

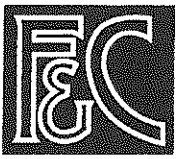
**EL DORADO COUNTY FIRE PROTECTION DISTRICT**

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT**

**JUNE 30, 2011**

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
El Dorado County Fire Protection District  
Camino, California

We have audited the accompanying financial statements of the El Dorado County Fire Protection District, as of and for the year ending June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of El Dorado County Fire Protection District as of June 30, 2011, and the results of its activities and cash flow for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Board of Directors  
El Dorado County Fire Protection District  
Camino, California

The management's discussion and analysis and budgetary comparison schedule, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report on our consideration of the El Dorado County Fire Protection District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Fechter & Company, CPAs

A large, stylized handwritten signature in black ink that reads "Fechter & Company, CPAs". The signature is written in a cursive, flowing style with large, interconnected letters.

Sacramento California  
January 12, 2012

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**FUND FINANCIAL STATEMENTS**

**EL DORADO COUNTY FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2011**

Members of the Board of Directors and  
Citizens of the El Dorado County Fire  
Protection District

As management of the El Dorado County Fire Protection District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2011. Please read it in conjunction with the District's financial statements following this section.

**Financial Highlights**

- At the end of fiscal year 2011, net assets of the District totaled \$2.92 million, a decrease of approximately \$3.24 million from the prior year. Of the total net assets, \$2.3 million is unrestricted and thus may be used to meet the District's ongoing obligations.
- At June 30, 2011, total fund balance in the General Fund was \$3.5 million, equating to approximately 34% of total General Fund expenditures.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) Government-wide Financial Statements, 2) Fund Financial Statements which are combined as a single presentation and 3) Notes to the financial statements.

**Government-wide Financial Statements**

The Government-wide Financial Statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Fire District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Fire District is improving or deteriorating.

The Statement of Activities present information showing how the District's net asset changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The Government-wide Financial Statements present activities of the Fire District that are principally supported by taxes and charges for services. The District provides services for fire protection, emergency medical, fire prevention, safety, rescue and hazardous materials response services.

**EL DORADO COUNTY FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2011**

**Fund financial statements**

The District, like other state and local government, uses fund accounting for recording its financial activities. In general, fund accounting provides a mechanism to separately account for a variety of different funding sources and enables the District to demonstrate compliance with finance-related legal requirements.

**Governmental funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the Government-wide Financial Statements. However, unlike the Government-wide Financial Statements, Governmental Fund Financial Statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of government funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financial decisions. Both the government fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains the individual governmental funds. Information is combined in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Development Fee, Medical Benefit Trust Fund and JPA Retiree Health Insurance Benefits.

The District adopts an annual appropriate budget for its governmental funds. Budgetary comparison statements have been provided for the governmental funds to demonstrate compliance with this budget.

**Notes to the financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide Fund Financial Statements.



**EL DORADO COUNTY FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2011**

**Government-Wide Financial Statements**

The District has presented its financial statements under the reporting model required by Governmental Accounting Standards Board Statement No. 34 (GASB 34). The following Government-Wide statements include a comparison between current and prior year results by operations and year-end balances.

**STATEMENT OF NET ASSETS**  
**Governmental Activities**  
**As of June 30, 2011 and 2010**

	<b>2011</b>	<b>2010</b>
<b>Assets:</b>		
Current and other assets	\$ 4,780,937	\$ 5,448,822
Capital assets (net of depreciation)	5,368,688	3,291,499
Total Assets	10,149,625	8,740,321
 <b>Liabilities:</b>		
Current and other liabilities	1,904,045	1,093,344
Long-term liabilities	5,325,463	1,484,997
Total Liabilities	7,229,508	2,578,341
 <b>Net Assets:</b>		
Invested in capital assets, net of debt	2,774,941	3,063,013
Restricted	633,520	556,095
Unrestricted	(488,344)	2,542,872
Total Net Assets	\$ 2,920,117	\$ 6,161,980

**EL DORADO COUNTY FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2011**

**Government-Wide Financial Statements, continued**

The Statement of Activities provides details of how net assets changed from the beginning of the year to the end of the year.

