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

Audited Financial Statements and
Compliance Report

June 30, 2021

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

AUDITED FINANCIAL STATEMENTS AND
COMPLIANCE REPORTS

June 30, 2021

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RICHARDSON & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

550 Howe Avenue, Suite 210
Sacramento, California 95825

Telephone: (916) 564-8727
FAX: (916) 564-8728

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, 2021 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, 2021, 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, schedule of revenues, expenditures and changes in fund balance - budget and actual – General Fund, 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 16, 2021 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 16, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

As management of the El Dorado Hills County Water District (Fire Department), we offer this Management Discussion and Analysis Report as an overview and analysis of the financial activities of the Fire Department for the fiscal year ended June 30, 2021.

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

- General Fund revenues for the year, mostly comprised of property tax revenues, exceeded expenditures by $4,484,210. A portion of this excess is comprised of restricted development fee revenue and interest earnings, as well as restricted unrealized gains in the PARS Section 115 Pension trust account. Excluding restricted revenue, related interest earnings and unrealized gains, revenues exceeded expenditures by $2,900,002. Of this excess, a net amount of $827,587 was transferred to the District's Capital Replacement Fund, which is reported as committed fund balance. Further, there are planned contributions of $1,203,967 and $1,024,065 to the District's PARS Section 115 Pension and OPEB trust accounts, respectively. These Section 115 trust contributions will help offset the pension and OPEB unfunded liabilities.

- The District ended the fiscal year with a positive Net Position of $34,505,825. This is made up of $20,166,870 in net capital assets, $11,503,774 in assets that are restricted for qualifying capital improvements related to District growth, and another $4,720,362 in assets that are restricted for the payment of pension benefits. Unrestricted Net Position ended at $(1,885,181), an increase from prior year's Unrestricted Net Position of $(3,129,387).

- The Net Pension Liability increased from prior year to $21,723,405, while the Net OPEB Liability decreased to $11,127,651. Total combined Net Pension and OPEB liabilities were $32,851,056 as of June 30, 2021, a net increase of $768,352 from prior year.

- The District's General Fund reported total fund balances of $39,927,710. Of this balance, $23,703,574 is unrestricted. The portion of the unrestricted balance committed for future capital replacements is $5,230,513. Another $263,542 of the unrestricted balance is comprised of prepaid amounts that are nonspendable. The remaining $18,209,519 of unrestricted fund balance represents approximately 88% 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.

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 2020-21 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 2020/21 increased by $2,656,030 from prior year. The primary source of funding for the District to provide services is property taxes, which makes up approximately 79.1% of total revenues. Property Tax Revenues increased by $1,114,184, or 5.8% from prior year. Development Fee Revenue decreased by $140,368, or 10.9% from prior year. Other Revenue and JPA revenue remained relatively consistent with last fiscal year. There was a significant increase of $1,465,927, or 693.4%, in OES/Mutual Aid Revenue. This increase is due to the District's heavy participation in a severe 2020 fire season. The District also had Operating and Capital Grant Revenue in 2021/22. The grants awarded to the District include CARES Act funding from El Dorado County to help pay for COVID-19 related expenditures, and an AFG grant to assist the District in purchasing Lucas Chest Compression Devices.

Summary of Total Revenues				
	2020/21	2019/20	$ Change	% Change
General Revenues				
Property Tax Revenue	$ 20,399,158	$ 19,284,974	$ 1,114,184	5.8%
Development Fees	1,146,558	1,286,926	(140,368)	-10.9%
Other Revenue	1,160,044	1,213,703	(53,659)	-4.4%
Total General Revenues	$ 22,705,760	$ 21,785,603	$ 920,157	4.2%
Program Revenues				
JPA Revenue	$ 1,150,000	$ 1,150,000	$ -	0.0%
OES/Mutual Aid Revenue	1,677,353	211,426	1,465,927	693.4%
Operating Grants Revenue	44,379	-	44,379	N/A
Capital Grants Revenue	225,566	-	225,566	N/A
Total Program Revenues	$ 3,097,299	$ 1,361,426	$ 1,735,873	127.5%
Total Revenues	**$ 25,803,059**	**$ 23,147,029**	**$ 2,656,030**	**11.5%**

Expenses

Total expenses for fiscal year 2020/21 remained relatively consistent with prior year, with a slight increase of $156,396, or 0.7%. Most of the District's cost to operate is comprised of labor costs. Wages and Benefits made up approximately 86.7% of total expenses for the 2020/21 fiscal year and increased by $390,589, or 1.9%, from 2019/20. This is primarily due to a substantial increase in Overtime resulting from the commitment of resources to strike teams in 2020/21, mostly offset by a decrease in both the GASB 68 Pension Expense and GASB 75 OPEB Expense. Professional Services and Information Technology expenses remained consistent with prior year. Maintenance costs decreased by $96,761, or 17.8% from prior year, as there were significant one-time costs in 2019/20 for the Employee Development Center that did not continue into 2020/21. Other Operating Expense also decreased from prior year, primarily due to the one-time purchase or turnout replacements and technical rescue equipment in 2019/20.

