

**DIAMOND SPRINGS/
EL DORADO FIRE PROTECTION DISTRICT**

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2018

TABLE OF CONTENTS

| | <u>PAGE</u> |
|--|-------------|
| Independent Auditors' Report | 1-2 |
| Management's Discussion and Analysis | 3-6 |
| <u>Basic Financial Statements</u> | |
| Statement of Net Position | 7 |
| Statement of Activities | 8 |
| Governmental Fund Balance Sheets | 9 |
| Reconciliation of the Governmental Fund – Balance Sheets with the Governmental Activities Statement of Net Position | 10 |
| Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances | 11 |
| Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances with the Governmental Activities Statement of Activities | 12 |
| Notes to Basic Financial Statements | 13-27 |
| <u>Required Supplemental Information</u> | |
| Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual – General Fund | 28 |
| Schedule of the District's Proportionate Share of Net Pension Liability | 29 |
| Schedule of Contributions | 30 |
| Schedule of Change in the Net OPEB Liability and Related Ratios | 31 |
| Schedule of Contributions – OPEB | 32 |

INDEPENDENT AUDITORS' REPORT

Board of Directors
Diamond Springs/El Dorado Fire Protection District
Diamond Springs, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major funds of the Diamond Springs/El Dorado Fire Protection District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Diamond Springs/El Dorado Fire Protection 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 and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider internal control relevant to Diamond Springs/El Dorado Fire Protection District'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 Diamond Springs/El Dorado Fire Protection District'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 funds of Diamond Springs/El Dorado Fire Protection District, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3-6) and the required supplementary information (pages 28-32), as listed in the 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.

R.J. Ricciardi, Inc.

R.J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
June 21, 2019

Diamond Springs/El Dorado Fire Protection District
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

This section of Diamond Springs/El Dorado Fire Protection District's (the District's) basic financial statements presents management's overview and analysis of the financial activities of the organization for the fiscal year ended June 30, 2018. We encourage the reader to consider the information presented here in conjunction with the basic financial statements as a whole.

Introduction to the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's audited financial statements, which are comprised of the basic financial statements. This annual report is prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for States and Local Governments*. The Single Governmental Program for Special Purpose Governments reporting model is used which best represents the activities of the District.

The required financial statements include the Government-wide and Fund Financial Statements; Statement of Net Position and Governmental Funds Balance Sheet; Statement of Activities and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances; and the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - All Governmental Fund Types.

These statements are supported by notes to the basic financial statements. All sections must be considered together to obtain a complete understanding of the financial picture of the District.

The Basic Financial Statements

The Basic Financial Statements comprise the Government-wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different views of the District's financial activities and financial position.

The Government-wide Financial Statements provide a longer-term view of the District's activities as a whole, and comprise the Statement of Net Position and the Statement of Activities. The Statement of Net Position provides information about the financial position of the District as a whole, including all of its capital assets and long-term liabilities on the full accrual basis, similar to that used by corporations. The Statement of Activities provides information about all of the District's revenues and all of its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of the District's programs. The Statement of Activities explains in detail the change in Net Position for the year.

All of the District's activities are grouped into Government Activities, as explained below.

The Fund Financial Statements report the District's operations in more detail than the Government-wide statements and focus primarily on the short-term activities of the District's General Fund and other Major Funds. The Fund Financial Statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt and other long-term amounts.

Major Funds account for the major financial activities of the District and are presented individually.

The Government-wide Financial Statements

Government-wide Financial Statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the District as a whole.

The Statement of Net Position and the Statement of Activities present information about the following:

Diamond Springs/El Dorado Fire Protection District
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2018

Governmental Activities

The District's basic services are considered to be governmental activities. These services are supported by general District revenues such as taxes, and by specific program revenues such as benefit assessments and service charges.

Fund Financial Statements

The Fund Financial Statements provide detailed information about each of the District's most significant funds, called Major Funds. The concept of Major Funds, and the determination of which are Major Funds, was established by GASB Statement No. 34 and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually. Major Funds present the major activities of the District for the year, and may change from year to year as a result of changes in the pattern of the District's activities.

Governmental Fund Financial Statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund Financial Statements.

Comparisons of Budget and Actual financial information are presented for the General Fund.

Analyses of Major Funds

Governmental Funds

General Fund revenues increased \$152,516 this fiscal year due primarily to an increase in funding from other governmental agencies and property taxes. Actual general fund revenues received were \$162,328 more than estimated.

General Fund expenditures were \$4,453,138, an increase of \$582,323 from the prior year. The District continues its conservative approach towards its spending in anticipation of possible decreases in property taxes in years to come. Expenditures were \$302,203 less than budgeted.

Governmental Activities

Table 1
Governmental Net Position

| | Governmental Activities | |
|---|-------------------------|----------------|
| | 2018 | 2017 |
| Current and other assets | \$ 1,581,519 | \$ 1,624,845 |
| Non-depreciable capital assets | 133,300 | 133,300 |
| Capital assets, net of accumulated depreciation | 849,287 | 1,056,830 |
| Total assets | 2,564,106 | 2,814,975 |
| Deferred outflows of resources | 2,470,230 | 1,582,870 |
| Other liabilities | 137,028 | 114,723 |
| Long-term debt outstanding | 12,867,814 | 7,779,120 |
| Total liabilities | 13,004,842 | 7,893,843 |
| Deferred inflows of resources | 245,651 | 329,713 |
| Net position: | | |
| Invested in capital assets, net of related debt | 871,295 | 1,190,130 |
| Unrestricted | (9,087,452) | (5,015,841) |
| Total net position | \$ (8,216,157) | \$ (3,825,711) |

Diamond Springs/El Dorado Fire Protection District
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2018

The District's governmental net position amounted to \$(8,216,157) as of June 30, 2018. The District's net position as of June 30, 2018 comprised the following:

- Cash and other assets of \$1,581,519. Substantially all of these amounts were held in short term investments in government securities, as detailed in Note 2 of the basic financial statements.
- Capital assets of \$982,587 net of depreciation charges, which includes all the District's capital assets used in governmental activities.
- Current liabilities, including accounts payable, claims and other amounts due currently, totaling \$137,028.
- Long-term (noncurrent) accrued compensated absence liabilities payable to employees of \$111,432, other post-employment benefits of \$5,712,410 and net pension liability of \$6,932,680.
- Net position invested in capital assets, net of related debt, of \$871,295, representing the District's investment in capital assets used in Governmental Activities, net of amounts borrowed to finance that investment.
- Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements or restrictions. The District has (\$9,087,452) of unrestricted net position as of June 30, 2018.