**STATEMENT OF ACTIVITIES**  
**Governmental Activities**  
**Fiscal Years Ended June 30, 2011 and 2010**

	2011	2010
Revenues:		
Program Revenues:		
Service charges	\$ 496,125	\$ -
Other Government	-	415,470
General revenues:		
Property taxes	7,427,492	7,838,633
Direct benefit assessments	785,232	774,254
Investment income	9,708	14,048
Development fees	85,608	83,786
Other	163,233	392,700
Total Revenues	8,967,398	9,518,891
Expenses		
Public protection	11,935,324	11,679,793
Depreciation	319,132	300,616
Total Expenses	12,254,456	11,980,409
Increase (decrease) in net assets	(3,241,863)	(2,461,518)
Net assets – beginning	6,161,980	8,623,498
Net assets - ending	\$ 2,920,117	\$ 6,161,980

**EL DORADO COUNTY FIRE PROTECTION DISTRICT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2011**

**Requests for Information**

This financial report is designed to provide a general overview of El Dorado County Fire Protection District's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to El Dorado County Fire Protection District, P. O. Box 807, Camino, CA 95709.

**EL DORADO COUNTY FIRE PROTECTION DISTRICT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

<b>ASSETS</b>	
Cash and investments	\$ 4,629,853
Accounts receivable	5,972
Prepaid expenses	110,521
Due from other governments	34,591
Capital assets, net	<u>5,368,688</u>
<b>TOTAL ASSETS</b>	<u><u>10,149,625</u></u>
 <b>LIABILITIES</b>	
Accounts payable	\$ 381,765
Accrued salaries and benefits	340,016
Deferred revenue	555,522
Compensated absences	482,458
Accrued interest	33,750
Current portion of capital leases	59,997
Current portion of long-term debt	50,537
Long term debt:	
Long-term debt	2,449,463
OPEB liability	<u>2,876,000</u>
<b>TOTAL LIABILITIES</b>	<u><u>7,229,508</u></u>
Invested in capital assets, net of related debt	2,774,941
Restricted for:	
Development fee reserves	633,520
Unrestricted	<u>(488,344)</u>
<b>NET ASSETS</b>	<u><u><u>\$ 2,920,117</u></u></u>

The accompanying notes are an integral part of these financial statements

**EL DORADO COUNTY FIRE PROTECTION DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Change in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Contributions and Grants</u>	<u>Capital Contributions and Grants</u>	
Governmental Activities:					
Public Safety	\$ 12,212,699	\$ 496,125	\$ -	\$ -	\$ (11,716,574)
Interest on long-term debt	<u>41,757</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(41,757)</u>
Total Governmental Activities	<u>\$ 12,254,456</u>	<u>\$ 496,125</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(11,758,331)</u>

General Revenues

Property taxes	7,427,492
Special assessments	785,232
Development fees	85,608
Plan check fees	41,154
Use of money and property	9,708
JPA administrative fee	45,000
Miscellaneous	<u>77,079</u>
Total general revenues	8,471,273
Change in net assets	<u>(3,287,058)</u>
Net assets at beginning of fiscal year	<u>6,161,980</u>
Prior period adjustment	<u>45,195</u>
Net assets at end of fiscal year	<u>\$ 2,920,117</u>

The accompanying notes are an integral part of these financial statements

**EL DORADO COUNTY FIRE PROTECTION DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2011**

**ASSETS**

Cash and investments	\$	4,629,853
Accounts receivable		5,972
Prepaid expenses		110,521
Due from other governments		34,591
		34,591

TOTAL ASSETS	\$	4,780,937
		4,780,937

**LIABILITIES**

Accounts payable	\$	381,765
Accrued payroll		403,789
Deferred revenue		555,522
		555,522

Total liabilities		1,341,076
		1,341,076

**FUND BALANCES**

Fund balance:		
Reserved for capital purchases		633,520
Undesignated		2,806,341
		2,806,341