Summary of Total Expenses				
	2020/21	2019/20	$ Change	% Change
Public Protection				
Wages & Benefits	$ 20,586,996	$ 20,196,407	$ 390,589	1.9%
Professional Services & IT	643,617	652,253	(8,637)	-1.3%
Maintenance	446,400	543,161	(96,761)	-17.8%
Other Operating Expense	1,004,988	1,126,863	(121,875)	-10.8%
Total Public Protection	$ 22,682,001	$ 22,518,684	$ 163,317	0.7%
Depreciation Expense	$ 1,066,471	$ 1,073,392	$ (6,921)	-0.6%
Total Expenses	**$ 23,748,472**	**$ 23,592,076**	**$ 156,396**	**0.7%**

Net Position

The District's net position of $34,505,825 at June 30, 2021 increased by $2,054,587, or 6.3% from prior year. This increase is attributable to an increase in the District's Current Assets as well as a decrease in its Net OPEB Liability, partially offset by increases in the Net Pension Liability and Deferred Inflows of Resources. The increase in Current Assets is mostly due to increases in the Local Agency Investment Fund (LAIF) balance of $1,554,203, the Development Fee Fund balance of $988,809 and the Restricted

Pension Investment fund balance of $439,783. Amounts due from other Governments also increased by $646,960 as a result of large outstanding Cal OES Strike Team reimbursements. The decrease in the Net OPEB Liability of $1,566,006, or about 12%, is mostly due to lower-than-expected healthcare premiums and negotiated changes in benefit caps. On the other hand, the Net Pension Liability increased by $2,334,358, or 12% mostly due the amortization of prior year investment losses. There was also an increase in OPEB Deferred Inflows of $1,111,820 due to changes in actuarial assumptions and differences between expected and actual experience.

Summary of Net Position

	2020/21	2019/20	$ Change	% Change
Current Assets	$ 41,018,203	$ 36,129,262	$ 4,888,941	13.5%
Capital Assets	20,166,870	20,785,082	(618,212)	-3.0%
Deferred Outflows	12,190,596	12,216,570	(25,974)	-0.2%
Total Assets & Deferred Outflows	$ 73,375,669	$ 69,130,914	$ 4,244,755	6.1%
Current Liabilities	1,802,753	1,567,107	235,646	15.0%
Net Pension Liability	21,723,405	19,389,047	2,334,358	12.0%
Net OPEB Liability	11,127,651	12,693,657	(1,566,006)	-12.3%
Other Non-Current Liabilities	1,371,391	1,357,087	14,304	1.1%
Deferred Inflows	2,844,644	1,672,778	1,171,866	70.1%
Total Liabilities & Deferred Inflows	$ 38,869,844	$ 36,679,676	$ 2,190,168	6.0%
Net Position	**$ 34,505,825**	**$ 32,451,238**	**$ 2,054,587**	**6.3%**

FINANCIAL ANALYSIS OF THE DISTRICT'S GENERAL FUND

The District's General Fund is broken down into an Unassigned Fund, a Nonspendable Fund (prepaids), Capital Replacement Fund (committed), a Development Fee Fund (restricted), and a Pension Benefit Fund (restricted). Fund balances totaled $39,927,710 at the end of 2020/21, an increase of $4,484,210 from 2019/20. The District saw increases in the Unassigned General Reserve Fund balance, the Capital Replacement Fund, The Development Fee Fund and the Restricted Benefit Fund (Pension). The Unassigned General Reserve Fund ended the fiscal year with a balance of $18,209,519, an increase of $2,229,790, or 14% from prior year. This increase is due to an excess of unrestricted revenues over expenditures, less transfers to the Capital Replacement Fund. The Committed, or Capital Replacement Fund balance, increased by $827,587 from prior year, leaving an ending balance of $5,230,513. This increase is the result of contributions to the fund in excess of capital purchases for the fiscal year. The District's Restricted Development Fee Fund balance ended at $11,503,774, a 9.4% increase from prior year. This increase resulted from development fee revenue and interest collections exceeding transfers out for qualifying expenditures. While the District did not make any new contributions to its Pension Section 115 Trust account during fiscal year 2020/21, it did recognize unrealized gains in the account totaling $439,783, bringing the Restricted Benefit Fund's ending balance to $4,720,362. Outstanding reimbursements due to the General Reserve Fund from the Development Fee Fund of $156,620 for qualifying expenditures made in 2020/21 are reflected in these balances.

