

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

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**FINANCIAL STATEMENTS**  
**AND INDEPENDENT AUDITOR'S REPORT**  
**for the year ended June 30, 2014**

**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, as of and for the year ended June 30, 2014, as listed in the table of contents, and the related notes to the financial statements.

**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 an opinion on these financial statements based on our audit. We conducted our audits 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 from 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 opinion.

## **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, 2014, and the results of its operations 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.

## **Other Matters**

### *Required Supplementary Information*

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.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the 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

October 7, 2014



## **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, 2014.

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). The Fire Department is mostly financed from property tax collected and 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 Position**

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 position report all of the revenues and expenses during the time periods indicated.

**Summary of Financial Position and Changes in Net Position as of and  
for the years ended June 30, 2014 and June 30, 2013**

<b>Assets</b>	<b>2013-2014</b>	<b>2012-2013</b>
Cash	22,152,003	21,094,957
Accounts Receivable	207,057	488,503
Capital Assets	27,055,677	27,126,307
Less, accumulated depreciation	(7,881,672)	(7,489,464)
	<hr/>	<hr/>
Total Assets	41,533,065	41,220,303

**Liabilities**

Accounts Payable	76,036	176,535
Accrued employee benefits payable	359,982	342,452
Accrued vacation and sick leave benefits	1,222,530	1,277,409
Weed abatement deposits	-	8,275
	<hr/>	<hr/>
	1,658,548	1,804,671

**Fund Balance / Net Position**

Invested in Capital Assets	19,174,005	19,636,843
Reserved	2,399,629	1,025,588
Unreserved	18,300,883	18,753,201
	<hr/>	<hr/>
Total Fund Balances	39,874,517	39,415,632
	<hr/>	<hr/>
Total Liabilities and Fund Balances	41,533,065	41,220,303

**Revenue, Expenses and Changes in Net Position**

Operating Revenues	14,547,681	14,270,216
Operating Expenses	14,088,796	14,359,131
	<hr/>	<hr/>
Operating Income	458,885	(88,915)
	<hr/>	<hr/>
Increase in Net Position	458,885	(88,915)
	<hr/>	<hr/>
Net Position, beginning of year	39,415,632	39,504,547
Net Position, end of year	39,874,517	39,415,632

## **Management's Discussion and Analysis as of and for the Year Ended June 30, 2014**

### **Assets - Cash and Investments**

During the year ended June 30, 2014, the District's cash and investments increased. The District continues to spend conservatively especially with the uncertain economic times.

### **Liabilities**

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

### **Changes in Net Position**

Operating revenues increased about \$278,000, from \$14.2 million to \$14.5 million. This represented a \$475,600 increase to property tax, a 3.9% increase from the previous year. There was a decrease in revenue received for interest income. The JPA reimbursement decreased about \$200,000. The development fees increased again this year, which were \$694,827 in 2011/12, \$1,061,282 in 2012/13 and \$1,205,622 in 2013/14.

Operating expenses decreased by about \$300,000 in 2013/14. This calculation does not include the purchase of capital assets.

- The majority of the annual revenue is generated from property tax. The total property tax for 2012/13 was \$11,931,966 and for 2013/14 was \$12,407,697, a 3.9% increase over the previous year. This increase includes supplemental tax revenue which was not received for a few years. Supplemental tax revenue is directly related to building and the reevaluation of housing prices resultant from sales.
- The JPA contributes an additional \$750,460 for the ambulance contract.
- The total revenue received from development fees was \$1,205,622 an increase over the \$1,061,282 received in the prior year. This year the development fee was used to pay for a portion of Station 84 costs and the remainder was held in reserve.
- The total revenue received from Interest on all accounts was \$46,080. The District earned an average of 0.25% on our cash accounts this past year.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$14,637,035, which is approximately one year of the annual normal operating expenses per District policy.
- The District also maintains a Capital Reserve Fund which has a balance of \$4,529,631. There were minimal contributions to this fund this year from some minor sale of assets; however, the new engine and other miscellaneous equipment were paid for from this fund at a cost of \$559,000.