Total fund balance		3,439,861
		3,439,861

TOTAL LIABILITIES AND FUND BALANCES	\$	4,780,937
		4,780,937

The accompanying notes are an integral part of these financial statements

**EL DORADO COUNTY FIRE PROTECTION DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
June 30, 2011**

Total fund balances - governmental funds		\$ 3,439,861
<p>In governmental funds, only current assets are reported. In the statement of net assets, all assets are reported, including capital assets and accumulated depreciation.</p>		
Capital assets at historical cost, net of accumulated depreciation		5,368,688
<p>Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds. Those liabilities consist of:</p>		
Accrued compensated absences	(418,685)	
Accrued interest	(33,750)	
Capital leases payable	(59,997)	
Long-term debt	(2,500,000)	
OPEB liability	(2,876,000)	(5,888,432)
Net assets of governmental activities		<u>\$ 2,920,117</u>

The accompanying notes are an integral part of these financial statements

**EL DORADO COUNTY FIRE PROTECTION DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

**REVENUES**

Property taxes	\$ 7,427,492
Special assessments	785,232
Development fees	85,608
Plan check fees	41,154
Use of money and property	9,708
JPA administrative fee	45,000
Charges for services	496,125
Miscellaneous	<u>77,079</u>
 Total revenues	 8,967,398

**EXPENDITURES**

Current:	
Salaries and benefits	9,470,063
Services and supplies	967,403
Capital outlay	2,396,321
Debt service:	
Principal	168,489
Interest	<u>41,757</u>
 Total expenditures	 <u>13,044,033</u>

<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>(4,076,635)</u>
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**OTHER FINANCING SOURCES**

Proceeds from long-term debt	<u>2,500,000</u>
 Total other financing sources (uses)	 <u>2,500,000</u>

<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) OTHER SOURCES AND EXPENDITURES</b>	<u>(1,576,635)</u>
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<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>4,971,301</u>
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<b>PRIOR PERIOD ADJUSTMENT</b>	<u>45,195</u>
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<b>FUND BALANCE, END OF YEAR</b>	<u><u>\$ 3,439,861</u></u>
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The accompanying notes are an integral part of these financial statements



**EL DORADO COUNTY FIRE PROTECTION DISTRICT  
RECONCILIATION OF THE STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2011**

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures, and Change in Fund Balances, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES \$ (3,287,058)

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

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.

Capital outlay expenditures are therefore added back to fund balances	(2,396,321)
Depreciation expense not reported in governmental funds	319,132

Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Costs associated with the issuance of long-term debt are reported as expenditures in the governmental funds, but deferred and amortized throughout the period during which the related debt is outstanding in the Statement of Net Assets. Repayment of principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.

Proceeds of long-term debt	2,500,000
Repayment of debt principal is added back to fund balance	(168,489)
Accrued interest	33,750
Increase in OPEB liability	1,451,000

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 revenue or expenditures in governmental funds (net change):

Change in compensated absences	<u>(28,649)</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (1,576,635)</u></u>
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The accompanying notes are an integral part of these financial statements

**EL DORADO COUNTY FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Financial Reporting Entity

In 1991, several fire districts in El Dorado County consolidated into the El Dorado County Fire Protection District (the "District") which proudly provides fire protection, rescue and emergency medical service to the communities of: Apple Hill, Camino, Coloma, Cool, Gold Hill, Kyburz, Lotus, Oak Hill, Pacific House, Pilot Hill, Placerville, Pleasant Valley, Pollock Pines, Salmon Falls, Shingle Springs, Sierra Springs, Silver Fork, Strawberry, Texas Hill and Twin Bridges with a population of approximately 74,000 residents within 281 square miles.

The District is located in the Mother Lode along US Highway 50 between Sacramento and South Lake Tahoe, California, on the Western slope of the Sierra Nevada mountain range. The District begins in the lower foothills near Salmon Falls at an altitude of 500 feet and ends well into the Sierras at Twin Bridges, an elevation of nearly 6,000 feet. The incorporated city of Placerville, protected by the District, is the county seat, situated in the center of the District comprising approximately 20 square miles of urban area, with a small town flair.