Summary of Total Fund Balances				
	2020/21	**2019/20**	**$ Change**	**% Change**
General Reserve Fund - Unassigned	$18,209,519	$15,979,729	$2,229,790	14.0%
General Reserve Fund - Nonspendable	$263,542	$265,302	(1,760)	-0.7%
Capital Replacement Fund	5,230,513	4,402,926	827,587	18.8%
Unrestricted Fund Balances	**$23,703,574**	**$20,647,957**	**$3,055,617**	**14.8%**
Development Fee Fund	11,503,774	10,514,964	988,810	9.4%
Pension Benefit Fund	4,720,362	4,280,579	439,783	10.3%
Restricted Fund Balances	**$16,224,136**	**$14,795,543**	**$1,428,593**	**9.7%**
Total Fund Balances	**$39,927,710**	**$35,443,500**	**$4,484,210**	**12.7%**

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual financial results are evaluated against the District's adopted (original) final budget and/or mid-year final budget on a monthly basis at its regular board meetings. Below is a comparison of the final mid-year budget and actual results for fiscal year 2020/21:

Budget vs. Actual - General Fund				
	2020/21 Final Mid-Year Budget	**2020/21 Actual**	**$ Variance Favorable/ (Unfavorable)**	**% Variance Favorable/ (Unfavorable)**
Total Revenues/Other Financing Sources	$ 25,015,155	$ 25,586,418	$ 571,263	2.3%
Operating Expenditures	(20,550,580)	(20,653,949)	$ (103,369)	0.5%
OPEB UAL Lump Sum Payment	(821,172)	-	821,172	-100.0%
Capital Outlay	(348,278)	(448,259)	(99,981)	28.7%
Net Change in Fund Balance	**$ 3,295,125**	**$ 4,484,210**	**$ 1,189,085**	**36.1%**

- Actual revenue was greater than budgeted revenue by $571,263 due to the following:
  - Secured and Supplemental property tax revenue ended higher than the budgeted estimates
  - Miscellaneous Operating Revenue collected was higher than the budgeted estimate due to the Rescue Shared Services Agreement administrative assistant passthrough costs, as well as higher than expected workers' compensation insurance reimbursements
  - There was an unbudgeted gain on investment in the District's PARS Pension Section 115 Trust account
- Actual operating expenditures came in slightly unfavorable to the final budget by $103,369 due to the following:
  - Wages & Benefits were higher than budget, primarily due to higher overtime costs than anticipated
- The OPEB UAL Lump Sum Payment was favorable to budget by $821,172 due to timing of the contribution to the District's OPEB Section 115 Trust account. A contribution to this account will be made in fiscal year 2021/22

- Capital outlay was unfavorable to budget by $99,981 due to higher expenditures on the Training Facility in-progress than anticipated

CAPITAL ASSETS

The District purchased capital assets totaling $448,259 in 2020/21. This includes $208,824 spent on the Training Center in-progress and $132,923 on the purchase of 7 Chest Compression Devices (grant funded). The District also purchased and installed the equipment for three (3) Zoom rooms for $69,715 (grant funded), including the community room at Station 85, and the two (2) training rooms at the Employee Development Center. Also grant funded was the acquisition of a Room Decontamination System for $16,588. Finally, the District purchased two (2) replacement Portable Radios and two (2) radios for the new Pierce Engines that will be placed in service in 2021/22.

Approximately $126,415 in assets were written off or disposed of in fiscal year 2020/21. The District did not recognize any loss on disposal, as the assets were all fully depreciated. District capital assets are valued at historical cost and depreciated over their estimated useful lives using the straight-line method. More information about capital assets may be found in Note C to the financial statements.

ECONOMIC OUTLOOK

The District's net position remains strong and reflects financial stability. There is a continuing trend of increased Development within the District and property values are at historic highs, with no signs of a decline in the near future. That being said, 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 and looming inflation. 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 plans to make deposits in excess of $2 million to its PARS (Public Agency Retirement Services) Pension and OPEB Section 115 trust accounts in fiscal year 2021/22. These funds will serve to offset the growing unfunded liability balances and may also be utilized to offset future qualifying expenses in the event of an economic downturn. The District's Board of Directors and staff continuously monitor 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, 2021

	General Fund	Adjustments (Note J)	Statement of Net Position
ASSETS			
Cash and investments - unrestricted	$ 22,269,712		$ 22,269,712
Cash and investments - restricted	16,224,136		16,224,136
Receivables:			
Interest receivable - unrestricted	15,390		15,390
Due from other governments	742,724		742,724
Other receivables			
Deposits	1,502,699		1,502,699
Prepaid costs	263,542		263,542
Capital assets:			
Nondepreciable		$ 4,331,447	4,331,447
Depreciable, net		15,835,423	15,835,423
TOTAL ASSETS	41,018,203	20,166,870	61,185,073
DEFERRED OUTFLOWS OF RESOURCES			
Pension plan		5,860,509	5,860,509
Other postemployment benefits plan		6,330,087	6,330,087
TOTAL DEFERRED OUTFLOWS OF RESOURCES		12,190,596	12,190,596
TOTAL ASSETS AND DEFFERED OUTFLOWS OF RESOURCES	$ 41,018,203	32,357,466	73,375,669
LIABILITIES			
Accounts payable	$ 337,897		337,897
Salaries and benefits payable	501,611		501,611
Compensated absences - current		797,476	797,476
Unearned revenue	34,344		34,344
Health reimbursement arrangement liability - current		131,425	131,425
Noncurrent liabilities:			
Compensated absences - noncurrent		894,067	894,067
Health reimbursement arrangement liabiilty - noncurrent		477,324	477,324
Net pension liability		21,723,405	21,723,405
Net other postemployment benefits liability		11,127,651	11,127,651
TOTAL LIABILITIES	873,852	35,151,348	36,025,200
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	216,641	(216,641)	
Pension plan		1,660,386	1,660,386
Other postemployment benefits plan		1,184,258	1,184,258
TOTAL DEFERRED INFLOWS OF RESOURCES	216,641	2,628,003	2,844,644
FUND BALANCES/NET POSITION			
Fund balance:			
Nonspendable–prepaid costs	263,542	(263,542)	
Restricted for capital improvements	11,503,774	(11,503,774)	
Restricted for pension benefits	4,720,362	(4,720,362)	
Committed	5,230,513	(5,230,513)	
Unassigned	18,209,519	(18,209,519)	
TOTAL FUND BALANCES	39,927,710	(39,927,710)	
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 41,018,203		
Net position:			
Investment in capital assets		20,166,870	20,166,870
Restricted for capital improvements		11,503,774	11,503,774
Restricted for pension benefits		4,720,362	4,720,362
Unrestricted		(1,885,181)	(1,885,181)
TOTAL NET POSITION		$ 34,505,825	$ 34,505,825