The Statement of Activities presents program revenues and expenses and general revenues in detail. All of these are elements in the Changes in Governmental Net Position summarized below.

Table 2
Changes in Governmental Net Position

| | Governmental Activities | |
|----------------------------------|-------------------------|-------------------|
| | 2018 | 2017 |
| Revenues | | |
| Program revenues: | | |
| Charges for services | \$ 281,997 | \$ 421,374 |
| General revenues: | | |
| Property taxes | 3,601,202 | 3,384,913 |
| Intergovernmental reimbursements | 391,187 | 330,093 |
| Miscellaneous | 113,121 | 94,308 |
| Total revenues | 4,387,507 | 4,230,688 |
| Program Expenses | | |
| Public safety - fire protection | 3,651,103 | 3,867,866 |
| Total expenses | 3,651,103 | 3,867,866 |
| Change in Net Position | \$ 736,404 | \$ 362,822 |

As Table 2 above shows, \$4,105,510 or 94%, of the District's fiscal year 2018 governmental revenue came from general revenues such as taxes and interest. Program revenues represent charges for services equal to less than 6% of the District's total revenue.

General revenues are not allocable to programs. General revenues are used to pay for the net cost of governmental programs.

Diamond Springs/El Dorado Fire Protection District
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

Capital Assets

Detail on capital assets, current year additions and construction in progress can be found in Note 4.

Debt Administration

The District currently does not utilize long-term debt to fund operations or growth.

Economic Outlook and Major Initiatives

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

The economic condition of the District as it appears on the balance sheet reflects financial stability and the potential for organizational growth. The District will continue to maintain a watchful eye over expenditures and remain committed to sound fiscal management practices to deliver the highest quality service to the citizens of the area.

Contacting the District's Financial Management

These basic financial statements are intended to provide citizens, taxpayers, and creditors with a general overview of the District's finances. Questions about this report should be directed to 501 Main Street, Diamond Springs, CA 95619.

Diamond Springs/El Dorado Fire Protection District

STATEMENT OF NET POSITION

June 30, 2018

ASSETS

| | | |
|---|----|-----------|
| Cash and investments | \$ | 1,577,973 |
| Accounts receivable | | 3,546 |
| Non-depreciable capital assets | | 133,300 |
| Depreciable capital assets, net of accumulated depreciation | | 849,287 |
| Total assets | | 2,564,106 |

DEFERRED OUTFLOWS

| | | |
|---------------------------------------|--|-----------|
| Deferred outflows related to pensions | | 1,910,508 |
| Deferred outflows related to OPEB | | 559,722 |
| Total Deferred outflows | | 2,470,230 |

LIABILITIES

| | | |
|--------------------------------|--|------------|
| Accounts payable | | 45,802 |
| Accrued expenditures | | 91,226 |
| Long-term liabilities: | | |
| Due within one year | | 54,826 |
| Due in more than one year | | 56,466 |
| Other post-employment benefits | | 5,712,410 |
| Compensated absences | | 111,432 |
| Net pension liability | | 6,932,680 |
| Total liabilities | | 13,004,842 |

DEFERRED INFLOWS

| | | |
|--------------------------------------|--|---------|
| Deferred inflows related to pensions | | 244,115 |
| Deferred inflows related to OPEB | | 1,536 |
| Total Deferred inflows | | 245,651 |

NET POSITION

| | | |
|---|----|-------------|
| Invested in capital assets, net of related debt | | 871,295 |
| Unrestricted | | (9,087,452) |
| Total net position | \$ | (8,216,157) |

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

Diamond Springs/El Dorado Fire Protection District
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

| <u>Functions/Programs</u> | <u>Expenditures</u> | <u>Program Revenues</u> Charges for Services | <u>Net (Expense) Revenue and Changes in Net Position</u> Total Governmental Activities |
|--|---------------------|--|---|
| Governmental Activities: | | | |
| Public safety - fire prevention and protection | \$ 3,651,103 | \$ 281,997 | \$ (3,369,106) |
| Total governmental activities | <u>\$ 3,651,101</u> | <u>\$ 281,997</u> | <u>(3,369,106)</u> |
| General revenues: | | | |
| Property taxes | | | 3,601,202 |
| Intergovernmental reimbursements | | | 391,187 |
| Miscellaneous | | | <u>113,121</u> |
| Total general revenues | | | <u>4,105,510</u> |
| Change in net position | | | <u>736,404</u> |
| Net position, beginning of period | | | (3,825,711) |
| Prior period adjustment | | | <u>(5,126,850)</u> |
| Net position, beginning of period restated | | | <u>(8,952,561)</u> |
| Net position, end of period | | | <u>\$ (8,216,157)</u> |

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

Diamond Springs/El Dorado Fire Protection District
 GOVERNMENTAL FUND
BALANCE SHEETS
 June 30, 2018

| <u>ASSETS</u> | General Fund | Development Fee Fund | Retiree Health Fund | Non-Major Community Facilities District Fund | Totals |
|--|-------------------------|-------------------------|------------------------|---|-------------------------|
| Cash and investments | \$ 1,216,388 | \$ 133,623 | \$ 40 | \$ 227,922 | \$ 1,577,973 |
| Prepaid items | <u>3,546</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,546</u> |
| Total assets | <u>\$ 1,219,934</u> | <u>\$ 133,623</u> | <u>\$ 40</u> | <u>\$ 227,922</u> | <u>\$ 1,581,519</u> |
| <u>LIABILITIES</u> | | | | | |
| Accounts payable | \$ 45,802 | \$ - | \$ - | \$ - | \$ 45,802 |
| Accrued expenditures | <u>91,226</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>91,226</u> |
| Total liabilities | <u>137,028</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>137,028</u> |
| <u>FUND BALANCES</u> | | | | | |
| Assigned for retiree health | - | - | 40 | - | 40 |
| Assigned for development fees | - | 133,623 | - | - | 133,623 |
| Assigned for community facilities district | - | - | - | 227,922 | 227,922 |
| Unassigned | <u>1,082,906</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,082,906</u> |
| Total fund balances | <u>1,082,906</u> | <u>133,623</u> | <u>40</u> | <u>227,922</u> | <u>1,444,491</u> |
| Total liabilities and fund balances | <u>\$ 1,219,934</u> | <u>\$ 133,623</u> | <u>\$ 40</u> | <u>\$ 227,922</u> | <u>\$ 1,581,519</u> |

