

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

Audited Financial Statements and
Compliance Report

June 30, 2020

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

AUDITED FINANCIAL STATEMENTS AND
COMPLIANCE REPORTS

June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the El Dorado Hills County Water District (dba El Dorado Hills Fire Department) (the District) as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the District as of June 30, 2020, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Richardson & Company, LLP

November 12, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

As management of the El Dorado Hills County Water District (Fire Department), we offer this Management's Discussion and Analysis Report as an overview and analysis of the financial activities of the Fire Department for the fiscal year ended June 30, 2020.

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

FINANCIAL HIGHLIGHTS

- Revenues for the year, mostly comprised of property tax revenues, exceeded expenses by \$4,160,020. A portion of this excess is comprised of restricted development fee revenue. Excluding development impact fees and related interest earnings, which are also restricted, revenues exceeded expenses by \$2,655,873. Of this excess, \$2M was contributed to the District's PARS Section 115 Pension trust account to help offset the pension unfunded liability. The majority of the remaining excess was transferred to the District's Capital Replacement Fund for planned future capital replacements.
- The District ended the fiscal year with a positive Net Position of \$32,451,238. This is made up of \$20,785,082 in net capital assets, \$10,514,964 in assets that are restricted for qualifying capital improvements related to District growth, and another \$4,280,579 in assets that are restricted for the payment of pension benefits. Unrestricted Net Position ended at \$(3,129,387), a decrease from prior year's Unrestricted Net Position of \$104,306.
- The Net Pension Liability increased from prior year to \$19,389,047, while the Net OPEB Liability increased slightly to \$12,693,657. Total combined Net Pension and OPEB liabilities were \$32,082,704 as of June 30, 2020, an increase of \$2,373,887 from prior year.
- The District's General Fund reported total fund balances of \$35,443,500. Of this balance, \$20,647,957 is unrestricted. The portion of the unrestricted balance committed for future capital replacements is \$4,402,926. The remaining \$16,245,031 of unrestricted and nonspendable fund balance represents approximately 87% of the year's total fund operating expenditures. This is consistent with the District's Reserve policy, which requires a minimum unrestricted fund balance of 50% annual operating expenditures so the District can maintain its financial independence.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

INVESTMENT POLICIES AND PROCEDURES

The Board reviews the District's investment policy periodically. During the 2019-20 fiscal year, the District's unrestricted funds were invested mostly with the State of California Local Agency Investment Fund and minimally with the El Dorado County Treasury.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

Revenues

Total revenues for fiscal year 2019/20 increased by \$1,118,281 from prior year. The primary source of funding for the District to provide services is property taxes, which makes up approximately 83.3% of total revenues. Property Tax Revenues increased by \$1,160,678, or 6.4% from prior year. Other Revenue also increased by \$336,103, or 38.3%. This increase is mostly the result of higher fire prevention fees, a workers' compensation insurance rebate and the Rescue Shared Services agreement administrative fee. OES/Mutual Aid Revenue (mostly offset by OES expenses) decreased by \$455,496, or 68.3% due to a slow 2019 fire season. JPA Revenue and Development Impact Fee Revenue remained relatively consistent with prior year.

Summary of Total Revenues

| | 2019/20 | 2018/19 | \$ Change | % Change |
|-------------------------|----------------------|----------------------|---------------------|-----------------|
| General Revenues | | | | |
| Property Tax Revenue | \$ 19,284,974 | \$ 18,124,296 | \$ 1,160,678 | 6.4% |
| Development Fees | 1,286,926 | 1,209,930 | 76,996 | 6.4% |
| Other Revenue | 1,213,703 | 877,600 | 336,103 | 38.3% |
| Total General Revenues | <u>\$ 21,785,603</u> | <u>\$ 20,211,826</u> | <u>\$ 1,573,777</u> | <u>7.8%</u> |
| Program Revenues | | | | |
| JPA Revenue | \$ 1,150,000 | \$ 1,150,000 | \$ - | 0.0% |

Summary of Total Revenues (continued)

| | 2019/20 | 2018/19 | \$ Change | % Change |
|------------------------|----------------------|----------------------|---------------------|-------------|
| OES/Mutual Aid Revenue | 211,426 | 666,922 | (455,496) | (68.3%) |
| Total Program Revenues | \$ 1,361,426 | \$ 1,816,922 | \$ (455,496) | (25.1%) |
| Total Revenues | \$ 23,147,029 | \$ 22,028,748 | \$ 1,118,281 | 5.1% |

Expenses

Total expenses for fiscal year 2019/20 increased by \$2,583,950, or 12.3% from prior year. Most of the District's cost to operate is comprised of labor costs. Wages and Benefits made up approximately 85.6% of total expenses for the 2019/20 fiscal year and increased by \$2,055,642, or 11.3%, from 2018/19. This is mostly due to an increase in both GASB 68 Pension Expense and GASB 75 OPEB Expense, as well as an administration organizational restructure and increases in base wage rates per labor agreements. Professional Services and Information Technology expenses increased by \$101,836, or 18.5% from prior year due to increased IT costs for Mobile Data Computers and the new Employee Development Center. Maintenance costs increased by \$252,495, or 86.9% from prior year as a result of higher apparatus repair costs, costs associated with the new Employee Development Center, and upgrades to Station 91. Other Operating Expense increased by \$289,016 in 2019/20 mostly due to turnout replacements and the purchase of technical rescue equipment.

Summary of Total Expenses

| | 2019/20 | 2018/19 | \$ Change | % Change |
|------------------------------------|----------------------|----------------------|---------------------|--------------|
| <u>Public Protection</u> | | | | |
| Wages & Benefits | \$ 20,196,407 | \$ 18,140,765 | \$ 2,055,642 | 11.3% |
| Professional Services & IT | 652,253 | 550,417 | 101,836 | 18.5% |
| Maintenance | 543,161 | 290,666 | 252,495 | 86.9% |
| Other Operating Expense | 1,126,863 | 837,847 | 289,016 | 34.5% |
| Total Public Protection | \$ 22,518,684 | \$ 19,819,695 | \$ 2,698,989 | 13.6% |
| Depreciation Expense | \$ 1,073,392 | \$ 1,185,816 | \$ (112,424) | (9.5%) |
| Loss on Disposal of Capital Assets | - | 2,615 | (2,615) | (100%) |
| Total Expenses | \$ 23,592,076 | \$ 21,008,126 | \$ 2,583,950 | 12.3% |

Net Position

The District's net position of \$32,451,238 at June 30, 2020 decreased by \$445,047, or 1.4% from prior year. This decrease is attributable to an increase in the District's Total Liabilities and Deferred Inflows as well as decreases in Capital Assets and Deferred Outflows, partially offset by an increase in Current Assets. The increase in Current Assets is mostly due to an increase in the Development Fee Fund cash balance of \$1,307,592 and an increase in Restricted Cash/Investments for Pensions of \$2,170,119. Unrestricted cash balances also increased by \$790,255. The decrease in Deferred Outflows of \$1,004,785 is due to the amortization of prior year changes in actuarial assumptions. The Net Pension

Liability increased by \$2,217,549, which is primarily due to the recognition of the discount rate reduction to 7.15% and the impact of investment earnings results.

