<u>\$ 466,385</u>	<u>\$26,118,081</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 of Directors controls the operations of the JPA. The JPA Board is made up of a Fire Chief from each District. 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. Defined Benefit Retirement Plan:

Plan Description

The District contributes to the California Public Employees Retirement System (CalPERS), an agent multiple-employer defined benefit pension plan. The District participates in the miscellaneous 3% at 50 risk pool (safety) and 3.0% at 60 risk pool (miscellaneous). CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public employers within the State of California. CalPERS requires agencies with less than 100 active members in the plan to participate in the risk pool. All District permanent employees are eligible to participate in the System. Benefits vest after five years of service. District employees who retire at age 50 to 55 and with over 5 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 3.00 percent of their average salary (safety) during their last 12 months of employment and for non-safety employees retiring between age 50 to 60, 2.00 to 3.00 percent of their average salary during the last 12 months of employment. A menu of benefits provision as well as other requirements is established by State Statutes within the Public Employees Retirement Law. The plan selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through District resolution. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS executive Office, 400 P Street, Sacramento, California, 95814.

EL DORADO HILLS FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS, continued

6. Defined Benefit Retirement Plan, continued:

Funding Policy

Covered employees are required by statute to contribute 9 percent (safety) and 8 percent (miscellaneous) of their salary to the plan. The District is required by the same statute to contribute the remaining amounts necessary to pay benefits when due; however, the employees pay 3% of the employer's share. The District is required to contribute at an actuarially determined rate. The contribution requirements of the plan members and the District are established and may be amended by CalPERS. The District's contributions for the years ended June 30, 2012, 2011 and 2010 were \$2,018,524, \$2,217,160 and \$2,130,283 respectively, which were equal to the required contributions each year.

The required employer contribution rates were:

	<u>Safety</u>	<u>Miscellaneous</u>
2009-10	20.549%	21.3 %
2010-11	21.594%	20.47%
2011-12	26.509%	21.50%

7. Other Post-Employment Benefits (OPEB):

Plan Description: In addition to pension benefits, the District provides certain post-employment health care benefits to eligible retirees and their eligible dependents who retire from the District at age 50 with at least five years of service, or become fully disabled while working. The District provides health benefits to any retiree with a PERS pension, and continues it for surviving spouses. Coverage for dependents is paid by the District. Coverage is for medical benefits only.

Funding Policy: The contribution requirements of plan members and the District are established and may be amended by the Board of Directors. Annually, the District intends to make a total contribution equal to the Annual Required Contribution (ARC). For the fiscal year ended June 30, 2012, the District contributed \$684,874. Retiree benefit costs are to be paid directly by the District and any remaining amount (up to 100% of the ARC) is deposited into the OPEB California Employers' Retiree Benefit Trust (CERBT) fund.

Annual OPEB Cost and Net OPEB Obligation: The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), 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

EL DORADO HILLS FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS, continued

7. Other Post-Employment Benefits (OPEB), continued:

projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The District has paid the annual required contribution (ARC) to CERBT each year. Therefore, the net OPEB obligation is \$0.

Funded Status and Funding Progress: As of July 1, 2011, there were 16 retirees receiving health benefits. The projection shows increases to 55 retirees in 2030-31. The actuarial accrued liability for benefits was \$7,376,143 of which 27.33% was funded. The covered payroll (annual payroll of active employees covered by the plan) was \$5,544,200 and the ratio of UAAL to the covered payroll was 96.70%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2011 actuarial valuation, the projected unit credit actuarial method was used. The investment return assumption is 7.5% per year. This interest rate is appropriate if the District will fund the ARC fully with investments that are expected to earn that rate of return. This rate is also used to discount expected future benefit payments to present value. The UAAL is the present value of benefits attributed to the past which have not yet been funded. The UAAL is amortized over 30 years beginning July 1, 2008. The remaining amortization period at June 30, 2012 is twenty seven years. Healthcare premiums are expected to rise 5% per annum in the future.

EL DORADO HILLS FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS, continued

8. 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 2011-12 follows:

Cash – beginning	\$ 382,159
Add, development fees collected	709,209
interest income	895
Deduct, provided for capital items	(382,159)
administrative fee	(<u>7,092</u>)
Cash – ending	\$ <u><u>703,012</u></u>

The status of accumulated development fees through June 30, 2012 is analyzed as follows:

Capital costs attributable to development fees	\$ 11,616,618
Less, development fees collected, net	<u>695,722</u>
Balance, payable to General Fund, from future collection of development fees	\$ <u><u>10,920,896</u></u>

EL DORADO HILLS FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS, continued

9. Equity:

General Fund:

Restricted for:

Development fees	\$ 703,012	
JPA medical benefits	<u>91,287</u>	
		\$ 794,839

Committed for:

Capital replacement		6,383,196
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Unassigned		<u>13,071,449</u>
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\$20,249,484

Statement of Net Assets:

Invested in capital assets, net of related debt	\$19,255,063
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Restricted:

Development fees	\$ 703,012	
JPA medical benefits	<u>91,827</u>	
		794,839

Unrestricted:

Board designated:		
Capital replacement		6,383,196

Undesignated		<u>13,071,449</u>
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\$39,504,547

EL DORADO HILLS FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS, continued

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 2012 fiscal year, the District purchased certain commercial insurance coverages to provide for these risks.

11. Subsequent Events:

Management has evaluated subsequent events through December 27, 2012, the date these June 30, 2012 financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

EL DORADO HILLS FIRE DEPARTMENT
PRINCIPAL OFFICIALS

Board of Directors:

John Hidahl	President
Greg Durante	Vice-President
James Hartley	
Lou Barber	
Barbara Winn	

Operations:

David Roberts	Chief
Connie Bair	Chief Financial Officer

EL DORADO HILLS FIRE DEPARTMENT
SCHEDULE OF FUNDING PROGRESS
Other Post-Employment Benefits (OPEB)
for the year ended June 30, 2012

The table below shows an analysis of the actuarial value of assets as a percentage of the actuarial accrued liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll as of June 30:

Actuarial Valuation Date	(1) Actuarial Value of Plan Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio	(4) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	(5) Annual Covered Payroll	(6) UAAL as a % of Covered Payroll (4) / (5)
7/1/2011	\$2,015,900	\$7,376,143	27.33%	\$5,361,000	\$5,544,200	96.70%
1/1/2010	\$1,367,279	\$5,814,000	23.52%	\$4,446,721	\$6,641,000	66.96%
1/1/2008	\$ 483,612	\$5,353,000	9.03%	\$4,869,388	\$6,123,000	79.53%

EL DORADO HILLS FIRE DEPARTMENT
STATEMENT OF CASH FLOWS
for the year ending June 30, 2012

Cash flows from operating activities:

Change in net assets (loss)	\$(819,210)
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Sale of assets	58,584
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Adjustments to reconcile change in net assets
to net cash provided to operating activities

Depreciation	\$ 791,801
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(Increase) decrease in:

Accounts receivable	28,176
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(Decrease) increase in:

Accounts payable	7,585
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Accrued benefits payable	11,262
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Accrued vacation and sick pay	93,711
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Weed abatement deposits	(717)
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	<u>931,818</u>
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Net cash provided

to operating activities

	171,192
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Cash flows from investing activities:

Purchase of equipment	(144,616)
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Cash flows from financing activities:

	<u>-</u>
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Net increase in cash

	26,576
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Cash at beginning of year

	<u>21,662,072</u>
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Cash at end of year

	<u>\$21,688,648</u>
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