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

Diamond Springs/El Dorado Fire Protection District
 Reconciliation of the
GOVERNMENTAL FUND - BALANCE SHEETS
 with the Governmental Activities
STATEMENT OF NET POSITION
 For the Year Ended June 30, 2018

| | | |
|---|----|-----------|
| TOTAL FUND BALANCES - GOVERNMENTAL FUND | \$ | 1,444,491 |
|---|----|-----------|

Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Fund above because of the following:

CAPITAL ASSETS

Capital Assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Fund.

982,587

LONG-TERM ASSETS AND LIABILITIES

The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds:

| | | |
|---|--|--------------------|
| Other post-employment benefits | | (5,712,410) |
| Lease payable | | (111,292) |
| Non-current portion of compensated absences | | (111,432) |
| Deferred inflows pension | | (244,115) |
| Deferred inflows OPEB | | (1,536) |
| Deferred outflows pension | | 1,910,508 |
| Deferred outflows OPEB | | 559,722 |
| Net pension liability | | <u>(6,932,680)</u> |

| | | |
|---|----|--------------------|
| NET POSITION OF GOVERNMENTAL ACTIVITIES | \$ | <u>(8,216,157)</u> |
|---|----|--------------------|

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

Diamond Springs/El Dorado Fire Protection District
 GOVERNMENTAL FUND
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
 For the Year Ended June 30, 2018

| | General Fund | Development Fee Fund | Retiree Health Fund | Non-Major Community Facilities District Fund | Totals |
|--|---------------------|-------------------------|------------------------|---|---------------------|
| Revenues: | | | | | |
| Property taxes | \$ 3,551,482 | \$ - | \$ - | \$ - | \$ 3,551,482 |
| Charges for services | 281,997 | - | - | - | 281,997 |
| Other governmental agencies | 391,187 | - | - | - | 391,187 |
| Special Tax - CFD | - | - | - | 49,720 | 49,720 |
| Miscellaneous | 98,004 | 12,027 | - | 3,090 | 113,121 |
| Total revenues | <u>4,322,670</u> | <u>12,027</u> | <u>-</u> | <u>52,810</u> | <u>4,387,507</u> |
| Expenditures: | | | | | |
| Public safety - fire prevention and protection | <u>4,453,138</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,453,138</u> |
| Total expenditures | <u>4,453,138</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,453,138</u> |
| Excess (deficit) of revenues over (under) expenditures | (130,468) | 12,027 | - | 52,810 | (65,631) |
| Fund balances, beginning of period | <u>1,213,374</u> | <u>121,596</u> | <u>40</u> | <u>175,112</u> | <u>1,510,122</u> |
| Fund balances, end of period | <u>\$ 1,082,906</u> | <u>\$ 133,623</u> | <u>\$ 40</u> | <u>\$ 227,922</u> | <u>\$ 1,444,491</u> |

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

Diamond Springs/El Dorado Fire Protection District
 Reconciliation of the
GOVERNMENTAL FUND - STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES
 with the Governmental Activities
STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2018

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUND \$ (65,631)

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

CAPITAL ASSETS TRANSACTIONS

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

The capital outlay expenditures are therefore added back to fund balance 73,071

Depreciation expense is deducted from the fund balance (280,614)

Government funds record pension expense as it is paid. However, in the Statement of Activities those costs are reversed as deferred outflows/(inflows) and an increase/(decrease) in net pension liability. (391,561)

ACCRUAL OF NON-CURRENT ITEMS

The amounts below included in the Statement of Activities do not provide (or require) the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds (net change):

| | |
|--------------------------------|-----------------|
| Lease payable | 53,235 |
| Other post-employment benefits | 1,374,910 |
| Long-term compensated absences | <u>(27,006)</u> |

Changes in net position of governmental activities \$ 736,404

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

Diamond Springs/El Dorado Fire Protection District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - ORGANIZATION AND HISTORY

The Diamond Springs/El Dorado Fire Protection District (the District) is a legal subdivision of California, organized by an El Dorado County Board of Supervisors Resolution approving the District's consolidation between the Diamond Springs Fire Protection District and the El Dorado Fire Protection District to provide fire protection services. The District's power is exercised through an elected Board of Directors composed of five members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Principles

The District accounts for its financial transactions in accordance with the policies and procedures recommended by the State of California. The accounting policies of the District conform to U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

B. Basis of Presentation

Government-wide Financial Statements

The statement of net position and statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government, except fiduciary activities, if any.

The statement of activities presents a comparison between direct expenses and program revenues of each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

When both restricted and unrestricted net position is available, unrestricted resources are used only after restricted resources are depleted.

Fund Financial Statements

The fund financial statements provide information about the District's funds, including fiduciary funds, if any. The emphasis of fund financial statements is on major governmental funds, displayed in a separate column. All remaining governmental funds, if any, are separately aggregated and reported as nonmajor funds. The District reports the following major governmental funds:

General Fund is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the District that are not accounted for through other funds. For the District, the General Fund includes such activities as general government and fire protection.

Development Fee Fund is used to account for all revenues and expenditures necessary to carry out costs associated for new development.

Retiree Health Fund is used to account for all revenues and expenditures related to retiree post employment health benefits.

Diamond Springs/El Dorado Fire Protection District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (concluded)

The other Governmental Fund is comprised of a non-major fund that includes funds reserved for the community facilities district.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District does not give (or receive) equal value in exchange, include property and sales taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences, claims, and judgments, are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

D. Non-Current Governmental Assets/Liabilities

GASB Statement No. 34 eliminates the presentation of account groups, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the government-wide statement of net position.