Summary of Net Position

| | 2019/20 | 2018/19 | \$ Change | % Change |
|---|----------------------|----------------------|---------------------|---------------|
| Current Assets | \$ 36,129,262 | \$ 31,877,680 | \$ 4,251,582 | 13.3% |
| Capital Assets | 20,785,082 | 21,474,147 | (689,065) | (3.2%) |
| Deferred Outflows | 12,216,570 | 13,221,355 | (1,004,785) | (7.6%) |
| Total Assets & Deferred Outflows | \$ 69,130,914 | \$ 66,573,182 | \$ 2,557,732 | 3.8% |
| Current Liabilities | 1,567,107 | 1,395,592 | 171,515 | 12.3% |
| Net Pension Liability | 19,389,047 | 17,171,498 | 2,217,549 | 12.9% |
| Net OPEB Liability | 12,693,657 | 12,537,319 | 156,338 | 1.2% |
| Other Non-Current Liabilities | 1,357,087 | 1,073,837 | 283,250 | 26.4% |
| Deferred Inflows | 1,672,778 | 1,498,651 | 174,127 | 11.6% |
| Total Liabilities & Deferred Inflows | \$ 36,679,676 | \$ 33,676,897 | \$ 3,002,779 | 8.9% |
| Net Position | \$ 32,451,238 | \$ 32,896,285 | \$ (445,047) | (1.4%) |

FINANCIAL ANALYSIS OF THE DISTRICT'S GENERAL FUND

The District's General Fund is broken down into a General Reserve Fund (unassigned and non-spendable), a Capital Replacement Fund (committed), a Development Fee Fund (restricted), and a Pension Benefit Fund (restricted). Fund balances totaled \$35,443,500 at the end of 2019/20, an increase of \$4,160,020 from 2018/19. This increase is mostly due to increases in restricted fund balances. The General Reserve Fund, comprised of unassigned and non-spendable (prepaid) fund balances, totaled \$16,245,031, a small increase of \$70,080 from prior year. The committed, or Capital Replacement Fund balance, increased by \$612,229 from prior year, leaving an ending balance of \$4,402,926. This increase is the result of contributions to the fund in excess of capital purchases for the fiscal year. The District's restricted, or Development Fee Fund balance ended at \$10,514,964, a significant increase from prior year. This increase resulted from development fee revenue and interest collections exceeding transfers out for qualifying expenditures. The District made \$2,000,000 in contributions to its Pension Section 115 trust account during fiscal year 2019/20. Contributions into the fund plus investment earnings brought its ending balance to \$4,280,579. Outstanding reimbursements due to the General Reserve Fund from the Development Fee Fund of \$196,555 for qualifying expenditures made in 2019/20 are reflected in these balances.

Summary of Total Fund Balances

| | 2019/20 | 2018/19 | \$ Change | % Change |
|-----------------------------------|----------------------|----------------------|-------------------|---------------|
| General Reserve Fund | \$ 16,245,031 | \$ 16,174,951 | \$ 70,080 | 0.4% |
| Capital Replacement Fund | 4,402,926 | 3,790,697 | 612,229 | 16.2% |
| Unrestricted Fund Balances | \$ 20,647,957 | \$ 19,965,648 | \$ 682,309 | (3.4%) |

Summary of Total Fund Balances (continued)

| | | | | |
|---------------------------------|----------------------|----------------------|---------------------|--------------|
| Development Fee Fund | 10,514,964 | 9,207,372 | 1,307,592 | 14.2% |
| Pension Benefit Fund | 4,280,579 | 2,110,460 | 2,170,119 | 102.8% |
| Restricted Fund Balances | \$ 14,795,543 | \$ 11,317,832 | \$ 3,477,711 | 30.7% |
| Total Fund Balances | \$ 35,443,500 | \$ 31,283,480 | \$ 4,160,020 | 13.3% |

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual financial results are evaluated against the District’s final adopted budget on a monthly basis at its regular board meetings. Below is a comparison of the final budget and actual results for fiscal year 2019/20:

Budget vs. Actual – General Fund

| | 2019/20 Final Budget | 2019/20 Actual | \$ Variance Favorable/ (Unfavorable) |
|-----------------------------------|-------------------------|---------------------|--|
| Total Revenues | \$ 21,821,938 | \$ 23,225,367 | \$ 1,403,429 |
| Operating Expenditures | (20,952,497) | (18,681,020) | 2,271,477 |
| Capital Outlay | (1,050,023) | (384,327) | 665,696 |
| Net Change in Fund Balance | \$ (180,582) | \$ 4,160,020 | \$ 4,340,602 |

- Actual revenue was greater than budgeted revenue by \$1,403,429 due to the following:
 - Supplemental property tax revenue was significantly higher than the budgeted estimate
 - Latrobe base transfer revenue was more than the budgeted estimate due to the timing of collection (collections for both fiscal years 2018/19 and 2019/20 were received this fiscal year)
 - Fire Prevention fees collected were higher than the budgeted estimate
 - Development impact fees collected, and related interest earnings were higher than budgeted
 - Miscellaneous Operating Revenue collected was significantly higher than the budgeted estimate due to the Rescue Shared Services Agreement administrative fee as well as a rebate received from the District’s workers’ compensation insurance provider
- Actual operating expenditures came in favorable to the final budget by \$2,271,477 due to the following:
 - Contributions made to the Pension Section 115 trust were budgeted as expense, but recorded as a restricted asset
 - Wages & Benefits were lower than budget due to the following:
 - Lower Firefighter headcount than budgeted (“floater” positions)

- Fire Marshal position vacancy
 - Fewer intern stipends than anticipated
 - Favorable workers' compensation insurance renewal rate
 - Lower overtime costs than budgeted due to the COVID-19 shelter in place order (employees did not utilize as much of their leave balances during this time)
 - Less Dental/Vision HRA benefit utilization than budgeted.
- Professional Services came in favorable to budget due to the timing of budgeted annexation costs and savings in legal fees
- Capital outlay was favorable to budget by \$665,696 as a result of the following:
 - Delayed purchase of a Medium Rescue Apparatus
 - Delayed implementation of CAD to CAD integration
 - Delayed spending on Phase I of Training Center project

CAPITAL ASSETS

The District purchased fixed assets totaling \$384,327 in 2019/20. This includes \$126,678 spent on the Training Center and \$79,223 for a used Type I Engine. Retrofitting of the new Fire Chief vehicle was also completed totaling \$34,706. Radio Communications Equipment totaling \$89,892 was purchased, which included the implementation costs for the Mobile Data Computers. Other capital expenditures made during the year include two utility trailers, a room decontamination system, a generator replacement at Station 91, and the retrofitting of an existing utility vehicle.

Approximately \$7,769 in assets were written off or disposed of in fiscal year 2019/20. The District did not recognize any loss on disposal, as the assets were fully depreciated. All capital assets are valued at historical cost and depreciated over their estimated useful lives using the straight-line method.

ECONOMIC OUTLOOK

The District's net position remains strong and reflects financial stability. Development and property values continue to grow, and while the COVID-19 pandemic has created some level of uncertainty, the District has not yet experienced any negative impact on its revenues or financial position because of it. The strength of the current housing market and new development in the District, which directly impacts property tax revenues, is expected to continue into the 2020/21 fiscal year. The District is cognizant of the significant challenges that lie ahead with increased pension and healthcare costs, as well as the potential of an economic recession triggered by the current global pandemic. The District's Board of Directors and staff continue to be pro-active in their efforts to keep healthy reserve balances and prefund pension and OPEB obligations. The District made deposits of \$2,000,000 to its PARS (Public Agency Retirement Services) Pension Section 115 trust account during the 2019/20 fiscal year and has budgeted another \$1,000,000 in contributions in fiscal year 2020/21. These funds will serve to offset the growing unfunded liability balance and may also be utilized to offset future qualifying pension expenses in the event of an economic downturn. The District's Board of Directors and staff continuously monitor and communicate economic trends and forecasts to ensure sound fiscal management.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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

STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET

June 30, 2020

| | General Fund | Adjustments (Note J) | Statement of Net Position |
|---|----------------------|-------------------------|---------------------------------|
| ASSETS | | | |
| Cash and investments - unrestricted | \$ 20,905,247 | | \$ 20,905,247 |
| Cash and investments - restricted | 14,795,543 | | 14,795,543 |
| Receivables: | | | |
| Interest receivable - unrestricted | 67,406 | | 67,406 |
| Due from other governments | 95,764 | | 95,764 |
| Other receivables | | | |
| Prepaid costs | 265,302 | | 265,302 |
| Capital assets: | | | |
| Nondepreciable | | \$ 4,122,623 | 4,122,623 |
| Depreciable, net | | 16,662,459 | 16,662,459 |
| TOTAL ASSETS | 36,129,262 | 20,785,082 | 56,914,344 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension plan | | 5,472,005 | 5,472,005 |
| Other postemployment benefits plan | | 6,744,565 | 6,744,565 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | | 12,216,570 | 12,216,570 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | \$ 36,129,262 | 33,001,652 | 69,130,914 |
| LIABILITIES | | | |
| Accounts payable | \$ 182,781 | | 182,781 |
| Salaries and benefits payable | 502,981 | | 502,981 |
| Compensated absences - current | | 749,213 | 749,213 |
| Health reimbursement arrangement liability - current | | 132,132 | 132,132 |
| Noncurrent liabilities: | | | |
| Compensated absences - noncurrent | | 913,053 | 913,053 |
| Health reimbursement arrangement liability - noncurrent | | 444,034 | 444,034 |
| Net pension liability | | 19,389,047 | 19,389,047 |
| Net other postemployment benefits liability | | 12,693,657 | 12,693,657 |
| TOTAL LIABILITIES | 685,762 | 34,321,136 | 35,006,898 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pension plan | | 1,600,340 | 1,600,340 |
| Other postemployment benefits plan | | 72,438 | 72,438 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | | 1,672,778 | 1,672,778 |
| FUND BALANCES/NET POSITION | | | |
| Fund balance: | | | |
| Nonspendable—prepaid costs | 265,302 | (265,302) | |
| Restricted for capital improvements | 10,514,964 | (10,514,964) | |
| Restricted for pension benefits | 4,280,579 | (4,280,579) | |
| Committed | 4,402,926 | (4,402,926) | |
| Unassigned | 15,979,729 | (15,979,729) | |
| TOTAL FUND BALANCES | 35,443,500 | (35,443,500) | |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 36,129,262 | | |
| Net position: | | | |
| Investment in capital assets | | 20,785,082 | 20,785,082 |
| Restricted for capital improvements | | 10,514,964 | 10,514,964 |
| Restricted for pension benefits | | 4,280,579 | 4,280,579 |
| Unrestricted | | (3,129,387) | (3,129,387) |
| TOTAL NET POSITION | | \$ 32,451,238 | \$ 32,451,238 |

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

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

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

For the Year Ended June 30, 2020

| | General Fund | Adjustments (Note J) | Statement of Activities |
|---|----------------------|-------------------------|----------------------------|
| EXPENDITURES/EXPENSES | | | |
| Current: | | | |
| Public protection | \$ 18,681,020 | \$ 3,837,664 | \$ 22,518,684 |
| Capital outlay | 384,327 | (384,327) | |
| Depreciation | | 1,073,392 | 1,073,392 |
| TOTAL EXPENDITURES/EXPENSES | 19,065,347 | 4,526,729 | 23,592,076 |
| PROGRAM REVENUES | | | |
| Charges for services | | | |
| Reimbursements from other agencies | 1,150,000 | | 1,150,000 |
| State operating grants | 211,426 | | 211,426 |
| TOTAL PROGRAM REVENUES | 1,361,426 | | 1,361,426 |
| NET PROGRAM EXPENSE | (17,703,921) | (4,526,729) | (22,230,650) |
| GENERAL REVENUES | | | |
| Property taxes and assessments | 19,363,312 | (78,338) | 19,284,974 |
| Fire impact fees | 1,286,926 | | 1,286,926 |
| Investment earnings | 787,399 | | 787,399 |
| Other revenues | 426,304 | | 426,304 |
| TOTAL GENERAL REVENUES | 21,863,941 | (78,338) | 21,785,603 |
| EXCESS OF REVENUES OVER EXPENDITURES | 4,160,020 | (4,160,020) | |
| CHANGE IN NET POSITION | | (4,605,067) | (445,047) |
| Fund balance/net position, beginning of year | 31,283,480 | 1,612,805 | 32,896,285 |
| FUND BALANCE/NET POSITION, END OF YEAR | \$ 35,443,500 | \$ (2,992,262) | \$ 32,451,238 |

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

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

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

For the Year Ended June 30, 2020

| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget Positive (Negative) |
|------------------------------------|---------------------|---------------------|----------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Property taxes and assessments | \$ 18,906,958 | \$ 18,906,958 | \$ 19,363,312 | \$ 456,354 |
| Fire impact fees | 1,000,000 | 1,000,000 | 1,286,926 | 286,926 |
| Reimbursements from other agencies | 1,150,000 | 1,150,000 | 1,150,000 | |
| State operating grants | 216,000 | 216,000 | 211,426 | (4,574) |
| Use of money and property | 380,000 | 380,000 | 787,399 | 407,399 |
| Other revenues | 168,980 | 168,980 | 426,304 | 257,324 |
| TOTAL REVENUES | <u>21,821,938</u> | <u>21,821,938</u> | <u>23,225,367</u> | <u>1,403,429</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Public protection | | | | |
| Salaries and wages | 8,190,817 | 8,190,817 | 9,586,612 | (1,395,795) |
| Retirement | 4,343,912 | 4,343,912 | 1,360,855 | 2,983,057 |
| Overtime | 1,825,613 | 1,825,613 | 1,815,067 | 10,546 |
| Health insurance | 1,843,059 | 1,843,059 | 1,717,501 | 125,558 |
| Retiree health insurance | 1,041,804 | 1,041,804 | 1,017,446 | 24,358 |
| Other insurance | 671,933 | 671,933 | 588,689 | 83,244 |
| Professional services | 500,998 | 500,998 | 370,984 | 130,014 |
| Employment taxes and benefits | 416,587 | 416,587 | 314,081 | 102,506 |
| Maintenance | | | | |
| Equipment | 289,380 | 289,380 | 314,718 | (25,338) |
| Structures | 268,594 | 268,594 | 228,443 | 40,151 |
| Information technology | 309,462 | 309,462 | 281,269 | 28,193 |
| Communications | 163,147 | 163,147 | 136,537 | 26,610 |
| Special department expenditures | 225,657 | 225,657 | 178,015 | 47,642 |
| Clothing and personal supplies | 342,720 | 342,720 | 260,086 | 82,634 |
| Transportation and travel | 104,726 | 104,726 | 114,878 | (10,152) |
| Rents and leases | 103,457 | 103,457 | 73,882 | 29,575 |
| Other expenditures | 310,631 | 310,631 | 321,957 | (11,326) |
| Capital outlay | 1,050,023 | 1,050,023 | 384,327 | 665,696 |
| TOTAL EXPENDITURES | <u>22,002,520</u> | <u>22,002,520</u> | <u>19,065,347</u> | <u>2,937,173</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ (180,582)</u> | <u>\$ (180,582)</u> | 4,160,020 | <u>\$ 4,340,602</u> |
| Fund balance at beginning of year | | | 31,283,480 | |
| FUND BALANCE AT END OF YEAR | | | <u>\$ 35,443,500</u> | |

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

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

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

The District operates five fire stations. The District provides emergency medical services, rescue, fire suppression, and other public services as needed. The District is a member of the El Dorado County Emergency Services Authority (Authority), which also provides advanced life support and ambulance transport within the County. The District serves approximately 58,500 acres with close to 17,000 homes and an estimated population of 48,540.

As discussed above, the District is a member of the Authority under a Joint Powers Agreement. The District is not responsible for the liabilities of the Authority upon withdrawal from the Authority and has a proportionate residual equity interest in any assets of the Authority upon its dissolution.

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

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District reports the following major governmental fund:

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

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

Risk Management: The District is a member of the Northern California Fire District Association’s liability and workers’ compensation insurance program provided through a private insurance company. The District’s claims have not exceeded the insurance coverage and no reductions of coverage have occurred during the past three years.

Restricted Assets: Restricted assets consist of \$10,514,964 of unspent fire impact fees collected by the County of El Dorado on the District’s behalf as well as \$4,280,579 of contributions to a Section 115 trust fund with the Public Agency Retirement Services (PARS) and related interest that is restricted to contributions to the District’s CalPERS pension plan as described in Note E. The impact fees are required to be spent on public facilities and equipment by the related County of El Dorado Ordinance. See Note G.

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

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

| <u>Capital Asset Category</u> | <u>Threshold</u> | <u>Estimated Useful Life</u> |
|--------------------------------|------------------|------------------------------|
| Land & easements | - | N/A |
| Building/improvements | 50,000 | 39.5 years |
| Fire equipment (SCBA's) | 1,000 | 8-15 years |
| Fire equipment (Other) | 3,000 | 5-15 years |
| Hose (LDH) | 3,000 | 15-20 years |
| Office equipment | 3,000 | 3-7 years |
| Radio communications equipment | 3,000 | 5 years |
| Fire apparatus | 3,000 | 15 years |
| Vehicles | 3,000 | 5-7 years |
| Furniture/fixtures/tools | 3,000 | 3-7 years |

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

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

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

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Funds – Fund balance should be reported as restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Amounts reported as restricted funds represent impact fees collected for future capital expenditures as well as amounts held in a Section 115 trust fund for future contributions to the District’s pension plan.