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, 2021

	General Fund	Adjustments (Note J)	Statement of Activities
EXPENDITURES/EXPENSES			
Current:			
Public protection	$ 20,653,949	$ 2,028,052	$ 22,682,001
Capital outlay	448,259	(448,259)	
Depreciation		1,066,471	1,066,471
TOTAL EXPENDITURES/EXPENSES	21,102,208	2,646,264	23,748,472
PROGRAM REVENUES			
Charges for services			
Reimbursements from other agencies	2,827,353		2,827,353
Federal operating grants	44,379		44,379
Federal capital grants	225,566		225,566
TOTAL PROGRAM REVENUES	3,097,298		3,097,298
NET PROGRAM EXPENSE	(18,004,910)	(2,646,264)	(20,651,174)
GENERAL REVENUES			
Property taxes and assessments	20,399,159		20,399,159
Fire impact fees	1,146,558		1,146,558
Investment earnings	430,157		430,157
Other revenues	500,681	216,641	717,322
Gain on disposal of capital assets		12,565	12,565
TOTAL GENERAL REVENUES	22,476,555	229,206	22,705,761
EXCESS OF REVENUES OVER EXPENDITURES	4,471,645	(4,471,645)	
OTHER FINANCING SOURCES/(USES)			
Proceeds from sale of capital assets	12,565	(12,565)	
TOTAL OTHER FINANCING SOURCES/(USES)	12,565	(12,565)	
NET CHANGE IN FUND BALANCE	4,484,210	(4,484,210)	
CHANGE IN NET POSITION		(2,429,623)	2,054,587
Fund balance/net position, beginning of year	35,443,500	(2,992,262)	32,451,238
FUND BALANCE/NET POSITION, END OF YEAR	$ 39,927,710	$ (5,421,885)	$ 34,505,825

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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 18,000 homes and an estimated population of 49,960.

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.

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 $11,503,774 of unspent fire impact fees collected by the County of El Dorado on the District's behalf as well as $4,720,362 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.

Deposits: Deposits include a deposit of $1,498,228 with a manufacturer to build two Pierce Enforcer 1500 GMP Pumpers that were not delivered by year-end and a lease deposit.

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:

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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's unearned revenues at year-end consisted mainly of unearned Community Risk Reduction Division fees.

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.

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. Committed fund balance represents the capital replacement fund approved by the Board of Directors for replacement or necessary improvement of fleet and facilities that exceeds routine maintenance.

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.

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 edcjpa.org.

Health Reimbursement Arrangement: The District provides an optional health reimbursement arrangement (HRA) for each full-time and part-time employee hired prior to October 1, 2019 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 $145, $175 and $225 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 electing the HRA benefit are provided a monthly 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. Employees hired prior to October 1, 2019 also have the option to elect a paid dental/vision insurance plan in lieu of the HRA.

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.

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, 2021, the District's cash and investments consisted of the following:

Cash and investments - unrestricted	$ 22,269,712
Cash and investments - restricted	16,224,136
	$ 38,493,848
Deposits in financial institutions	$ 738,755
California Local Agency Investment Fund (LAIF)	20,342,248
Investment in County of El Dorado investment pool	12,692,483
Public Agency Retirement Services (PARS) Trust - mutal funds	4,720,362
Total cash and investments	$ 38,493,848

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, 2021, the carrying amount and balance per banks of the District's bank deposits were $831,035 and $738,755, 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 $193,321,015,759 which is managed by the State Treasurer. Of that amount, 2.31 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

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 291 days at June 30, 2021.

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 $652,129,826 at June 30, 2021. 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, 2021, the weighted average maturity of the investments contained in the County's investment pool was approximately 699 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 Moderately Conservative 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 7.29 years at June 30, 2021.

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.