E. Cash and Investments

The District has instructed the County of El Dorado (the County) to invest excess funds on deposit in their overall pooling of investment. The District's interest is then allocated according to the average cash balance in the County Treasury based upon the overall investments of the County.

The County maintains written investment policies which address a wide variety of investment practices, including primary investment objectives, investment authority, allowable investment vehicles, investment maturity terms, eligible financial institutions, capital preservation, and cash flow management. The County has not adopted the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

All cash deposits at the County conform to the California Government Code Section 53646 and are fully collateralized by governmental securities pledged for the purpose of Public Deposit Collateral. Credit risk information regarding the cash held by the Treasurer is included in the Comprehensive Annual Financial Report of the County.

Diamond Springs/El Dorado Fire Protection District
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Cash and Investments (concluded)

Cash and investments consisted of the following as of June 30, 2018:

| | Carrying Value | Investment Risk |
|-----------------------------|----------------|--------------------|
| Pooled cash and investments | \$ 1,577,973 | AA |
| Total cash and investments | \$ 1,577,973 | |

F. Capital Assets and Depreciation

Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Contributed fixed assets are valued at their estimated fair market value on the date contributed. The District defines building and improvements as purchases or improvements with an aggregate cost of more than \$10,000. Capital equipment consists of purchased equipment with an initial, individual cost of more than \$1,500 and an estimated useful life in excess of one year.

The estimated useful lives are as follows:

| | |
|----------------------------|------------|
| Buildings and improvements | 5-20 Years |
| Equipment | 3-20 Years |

G. Compensated Absences

The District's policy allows employees to accumulate earned, but unused vacation, which will be paid to employees upon separation from the District's service. Even though the District does not pay out amounts for unused sick leave at termination, it will allow certain amounts as a credit to CalPERS (State of California Public Employees' Retirement System) upon retirement.

Governmental Funds

Due to the fact that vacation balances do not require the use of financial resources, no liability is recorded within the governmental funds. However, this liability is reflected in the government-wide statement of net position. The District's compensated absences was \$111,432 as of June 30, 2018.

H. Interfund Transactions

Following is a description of a basic type of interfund transaction made during the year and the related accounting policies:

Reimbursements (expenditure transfer) - Transactions to reimburse a fund for specific expenditures incurred for the benefit of another fund. These transactions are recorded as expenditures in the disbursing fund and as revenue in the receiving fund.

I. Use of Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses during the reporting period. Actual results could differ from these estimates and the differences may be material.

Diamond Springs/El Dorado Fire Protection District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

J. Budget and Budgetary Accounting

The District annually adopts a budget for its general fund to be effective July 1 for the ensuing fiscal year. The District's Board may amend the budget by resolution during the fiscal year and approves all budgetary transfers.

K. Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the District recognizes deferred outflows and inflows of resources.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the District that is applicable to a future reporting period.

L. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' 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.

NOTE 3 - TAXES LEVIED AND SPECIAL ASSESSMENTS

All property taxes are collected and allocated by El Dorado County to the various taxing entities. Property taxes are determined annually as of January 1 and attached as an enforceable lien on real property as of July 1. Taxes are due November 1 and February 1 and are delinquent if not paid by December 10 and April 10, respectively. The District participates in the County "Teeter Plan" method of property tax distribution. Under the Teeter Plan, the County remits property taxes to the District based on assessments, not on collections, according to the following schedule: 55 percent in December, 40 percent in April, and 5 percent at the end of the fiscal year. Property tax is recognized when it is available and measurable. The District considers property tax available if it is received within 60 days after fiscal year end.

NOTE 4 - SUMMARY OF CHANGES IN CAPITAL ASSETS

Capital assets are recorded as expenditures in the budgetary funds at the time of purchase. Such assets have been capitalized at cost in the general fixed assets group of accounts rather than in the governmental fund. Depreciation expense for the fiscal year ending June 30, 2018 was \$280,614.

Diamond Springs/El Dorado Fire Protection District
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

NOTE 4 - SUMMARY OF CHANGES IN CAPITAL ASSETS (concluded)

| | Balance 6/30/17 | Acquisitions | Deletions/ Adjustments | Balance 6/30/18 |
|----------------------------|---------------------|---------------------|---------------------------|--------------------|
| Land (not depreciated) | \$ 133,300 | \$ - | \$ - | \$ 133,300 |
| Buildings and improvements | 884,184 | - | - | 884,184 |
| Equipment | <u>4,075,628</u> | <u>73,071</u> | <u>-</u> | <u>4,108,699</u> |
| Subtotal | 5,093,112 | 73,071 | - | 5,166,183 |
| Accumulated depreciation | <u>(3,902,982)</u> | <u>(280,614)</u> | <u>-</u> | <u>(4,143,596)</u> |
| Net capital assets | <u>\$ 1,190,130</u> | <u>\$ (207,543)</u> | <u>\$ -</u> | <u>\$ 982,587</u> |

NOTE 5 - DEFINED BENEFIT PENSION PLAN

Plan Description: All qualified permanent and probationary employees are eligible to participate in the District's following cost-sharing multiple employer defined benefit pension plans (Plans):

- District Miscellaneous Plan
- District Safety Plan

The Plans are administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans 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.

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 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 Basic Death Benefit, the 1957 Survivor Benefit, 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 Plan provisions and benefits in effect at June 30, 2018, are summarized as follows:

| | District Miscellaneous | |
|---|-----------------------------|--------------------------------|
| | Prior to January 1, 2013 | On or after January 1, 2013 |
| Hire date | 2% @ 55 | 2% @ 62 |
| Benefit formula | 5 years service | 5 years service |
| Benefit vesting schedule | monthly for life | monthly for life |
| Benefit payments | 50 – 55 | 52 - 67 |
| Retirement age | 2.0% to 2.7% | 1.0% to 2.5% |
| Monthly benefits, as a % of eligible compensation | 8% | 6.25% |
| Required employee contribution rates | 11% | 6.25% |
| Required employer contribution rates | | |

Diamond Springs/El Dorado Fire Protection District
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