### **Capital Assets**

The District purchased fixed assets amounting to \$691,417 in 2013/14. This included the engine and equipment, computers and electronic equipment, preliminary work and plans for Station 84.

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 increased 3.8% in 2013/14.

The development fees increased almost 20% this year over last year. It appears that there will be more building in the future which will 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 the 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.

The District is in the process of annexing the Latrobe Fire Protection District which should take place in the next fiscal year. The annexation is projected to have minimal impact on the balance sheet and is projected to be fairly revenue neutral.

### **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, El Dorado Hills Fire Department, 1050 Wilson Blvd., El Dorado Hills, California, 95762.



EL DORADO HILLS FIRE DEPARTMENT  
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET  
June 30, 2014

ASSETS	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Cash (Note 3)	\$22,152,003	\$ -	\$ 22,152,003
Accounts receivable	207,057	-	207,057
Capital assets (Note 4)	-	27,055,677	27,055,677
Less, accumulated depreciation	<u>-</u>	<u>( 7,881,672)</u>	<u>( 7,881,672)</u>
Total assets	<u>\$22,359,060</u>	<u>\$ 19,174,005</u>	<u>\$ 41,533,065</u>
LIABILITIES			
Accounts payable	\$ 76,036	\$ -	\$ 76,036
Accrued employee benefits payable	359,982	-	359,982
Accrued vacation and sick leave benefits	1,222,530	-	1,222,530
Weed abatement deposits	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,658,548</u>	<u>-</u>	<u>1,658,548</u>
FUND BALANCES/NET POSITION			
Fund balances:			
Restricted	2,399,629	( 2,399,629)	-
Committed	4,829,631	( 4,829,631)	-
Unassigned	<u>13,471,252</u>	<u>(13,471,252)</u>	<u>-</u>
Total fund balances	<u>20,700,512</u>	<u>(20,700,512)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$22,359,060</u>		
Net position (Note 9):			
Net investment in capital assets		19,174,005	19,174,005
Restricted		2,399,629	2,399,629
Unrestricted		<u>18,300,883</u>	<u>18,300,883</u>
		<u>\$ 39,874,517</u>	<u>\$ 39,874,517</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, 2014

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Program expenditures/expenses:			
Public protection	\$12,618,904	\$ -	\$12,618,904
Support services	607,944	-	607,944
Capital outlay	691,417	( 691,417)	-
Depreciation	<u>-</u>	<u>861,948</u>	<u>861,948</u>
Total program expenditures/expenses	<u>13,918,265</u>	<u>170,531</u>	<u>14,088,796</u>
Program revenues:			
OES/Mutual Aid reimburse	206,840	-	206,840
JPA revenue	<u>750,460</u>	<u>-</u>	<u>750,460</u>
Total program revenues	<u>957,300</u>	<u>-</u>	<u>957,300</u>
General revenues:			
Tax revenue	12,407,577	-	12,407,577
Development fees	1,205,622	-	1,205,622
Interest income	46,080	-	46,080
Grant revenue	-	-	-
Contributions	-	-	-
Sale of assets	92,390	292,307	( 199,917)
Other	<u>131,019</u>	<u>-</u>	<u>131,019</u>
Total general revenues	<u>13,882,688</u>	<u>292,307</u>	<u>13,590,381</u>
Excess of revenues (expenditures)/ changes in net position	921,723	( 462,838)	458,885
Fund balances/net position:			
Beginning	<u>19,778,789</u>	<u>19,636,843</u>	<u>39,415,632</u>
Ending	<u>\$20,700,512</u>	<u>\$19,174,005</u>	<u>\$39,874,517</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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Favorable/ (Unfavorable) Variance</u>
Revenues:			
Tax revenue	\$12,117,697	\$12,407,577	\$ 289,880
Development fees	-	1,205,622	1,205,622
OES/Mutual Aid reimburse	250,000	206,840	( 43,160)
JPA revenue	995,000	750,460	( 244,540)
Interest income	-	46,080	46,080
Grant revenue	-	-	-
Contributions	-	-	-
Sale of assets	-	92,390	92,390
Other	<u>290,000</u>	<u>131,019</u>	<u>( 158,981)</u>
Total revenues	<u>13,652,697</u>	<u>14,839,988</u>	<u>1,187,291</u>
Expenditures:			
Salaries	5,845,188	5,614,454	230,734
Overtime	1,535,000	1,854,833	( 319,833)
Volunteer pay	75,000	34,045	40,955
Director pay	14,800	15,300	( 500)
Other compensation	125,000	( 19,561)	144,561
Retirement	2,079,987	1,971,986	108,001
Medicare	105,968	105,941	27
Other benefits	2,538,505	2,457,862	80,643
Clothing and personal supplies	92,300	57,914	34,386
Communications	75,200	96,980	( 21,780)
Housekeeping	21,360	21,291	69
Insurance	51,000	46,417	4,583
Maintenance – equipment	250,345	194,309	56,036
– structures	55,300	46,431	8,869
Medical supplies	1,000	51	949
Memberships	7,355	6,735	620
Miscellaneous	15,700	5,119	10,581
Office supplies	20,350	16,664	3,686

