

**CALIFORNIA TAHOE
EMERGENCY SERVICES OPERATIONS AUTHORITY**

Audited Financial Report

June 30, 2016

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

Audited Financial Report

June 30, 2016

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550 Howe Avenue, Suite 210
Sacramento, California 95825

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
California Tahoe Emergency Services Operations Authority
South Lake Tahoe, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the California Tahoe Emergency Services Operations Authority (the JPA), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the JPA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Modified Opinions

The JPA had an inventory of medical supplies and drugs on hand at June 30, 2016 and 2015 that was reported as expenditures when purchased rather than reporting unused amounts as inventory on the statement of net position and

To the Board of Directors
California Tahoe Emergency Services Operations Authority

General Fund balance sheet as required by accounting principles generally accepted in the United States of America. The amount of the inventory was unknown, but was expected to be material to the financial statements.

Opinions

In our opinion, except for the effects of understating inventory and overstating expenses on the June 30, 2016 financial statements due to the JPA not recording inventory as described in the Basis for Qualified Opinions paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of the California Tahoe Emergency Services Operations Authority as of June 30, 2016, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Correction of Error

As described in Note J to the financial statements, the JPA corrected an error in the July 1, 2015 government-wide net position and fund balance in the General Fund to accrue certain expenses paid during the year ended June 30, 2016 that were incurred as of July 1, 2015. Our opinion is not modified with respect to that matter.

Other Matters

Prior Period Financial Statements

The financial statements of California Tahoe Emergency Services Operations Authority as of June 30, 2015, were audited by other auditors whose report dated February 26, 2016, expressed unmodified opinions on those statements. As discussed in Note J, the JPA restated its June 30, 2015 financial statements to accrue certain expenditures to report the financial statements in accordance with accounting principles generally accepted in the United States of America. The other auditors reported on the June 30, 2016 financial statements before the restatement.

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2017 on our consideration of the JPA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the JPA's internal control over financial reporting and compliance.

Richardson & Company, LLP

October 20, 2017

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

The discussion and analysis of California Tahoe Emergency Services Operations Authority's (JPA) financial performance provides an overall review of the JPA's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the JPA's financial performance as a whole. To provide a complete understanding of the JPA's financial performance, please read it in conjunction with the Independent Auditor's Report on page 1, notes to the basic financial statements and the JPA's financial statements.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June 1999. Certain comparative information is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

- The JPA is a contract provider to the County of El Dorado with its primary funding source through County Service Area #3 (CSA #3.) All costs are budgeted expenditures through the County of El Dorado Health and Human Services Agency. All funds budgeted in excess of actual expenditures are returned at the end of each fiscal year.
- The JPA approved the implementation of cost saving measures by instituting caps on the amount member districts would be reimbursed for certain expenditures during 2015 that resulted in cost savings during the year ended June 30, 2016. This included a \$1,000,000 cap on the Class 30, salary and benefit expenses, and \$20,000 cap on the Class 40, services and supplies expenses.
- The JPA's total net position was \$966,861 at June 30, 2016, a decrease of \$84,004 from the June 30, 2015 restated balance of \$1,050,865. This net loss was due to expenses exceeding revenues, mainly due to the cost of long-distance transportation exceeding the increase in the contract service fees received from the County of El Dorado (the County). This accelerated the replacement schedule of the ambulances. The June 30, 2015 net position includes a restatement of \$78,476 to reduce the amount reported last year for certain expenses that were incurred during fiscal 2015 that were not accrued as expenses.
- The JPA purchased three cardiac monitors reported as capital assets totaling \$95,078 and disposed of two ambulances during the year. One ambulance was sold for \$12,500 and the other ambulance was donated to the West Slope JPA (Eldorado County Emergency Services Authority).
- The City of South Lake Tahoe (City) became a non-transporting member. The JPA took over responsibility for staffing the ambulances previously staffed by the City and hired an administrative officer due to the additional workload this caused. The JPA did not have any staff on payroll prior to this event.
- The JPA admitted a new member in August of 2017, the Fallen Leaf Lake Community Services District Fire Department. The JPA's Bylaws were amended to add a new Board Member from this agency.