NOTE 5 - DEFINED BENEFIT PENSION PLAN (continued)

| | <u>District Safety</u> | |
|---|-------------------------------------|--|
| | <u>Prior to January 1, 2013</u> | <u>On or after January 1, 2013</u> |
| Hire date | | |
| Benefit formula | 3% @ 50 | 2.7% @ 57 |
| Benefit vesting schedule | 5 years service | 5 years service |
| Benefit payments | monthly for life | monthly for life |
| Retirement age | 50 - 55 | 50 - 57 |
| Monthly benefits, as a % of eligible compensation | 3% | 2.0% to 2.7% |
| Required employee contribution rates | 9% | 11.5% |
| Required employer contribution rates | 16% | 11.15% |

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 Plans 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, 2018, the contributions recognized as part of pension expense for each Plan were as follows:

| | <u>Employer Contributions</u> |
|---------------|-----------------------------------|
| Miscellaneous | \$ 38,547 |
| Safety | <u>501,421</u> |
| Total | <u>\$ 539,968</u> |

As of June 30, 2018, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plans as follows:

| | <u>Proportionate Share of Net Pension Liability</u> |
|-----------------------------|---|
| Miscellaneous | \$ 377,608 |
| Safety | <u>6,554,772</u> |
| Total Net Pension Liability | <u>\$ 6,932,380</u> |

The District's net pension liability for the Plans is measured as the proportionate share of the net pension liability. The net pension liability of the Plans is measured as of June 30, 2017, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 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 pension plans relative to the projected contributions of all participating employers, actuarially determined.

Diamond Springs/El Dorado Fire Protection District
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

NOTE 5 - DEFINED BENEFIT PENSION PLAN (continued)

The District's proportionate share of the net pension liability for each Plan as of June 30, 2016 and 2017 was as follows:

| <u>District's Miscellaneous Plan</u> | <u>Miscellaneous</u> |
|--------------------------------------|----------------------|
| Proportion - June 30, 2016 | .0095% |
| Proportion - June 30, 2017 | .0096% |
| Change – Increase (Decrease) | .0001% |
| <u>District Safety Plan</u> | <u>Safety</u> |
| Proportion - June 30, 2016 | .1119% |
| Proportion - June 30, 2017 | .1097% |
| Change – Increase (Decrease) | (.0022%) |

For the year ended June 30, 2018, the District recognized pension expense of \$652,929. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Pension contributions subsequent to measurement date | \$ 539,968 | \$ - |
| Differences between actual and expected experience | 66,582 | 23,550 |
| Changes in assumptions | 1,013,824 | 77,758 |
| Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions | 68,637 | 142,807 |
| Net differences between projected and actual earnings on plan investments | 221,497 | - |
| Total | \$ 1,910,508 | \$ 244,115 |

The \$571,638 amount 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 year ended June 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| <u>Year Ended June 30</u> | | |
|---------------------------|----|-----------|
| 2019 | \$ | 261,228 |
| 2020 | | 614,841 |
| 2021 | | 380,066 |
| 2022 | | (129,710) |
| Thereafter | | - |

Actuarial Assumptions - The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

Diamond Springs/El Dorado Fire Protection District
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

NOTE 5 - DEFINED BENEFIT PENSION PLAN (continued)

| | All Plans |
|---------------------------|---|
| Valuation Date | June 30, 2016 |
| Measurement Date | June 30, 2017 |
| Actuarial Cost Method | Entry-Age Normal Cost Method |
| Actuarial Assumptions: | |
| Discount Rate | 7.15% |
| Inflation | 2.75% |
| Payroll Growth | 3.00% |
| Projected Salary Increase | Varies by Entry Age and Service |
| Investment Rate of Return | 7.15% (1) |
| Mortality | Derived using CalPERS Membership Data for all Funds (2) |

(1) Net of pension plan investment expenses, including inflation.

(2) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS website.

Change in Assumptions – In 2017, the accounting discount rate was reduced from 7.65% to 7.15%.

Discount Rate - The discount rate used to measure the total pension liability was 7.15% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB Statement Nos. 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

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 the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 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 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 equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

Diamond Springs/El Dorado Fire Protection District
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

NOTE 5 - DEFINED BENEFIT PENSION PLAN (concluded)

The table below reflects the long-term expected real rate of return by asset class. 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.

| <u>Asset Class</u> | <u>New Strategic Allocation</u> | <u>Real Return Years 1-10</u> | <u>Real Return Years 11+</u> |
|-------------------------------|-------------------------------------|-----------------------------------|----------------------------------|
| Global Equity | 47% | 4.90% | 5.38% |
| Global Fixed Income | 19% | 0.80% | 2.27% |
| Inflation Sensitive | 6% | 0.60% | 1.39% |
| Private Equity | 12% | 6.60% | 6.63% |
| Real Estate | 11% | 2.80% | 5.21% |
| Infrastructure and Forestland | 3% | 3.90% | 5.36% |
| Liquidity | <u>2%</u> | (0.40)% | (0.90)% |
| Total | <u>100%</u> | | |

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 Plan, calculated using the discount rate for each Plan, 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:

| | <u>All Plans</u> |
|-----------------------|------------------|
| 1% Decrease | 6.15% |
| Net Pension Liability | \$10,281,236 |
| Current Discount Rate | 7.15% |
| Net Pension Liability | \$6,932,380 |
| 1% Increase | 8.15% |
| Net Pension Liability | \$4,192,919 |

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE 6 - POST-EMPLOYMENT BENEFITS OTHER THAN RETIREMENT

Plan Description. The District defined benefit post-employment healthcare plan provides medical benefits to eligible District employees who retire from the District at age 50 or older for Safety employees and age 55 or older for Miscellaneous employees; and are eligible for a CalPERS pension.

The District provides health care for employees and dependents (and also for retirees and their dependents) in accordance with the California Public Employees Medical and Hospital Care Act (PEMHCA), more commonly referred to as PERS Health. Employees and retirees may choose a more expensive coverage but they must pay any premiums in excess of the cap.

Funding Policy. There is no statutory requirement for the District to prefund its OPEB obligation. The District currently pays for retiree healthcare benefits on a pay-as-you-go basis. There are no employee contributions.