The District's mission is dedicated to provide an all risk service to our citizens that results in improved quality of life and peace of mind. As a team, we will strive to minimize loss and suffering through our emergency service delivery, public education and community service activities. We will provide this service with pride, trust and integrity.

To protect this wide diversity, the Fire District is governed by a five-member board of directors. Charged with a \$13 million dollar budget, the 78 career personnel and 45 active volunteer firefighters operate from eight staffed and seven volunteer firehouses, protecting over \$3.5 billion in assessed valuation.

New Pronouncements

Effective July 1, 2009, the District implemented the following accounting and financial reporting standards:

In June 2004, the GASB issued Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions, which addresses how state and local governments should account for and report their costs and obligations related to post-employment healthcare and other non-pension benefits. Collectively, these benefits are commonly referred to as other post-employment benefits, or OPEB. The statement generally requires that employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide

**EL DORADO COUNTY FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 1: SIGNIFICANT ACCOUNTING POLICIES – (continued)**

sufficient resources to pay benefits as they come due. This statement's provisions may be applied prospectively and do not require governments to fund their OPEB plans. An employer may establish its OPEB liability at zero as of the beginning of the initial year of implementation; however the unfunded actuarial liability is required to be amortized over future periods. This statement also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time.

Basis of Presentation – Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and user charges for support. The District has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Certain indirect costs are allocated from the general government activity to the public safety function based on relative percentages or prior year actual operating expenditures. Program revenues include 1) charges to customers who purchase, use or directly benefit from the goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general expenses.

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 when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue when reimbursable costs are incurred under the accrual basis of accounting. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

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. Each fund was established for the purpose of accounting for specific activities in accordance with applicable

**EL DORADO COUNTY FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

regulations, restrictions, or limitations. Separate financial statements are provided for each governmental fund. Major individual governmental funds are reported as separate columns in the fund financial statements.

The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means that the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues susceptible to accrual include property taxes, grants, donations and charges for current services. The District uses an availability period of 60 days after year-end. Expenditures under the modified accrual basis of accounting are generally recognized when the related fund liability is incurred.

The District reports the following major governmental fund types:

General Fund

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Budgets and Budgetary Process

The District operates under the laws of the State of California. The Board of Directors adopts a General Fund budget only, which can be amended by the Board during the fiscal year. All appropriations lapse at year end.

The budgeted financial statements represented in these reports reflect the final budget authorizations including all amendments.

**EL DORADO COUNTY FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

Board of Directors

There are five members of the board. Each member of the board is a resident and registered voter of the District and is an elected representative of the general public.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from these estimates.

Fund Balance

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent current management plans.

Revenue

Revenue to finance the District's operation is derived from the County property tax bills. Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on April 10 and December 10. Unsecured property taxes are payable in one installment on or before August 31.

Property Taxes and Special Assessments

Secured property taxes are considered measurable and available when apportioned to the District. The County is responsible for assessing and collecting secured property taxes for the District in accordance with enabling state legislation (including appropriation limits). The County apportions secured taxes to the District under the "Teeter Plan" – California Revenue and Taxation Code Sections 4701-4717. A complex allocation formula is used to distribute levied secured taxes to the County and its districts. The levy date is July 1. The District is credited with 100 percent of its apportionments, regardless of the actual collections and delinquencies and according, penalties and interest collected by the County are not allocated to the District. Apportionments are distributed according to the following schedule:

<u>Action</u>	<u>Date</u>	<u>Percent</u>
1st Apportionment	By December 25	55 Percent
2 <sup>nd</sup> Apportionment	By April 25	40 Percent
3 <sup>rd</sup> Apportionment	By June 25	5 Percent

**EL DORADO COUNTY FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

Supplemental unsecured property taxes and special assessments are considered measurable and available when collected. The District assesses supplemental unsecured property taxes and special assessments on real property. These assessments are not based on property values but on usage and are levied by parcel, square footage, dwelling unit, and/or space in accordance with Proposition 218. The assessments are remitted to the County for collection with the secured property tax billings. The County deposits collections in the District's County Treasury account. The County does not maintain separate accounts receivable by year but remits any past due amounts upon allocation.