(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, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Favorable/ (Unfavorable) Variance</u>
Expenditures (continued):			
Professional services	\$ 374,440	\$ 309,639	\$ 64,801
Rents and leases	104,744	105,336	( 592)
Small tools	46,900	44,000	2,900
Special departmental expenses	88,000	56,430	31,570
Transportation and travel	108,000	109,210	( 1,210)
Utilities	101,000	75,462	25,538
Fixed asset additions	5,053,100	691,417	4,361,683
Contingency	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>18,785,542</u>	<u>13,918,265</u>	<u>4,867,277</u>
Excess of revenues/ (expenditures)	<u>\$( 5,132,845)</u>	<u>\$ 921,723</u>	<u>\$ 6,054,568</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 14,500 homes and an estimated population of 43,500. 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

The vision of the El Dorado Hills Fire Department is that, by year 2017, the Department will pursue, attain and retain international accreditation and be recognized as an agency that provides the delivery of quality, professional emergency services to our Community, meeting and exceeding industry best practices. Through the pursuit and achievement of our goals, we will demonstrate continuous improvement in enhancing the services that our Community trusts us to provide.

EL DORADO HILLS FIRE DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS, continued

1. Organization, continued:

Vision, continued

In honoring our Community's trust, and with capable administrative support, we will be well trained and properly equipped to deliver all departmental programs and services promptly and efficiently. Through enhanced communications initiatives internally, and through expanded and improved Community outreach externally, we will connect respectfully with all stakeholders. We recognize both the importance and our interdependence with other agencies for the successful accomplishment of our mission and therefore, we will take action to foster improvement in our external systems relations.

With a comprehensive workforce planning initiative, and with enhanced and improved employee training programs, we will invest in our greatest organizational assets, to ensure that our workforce is appropriately staffed and professionally developed to most effectively accomplish our mission.

Through these efforts, we shall be viewed as an emergency services agency that clearly values integrity, service and excellence as a culture central to our success. Our Community's expectations will be met or exceeded by holding one another accountable for carrying out our mission, living our values, and ensuring that this vision becomes reality.

Mission

We, the El Dorado Hills Fire Department, exist to serve and protect the Community through emergency management.

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.

EL DORADO HILLS FIRE DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Policies (continued):

Measurement Focus and Basis of Accounting, continued

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.

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.