Diamond Springs/El Dorado Fire Protection District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 6 - POST-EMPLOYMENT BENEFITS OTHER THAN RETIREMENT (continued)

Employees Covered by Benefit Terms

At June 30, 2017 (the census date), the benefit terms covered the following employees:

| | |
|---|------------------|
| Inactive employees or beneficiaries currently receiving benefit payments: | 22 |
| Inactive employees entitled to but not yet receiving benefit payment: | <u>0</u> |
| Active plan members: | <u><u>22</u></u> |

Contributions

The District establishes rates based on an actuarially determined rate.

For the year ended June 30, 2017 the District's expected contribution rate is 24.75% of covered-employee payroll. Employees pay the difference between the benefit they receive and the monthly premium.

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017.

Actuarial Assumptions

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

- Inflation: 3.00%
- Salary increases: Aggregate salary increases 3.25%. Individual salary increases based on CalPERS.
- Investment rate of return: 6.73%
- Healthcare cost trend rates: 7.50% in the first year, trending down to 5.0% over 6 years.
- Mortality rates were based on CalPERS tables.

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.

Discount Rate

The discount rate used to measure the total OPEB liability was 6.73%. The projection of cash flows used to determine the discount rate assumed that the District contribution 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 cover all future OPEB payments. Therefore, the discount rate was set equal to the long-term expected rate of return.

Diamond Springs/El Dorado Fire Protection District
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

NOTE 6 - POST-EMPLOYMENT BENEFITS OTHER THAN RETIREMENT (continued)

Changes in the Net OPEB Liability

| | Increases (Decreases) | | |
|---|-------------------------|--------------------------------|-----------------------|
| | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability |
| | (a) | (b) | (c) |
| Balances as of June 30, 2017 | \$ 6,738,286 | \$ 1,110,126 | \$ 5,628,160 |
| Changes for the year: | | | |
| Service cost | 210,766 | - | 210,766 |
| Interest | 457,281 | - | 457,281 |
| Net investment income | - | 83,090 | (83,090) |
| Contributions | - | 501,310 | (501,310) |
| Benefits payments, including refunds of employee contributions | (308,780) | (308,780) | - |
| Administrative expenses | - | (603) | 603 |
| Net changes | <u>359,267</u> | <u>275,017</u> | <u>84,250</u> |
| Balances as of June 30, 2018 | <u>\$ 7,097,553</u> | <u>\$ 1,385,143</u> | <u>\$ 5,712,410</u> |

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

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 one percentage point lower (5.73%) or one percentage point higher (8.73%) follows:

| Plan's Net OPEB Liability/(Asset) | | |
|-----------------------------------|----------------------------------|------------------------|
| 1% Decrease (5.73%) | Current Discount Rate (6.73%) | 1% Increase (7.73%) |
| \$ 6,655,583 | \$ 5,712,410 | \$ 4,944,675 |

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

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 one percentage point lower (6.50%) or one percentage point higher (8.50%) than current healthcare cost trend rates follows:

| Plan's Net OPEB Liability/(Asset) | | |
|---|--|---|
| 1% Decrease 6.50% decreasing to 4.0% | Trend Rate 7.50% decreasing to 5.0% | 1% Increase 8.50% decreasing to 6.0% |
| \$ 4,870,110 | \$ 5,712,410 | \$ 6,826,806 |

OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized an OPEB expense of \$587,096. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Diamond Springs/El Dorado Fire Protection District
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

NOTE 6 - POST-EMPLOYMENT BENEFITS OTHER THAN RETIREMENT (concluded)

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| OPEB contributions subsequent to measurement date | \$ 559,722 | \$ - |
| Differences between actual and expected experience | - | - |
| Changes in assumptions | - | - |
| Net differences between projected and actual earnings on OPEB plan investments | - | 1,536 |
| Total | \$ 559,722 | \$ 1,536 |

\$559,722 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <u>Fiscal Year Ended</u> | | |
|--------------------------|--|----------|
| 6/30/19 | | \$ (384) |
| 6/30/20 | | (384) |
| 6/30/21 | | (384) |
| 6/30/22 | | (384) |
| Thereafter | | - |

NOTE 7 - INSURANCE COVERAGE

The District contracts for Public Liability and Property Damage insurance with Northern California Fire District Association and is covered for Worker's Compensation through FDAC-FASIS (Fire District's Association of California-Fire Association Self-Insurance System) a self-insured pooling program. Participation in this program is exercised through a joint powers agreement. Premiums for both these programs are based on a combination of potential loss exposure (risk) and prior period loss experience. The specific insurance coverage and loss exposures for contracts currently in force appear to adequately cover potential losses.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

On May 1, 2003, the District and the Diamond Springs/El Dorado Fireman's Association entered into a formal lease agreement for lease of the facilities located on Main Street, Diamond Springs. The term of the lease commences on May 1, 2003 and shall end on May 1, 2097. Within 90 days of May 1, 2097, the District may give written notice to the Association of its extension of such term for an additional 99-year period.

The financing term of the lease commenced on May 1, 2003 and shall end on the earliest date on which the lease payment is paid or prepaid in full, but under any circumstances not later than May 1, 2025. Following the payment in full of the lease, the rental payments for the project shall be in the annual amount of \$1.00 during the balance of the term of the lease.

Diamond Springs/El Dorado Fire Protection District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 8 - COMMITMENTS AND CONTINGENCIES (concluded)

The lease payments during each fiscal year shall constitute the total rental for the project for such fiscal year and shall be paid by the District in each fiscal year for and in consideration of the right of the use of occupancy. The parties have agreed and determined that the total lease payments represent fair rental value. The lease payments shall be payable from any source of available funds of the District.

The District is involved in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the District.

NOTE 9 - DEVELOPMENT FEES

On December 13, 1988, the El Dorado County Board of Supervisors adopted ORDINANCE NO. 3991 establishing procedures and requirements for fire service fees for new development within the County pursuant to AB 1600. On November 17, 1991, the Board adopted RESOLUTION 368-91 establishing the fees for the District at \$295 per residential unit; \$.16/sq.ft for nonsprinklered commercial, industrial units; and \$.08/sq.ft. for sprinklered commercial, industrial units.