Property, Plant and Equipment

Fixed assets are recorded at actual cost or estimated historical cost if actual cost is not available. Assets costing \$1,000 or more and with an expected life of 5 years or more are capitalized. Donated fixed assets are valued at donation date at the estimated fair market value. When actual cost is not available, estimated costs are made by knowledgeable personnel. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Fixed assets of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building	10-45
Equipment	1-40
Vehicles	5-20

Compensated Absences

An employee accumulates vacation time in accordance with the employee's respective "Memorandum of Understanding". The amount of vacation and sick time vested and accrued depends on years of service, employee classification, and date of hire. Vacation vested may be accumulated up to various maximum hours and is paid in full upon termination or retirement. Employees may convert unused sick time towards PERS years of service upon retirement.

Allowance for Doubtful Accounts

Management believes its accounts receivable to be fully collectible and, accordingly, no allowance for doubtful accounts is considered necessary.

**EL DORADO COUNTY FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 2: CASH AND INVESTMENTS**

Cash at June 30, 2011, consisted of the following:

	Cost	Fair Value
Pooled Funds:		
Cash in County Treasury	\$ 4,629,853	\$ 4,629,853
Total Funds	\$ 4,629,853	\$ 4,629,853

Authorized Investments

California statutes authorize the District to invest idle or surplus funds in a variety of credit instruments as provided for in California Government Code Section 53600, Chapter 4 – Financial Affairs.

The Government Code allows investments in the following instruments:

- Securities of the United States Government, or its agencies
- Small Business Administration loans
- Certificates of Deposit (or Time Deposits) placed with commercial banks and/or savings and loan companies
- Negotiable Certificates of Deposit
- Banker’s Acceptances
- Commercial paper and medium-term corporate notes
- Local Agency Investment Fund (State Pool and County Pool) Demand Deposits
- Repurchase Agreements (Repos)
- Reverse Repurchase Agreements
- County Cash Pool

Investments

The District has adopted provisions of Governmental Accounting Standards Board (GASB) 31, *“Accounting and Financial Reporting for Certain Investments and for External Investment Pools.”* GASB 31 establishes accounting and financial standards for investments in interest-earning investment contracts, external investment pools, and mutual funds. The statement requires all applicable investments to be reported at fair value on the balance sheet. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced sale. All investment income, including changes in fair market value of investments, is recognized as revenue in the operating statement.

**EL DORADO COUNTY FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 2: CASH AND INVESTMENTS – (continued)**

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. The bank certificates of deposits held by the District are all under eighteen months in maturity and are non-negotiable and, thus, have a guaranteed face value.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Generally, this is measured by the assignment of a rating by a nationally recognized statistical rating organization.

**NOTE 3: CAPITAL ASSETS**

The following changes in the capital assets occurred during the year ended June 30, 2011:

	Balance 6/30/10	Additions	Disposals	Adjustments	Balance 6/30/11
Capital assets, not being depreciated					
Land	\$ 95,588	\$ -	\$ -	\$ -	\$ 95,588
Construction in progress	291,538	2,323,022	-	(2,614,561)	-
Total capital assets, not being depreciated:	387,126	2,323,022	-	(2,614,561)	95,588
Capital assets, being depreciated:					
Buildings & improvements	1,748,200	43,473	-	2,614,561	4,406,234
Equipment	6,662,798	29,826	-	-	6,692,624
Total capital assets, being depreciated	8,410,998	73,299	-	2,614,561	11,098,858
Total accumulated depreciation	(5,504,441)	(319,132)	-	-	(5,823,573)
Total capital assets being depreciated, net	2,906,557	(245,833)	-	2,614,561	5,275,285
Governmental activities capital assets, net	\$3,293,683	\$2,077,189	\$ -	\$ -	\$5,370,873

Total depreciation expense for the year was \$319,132, all charged to the public safety function.