EL DORADO HILLS FIRE DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Policies (continued):

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, 2014:

Petty cash		\$	100
Cash in bank			490,455
Cash with County:			
General	\$ 633,827		
Development fees	2,307,405		
JPA Retiree health benefits	92,224		
Weed abatement	<u>4,772</u>		
			3,038,228
LAIF			<u>18,623,220</u>
			<u>\$22,152,003</u>

EL DORADO HILLS FIRE DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS, continued

4. Capital Assets:

Changes in capital assets for the year ended June 30, 2014 are as follows:

	<u>Balance, beginning of year</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance, end of year</u>
Land	\$ 4,437,512	\$ -	\$ -	\$ 4,437,512
Buildings and improvements	14,330,092	-	-	14,330,092
Vehicles	4,842,015	481,913	650,352	4,673,576
Equipment	<u>3,284,068</u>	<u>77,518</u>	<u>111,695</u>	<u>3,249,891</u>
	26,893,687	559,431	762,047	26,691,071
Work in progress:				
Station 84 rebuild	140,862	131,986	-	272,848
Training Facility	<u>91,758</u>	<u>-</u>	<u>-</u>	<u>91,758</u>
	<u>\$27,126,307</u>	<u>\$ 691,417</u>	<u>\$ 762,047</u>	<u>\$27,055,677</u>

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.

EL DORADO HILLS FIRE DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS, continued

6. Defined Benefit Retirement Plan:

Plan Description

The District contributes to the California Public Employees Retirement System (CalPERS), a cost sharing multiple-employer defined benefit pension plan. The District participates in the miscellaneous 3% at age 50 risk pool (safety) and 3.0% at age 60 risk pool (miscellaneous). Effective on January 1, 2013, in accordance with Public Employees' Pension Reform Act (PEPRA), new employees who meet the definition of new member of CalPERS will have benefit formulas calculated as (safety) 2.7% at age 57 and (miscellaneous) 2% at age 62. The District also instituted a Tier 2 plan with slightly less benefits that would apply to new employees who were members of CalPERS with a different agency.

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 require agencies with less than 100 active members in the plan to participate in the risk pool. All permanent District employees are eligible to participate in the System. Benefits vest after five years of service. Pre-PEPRA (January 1, 2013 and later hires) 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 highest year of employment, based on years of employment, and 2.00 to 3.00 percent of their average salary for (miscellaneous) employees retiring between age 50 and 60. Employees hired after January 1, 2013 use last highest three years of employment to determine retirement benefit.

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 contribute 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, 2014, 2013, 2012 and 2011 were \$1,971,986, \$1,983,803, \$2,018,524 and \$2,217,160 respectively, which were equal to the required contributions each year.

The required employer contribution rates for employees hired before January 1, 2013 is as follows:

	<u>Safety</u>	<u>Miscellaneous</u>
2010-11	21.594%	20.47 %
2011-12	26.509%	21.5 %
2012-13	24.706%	15.302%
2013-14	26.915%	15.724%

For PEPRAs employees (new members effective January 1, 2013), the employer contribution rate is 11.5% of reportable compensation plus 11.5% contributed by the employee for safety employees. For PEPRAs Miscellaneous employees, the employer contribution rate is 6.25% of reportable compensation plus 6.25% contributed by the employees.

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.

EL DORADO HILLS FIRE DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS, continued

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

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, 2014, the District contributed \$724,300. 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 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, 2013, there were 21 retirees receiving health benefits. The projection shows increases to 62 retirees in 2032-33. The actuarial accrued liability for benefits was \$8,873,200 of which 37.47% was funded. The covered payroll (annual payroll of active employees covered by the plan) was \$5,449,000 and the ratio of UAAL to the covered payroll was 101.82%.

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.

EL DORADO HILLS FIRE DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS, continued

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

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, 2013 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, 2014 is twenty five years. Healthcare premiums are expected to rise 5% per annum in the future.