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

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

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

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

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

Net Investment in Capital Assets – This category groups all capital assets into one component of net position. The outstanding balance of debt that is attributable to the acquisition, construction or improvement of the assets reduces the balance in this category. The District had no outstanding debt.

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

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

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Health Reimbursement Arrangement: The District provides a health reimbursement arrangement (HRA) for each full-time and part-time employee working a minimum of 32 hours per week for dental and vision expenses. The benefit is also offered to the eligible employee's spouse and dependents. Eligible participants are allowed to submit qualifying dental and vision expenses for reimbursement under the HRA as defined in the Department Policy Manual. The benefit provided is \$120, \$150 and \$200 per month for employees with no dependents, one dependent and two or more dependents, respectively. As described in Note F, HRA benefits are extended to retirees. Retirees are provided a benefit of \$100 and \$150 with no dependents and one dependent, respectively. The District does not have a trust where the HRA assets are set aside for the benefit of employees. Consequently, the HRA assets are available to the District's creditors. The HRA benefits are not available to employees hired on or after October 1, 2019 and instead, the employees are provided District a paid dental and vision insurance plan.

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

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This Statement provides temporary relief to governments due to the COVID-19 pandemic by postponing the effective dates of Statements and Implementation Guides that first become effective or are scheduled to become effective for periods beginning after June 15, 2018 and later. Effective dates of the following Statements and Implementation Guides were postponed by one year: Statements No. 83, 84 and 88 to 93 as well as Implementation Guide No's 2018-1, 2019-1 and 2019-2. Effective dates for Statement No. 87 and Implementation Guide No. 2019-3 were postponed by 18 months. The requirements of this Statement defer the implementation date of the Statement above and are effective immediately.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*. This Statement 1) defines the term SBITA; 2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; 3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs to a SBITA; and 4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITA are based on the standards established in Statement No. 87, *Leases*, as amended. This statement is effective for fiscal years beginning after June 15, 2022.

The District is currently analyzing the impact of the required implementation of these new statements.

NOTE B – CASH AND INVESTMENTS

As of June 30, 2020, the District's cash and investments consisted of the following:

| | |
|---|----------------------|
| Cash and investments - unrestricted | \$ 20,905,247 |
| Cash and investments - restricted | 14,795,543 |
| | <u>\$ 35,700,790</u> |
| Deposits in financial institutions | \$ 609,715 |
| California Local Agency Investment Fund (LAIF) | 18,788,045 |
| Investment in County of El Dorado investment pool | 12,022,451 |
| Public Agency Retirement Services (PARS) Trust - mutual funds | 4,280,579 |
| Total cash and investments | <u>\$ 35,700,790</u> |

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE B – CASH AND INVESTMENTS (Continued)

Investment policy: California statutes authorize districts to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 – Financial Affairs. The investments held by the pension plan rate stabilization PARS Section 115 Trust are governed by an investment guideline document and not the California Government Code. The District's investment policy does not limit interest rate risk, credit risk or concentration of credit risk beyond what is required by the California Government Code, with the exception of limiting the maximum investment in one issuer for numerous investment types beyond what is required by the California Government Code. The average maturity of each investment pool is disclosed below.

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

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

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2020, the carrying amount and balance per banks of the District's bank deposits were \$609,715 and \$1,693,744, respectively. Of the balance per banks, \$250,000 was covered by federal depository insurance and the remaining amount was collateralized by the pledging financial institution's investment securities, which were not in the name of the District.

California Local Agency Investment Fund (LAIF): LAIF is stated at fair value. LAIF is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The total fair value amount invested by all public agencies in LAIF is \$101,607,078,218 which is managed by the State Treasurer. Of that amount, 3.37 percent is invested in structured notes and asset-backed commercial paper. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE B – CASH AND INVESTMENTS (Continued)

portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The weighted average maturity of investments held by LAIF was 191 days at June 30, 2020.

Investment in the County of El Dorado's Investment Pool: The District maintains an investment in the County of El Dorado cash and investment pool, which is managed by the County Treasurer. The County pool is stated at fair value. The amount invested by all public agencies in El Dorado County's cash and investment pool is \$531,655,708 at June 30, 2020. The County does not invest in any derivative financial products. The County Treasury Investment Oversight Committee has oversight responsibility for the investment pool. The Committee consists of ten members as designated by State law. The value of pool shares in El Dorado County that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the District's position in the pool. Investments held in the County's investment pool are available on demand to the District and are stated at amortized cost. This investment is not subject to categorization under GASB No. 3. As of June 30, 2020, the weighted average maturity of the investments contained in the County's investment pool was approximately 386 days.

Investment in the PARS Trust: The District invested in a PARS Section 115 Trust Fund as a pension plan rate stabilization strategy. The District elected a discretionary investment approach, which allows the District to maintain oversight of the investment management, discretionary investment approach, control over target yield and the portfolio's risk tolerance. The District has elected to invest in the Balanced Index PLUS investment option, which is invested in index-based mutual funds, including exchange-traded funds. PARS uses Highmark Capital Management to help manage investment options. The assets are withdrawn from the PARS trust on an amortized cost basis. The average maturity of the PARS trust was 6.5 years at June 30, 2020.

Fair Value Measurement: The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's investments in LAIF and the County of El Dorado investment pool are not subject to the fair value hierarchy. The District's investment in PARS is valued at the net asset value of the underlying mutual funds of the PARS pool in which the District invests as provided by PARS.

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE C – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

| | Balance at June 30, 2019 | Additions | Retirements | Transfers | Balance at June 30, 2020 |
|---|-----------------------------|---------------------|----------------|-------------|-----------------------------|
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 3,714,639 | | | | \$ 3,714,639 |
| Construction in process: | | | | | |
| Training facility | 281,306 | \$ 126,678 | | | 407,984 |
| Total capital assets, not being depreciated | <u>3,995,945</u> | <u>126,678</u> | | | <u>4,122,623</u> |
| Capital assets, being depreciated: | | | | | |
| Buildings and improvements | 19,625,747 | 13,000 | | | 19,638,747 |
| Vehicles | 6,164,029 | 138,228 | | \$ (52,187) | 6,250,070 |
| Equipment | 2,248,936 | 106,421 | \$ (7,769) | 52,187 | 2,399,775 |
| Total capital assets being depreciated | <u>28,038,712</u> | <u>257,649</u> | <u>(7,769)</u> | | <u>28,288,592</u> |
| Less accumulated depreciation: | | | | | |
| Buildings and improvements | (5,547,289) | (502,189) | | | (6,049,478) |
| Vehicles | (3,484,613) | (349,902) | | | (3,834,515) |
| Equipment | (1,528,608) | (221,301) | 7,769 | | (1,742,140) |
| Total accumulated depreciation | <u>(10,560,510)</u> | <u>(1,073,392)</u> | <u>7,769</u> | | <u>(11,626,133)</u> |
| Total capital assets being depreciated | <u>17,478,202</u> | <u>(815,743)</u> | | | <u>16,662,459</u> |
| Capital assets, net | <u>\$ 21,474,147</u> | <u>\$ (689,065)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 20,785,082</u> |

NOTE D – LONG-TERM LIABILITIES

The following is a summary of long-term liabilities activity other than pension and OPEB liability activity for the year ended June 30, 2020:

| | Balance June 30, 2019 | Additions | Repayments | Balance June 30, 2020 | Due Within One Year | Due in More Than One Year |
|--|--------------------------|---------------------|---------------------|--------------------------|------------------------|---------------------------------|
| Compensated absences | \$ 1,446,204 | \$ 930,475 | \$ (714,413) | \$ 1,662,266 | 749,213 | \$ 913,053 |
| Health reimbursement arrangement (HRA) liability | 507,363 | 182,370 | (113,567) | 576,166 | 132,132 | 444,034 |
| | <u>\$ 1,953,567</u> | <u>\$ 1,112,845</u> | <u>\$ (827,980)</u> | <u>\$ 2,238,432</u> | <u>\$ 881,345</u> | <u>\$ 1,357,087</u> |