OVERVIEW OF THE FINANCIAL STATEMENTS

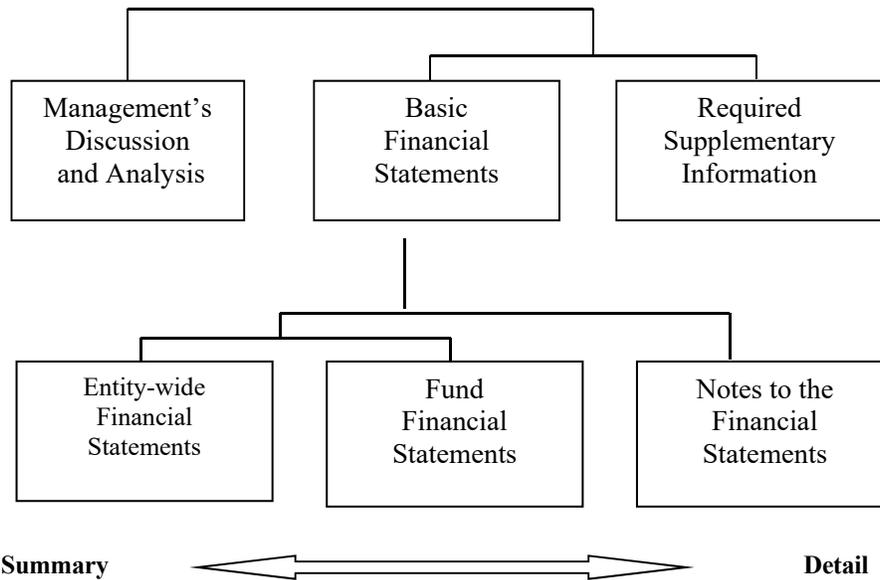
This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. These statements are organized so the reader can understand the California Tahoe Emergency Services Operations Authority as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Components of the Financial Section



The first two statements are *entity-wide or government-wide financial statements*, the Statement of Net Position and Statement of Activities. These statements provide information about the activities of the whole JPA, presenting both an aggregate view of the JPA's finances and a longer-term view of those finances using the full accrual basis of accounting. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term using the modified accrual basis of accounting as well as what remains for future spending. A comparison of the JPA's general fund budget is included.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements.

Reporting the JPA as a Whole

Statement of Net Position and the Statement of Activities

These two statements provide information about the JPA as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the JPA's assets and liabilities using the accrual basis of accounting. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid. These statements report information on the JPA as a whole and its activities in a way that helps answer the question, "How did we do financially during the year ended June 30, 2016?"

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

These two statements report the JPA's net position and changes in that position. This change in net position is important because it tells the reader that, for the JPA as a whole, the financial position of the JPA has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Over time, the increases or decreases in the JPA's net position, as reported in the Statement of Activities, are one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses indicates the JPA's operating results. However, the JPA's goal is to provide emergency services to our communities, not to generate profits as commercial entities. One must consider many other non-financial factors, such as the quality of care provided to assess the overall health of the JPA.

- ◆ Increases or decreases in the net position of the JPA over time are indications of whether its financial position is improving or deteriorating, respectively. The net position of the JPA decreased by \$84,004 during the year, mainly due to the increasing cost of members providing out of area transportation to the Bay Area. The JPA negotiated an increase on July 1, 2017 out of area transportation component of the contract service payments from the County from \$1,000 per month to \$20,000 per month to compensate the JPA for these additional costs.
- ◆ Additional non-financial factors such as condition of vehicles and changes to the property tax base of the JPA need to be considered in assessing the overall health of the JPA. The JPA serves semi-rural and wilderness areas, putting a lot of miles on the vehicles. The JPA has a replacement plan for ambulances based on mileage. The current replacement plan calls for one ambulance to be replaced or remounted approximately every two years.

Fund Financial Statements

The fund financial statements provide more detailed information about the inflow and outflow of the JPA's resources in the current year – not the JPA as a whole.

Major Governmental Funds

- ◆ Governmental Funds

All of the JPA's activities are reported in one governmental fund, the General Fund. Governmental funds focus on how money flows into and out of the funds and the balances that remain at the end of the year. They are reported using an accounting basis called modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the JPA's operations and services that help determine whether there are more or fewer financial resources that can be spent in the near future to finance the JPA's programs.

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

The JPA's net position was \$966,861 at June 30, 2016, consisting of \$452,303 invested in capital assets and \$514,558 of unrestricted net position. The government-wide balances are presented in the table below.

COMPARATIVE STATEMENT OF NET POSITION

	Governmental Activities			
	2016	2015 As Restated	\$ Change	% Change
ASSETS				
Cash and investments	\$ 500,819	\$ 757,341	\$ (256,522)	-34%
Accounts receivable		608	(608)	-100%
Prepaid items	16,013	6,102	9,911	162%
Performance deposit	50,000	50,000	-	
Capital assets, net of depreciation	452,303	557,917	(105,614)	-19%
TOTAL ASSETS	1,019,135	1,371,968	(352,833)	-26%
LIABILITIES				
Accounts payable and other liabilities	52,274	321,103	(268,829)	-84%
TOTAL LIABILITIES	52,274	321,103	(268,829)	-84%
NET POSITION				
Net investment in capital assets	452,303	557,917	(105,614)	-19%
Unrestricted	514,558	492,948	21,610	4%
TOTAL NET POSITION	\$ 966,861	\$ 1,050,865	\$ (84,004)	-8%

Total assets decreased by \$352,833, including a decrease in cash of \$256,522 and a decrease in capital assets of \$105,614, offset by an increase in prepaids of \$9,911. The decrease in cash was mainly due to the change in payables of \$268,829, purchase of capital assets in the amount of \$95,078 and the change in net position (net loss) of \$84,004, less non-cash depreciation expense of \$187,240. The decrease in capital assets was due to the sale of one ambulance and donation of another ambulance to other agencies and depreciation, offset by the purchase of three cardiac monitors in the amount of \$95,078.