NOTE C – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

	Balance at June 30, 2020	Additions	Retirements	Transfers	Balance at June 30, 2021
Capital assets, not being depreciated:					
Land	$ 3,714,639				$ 3,714,639
Construction in process:					
Training facility	407,984	$ 208,824			616,808
Total capital assets, not being depreciated	4,122,623	208,824			4,331,447
Capital assets, being depreciated:					
Buildings and improvements	19,638,747				19,638,747
Vehicles	6,250,070		$ (114,599)		6,135,471
Equipment	2,399,775	239,435	(11,816)		2,627,394
Total capital assets being depreciated	28,288,592	239,435	(126,415)		28,401,612
Less accumulated depreciation:					
Buildings and improvements	(6,049,478)	(502,360)			(6,551,838)
Vehicles	(3,834,515)	(362,100)	114,599		(4,082,016)
Equipment	(1,742,140)	(202,011)	11,816		(1,932,335)
Total accumulated depreciation	(11,626,133)	(1,066,471)	126,415		(12,566,189)
Total capital assets being depreciated	16,662,459	(827,036)			15,835,423
Capital assets, net	$ 20,785,082	$ (618,212)	$ -	$ -	$ 20,166,870

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, 2021:

	Balance June 30, 2020	Additions	Repayments	Balance June 30, 2021	Due Within One Year	Due in More Than One Year
Compensated absences	$ 1,662,266	$ 842,397	$ (813,120)	$ 1,691,543	$ 797,476	$ 894,067
Health reimbursement arrangement (HRA) liability	576,166	176,308	(143,725)	608,749	131,425	477,324
	$ 2,238,432	$ 1,018,705	$ (956,845)	$ 2,300,292	$ 928,901	$ 1,371,391

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, 2021, are summarized as follows:

	Miscellaneous Rate Plan	**Miscellaneous Second Tier Rate Plan**	**PEPRA Miscellaneous Rate Plan**
Hire date	Prior to August 13, 2011	August 13, 2011 to December 31, 2012	On or after January 1, 2013
Benefit formula (at full retirement)	3.0% @ 60	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
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%
Gross employee contribution rates	8.00%	7.00%	6.75%
Employee contribution rates paid by the District	8.00%	7.00%	0.00%
Gross employer contribution rates	15.445%	10.484%	7.732%
Employer contribution rates paid by employees	6.50%	6.50%	0.00%

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	one 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%
Gross employee contribution rates	9.00%	9.00%	13.00%
Employee contribution rates paid by the District	9.00%	9.00%	0.00%
Gross employer contribution rates	23.674%	20.585%	13.044%
Employer contribution rates paid by employees	10.50%	10.50%	0.00%

The tables above reflect employer contribution percentages before an employee pick-up of employer contributions of 6.5% for Miscellaneous First and Second Tier and 10.5% for Safety First and Second Tier Rate Plans under the District's MOU. Classic Miscellaneous and Classic Safety (Tiers 1 and 2) employees will contribute an additional 1.5% each year for a total of 8% and 12%, respectively, of their CalPERS reportable compensation to the employer's percentage contribution to CalPERS effective July 1, 2021. The District pays the required employee contribution under the District's MOU for all rate plans except the PEPRA rate plans. 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, 2021, the employer contributions of $110,112 and $2,280,375 were made to the Miscellaneous and Safety Risk Pools, respectively, for total contributions of $2,390,487.

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

As of June 30, 2021, the District reported net pension liabilities for its proportionate shares of the net pension liability of each risk pool as follows:

Miscellaneous Risk Pool	$ 980,747
Safety Risk Pool	20,742,658
Total Net Pension Liability	$ 21,723,405

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, 2020, 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, 2019 rolled forward to June 30, 2020 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, 2021 and 2020 were as follows:

	Miscellaneous Risk Pool	Safety Risk Pool	Total
Proportion - June 30, 2020	0.022318%	0.296279%	0.189216%
Proportion - June 30, 2021	0.023251%	0.311341%	0.199656%
Change - increase (decrease)	0.000933%	0.015062%	0.010440%

For the year ended June 30, 2021, the District recognized pension expense of $4,396,386 for both risk pools combined. At June 30, 2021, 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	$ 110,112		$ 2,280,375		$ 2,390,487	
Differences between actual and expected experience	50,541		1,608,488		1,659,029	
Changes in assumptions		$ (6,995)		$ (69,094)		$ (76,089)
Differences between the employer's contribution and the employer's proportionate share of contributions		(40,660)		(1,543,637)		(1,584,297)
Change in employer's proportion	44,797		1,286,236		1,331,033	
Net differences between projected and actual earnings on plan investments	29,135		450,825		479,960	
Total	$ 234,585	$ (47,655)	$ 5,625,924	$ (1,612,731)	$ 5,860,509	$ (1,660,386)

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:

Year Ended June 30	Miscellaneous Risk Pool	Safety Risk Pool	Total
2022	$ 12,043	$ 428,769	$ 440,812
2023	28,016	648,048	676,064
2024	22,785	430,112	452,897
2025	13,974	225,889	239,863
	$ 76,818	$ 1,732,818	$ 1,809,636

NOTE E – DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions: The total pension liabilities at the June 30, 2020 measurement date for each risk pool was determined using the following actuarial assumptions:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
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	2.750%
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.