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE E – DEFINED BENEFIT PENSION PLAN

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

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

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

Benefits Provided: CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 (52 for PEPRA Miscellaneous Plan) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the 1959 Survivor Benefit level 4, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The rate plans’ provisions and benefits in effect at June 30, 2020, are summarized as follows:

| | <u>Miscellaneous Rate Plan</u> | <u>Miscellaneous Second Tier Rate Plan</u> | <u>PEPRA Miscellaneous Rate Plan</u> |
|---|------------------------------------|--|--|
| Hire date | Prior to August 13, 2011 | August 13, 2011 to December 31, 2012 | On or after January 1, 2013 |
| Benefit formula (at full retirement) | 3.0% @ 60 | 2.0% @ 55 | 2.0% @ 62 |
| Benefit vesting schedule | 5 years service | 5 years service | 5 years service |
| Benefit payments | monthly for life | monthly for life | monthly for life |
| Final average compensation period | one year | three year | three year |
| Retirement age | 50 - 60 | 50 - 63 | 52 - 67 |
| Monthly benefits, as a % of eligible compensation | 2.0% to 3.0% | 1.426% to 2.418% | 1.0% to 2.5% |
| Required employee contribution rates | 13.00% | 12.00% | 6.75% |
| Employee contribution rates paid by the District | 8.00% | 7.00% | 0.00% |
| Required employer contribution rates | 14.398% | 9.680% | 6.985% |

EL DORADO HILLS COUNTY WATER DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE E – DEFINED BENEFIT PENSION PLAN (Continued)

| | Safety Rate Plan | Safety Second Tier Rate Plan | PEPRA Safety Rate Plan |
|---|-----------------------------|---|---------------------------------------|
| | Prior to August 13, 2011 | August 13, 2011 to December 31, 2012 | On or after January 1, 2013 |
| Benefit formula (at full retirement) | 3.0% @ 50 | 3.0% @ 55 | 2.7% @ 57 |
| Benefit vesting schedule | 5 years service | 5 years service | 5 years service |
| Benefit payments | monthly for life | monthly for life | monthly for life |
| Final average compensation period | three year | three year | three year |
| Retirement age | 50 - 55 | 50 - 55 | 50 - 57 |
| Monthly benefits, as a % of eligible compensation | 3.00% | 2.40% to 3.00% | 2.00% to 2.70% |
| Required employee contribution rates | 18.00% | 18.00% | 12.00% |
| Employee contribution rates paid by the District | 9.00% | 9.00% | 0.00% |
| Required employer contribution rates | 21.927% | 18.928% | 13.034% |

The tables above reflect employer contribution percentages before an employee pick-up of employer contributions of 5% for Miscellaneous First and Second Tier and 9% for Safety First and Second Tier Rate Plans under the District’s MOU. Classic Safety (Tiers 1 and 2) employees will contribute an additional 1.5% each year for a total of 10.5% and 12% of their CalPERS reportable compensation to the employer’s percentage contribution to CalPERS effective July 1, 2020 and 2021, respectively. The District pays the required employee contribution under the District’s MOU. All rate plans except the PEPRA rate plans are closed to new members that are not already CalPERS participants. All miscellaneous rate plans are combined and reported below as the Miscellaneous Risk Pool and all safety rate plans are combined and reported below as the Safety Risk Pool.

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

For the year ended June 30, 2020, the employer contributions of \$108,094 and \$2,037,153 were made to the Miscellaneous and Safety Risk Pools, respectively, for total contributions of \$2,145,247.

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

As of June 30, 2020, the District reported net pension liabilities for its proportionate shares of the net pension liability of each risk pool as follows:

| | |
|-----------------------------|----------------------|
| Miscellaneous Risk Pool | \$ 893,725 |
| Safety Risk Pool | <u>18,495,322</u> |
| Total Net Pension Liability | <u>\$ 19,389,047</u> |

EL DORADO HILLS COUNTY WATER DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE E – DEFINED BENEFIT PENSION PLAN (Continued)

The District’s net pension liability for each risk pool is measured as the proportionate share of the net pension liability. The net pension liability of each risk pool is measured as of June 30, 2019, and the total pension liability for each risk pool used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the risk pool relative to the projected contributions of all participating employers, actuarially determined.

The District’s proportionate share of the net pension liability for each risk pool as of June 30, 2020 and 2019 were as follows:

| | Miscellaneous Risk Pool | Safety Risk Pool | Total |
|------------------------------|----------------------------|---------------------|-----------|
| Proportion - June 30, 2019 | 0.021450% | 0.278875% | 0.178197% |
| Proportion - June 30, 2020 | 0.022318% | 0.296279% | 0.189216% |
| Change - increase (decrease) | 0.000868% | 0.017404% | 0.011019% |

For the year ended June 30, 2020, the District recognized pension expense of \$4,333,676 for both risk pools combined. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources for the Plan from the following sources:

| | Miscellaneous Risk Pool | | Safety Risk Pool | | Total | |
|---|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Pension contributions subsequent to measurement date | \$ 108,094 | | \$ 2,037,153 | | \$ 2,145,247 | |
| Differences between actual and expected experience | 62,073 | \$ (4,809) | 1,207,578 | | 1,269,651 | \$ (4,809) |
| Changes in assumptions | 42,617 | (15,107) | 758,091 | \$ (147,941) | 800,708 | (163,048) |
| Differences between the employer's contribution and the employer's proportionate share of contributions | | (44,158) | | (1,118,265) | | (1,162,423) |
| Change in employer's proportion | 37,835 | | 1,218,564 | | 1,256,399 | |
| Net differences between projected and actual earnings on plan investments | | (15,625) | | (254,435) | | (270,060) |
| Total | \$ 250,619 | \$ (79,699) | \$ 5,221,386 | \$ (1,520,641) | \$ 5,472,005 | \$ (1,600,340) |

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

EL DORADO HILLS COUNTY WATER DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE E – DEFINED BENEFIT PENSION PLAN (Continued)

| Year Ended June 30 | Miscellaneous Risk Pool | Safety Risk Pool | Total |
|-----------------------|----------------------------|---------------------|--------------|
| 2021 | \$ 61,370 | \$ 1,377,889 | \$ 1,439,259 |
| 2022 | (8,533) | 15,078 | 6,545 |
| 2023 | 6,831 | 221,120 | 227,951 |
| 2024 | 3,158 | 49,505 | 52,663 |
| | \$ 62,826 | \$ 1,663,592 | \$ 1,726,418 |

Actuarial Assumptions: The total pension liabilities at the June 30, 2019 measurement date for each risk pool was determined using the following actuarial assumptions:

| | |
|-------------------------------|---|
| Valuation date | June 30, 2018 |
| Measurement date | June 30, 2019 |
| Actuarial cost method | Entry-Age Normal Cost Method |
| Amortization Method | Level percent of payroll |
| Asset valuation method | Market value |
| Actuarial assumptions: | |
| Discount rate | 7.15% |
| Inflation | 2.50% |
| Payroll growth | 2.875% |
| Projected salary increases | 0.4% to 8.5% Miscellaneous and 0.97% to 17.0% Safety, depending on entry age and service |
| Investment rate of return | 7.15% |
| Mortality ¹ | Derived using CalPERS membership data for all funds |

¹ The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website. All other actuarial assumptions used in the valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study Report can be found on CalPERS' website under Forms and Publications.

Discount Rate: The discount rate used to measure the total pension liability for PERF C was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

EL DORADO HILLS COUNTY WATER DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE E – DEFINED BENEFIT PENSION PLAN (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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

| Asset Class | New Strategic Allocation | Real Return Years 1 - 10(1) | Real Return Years 11+(2) |
|------------------|--------------------------------|--------------------------------|-----------------------------|
| Global equity | 50.0% | 4.80% | 5.98% |
| Fixed income | 28.0% | 1.00% | 2.62% |
| Inflation assets | 0.0% | 0.77% | 1.81% |
| Private equity | 8.0% | 6.30% | 7.23% |
| Real assets | 13.0% | 3.75% | 4.93% |
| Liquidity | 1.0% | 0.00% | -0.92% |
| Total | <u>100.00%</u> | | |

(1) An expected inflation of 2.00% used for this period.