The JPA's net position decreased \$84,004 during the fiscal year from the restated net position of \$1,050,865. The JPA's expenses for providing ambulance and dispatch services represented 99% percent of total expenses as described in the table below.

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

COMPARATIVE STATEMENT OF ACTIVITIES

	2016	Governmental Activities 2015		% Change
		As Restated	\$ Change	
REVENUES				
Program revenues	\$ 2,086,849	\$ 2,061,304	\$ 25,545	1%
General revenues				
Interest and investment earnings	2,220	2,050	170	8%
TOTAL REVENUES	<u>2,089,069</u>	<u>2,063,354</u>	<u>25,715</u>	<u>1%</u>
EXPENSES				
Regional ambulance and dispatch	2,173,073	2,376,532	(203,459)	-9%
TOTAL REVENUES	<u>2,173,073</u>	<u>2,376,532</u>	<u>(203,459)</u>	<u>-9%</u>
CHANGE IN NET POSITION	(84,004)	(313,178)	229,174	-73%
Net position, beginning of year	1,050,865	1,364,043	(313,178)	-23%
NET POSITION, END OF YEAR	<u>\$ 966,861</u>	<u>\$ 1,050,865</u>	<u>\$ (84,004)</u>	<u>-8%</u>

Program revenues increased by \$25,715, including contract service fees increase of \$18,434 from changes in the Ambulance Inflation Factor used by the County to adjust the service fees and other program revenue of \$8,163 representing additional “standby fees” incurred by member agencies to provide a dedicated ambulance at local events.

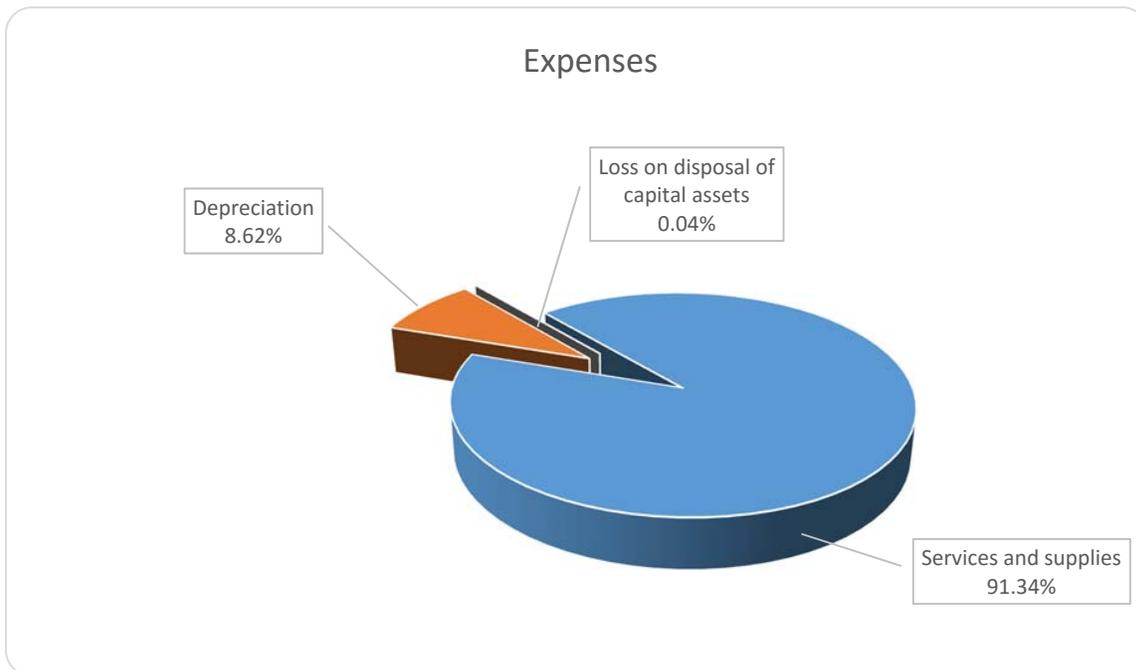
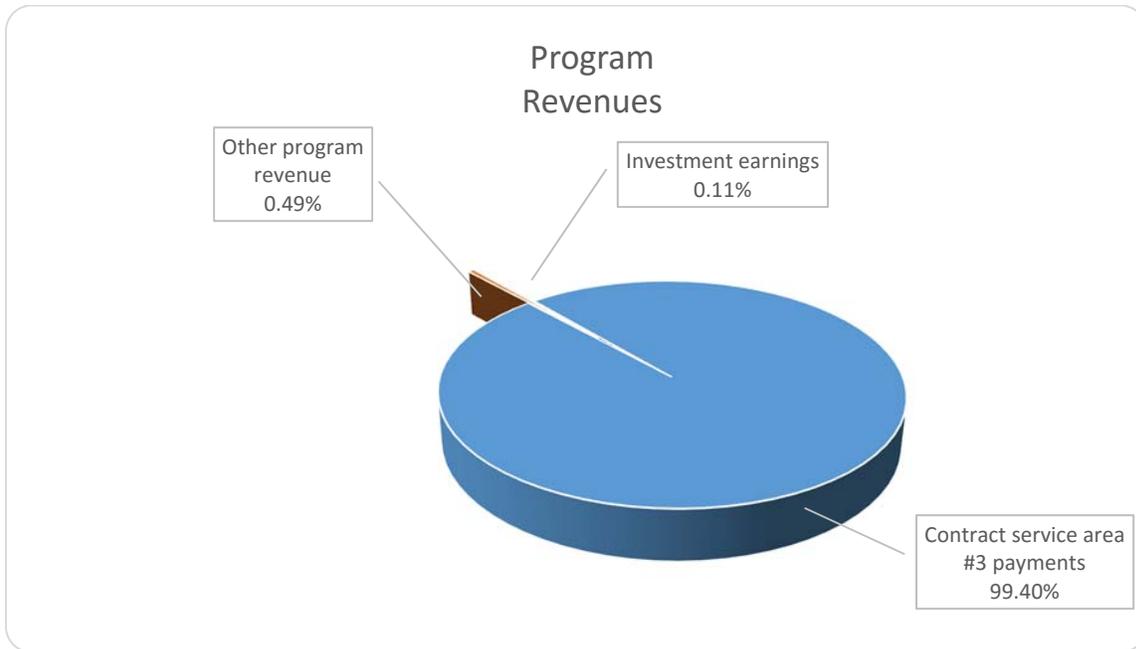
Expenses decreased by \$203,459 from the restated 2015 expenses, mainly from purchasing three of the six cardiac monitors in the FY 2016/2017. Lower training costs due to the City of Lake Tahoe not participating in the JPA’s training program and fuel prices declining.