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.

NOTE E – DEFINED BENEFIT PENSION PLAN (Continued)

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	100.00%		

(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	$ 1,511,761	$ 32,270,019	$ 33,781,780
Current discount rate	7.15%	7.15%	7.15%
Net pension liability	$ 980,747	$ 20,742,658	$ 21,723,405
1% increase	8.15%	8.15%	8.15%
Net pension liability	$ 541,987	$ 11,283,368	$ 11,825,355

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

B. Payable to the Pension Plan

At June 30, 2021, the District reported payables for the outstanding amount of employer contributions to the Plan of $51,103.

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 did not make any contributions during the year ended June 30, 2021 and assets total $4,720,362 at June 30, 2021. Assets were invested in the PARS Moderately Conservative Index PLUS investment option. The assets in the trust are restricted for contributions to the District's CalPERS

NOTE E – DEFINED BENEFIT PENSION PLAN (Continued)

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. Effective January 1, 2021, the District covered a maximum of the fourth highest cost plan offered in CalPERS Region 1 for represented employees, and up to $2,850 for unrepresented employees. Beginning January 1, 2022, the District will cover a maximum of the fifth highest cost plan offered in CalPERS Region 1 for represented employees, and up to $2,850 per month for unrepresented employees. 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 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, 2019 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 dependent.

NOTE F – OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)

Employees Covered by Benefit Terms: At June 30, 2021 (June 30, 2020 measurement date), the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	37
Active employees	69
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, 2021, the District's direct payments of insurance premiums were $800,073, cash contributions to the trust were $300,000, implied subsidy benefit payments were $71,000 and administrative expenses paid outside of trust were $1,949, resulting in total contributions of $1,173,022. 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, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020.

Actuarial Assumptions: The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	June 30, 2020
Measurement date	June 30, 2020
Actuarial cost method	Entry-age normal cost method
Actuarial assumptions:	
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	7.0% for 2022, decreasing to an ultimate rate of 4.0% in 2076
Healthcare trend rate Medicare	Non-Kaiser 6.1% and Kaiser 5.0% for 2022, both decreasing to an ultimate rate of 4.0% in 2076
Participation rate	Tier 1 100%; Tier 2 and 3 depending on vesting

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.

Changes in Assumptions: The following changes in assumption occurred at the June 30, 2020 measurement date: The medical trend rate for Kaiser Senior Advantage plans decreased; mortality improvement scale was updated to Scale MP-2020; no age-based claims costs for Medicare Advantage plans; and the ACA Excise Tax was removed.

Changes in Benefit Terms: Benefit caps were reduced from the highest HMO to the fifth highest cost plan in the region for the June 30, 2020 measurement date.

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%	0.06%
Total	100.0%		100.0%	

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.

NOTE F – OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
Balance at June 30, 2020	$ 22,266,890	$ 9,573,233	$ 12,693,657
Changes in the year:			
Service cost	860,120		860,120
Interest	1,534,984		1,534,984
Changes in benefit terms	(1,288,437)		(1,288,437)
Differences between expected and actual experience	(580,362)		(580,362)
Changes in assumptions	(753,802)		(753,802)
Contributions - employer		1,079,446	(1,079,446)
Investment income		273,647	(273,647)
Benefit payments	(773,002)	(773,002)	
Administrative expenses		(14,584)	14,584
Net changes	(1,000,499)	565,507	(1,566,006)
Balance at June 30, 2021	$ 21,266,391	$ 10,138,740	$ 11,127,651

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: 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 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Net OPEB liability	$ 14,076,995	$ 11,127,651	$ 8,699,484

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	$ 8,390,126	$ 11,127,651	$ 14,506,869

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 and a PARS financial report available from the District.

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, 2021, the District recognized OPEB expense of $1,133,314. At June 30, 2021, 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	$ 1,173,022	
Differences between actual and expected experience	128,931	$ (515,153)
Changes in assumptions	4,749,365	(669,105)
Net differences between projected and actual earnings on plan investments	278,769	
Total	$ 6,330,087	$ (1,184,258)

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	
2022	$ 673,039
2023	714,551
2024	724,465
2025	714,382
2026	636,917
Thereafter	509,453
	$ 3,972,807

Payable to the OPEB Plan: At June 30, 2021, there was no payable to the OPEB Plan.

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, 2021:

Amount available at June 30, 2020	$ 10,514,964
Add fees collected and investment income	1,156,004
Less qualifying expenditures and county administration fees	(167,194)
Amount available at June 30, 2021	$ 11,503,774

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 $53,181 in 2021 under the lease agreement, net of earned production credits.