On December 13, 2006, the District's Board of Directors approved by resolution 2006.13, a change in the development fees charged. The fee schedule at the beginning of the year was as follows:

Residential dwelling unit @ \$.36 per square foot of construction
Commercial @ \$.77 per square foot of construction
Industrial @ \$.51 per square foot of construction
Office @ \$.88 per square foot of construction
Unoccupied Ag @ \$.26 per square foot of construction

On June 9, 2010 the District's Board of Directors approved resolution 2010.08 increasing the above noted Development Impact fees. The plan was forwarded to the El Dorado County Administrator's office on June 14, 2010. The El Dorado County Board of Supervisors at its August 2, 2011 meeting denied the adoption of the resolution to increase the Development Fees and directed staff to return in 90 days with recommendations to incorporate consistent methodology among all districts. To date the District has not been advised or given any direction to resolve this matter.

NOTE 10 - PROPOSITION 218 DISCLOSURE

Proposition 218, which was approved by the voters in November 1996, will regulate the District's ability to impose, increase and extend taxes, assessments, and fees. Any new, increased or extended taxes, assessments, and fees subject to the provisions of Proposition 218, require voter approval before they can be implemented. Additionally, Proposition 218 provides that these taxes, assessments, and fees are subject to the voter initiative process and may be rescinded in the future by voters. The District has no taxes, assessments or fees that are subject to the provisions of Proposition 218 at this time.

NOTE 11 - DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan (the "Plan") created in accordance with Internal Revenue Code Section 457. The Plan, available to all full-time and permanent part-time employees, permits them to defer a portion of their salary until future years. Under this plan, participants are not taxed on the deferred portion of the compensation until distributed to them; distributions may be made only at termination, retirement, death or in an emergency as defined by the Plan.

Diamond Springs/El Dorado Fire Protection District
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 11 - DEFERRED COMPENSATION PLAN (concluded)

The laws governing deferred compensation plan assets require plan assets to be held by a Trust for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these plans are not the District's property, are not managed by the District and are not subject to claims by general creditors of the District, they have been excluded from these financial statements. The District's contributions for the year ending June 30, 2018 were \$45,502.

NOTE 12 - GRANTS

Grant funds received for specific purposes may be subject to audit by the grantor agencies.

NOTE 13 - NET POSITION AND FUND BALANCES

GASB Statement No. 34 added the concept of Net Position, which is measured on the full accrual basis, to the concept of Fund Balance, which is measured on the modified accrual basis.

A. Net Position

Net position is the excess of all the District's assets over all its liabilities, regardless of fund. Net position is divided into three captions under GASB Statement No. 34. These captions apply only to net position, which is determined only at the Government-wide level, and are described below:

Invested in Capital, net of related debt describes the portion of net position that is represented by the current net book value of the District's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of net position that is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions that the District cannot unilaterally alter. These include amounts for debt service requirements.

Unrestricted describes the portion of net position that is not restricted to use.

B. Fund Balances

The accompanying basic financial statements reflect certain changes that have been made with respect to the reporting of the components of Fund Balances for governmental funds. In previous years, fund balances for governmental funds were reported in accordance with previous standards that included components for reserved fund balance, unreserved fund balance, designated fund balance, and undesignated fund balance. Due to the implementation of GASB Statement No. 54, the components of the fund balances of governmental funds now reflect the component classifications described below. In the fund financial statements, governmental fund balances are reported in the following classifications:

Nonspendable fund balance includes amounts that are not in a spendable form, such as prepaid items or supplies inventories, or that are legally or contractually required to remain intact, such as principal endowments.

Restricted fund balance includes amounts that are subject to externally enforceable legal restrictions imposed by outside parties (i.e., creditors, grantors, contributors) or that are imposed by law through constitutional provisions or enabling legislation.

Diamond Springs/El Dorado Fire Protection District
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2018

NOTE 13 - NET POSITION AND FUND BALANCES (concluded)

B. Fund Balances (concluded)

Committed fund balance includes amounts whose use is constrained by specific limitations that the government imposes upon itself, as determined by a formal action of the highest level of decision-making authority. The Board of Directors serves as the District's highest level of decision-making authority and has the authority to establish, modify or rescind a fund balance commitment via minutes action.

Assigned fund balance includes amounts intended to be used by the District for specific purposes, subject to change, as established either directly by the Board of Directors or by management officials to whom assignment authority has been delegated by the Board of Directors.

Unassigned fund balance is the residual classification that includes spendable amounts in the General Fund that are available for any purpose.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) fund balances are available, the District specifies that restricted revenues will be applied first. When expenditures are incurred for purposes for which committed, assigned or unassigned fund balances are available, the District's policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

NOTE 14 - LONG-TERM DEBT

In February 2017 the District entered into a lease purchase of a self-contained breathing apparatus. The lease is for ten years and the interest rate is 3%. The total lease obligation was for \$164,527 with annual payments made in September. The amortization schedule is as follows:

| Due Date | Principal | Interest | Total |
|----------|------------|----------|------------|
| 2019 | \$ 54,826 | \$ 3,328 | \$ 58,154 |
| 2020 | 56,466 | 1,688 | 58,154 |
| Total | \$ 111,292 | \$ 5,016 | \$ 116,308 |

NOTE 15 - PRIOR PERIOD ADJUSTMENT & NEW ACCOUNTING PRONOUNCEMENT

For the year ended June 30, 2018, the beginning net position has been adjusted by \$5,126,850 to decrease the net position balance as of the beginning of the period. The net OPEB liability was adjusted in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

REQUIRED SUPPLEMENTARY INFORMATION

Diamond Springs/El Dorado Fire Protection District
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