**EL DORADO COUNTY FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 4: PENSION PLANS**

Plan Description

Qualified employees are covered under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

The contribution requirements of the plan members are established by state statute. The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the contribution rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal year 2010-2011 was 27.983% of annual payroll for safety employees and 18.657% of annual payroll for miscellaneous employees.

Annual Pension Cost

For fiscal year 2010-2011, the District's annual pension cost of \$1,696,464 was equal to the District's required and actual contributions. The required contribution for the fiscal year 2010-2011 was determined as part of the June 30, 2008 actuarial valuation using entry age normal actuarial cost method with contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.25% to 14.45% depending on age, service and type of employment; (c) 3.25% overall payroll growth; and (d) an inflation rate of 3.0%. The actuarial value of the plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a two to fifteen year period depending on the size of the differences being amortized as a level percentage of projected payroll on a closed basis.

**EL DORADO COUNTY FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 4: PENSION PLANS – (continued)**

The funding history of the safety plan is as follows:

Valuation Date	Accrued Liabilities (AL)	Actuarial Value of Assets (AVA)	Unfunded Liabilities (UL)	Funded Ratio (AVA/AL)	Annual Covered Payroll	UL As a % of Payroll
06/30/2006	\$7,278,049,834	\$6,102,615,567	\$1,175,434,267	83.9%	\$754,730,438	155.7%
06/30/2007	\$7,986,055,176	\$6,826,599,459	\$1,159,455,717	85.5%	\$831,607,658	139.4%
06/30/2008	\$8,700,467,733	\$7,464,927,716	\$1,235,540,017	85.8%	\$914,840,596	135.1%

The funding history of the miscellaneous plan is as follows:

Valuation Date	Accrued Liabilities (AL)	Actuarial Value of Assets (AVA)	Unfunded Liabilities (UL)	Funded Ratio (AVA/AL)	Annual Covered Payroll	UL As a % of Payroll
06/30/2006	\$1,280,157,040	\$1,069,546,974	\$210,610,066	83.6%	\$304,898,179	69.1%
06/30/2007	\$1,627,025,950	\$1,362,059,317	\$264,966,633	83.7%	\$376,292,121	70.4%
06/30/2008	\$1,823,366,479	\$1,529,548,799	\$293,817,680	83.9%	\$414,589,514	70.9%

**NOTE 5: LONG-TERM DEBT**

Changes in Long-Term Debt are summarized below:

	Balance 6/30/2010	Additions	Reductions	Balance 6/30/2011
Compensated absences	\$ 510,655	\$ -	\$ 28,649	\$ 482,006
OPEB liability	1,425,000	1,451,000	-	2,876,000
Accrued interest	-	33,750	-	33,750
Long-term debt	-	2,500,000	-	2,500,000
Capital leases	228,486	-	168,489	59,997
<b>Total</b>	<b>\$ 2,164,141</b>	<b>\$ 3,984,750</b>	<b>\$ 197,138</b>	<b>\$ 5,951,753</b>

Long-Term Debt interest paid for the year was \$41,757.

**Capital Leases:**

The District entered into capital lease agreements to finance the purchase of various pieces of equipment. Assets under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over their estimated productive lives. Depreciation of assets under capital leases is included in depreciation expense.

**EL DORADO COUNTY FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 5: LONG-TERM DEBT – (continued)**

The schedule of required payments due on the leases is as follows:

	Principal	Interest	Total
2012	\$ 59,997	\$ 1,112	\$ 61,109
	\$ 59,997	\$ 1,112	\$ 61,109

The District entered into a Capital Lease agreement dated September 1, 2010 with the California Infrastructure and Economic Development Bank (CIEDB) to provide funds for the acquisition and construction of major capital facilities in an amount totaling \$2,500,000. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has also been recorded at the present value of the future minimum lease payments in the statement of net assets.