(2) An expected inflation of 2.92% used for this period.

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

| | Miscellaneous Risk Pool | Safety Risk Pool | Total |
|-----------------------|----------------------------|---------------------|---------------|
| 1% Decrease | 6.15% | 6.15% | 6.15% |
| Net pension liability | \$ 1,415,004 | \$ 29,340,442 | \$ 30,755,446 |
| Current discount rate | 7.15% | 7.15% | 7.15% |
| Net pension liability | \$ 893,725 | \$ 18,495,322 | \$ 19,389,047 |
| 1% increase | 8.15% | 8.15% | 8.15% |
| Net pension liability | \$ 463,446 | \$ 9,604,023 | \$ 10,067,469 |

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

EL DORADO HILLS COUNTY WATER DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE E – DEFINED BENEFIT PENSION PLAN (Continued)

B. Payable to the Pension Plan

At June 30, 2020, the District reported payables for the outstanding amount of employer contributions to the Plan of \$43,373.

PARS Section 115 Trust: The District has made contributions to a defined contribution multiple employer Public Agency Retirement Services (PARS) Section 115 pension trust as a rate stabilization strategy. PARS acts as a common investment and administrative agent for participating public agencies. The District made contributions of \$2,000,000 during the year ended June 30, 2020 and assets total \$4,280,579 at June 30, 2020. Assets were invested in the PARS Balanced Index PLUS investment option. The assets in the trust are restricted for contributions to the District's CalPERS pension plan. The assets are not considered pension plan assets under GASB 68 as the assets are not available for pension benefits until contributed to CalPERS. The assets are not reachable by the District's creditors and are considered restricted for pension benefits. PARS has financial statements available upon request for its pension trust funds, which can be obtained by contacting the District's Finance Department.

NOTE F – OTHER POSTEMPLOYMENT BENEFITS PLAN

Plan Description: The District's defined benefit OPEB plan (the Plan), is an agent multiple-employer defined benefit OPEB plan that provides OPEB benefit for all miscellaneous and public safety employees once they have a minimum of five years of CalPERS credited service with the District and a minimum of ten years of CalPERS credited service, including service at other public agencies. Employees hired prior to March 1, 2012 receive the same benefits as other employees whether or not the District remains in CalPERS. Eligible employees' surviving spouses and dependents are also eligible for benefits. The California Water Code grants the Board of Directors the authority to establish and amend the benefit terms, subject to the Memorandums of Understanding (MOU's) with the employees. The District participates in the CalPERS California Employers' Retiree Benefits Trust Fund (CERBT), which is a Section 115 trust fund administered by CalPERS. The CERBT is included in the CalPERS publicly available financial statements that can be obtained at www.calpers.ca.gov under Forms and Publications.

During the year ended June 30, 2018, the District joined a defined contribution multiple employer Section 115 trust fund for OPEB benefits administered by Public Agency Retirement Services (PARS). PARS acts as a common investment and administrative agent for participating public agencies. The PARS trust provides and alternative investment option for the District's existing OPEB plan assets. PARS has financial statements available upon request for its OPEB trust funds, which can be obtained by contacting the District's Finance Department.

No other publicly available reports are available for the Plan.

Benefits Provided: The Plan provides healthcare benefits for retirees, surviving spouses and their dependents. Benefits are provided through CalPERS, and the full cost of the benefits are covered by the Plan. Beginning January 1, 2020, the District covers a maximum of the third highest cost plan offered in CalPERS Region 1 at the tier the employee elects. The Plan provides a cash subsidy for monthly insurance premiums on a graded scale of 50% of insurance premium costs at ten years of service up to 100% of insurance premium costs at twenty years of service. Benefits do not cease at age 65 when the retiree or spouse is eligible for Medicare. Retirees are eligible to continue medical coverage as a participant with active employees at a blended premium rate until eligible for Medicare under CalPERS requirements. Retirees hired before October 1, 2019 are also eligible for a contribution to a health

EL DORADO HILLS COUNTY WATER DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE F – OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)

reimbursement arrangement (HRA) of \$150 per month for dental and vision expenses. The HRA contributions are not held in a trust for the benefit of participants and, therefore, are not considered plan assets. Employees hired on or after October 1, 2020 are offered dental and vision insurance benefits in retirement after 10 years of CalPERS credited employment with the District instead of the HRA benefits. The dental and vision insurance offered to retirees is limited to the employee plus one.

Employees Covered by Benefit Terms: At June 30, 2020 (June 30, 2019 measurement date), the following employees were covered by the benefit terms:

| | |
|--|-----|
| Inactive employees or beneficiaries currently receiving benefit payments | 34 |
| Active employees | 72 |
| Total | 106 |

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

The Board of Directors has established reimbursement percentages of actual insurance premiums paid by Plan members. No other contribution requirements exist under the Plan. Employees are not required to contribute to the Plan. During the fiscal year ended June 30, 2020, the District’s direct payments of insurance premiums were \$711,002, cash contributions to the trust were \$300,000, implied subsidy benefit payments were \$62,000 and administrative expenses paid outside of trust were \$6,444, resulting in total contributions of \$1,079,446. The District made contributions of \$300,000 to the CERBT.

Net OPEB Liability: The District’s net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018.

Actuarial Assumptions: The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|------------------------------------|---|
| Valuation date | June 30, 2018 |
| Measurement date | June 30, 2019 |
| Actuarial cost method | Entry-age normal cost method |
| <u>Actuarial assumptions:</u> | |
| Discount rate | 6.75% |
| Inflation | 2.75% |
| Salary increases | 3.00% |
| Investment rate of return | 6.75% |
| Dental/vision cap increase | 3.00% |
| Mortality rate | CalPERS 1997-2015 Experience Study |
| Pre-retirement turnover | CalPERS 1997-2015 Experience Study |
| Healthcare trend rate non-Medicare | 7.5% for 2020, decreasing to an ultimate rate of 4.0% in 2076 |
| Healthcare trend rate Medicare | 6.5% for 2020, decreasing to an ultimate rate of 4.0% in 2076 |
| Participation rate | Tier 1 100%; Tier 2 depending on vesting |

EL DORADO HILLS COUNTY WATER DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE F – OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)

Pre-retirement mortality information was derived from data collected during 1997 to 2015 CalPERS 2017 Experience Study and post-retirement mortality information was derived from the 1997 to 2015 CalPERS Experience Study. The Experience Study Reports may be accessed on the CalPERS website www.calpers.ca.gov under Forms and Publications.

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class for CERBT and PARS investments as of the measurement date are summarized in the following table:

| Asset Class | Target Allocation CERBT- Strategy 1 | CERBT Expected Real Rate of Return | Target Allocation PARS-Capital Appreciation | PARS Expected Real Rate of Return |
|---------------|--|---|--|--|
| Global equity | 59.0% | 4.82% | 73.0% | 4.82% |
| Fixed income | 25.0% | 1.47% | 20.0% | 1.47% |
| TIPS | 5.0% | 1.29% | | |
| Commodities | 3.0% | 0.84% | | |
| REITs | 8.0% | 3.76% | 2.0% | 3.76% |
| Cash | | | 5.0% | 6.00% |
| Total | <u>100.0%</u> | | <u>100.0%</u> | |

Discount Rate: The discount rate used to measure the total OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that District's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE F – OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)

| | Increase (Decrease) | | |
|--------------------------|-------------------------|--------------------------------|-------------------------------|
| | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability/(Asset) |
| Balance at June 30, 2019 | \$ 20,685,634 | \$ 8,148,315 | \$ 12,537,319 |
| Changes in the year: | | | |
| Service cost | 835,068 | | 835,068 |
| Interest | 1,429,582 | | 1,429,582 |
| Contributions - employer | | 1,584,856 | (1,584,856) |
| Investment income | | 529,216 | (529,216) |
| Administrative expenses | | (5,760) | 5,760 |
| Benefit payments | (683,394) | (683,394) | |
| Net changes | <u>1,581,256</u> | <u>1,424,918</u> | <u>156,338</u> |
| Balance at June 30, 2020 | <u>\$ 22,266,890</u> | <u>\$ 9,573,233</u> | <u>\$ 12,693,657</u> |