Budget and Actual
For the Year Ended June 30, 2018
(Unaudited)

| | General Fund | | | |
|--|---------------------|---------------------|---------------------|-------------------------------|
| | Budgeted Amounts | | Actual | Variance with Final Budget |
| | Original | Final | | |
| Revenues: | | | | |
| Property taxes | \$ 3,639,736 | \$ 3,639,736 | \$ 3,551,482 | \$ (88,254) |
| Charges for services | 267,234 | 267,234 | 281,997 | 14,763 |
| Other governmental agencies | 200,000 | 200,000 | 391,187 | 191,187 |
| Miscellaneous | <u>53,372</u> | <u>53,372</u> | <u>98,004</u> | <u>44,632</u> |
| Total revenues | <u>4,160,342</u> | <u>4,160,342</u> | <u>4,322,670</u> | <u>162,328</u> |
| Expenditures: | | | | |
| Public safety - fire prevention and protection | <u>4,755,341</u> | <u>4,755,341</u> | <u>4,453,138</u> | <u>302,203</u> |
| Total expenditures | <u>4,755,341</u> | <u>4,755,341</u> | <u>4,453,138</u> | <u>302,203</u> |
| Net change in fund balances | <u>\$ (594,999)</u> | <u>\$ (594,999)</u> | (130,468) | <u>\$ 464,531</u> |
| Fund balances, beginning of period | | | <u>1,213,374</u> | |
| Fund balances, end of period | | | <u>\$ 1,082,906</u> | |

Diamond Springs/El Dorado Fire Protection District

As of June 30, 2018

Last 4 Years

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

| Schedule of the Proportionate Share of the Net Pension Liability | Miscellaneous | | Miscellaneous | | Miscellaneous | | Miscellaneous | |
|---|---------------------|--------------|---------------------|--------------|---------------------|--------------|---------------------|--------------|
| | Safety Plan 2018 | Plan 2018 | Safety Plan 2017 | Plan 2017 | Safety Plan 2016 | Plan 2016 | Safety Plan 2015 | Plan 2015 |
| Proportion of the net pension liability | 0.10970% | 0.0096% | 0.1119% | 0.0095% | 0.1124% | 0.0100% | 0.0644% | 0.0037% |
| Proportionate share of the net pension liability | \$ 6,554,772 | \$ 377,608 | \$ 5,797,591 | \$ 330,292 | \$ 4,631,333 | \$ 274,764 | \$ 4,009,033 | \$ 230,553 |
| Covered - employee payroll | \$ 1,653,500 | \$ 188,876 | \$ 1,578,143 | \$ 185,666 | \$ 1,000,282 | \$ 177,237 | \$ 1,487,551 | \$ 175,008 |
| Proportionate share of the net pension liability as a percentage of covered-employee payroll | 396.42% | 199.92% | 367.37% | 177.90% | 463.00% | 155.03% | 269.51% | 131.74% |
| Plan fiduciary net position as a percentage of the total pension liability | 71.06% | 71.14% | 72.24% | 71.43% | 76.84% | 75.08% | 79.34% | 78.55% |

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Diamond Springs/El Dorado Fire Protection District

As of June 30, 2018

Last 4 Years

SCHEDULE OF CONTRIBUTIONS

| <u>SCHEDULE OF CONTRIBUTIONS</u> | Safety Plan | Miscellaneous | Safety Plan | Miscellaneous | Safety Plan | Miscellaneous | Safety Plan | Miscellaneous |
|--|------------------|-----------------|------------------|-----------------|------------------|-----------------|------------------|-----------------|
| | 2018 | Plan 2018 | 2017 | Plan 2017 | 2016 | Plan 2016 | 2015 | Plan 2015 |
| Contractually required contribution (actuarially determined) | \$ 501,421 | \$ 38,547 | \$ 534,470 | \$ 37,168 | \$ 405,894 | \$ 32,902 | \$ 444,855 | \$ 31,853 |
| Contributions in relation to the actuarially determined contributions | <u>(501,421)</u> | <u>(38,547)</u> | <u>(534,470)</u> | <u>(37,168)</u> | <u>(405,894)</u> | <u>(32,902)</u> | <u>(444,855)</u> | <u>(31,853)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered-employee payroll during the fiscal year | \$ 1,405,081 | \$ 193,672 | \$ 1,518,180 | \$ 188,876 | \$ 1,518,180 | \$ 188,876 | \$ 1,518,180 | \$ 188,876 |
| Contributions as a percentage of covered-employee payroll | 35.69% | 19.90% | 35.20% | 19.68% | 26.74% | 17.42% | 29.30% | 16.86% |

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Diamond Springs/El Dorado Fire Protection District
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGE IN THE
NET OPEB LIABILITY AND RELATED RATIOS
For the period ended June 30, 2018

| | 2018 |
|---|--------------|
| Total OPEB Liability | |
| Service cost | \$ 210,766 |
| Interest | 457,281 |
| Change of benefit terms | - |
| Difference between expected and actual experience | - |
| Change of assumptions | - |
| Benefit payments, included refunds of employee contributions | (308,780) |
| Net change in OPEB liability | 359,267 |
| Total OPEB liability - beginning of year | 6,738,286 |
| | |
| Total OPEB liability - end of year | \$ 7,097,553 |
| | |
| Plan Fiduciary Net Position | |
| Net investment income | \$ 83,090 |
| Contributions | |
| Employer | 501,310 |
| Benefit payments, included refunds of employee contributions | (308,780) |
| Administrative expense | (603) |
| Net change in plan fiduciary net position | 275,017 |
| | |
| Plan fiduciary net position - beginning of year | 1,110,126 |
| | |
| Plan fiduciary net position - end of year | \$ 1,385,143 |
| | |
| District's net OPEB liability - end of year | \$ 5,712,410 |
| | |
| Covered-employee payroll | \$ 2,113,003 |
| | |
| Net OPEB liability as a percentage of covered-employee payroll | 270.35% |

Notes to Schedule:

The schedules present information to illustrate the changes in the District's net OPEB liability over a ten year period when the information is available. The District adopted GASB 75 for the fiscal year ending June 30, 2018.

Diamond Springs/El Dorado Fire Protection District
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - OPEB
 For the period ended June 30, 2018

| | 2018 |
|--|--------------|
| Actuarial Determined Contribution | \$ 588,204 |
| Contributions in relation to the actuarially determined contribution | (559,722) |
| | \$ 28,482 |
| Covered payroll | \$ 2,261,573 |
| Contributions as a percentage of covered payroll | 24.75% |

Notes to Schedule:

The schedules present information to illustrate changes in the District's contributions over a ten year period when the information is available.

GASB 75 requires this information for plans funding with OPEB trusts to be reported in the employer's Required Supplemental Information for 10 years or as many years as are available upon implementation. The plan was not funded with an OPEB trust prior to June 30, 2018. The District adopted GASB 75 for the fiscal year ending June 30, 2018.