Collateral for the lease are the lease payments made by the district to the Finance Corporation for the use of the existing facilities. The future minimum lease obligations and the net present value of those minimum lease payments as of June 30, 2011 are as follows:

**Fiscal year ending June 30,**

2012	\$	130,718
2013		130,691
2014		130,664
2015		130,636
2016		130,608
2017-2021		652,563
2022-2026		651,596
2022-2031		650,637
2032-2036		649,418
2037-2040		647,990
Total future payments		3,905,521
Less: Interest portion		(1,405,521)
Total Due	\$	2,500,000

**EL DORADO COUNTY FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 6: OPERATING LEASES**

The County is committed under various non-cancelable operating leases, primarily for equipment. Future minimum operating lease commitments are as follows:

<u>Year ending June 30,</u>	
2012	\$ 12,360
2013	12,360
2014	12,360
2015	<u>12,360</u>
Total	<u>\$ 49,440</u>

Rent expenses totaled \$46,312 for the year ended June 30, 2011.

**NOTE 7: DEVELOPMENT FEES**

On November 18, 1998, the Board of Directors adopted Resolution 98-11 establishing the development fees for the District. The use of these funds is restricted solely for financing public facilities and equipment necessary to serve new developments.

Activities of the development fees reserved for 2010-2011 is as follows:

Balance, July 1, 2010	\$ 556,095
Add, development fees collected	75,683
Interest income	<u>1,742</u>
Balance, June 30, 2011	<u>\$ 633,520</u>

**EL DORADO COUNTY FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 8: JPA – Retiree Health Benefits:**

The District received \$51,000 for the Joint Powers Authority employees to help fund health care benefits.

Activities of the Retiree Health Benefits fund for 2010-2011 are as follows:

Balance, July 1, 2010	\$ 162,686
Add, JPA reimbursements	51,000
Interest income	465
Deduct, Retiree health premiums paid	<u>(42,547)</u>
Balance, June 30, 2011	<u>\$ 171,604</u>

**NOTE 9: JPA**

The District is a member agency of a Joint Powers Authority, the El Dorado County Regional Pre-hospital Emergency Services Operations Authority that was formed in 1997 for the purpose of providing pre-hospital emergency medical service and emergency dispatch service for the west-slope of El Dorado County.

Other member agencies are, Cameron Park Community Services District/Fire Department, Diamond Springs/El Dorado Fire Protection District, El Dorado Hills County Water District/Fire Department, Garden Valley Fire Protection District, Georgetown Fire Protection District, Latrobe Fire Protection District, Mosquito Fire Protection District, Pioneer Fire Protection District and Rescue Fire Protection District.

The fire district is fully reimbursed for all authorized costs incurred in the furtherance of the contract. In addition, the District realizes revenue as the result of administering the twenty-eight employees who operate the ambulances in the JPA.

**NOTE 10: RISK OF LOSS**

El Dorado County Fire Protection District is exposed to various risks of loss related to theft of, damage to, and destruction of assets: and injuries to employees. During the 2011 fiscal year, the District purchased certain commercial insurance coverages to provide for these risks.

**EL DORADO COUNTY FIRE PROTECTION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 12: POST-RETIREMENT BENEFITS**

*Plan Description*

The District provides post-employment health care benefits to certain employees who are eligible to retire with PERS and have completed a minimum of 5 years of employment with the District.

*Funding Policy*

The required contribution is based on projected pay-as-you-go financing requirements, with an amount of funding the actuarial accrued liability as determined annually by the Board. For the fiscal year ended June 30, 2011, the District contributed only for pay-as-you-go in the amount of \$519,953.