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates:

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|--------------------|---------------|--------------------------|---------------|
| | 5.75% | 6.75% | 7.75% |
| Net OPEB liability | \$ 15,885,794 | \$ 12,693,657 | \$ 10,084,906 |

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

| | 1% Decrease | Current Healthcare Cost Trend Rates | 1% Increase |
|--|--------------------|---|---------------|
| | Net OPEB liability | \$ 9,538,248 | \$ 12,693,657 |

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

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NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE F – OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended June 30, 2020, the District recognized OPEB expense of \$2,436,255. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| OPEB contributions subsequent to measurement date | \$ 1,079,446 | |
| Differences between actual and expected experience | 149,727 | |
| Changes in assumptions | 5,515,392 | |
| Net differences between projected and actual earnings on plan investments | | \$ (72,438) |
| Total | \$ 6,744,565 | \$ (72,438) |

The deferred outflow for changes in assumptions above mainly results from the effect of including the implied subsidy in the computation of the OPEB liability in 2019. This is due to a difference of opinion between the current and previous actuary about whether the implied subsidy is appropriate to include in the computation of the net OPEB liability for CERBT members.

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

| Year Ended June 30 | |
|-----------------------|--------------|
| 2021 | \$ 745,479 |
| 2022 | 745,479 |
| 2023 | 786,991 |
| 2024 | 796,905 |
| 2025 | 786,823 |
| Thereafter | 1,731,004 |
| | \$ 5,592,681 |

Payable to the OPEB Plan: At June 30, 2020, there was no payable to the OPEB Plan.

Subsequent Changes to OPEB Benefits: In October 2019, the Board of Directors approved the following changes to the District's OPEB benefits: The maximum monthly health insurance benefit reimbursed by the District will be limited to up to 100% of the fourth and fifth highest cost plan offered in CalPERS Region 1 at the tier the employee elects effective January 1, 2021 and 2022, respectively.

EL DORADO HILLS COUNTY WATER DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE G – FIRE IMPACT FEES

The use of fire impact fees is restricted solely for financing public facilities and equipment necessary to serve new developments. Changes in unspent fire impact fees reported as restricted cash and investments were as follows during the year ended June 30, 2020:

| | |
|---|---------------|
| Amount available at June 30, 2019 | \$ 9,207,372 |
| Add fees collected and interest income | 1,504,147 |
| Amount available in county investment pool at June 30, 2020 | 10,711,519 |
| Less outstanding transfer at June 30, 2020 | (196,555) |
| Amount available at June 30, 2020 | \$ 10,514,964 |

NOTE H – COMMITMENTS AND CONTINGENCIES

Operating Leases: The District entered into solar leases at four fire stations during the year ended June 30, 2017 that expire during the year ending June 30, 2031. The leases contain an option to renew the leases for one additional two-year term and allow the District to purchase the assets for fair market value, but not less than a termination value amount specified in the lease, on the fifth and tenth anniversary of the commencement date and at the end of the lease term. Lease expense was \$67,969 in 2020 under the lease agreement.

On November 6, 2019, the District entered into a 5-year lease agreement for two units of a building in El Dorado Hills totaling approximately 3,439 square feet from May 22, 2020 to May 21, 2025. The lease contains two 5-year options to renew the lease at prevailing market rates. The facility is expected to be used for training classes until a permanent training facility is constructed and is expected to be funded with development fees. Lease expense was \$5,913 on the facility during 2020. Future payments on these leases at June 30, 2020 were as follows:

| Year Ending June 30: | Solar Lease | Training Facility Lease |
|-------------------------|----------------|----------------------------|
| 2021 | \$ 69,108 | \$ 53,924 |
| 2022 | 70,080 | 55,574 |
| 2023 | 71,052 | 57,225 |
| 2024 | 72,024 | 58,876 |
| 2025 | 73,032 | 53,573 |
| 2026-2030 | 380,688 | |
| 2031 | 79,344 | |
| | \$ 815,328 | \$ 279,172 |

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

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

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NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE H – COMMITMENTS AND CONTINGENCIES (Continued)

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

Commitments: The District’s Board of Directors included the design of a fire training facility as part of its strategic plan and two architectural contracts have been awarded not to exceed limits of \$2 million each for the construction of new facilities and major repairs and remodeling of existing facilities for Department-owned and leased general government buildings and grounds. Design costs are included as part of construction in progress, which is reported in capital assets on the District’s balance sheet.

In December 2019, the District approved a 5-year agreement for shared fire services with Rescue Fire Protection District. The District will be reimbursed approximately \$75,000 per year for services and will be reimbursed \$37,770 for the cost of an administrative assistant under the agreement.

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

Amounts reported for governmental activities in the governmental funds balance sheet are being adjusted to arrive at the statement of net position. The adjustments are as follows at June 30, 2020:

| | |
|--|----------------------|
| Fund balances - Total Governmental Funds | \$ 35,443,500 |
| Deferred outflows of resources on pensions and OPEB are not reported in the governmental funds. | 12,216,570 |
| Capital assets used in governmental activities are not financial resources and therefore not reported in the governmental funds. | 20,785,082 |
| Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position. | |
| Compensated absences | (1,662,266) |
| HRA liability | (576,166) |
| Net pension liability | (19,389,047) |
| Net OPEB Liability | (12,693,657) |
| Deferred inflows of resources on pensions and OPEB are not reported in the governmental funds. | (1,672,778) |
| NET POSITION OF GOVERNMENTAL ACTIVITIES | \$ 32,451,238 |

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

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

Amounts reported for governmental activities in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances are adjusted to arrive at the Statement of Activities for Government-wide presentation. The adjustments for the fiscal year ended June 30, 2020 are as follows:

| | |
|---|--------------|
| Net change in fund balance - Governmental Funds | \$ 4,160,020 |
|---|--------------|

The change in net position for governmental activities in the statement of activities is different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:

| | |
|----------------|-------------|
| Capital outlay | 384,327 |
| Depreciation | (1,073,392) |

Changes in deferred inflows and outflows related to the pension and OPEB plans do not result in the receipt or use of current financial resources and are not reported in the governmental funds.

| | |
|--|-------------|
| Change in deferred outflows of resources | (1,004,785) |
| Change in deferred inflows of resources | (174,127) |

| | |
|---|----------|
| Governmental funds do not present revenues that are not available to pay current expenditures. Such revenues are recognized in the Statement of Activities. | (78,338) |
|---|----------|

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

| | |
|--|------------------|
| Change in compensated absences liability | (216,062) |
| Change in health reimbursement arrangement liability | (68,803) |
| Change in net pension liability | (2,217,549) |
| Change in net OPEB liability | <u>(156,338)</u> |

| | |
|---|---------------------|
| NET CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES | <u>\$ (445,047)</u> |
|---|---------------------|

NOTE J – SUBSEQUENT EVENTS

COVID-19 Pandemic: The spread of the novel strain of coronavirus (known as “COVID-19”) has had significant negative impacts throughout the world, including California. The World Health Organization declared the COVID-19 outbreak to be a pandemic in March 2020, and states of emergency have been declared by the United States, the State of California, and numerous counties throughout the State, including El Dorado County. The District also declared a state of emergency on March 31, 2020.

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE J – SUBSEQUENT EVENTS (Continued)

Impacts of the COVID-19 outbreak to the District include, but are not limited to, an increase in the cost of medical supplies, personal protective equipment (PPE) and other equipment, as well as an increase in wages and benefits costs associated with COVID-related employee leave and/or quarantine. Further, an economic downturn affecting the District's service area could have an adverse impact on the future collection of property tax revenues.

The District plans to apply for reimbursement for eligible COVID-19 expenditures under the Federal Emergency Management Agency's (FEMA) Public Assistance Program. It is unknown at this time how much relief the District will receive from this FEMA grant award. The District also received a Coronavirus Aid, Relief, & Economic Security (CARES) Act grant through El Dorado County in October 2020 in the amount of \$175,896. These grant funds will be used to purchase sanitation equipment, COVID-19 medical and cleaning supplies, information technology equipment to enable remote meetings and training, and other qualifying medical equipment. The District plans to expend these funds prior to December 31, 2020.