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 $58,119 on the facility during 2021. Future payments on these leases at June 30, 2021 were as follows:

Year Ending June 30:	Solar Lease	Training Facility Lease
2022	$ 70,080	$ 55,574
2023	71,052	57,225
2024	72,024	58,876
2025	73,032	53,573
2026	74,040	
2027-2031	385,992	
	$ 746,220	$ 225,248

As discussed in Note J, April 2021, the Board of Directors approved exercising its option to purchase all leased solar systems described above, which terminated the leases.

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.

NOTE H – COMMITMENTS AND CONTINGENCIES (Continued)

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

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

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. 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.

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, 2021:

Fund balances - Total Governmental Funds	$ 39,927,710
Deferred outflows of resources on pensions and OPEB are not reported in the governmental funds.	12,190,596
Capital assets used in governmental activities are not financial resources and therefore not reported in the governmental funds.	20,166,870
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	(1,691,543)
HRA liability	(608,749)
Net pension liability	(21,723,405)
Net OPEB Liability	(11,127,651)
Revenues that are deferred in the governmental funds because they are not current financial resources are recognized in the government-wide statements.	216,641
Deferred inflows of resoures on pensions and OPEB are not reported in the govermental funds.	(2,844,644)
NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 34,505,825

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, 2021 are as follows:

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

Net change in fund balance - Governmental Funds	$ 4,484,210
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	448,259
Depreciation	(1,066,471)
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	(25,974)
Change in deferred inflows of resources	(1,171,866)
Governmental funds do not present revenues that are not available to pay current expenditures. Such revenues are recognized in the Statement of Activities.	216,641
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	(29,277)
Change in health reimbursement arrangement liability	(32,583)
Change in net pension liability	(2,334,358)
Change in net OPEB liability	1,566,006
NET CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 2,054,587

NOTE J – SUBSEQUENT EVENT

In April 2021, the District's Board of Directors approved exercising its option to purchase solar systems leased at stations 84, 85, 86 and 87. In August and September 2021, the District's purchased the solar equipment for a total of $351,204.

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REQUIRED SUPPLEMENTARY INFORMATION

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

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

For the Year Ended June 30, 2021

	Budgeted Amounts			Variance With Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES				
Property taxes and assessments	$ 20,128,574	$ 20,107,241	$ 20,399,159	$ 291,918
Reimbursements from other agencies	1,582,000	2,867,802	2,827,353	(40,449)
Fire impact fees	1,400,000	1,257,013	1,146,558	(110,455)
Use of money and property	300,000	91,501	430,157	338,656
Federal capital grants	66,764	66,764	225,566	158,802
Federal operating grants	175,896	203,181	44,379	(158,802)
Other revenues	349,180	409,088	500,681	91,593
TOTAL REVENUES	24,002,414	25,002,590	25,573,853	571,263
EXPENDITURES				
Current				
Public protection				
Salaries and wages	8,377,612	8,293,641	10,041,529	(1,747,888)
Overtime	2,353,249	3,038,549	3,224,188	(185,639)
Retirement	4,074,979	3,137,941	1,485,269	1,652,672
Health insurance	1,798,141	1,712,921	1,712,822	99
Retiree health insurance	1,075,695	1,920,066	1,102,022	818,044
Other insurance	687,404	652,133	652,133	
Professional services	403,062	432,819	393,252	39,567
Employment taxes and benefits	421,468	389,156	392,118	(2,962)
Maintenance				
Equipment	279,640	294,840	287,981	6,859
Structures	171,867	142,025	158,419	(16,394)
Information technology	409,114	342,485	250,364	92,121
Communications	156,012	171,969	164,806	7,163
Special department expenditures	225,121	169,964	143,363	26,601
Clothing and personal supplies	172,425	120,086	74,471	45,615
Transportation and travel	134,000	112,215	115,175	(2,960)
Rents and leases	124,407	106,829	111,300	(4,471)
Other expenditures	351,491	334,113	344,737	(10,624)
Capital outlay	2,000,805	348,278	448,259	(99,981)
TOTAL EXPENDITURES	23,216,492	21,720,030	21,102,208	617,822
EXCESS OF REVENUES OVER EXPENDITURES	785,922	3,282,560	4,471,645	1,189,085
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		12,565	12,565	
TOTAL OTHER FINANCING SOURCES (USES)		12,565	12,565	
NET CHANGE IN FUND BALANCE	$ 785,922	$ 3,295,125	4,484,210	$ 1,189,085
Fund balance at beginning of year			35,443,500	
FUND BALANCE AT END OF YEAR			$ 39,927,710	

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

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

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2021

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

	2021	2020	2019	2018	2017	2016	2015
Proportion of the net pension liability	0.199656%	0.189216%	0.178197%	0.172267%	0.168837%	0.176436%	0.166733%
Proportionate share of the net pension liability	$ 21,723,405	$ 19,389,047	$ 17,171,498	$ 17,084,133	$ 14,609,638	$ 12,110,427	$ 10,374,901
Covered payroll - measuremant period	$ 9,330,278	$ 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	232.83%	235.29%	220.53%	222.33%	204.83%	181.12%	163.57%
Plan fiduciary net position as a percentage of the total pension liability	75.56%	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 the 2018 and 2019 valuations.