*Annual OPEB Cost and Net OPEB Obligation*

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$ 1,970,953
Contributions made	<u>(519,953)</u>
Increase in net OPEB obligation	1,451,000
Net OPEB obligation – beginning of year	<u>1,425,000</u>
Net OPEB obligation – end of year	<u>\$ 2,876,000</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2011 is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 1,970,953	26.38%	\$2,876,000

**EL DORADO COUNTY FIRE PROTECTION DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 12: POST-RETIREMENT BENEFITS – (continued)**

*Funded Status and Funding Process*

As of July 1, 2009, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$19,107,000, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$5,857,500 and the ratio of the UAAL to the covered payroll was 326.19 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions*

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the January 1, 2009 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 5.0 discount (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate at 5-9 percent. An inflation rate of 3% was used. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011, was twenty-nine years.

**NOTE 13: DISPUTED LIABILITY**

At June 30, 2011, the District was in a dispute with a related entity over payroll charges the District had made to a Joint Powers Authority. The District believes that the dispute will result in amounts being due back to the Joint Powers Authority but a firm determination has not been made as to the actual amount due.

## **SUPPLEMENTARY DATA**



**EL DORADO COUNTY FIRE PROTECTION DISTRICT  
PRINCIPAL OFFICIALS**

Board of Directors:

Vacant	Director
Ed Courtial	Director
Dennis Edwards	Director
Thomas Mahach	Director
Mark Johnson	Director

Operations:

Bruce Lacher	Fire Chief
Rob Cima	Assistant Chief
Michael Hardy	Assistant Chief

**EL DORADO COUNTY FIRE PROTECTION DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 POST-EMPLOYMENT BENEFITS  
 FOR THE YEAR ENDED JUNE 30, 2011**

Actuarial Valuation Date	Actuarial Valuation of Assets (a)	Actuarial Valued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
1/1/2009	\$ -	\$19,107,000	\$19,107,000	0.0%	\$5,857,500	326.19%

1. This information is intended to help users assess the OPEB funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits and make comparisons with other public employers.
2. Because this is the first valuation under GASB 45, there is no historical information provided. In the future, information from the three most recent valuations will be presented.

**EL DORADO COUNTY FIRE PROTECTION DISTRICT  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
For the Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Property taxes	\$ 7,817,300	\$ 7,817,300	\$ 7,427,492	\$ (389,808)
Special assessments	769,000	769,000	785,232	16,232
Development fees	275,000	275,000	85,608	(189,392)
Plan check fees	50,000	50,000	41,154	(8,846)
Reimbursements	200,000	200,000	-	(200,000)
Use of money and property	60,000	60,000	9,708	(50,292)
JPA administrative fee	90,000	90,000	45,000	(45,000)
Charges for services	496,125	496,125	496,125	-
Miscellaneous	10,000	10,000	77,079	67,079
Proceeds of long-term debt	2,500,000	2,500,000	2,500,000	-
	<u>12,267,425</u>	<u>12,267,425</u>	<u>11,467,398</u>	<u>(800,027)</u>
<b>EXPENDITURES</b>				
Current:				
Salaries and benefits	9,198,785	9,198,785	9,470,063	(271,278)
Services and supplies	1,594,124	1,594,124	967,403	626,721
Capital outlay	2,699,000	2,699,000	2,396,321	302,679
Debt service:				
Principal	463,000	463,000	168,489	294,511
Interest	-	-	41,757	(41,757)
	<u>13,954,909</u>	<u>13,954,909</u>	<u>13,044,033</u>	<u>910,876</u>
Net changes in fund balances			<u>\$ (1,576,635)</u>	

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

Governing Board  
El Dorado County Fire Protection District  
Camino, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of El Dorado County Fire Protection District, as of and for the year ended June 30, 2011, which collectively comprise the El Dorado County Fire Protection District's basic financial statements and have issued our report thereon dated January 12, 2012. We conducted our audit in accordance with 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.

Compliance

As part of the obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. We noted certain matters that we reported to management of the district in a separate letter dated January 12, 2012.

Governing Board  
El Dorado County Fire Protection District  
Camino, California

This report is intended for the information and use of the audit committee, the governing board, management and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Fechter and Company, CPAs

A large, stylized handwritten signature in black ink that reads "Fechter and Company, CPAs". The signature is written in a cursive, flowing style.

Sacramento, California  
January 12, 2012