In October 2020, the District's Board of Directors approved the purchase of a Pierce Type 1 Wildland Urban Interface (WUI) engine for an amount not to exceed \$755,000.

REQUIRED SUPPLEMENTARY INFORMATION

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

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2020

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

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| Proportion of the net pension liability | 0.189216% | 0.178197% | 0.172267% | 0.168837% | 0.176436% | 0.166733% |
| Proportionate share of the net pension liability | \$ 19,389,047 | \$ 17,171,498 | \$ 17,084,133 | \$ 14,609,638 | \$ 12,110,427 | \$ 10,374,901 |
| Covered payroll - measurement period | \$ 8,240,341 | \$ 7,786,603 | \$ 7,684,157 | \$ 7,132,639 | \$ 6,686,466 | \$ 6,342,947 |
| Proportionate share of the net pension liability as a percentage of covered payroll | 235.29% | 220.53% | 222.33% | 204.83% | 181.12% | 163.57% |
| Plan fiduciary net position as a percentage of the total pension liability | 76.64% | 77.96% | 76.22% | 74.06% | 78.40% | 79.82% |

Changes in assumptions: The discount rate changed from 7.50% in 2015 to 7.65% in 2016 and 2017 and 7.15% in 2018 valuations.

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

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---------------|---------------|---------------|---------------|----------------|---------------|
| Contactually required contribution (actuarially determined) | \$ 2,145,247 | \$ 1,898,684 | \$ 1,615,849 | \$ 1,609,245 | \$ 1,506,948 | \$ 1,535,189 |
| Contributions in relation to the actuarially determined contributions | (2,145,247) | (1,898,684) | (1,615,849) | (1,609,245) | (2,706,948) | (1,535,189) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ (1,200,000) | \$ - |
| Covered payroll - employer's fiscal year | \$ 9,330,278 | \$ 8,240,341 | \$ 7,786,603 | \$ 7,684,157 | \$ 7,132,639 | \$ 6,686,466 |
| Contributions as a percentage of covered payroll | 22.99% | 23.04% | 20.75% | 20.94% | 37.95% | 22.96% |
| Notes to schedule: | | | | | | |
| Contribution valuation date | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 | June 30, 2013 | June 30, 2012 |
| Reporting valuation date | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 | June 30, 2013 |
| Reporting measurement date: | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 |

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

Methods and assumptions used to determine contribution rates:

| | | | | | | |
|--|---|--------|-------|---|-------|-------|
| Actuarial method | | | | Entry age normal cost method | | |
| Amortized method | | | | Level percentage of payroll, close | | |
| Remaining amortization period | | | | Varies by rate plan, but not more than 30 years | | |
| Asset valuation method | | | | Market value | | |
| Inflation | 2.625% | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% |
| Salary increases | | | | Varies by entry age and service | | |
| Investment rate of return and discount rate used to compute contribution rates | 7.25% | 7.375% | 7.50% | 7.50% | 7.50% | 7.50% |
| Retirement age | 50-67 years. Probabilities of retirement are based on the the most recent CalPERS Experience Study. | | | | | |
| Mortality | Most recent CalPERS Experience Study | | | | | |

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

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

For the Year Ended June 30, 2020

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|----------------------|----------------------|----------------------|
| Total OPEB liability | | | |
| Service cost | \$ 835,068 | \$ 365,211 | \$ 355,436 |
| Interest | 1,429,582 | 899,012 | 841,728 |
| Differences between expected and actual experience | | 191,319 | |
| Changes in assumptions | | 7,047,446 | |
| Benefit payments | (683,394) | (590,325) | (552,110) |
| Net change in total OPEB liability | <u>1,581,256</u> | <u>7,912,663</u> | <u>645,054</u> |
| Total OPEB liability - beginning | 20,685,634 | 12,772,971 | 12,127,917 |
| Total OPEB liability - ending (a) | <u>\$ 22,266,890</u> | <u>\$ 20,685,634</u> | <u>\$ 12,772,971</u> |
| | | | |
| Plan fiduciary net position | | | |
| Contributions - employer | \$ 1,584,856 | \$ 1,890,325 | \$ 852,110 |
| Investment income | 529,216 | 553,479 | 597,001 |
| Benefit payments | (683,394) | (590,325) | (552,110) |
| Administrative expenses | (5,760) | (13,212) | (5,054) |
| Net change in plan fiduciary net position | <u>1,424,918</u> | <u>1,840,267</u> | <u>891,947</u> |
| Plan fiduciary net position - beginning | 8,148,315 | 6,308,048 | 5,416,101 |
| Plan fiduciary net position - ending (b) | <u>\$ 9,573,233</u> | <u>\$ 8,148,315</u> | <u>\$ 6,308,048</u> |
| | | | |
| Net OPEB liability - ending (a)-(b) | <u>\$ 12,693,657</u> | <u>\$ 12,537,319</u> | <u>\$ 6,464,923</u> |
| | | | |
| Plan fiduciary net position as a percentage of the total OPEB liability | <u>42.99%</u> | <u>39.39%</u> | <u>49.39%</u> |
| | | | |
| Covered-employee payroll - measurement period | <u>\$ 9,694,044</u> | <u>\$ 7,786,603</u> | <u>\$ 7,684,157</u> |
| | | | |
| Net OPEB liability as percentage of covered-employee payroll | <u>130.94%</u> | <u>161.01%</u> | <u>84.13%</u> |
| | | | |
| Notes to schedule: | | | |
| Valuation date | June 30, 2018 | June 30, 2018 | June 30, 2017 |
| Measurement period - fiscal year ended | June 30, 2019 | June 30, 2018 | June 30, 2018 |
| Benefit changes: | None | None | None |

Changes in assumptions: Investment rate of return was changed from 7% to 6.75%; demographic assumptions were updated to the CalPERS 2017 Experience Study; mortality improvement scale was updated to Scale MP-2018; active spouse and family participation was updated; implied subsidy was included; medical trend was updated to Getzen model; ACA Excise Tax estimate by 2% load was included on cash benefits; dental benefits were included; and payroll growth was changed from 2.75% to 3% at the June 30 2018 measurement date.

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

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

For the Year Ended June 30, 2020

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|---------------------|---------------------|-----------------------|
| Contractually determined contribution - employer fiscal year | \$ 773,002 | \$ 683,394 | \$ 890,325 |
| Contributions in relation to the contractually determined contributions | (1,079,446) | (1,584,856) | (1,890,325) |
| Contribution deficiency (excess) | <u>\$ (306,444)</u> | <u>\$ (901,462)</u> | <u>\$ (1,000,000)</u> |
| Covered-employee payroll - employer fiscal year | \$ 9,958,091 | \$ 9,694,044 | \$ 7,786,603 |
| Contributions as a percentage of covered-employee payroll | 10.84% | 16.35% | 24.28% |

Notes to Schedule:

| | | | |
|--|---------------|---------------|---------------|
| Valuation date | June 30, 2018 | June 30, 2018 | June 30, 2017 |
| Measurement period - fiscal year ended | June 30, 2019 | June 30, 2018 | June 30, 2018 |

Methods and assumptions used to determine contribution rates:

| | | | |
|--|-------|-------|-------|
| Investment rate of return | 6.75% | 6.75% | 7.00% |
| Payroll growth | 3.00% | 3.00% | 2.75% |
| Inflation | 2.75% | 2.75% | 2.75% |
| Healthcare trend initial, non-Medicare | 7.50% | 7.50% | 4.00% |
| Healthcare trend initial, Medicare | 6.50% | 6.50% | 4.00% |
| Healthcare trending down to | 4.00% | 4.00% | 4.00% |

| | |
|----------------------------|--|
| Actuarial cost method | Entry Age Normal Cost Method |
| Amortization method/period | Amorized over average of expected remaining service lives of employees of 9.2 |
| Asset valuation method | Market value |
| Mortality | 2017 CalPERS 1997-2015 Experience Study mortality for fire fighters and miscellaneous employees. |

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

COMPLIANCE REPORT

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the El Dorado Hills Fire Department (dba El Dorado Hills Fire Department) (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 12, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Richardson & Company, LLP

November 12, 2020