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 2013-14 follows:

Cash – beginning	\$ 1,070,305
Add, development fees collected	1,234,108
interest income	2,992
Deduct, provided for capital items	<u>          -</u>
Ending County cash – Development Fees	<u>\$ 2,307,405</u>

EL DORADO HILLS FIRE DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS, continued

8. Development Fees, continued:

The status of accumulated development fees through June 30, 2014 is analyzed as follows:

Capital costs attributable to development fees		\$ 9,378,905
Less, development fees collected		
Development fees, general fund	\$1,237,100	
Refunds, general fund	<u>          -</u>	<u>1,237,100</u>
Balance, payable to General Fund, from future collection of development fees		<u>\$ 8,141,805</u>

9. Equity:

General Fund:

Restricted for:

Development fees	\$2,307,405	
JPA medical benefits	<u>92,224</u>	\$ 2,399,629

Committed for:

Capital replacement		4,829,631
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Unassigned		<u>13,471,252</u>
		<u>\$20,700,512</u>

EL DORADO HILLS FIRE DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS, continued

9. Equity, continued:

Statement of Net Position:

Net investment in capital assets		\$19,174,005
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Restricted:

Development fees	\$2,307,405	
JPA medical benefits	<u>92,224</u>	
		2,399,629

Unrestricted:

Board designated:		
Capital replacement	4,829,631	
Undesignated	<u>13,471,252</u>	
		<u>18,300,883</u>

\$39,874,517

10. Operating Lease:

The District signed a two year lease for commercial building space in El Dorado Hills, CA while Station 84 is being remodeled. This lease requires base rent monthly payments of \$7,750 plus a monthly common area maintenance charge of \$936.

Future minimum lease payments required under the aforementioned operating leases are:

2015		\$ <u>104,232</u>
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EL DORADO HILLS FIRE DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS, continued

11. 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 2014 fiscal year, the District purchased certain commercial insurance coverages to provide for these risks.

12. Subsequent Events:

Management has evaluated subsequent events through October 7, 2014, the date these June 30, 2014 financial statements were available to be issued.

13. New Pronouncements:

In June 2012, the GASB approved Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement requires governments providing defined benefit pension plans to recognize their long-term obligation for pension benefits as a liability on the statement of net position and to more comprehensively and comparably measure the annual costs of pension benefits. This Statement also requires revised and new note disclosures and required supplementary information (RSI) to be reported by employers. The implementation of this GASB Statement will have a significant impact on the District's financial statements and is effective for the District's June 30, 2015 financial statements.

## **SUPPLEMENTAL INFORMATION**

**EL DORADO HILLS FIRE DEPARTMENT  
PRINCIPAL OFFICIALS**

**Board of Directors:**

Barbara Winn	President
James Hartley	Vice-President
Greg Durante	
John Hidahl	
Wally Fullerton	

**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, 2014**

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:

<u>Actuarial Valuation Date</u>	<u>(1) Actuarial Value of Plan Assets</u>	<u>(2) Actuarial Accrued Liability (AAL)</u>	<u>(3) Funded Ratio</u>	<u>(4) Unfunded Actuarial Accrued Liability (UAAL) (2) – (1)</u>	<u>(5) Annual Covered Payroll</u>	<u>(6) UAAL as a % of Covered Payroll (4) / (5)</u>
7/1/2013	\$3,325,000	\$8,873,200	37.47%	\$5,548,200	\$5,449,000	101.82%
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, 2014

Cash flows from operating activities:

Change in net position (loss)	\$ 458,885
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Sale of assets	292,307
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Adjustments to reconcile change in net position  
to net cash provided to operating activities

Depreciation	\$ 861,948
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(Increase) decrease in:

Accounts receivable	281,446
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(Decrease) increase in:

Accounts payable	( 100,499)
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Accrued benefits payable	17,530
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Accrued vacation and sick pay	( 54,879)
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Weed abatement deposits	<u>( 8,275)</u>
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997,271

Net cash provided

by operating activities

1,748,463

Cash flows from investing activities:

Purchase of equipment	( 691,417)
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Cash flows from financing activities:

-

Net increase in cash

1,057,046

Cash at beginning of year

21,094,957

Cash at end of year

\$22,152,003