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

	2021	2020	2019	2018	2017	2016	2015
Contactually required contribution (actuarially determined)	$ 2,390,487	$ 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	(2,390,487)	(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	$ 9,303,656	$ 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	25.69%	22.99%	23.04%	20.75%	20.94%	37.95%	22.96%
Notes to schedule:							
Contribution valuation date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012
Reporting valuation date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Reporting measurement date:	June 30, 2020	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:

	2021	2020	2019	2018	2017	2016	2015
Actuarial method	Entry age normal cost method						
Amortized method	Level percentage of payroll, closed						
Remaining amortization period	Varies by rate plan, but not more than 30 years						
Asset valuation method	Market value						
Inflation	2.500%	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	7.00%	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, 2021

	2021	2020	2019	2018
Total OPEB liability				
Service cost	$ 860,120	$ 835,068	$ 365,211	$ 355,436
Interest	1,534,984	1,429,582	899,012	841,728
Changes in benefit terms	(1,288,437)			
Differences between expected and actual experience	(580,362)		191,319	
Changes in assumptions	(753,802)		7,047,446	
Benefit payments	(773,002)	(683,394)	(590,325)	(552,110)
Net change in total OPEB liability	(1,000,499)	1,581,256	7,912,663	645,054
Total OPEB liability - beginning	22,266,890	20,685,634	12,772,971	12,127,917
Total OPEB liability - ending (a)	$ 21,266,391	$ 22,266,890	$ 20,685,634	$ 12,772,971
Plan fiduciary net position				
Contributions - employer	$ 1,079,446	$ 1,584,856	$ 1,890,325	$ 852,110
Investment income	273,647	529,216	553,479	597,001
Benefit payments	(773,002)	(683,394)	(590,325)	(552,110)
Administrative expenses	(14,584)	(5,760)	(13,212)	(5,054)
Net change in plan fiduciary net position	565,507	1,424,918	1,840,267	891,947
Plan fiduciary net position - beginning	9,573,233	8,148,315	6,308,048	5,416,101
Plan fiduciary net position - ending (b)	$ 10,138,740	$ 9,573,233	$ 8,148,315	$ 6,308,048
Net OPEB liability - ending (a)-(b)	$ 11,127,651	$ 12,693,657	$ 12,537,319	$ 6,464,923
Plan fiduciary net position as a percentage of the total OPEB liability	47.67%	42.99%	39.39%	49.39%
Covered-employee payroll - measurement period	$ 9,958,091	$ 9,694,044	$ 7,786,603	$ 7,684,157
Net OPEB liability as percentage of covered-employee payroll	111.74%	130.94%	161.01%	84.13%
Notes to schedule:				
Valuation date	June 30, 2020	June 30, 2018	June 30, 2018	June 30, 2017
Measurement period - fiscal year ended	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2018
Benefit changes:	See below	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. Medical trend rate for Kaiser Senior Advantage plans decreased; mortality improvement scale was updated to Scale MP-2020; no age-based claims costs for Medicare Advantage plans; and ACA Excise Tax was removed at the June 30, 2020 measurement date.

Changes in benefit terms: Benefit caps reduced from highest HMO to 5th highest cost plan in region at the June 30, 2020 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, 2021

	2021	2020	2019	2018
Contractually determined contribution - employer fiscal year	$ 871,073	$ 773,002	$ 683,394	$ 890,325
Contributions in relation to the contractually determined contributions	(1,173,022)	(1,079,446)	(1,584,856)	(1,890,325)
Contribution deficiency (excess)	$ (301,949)	$ (306,444)	$ (901,462)	$ (1,000,000)
Covered-employee payroll - employer fiscal year	$ 11,238,742	$ 9,958,091	$ 9,694,044	$ 7,786,603
Contributions as a percentage of covered-employee payroll	10.44%	10.84%	16.35%	24.28%

Notes to Schedule:

Valuation date	June 30, 2020	June 30, 2018	June 30, 2018	June 30, 2017
Measurement period - fiscal year ended	June 30, 2020	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%	6.75%	7.00%
Payroll growth	3.00%	3.00%	3.00%	2.75%
Inflation	2.75%	2.75%	2.75%	2.75%
Healthcare trend initial, non-Medicare	7.00%	7.50%	7.50%	4.00%
Healthcare trend initial, Medicare (Non-Kaiser)	6.10%	6.50%	6.50%	4.00%
Healthcare trend initial, Medicare (Kaiser)	5.00%	6.50%	6.50%	4.00%
Healthcare trending down to	4.00%	4.00%	4.00%	4.00%
Actuarial cost method	Entry Age Normal Cost Method			
Amortization period (average expected remaining service life in years)	8.9	9.2	9.2	4.0
Asset valuation method	Market value			
Mortality	Most recent CalPERS experience study			

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.

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COMPLIANCE REPORT

RICHARDSON & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

550 Howe Avenue, Suite 210
Sacramento, California 95825

Telephone: (916) 564-8727
FAX: (916) 564-8728

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, 2021, 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 16, 2021.

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 16, 2021