As reported in the Statement of Activities, the cost of all of the JPA’s governmental activities this year was \$2.2 million. Program revenues were \$2.1 million. The charts below show the composition of program revenues and expenses for the year.

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016



FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUND STATEMENTS

The General Fund financial statements focus on individual parts of the JPA's operations in more detail than the government-wide statements. The JPA's fund statements provide information on current inflows and outflows of spendable resources. All funds budgeted in excess of actual expenditures are returned at the end of each fiscal year.

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

The total assets of the General Fund decreased by \$247,219, primarily due to the reduction of cash, offset by the increase in prepaid expenses as described previously. Total General Fund liabilities decreased by \$268,829 due to the reduction in accounts payable and other liabilities. This was mainly due to the timing of payment of continuing expenses. Fund balance of the General Fund increased by \$21,610 from the restated June 30, 2015 fund balance of \$492,948. Revenues increased by \$25,715, this was primarily due to contract service fees increasing by \$18,434 due to the Ambulance Inflation Factor increasing and other program revenue increasing by \$7,111 from additional standby fees received. The JPA also received \$12,500 from the sale of an ambulance during the year. Expenditures decreased by \$300,949, which was due to a reduction in capital outlay expense due the JPA purchasing an ambulance, power loader and other equipment during the prior year compared to monitors in the current year, lower training costs due to the City not participating in the JPA's training program and lower fuel prices.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

**Comparative Schedule of Capital Assets
June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>	Difference Increase (Decrease)
Equipment	\$ 1,310,834	\$ 1,516,560	\$ (205,726)
Accumulated depreciation	<u>(858,531)</u>	<u>(958,643)</u>	<u>100,112</u>
Totals	<u>\$ 452,303</u>	<u>\$ 557,917</u>	<u>\$ (105,614)</u>

Long-term Debt

The JPA had no outstanding debt at June 30, 2016.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund revenues on the budgetary basis were lower than the budget by \$8,751, primarily due to the Ambulance Inflation Factor increase provided for contract service payments being a lower percentage than anticipated in the budget. Expenditures were less than the budget by \$89,281, primarily due to only half of the monitors the JPA anticipated purchasing being purchased at year-end. The remaining monitors were purchased after year-end. Travel and transportation expenditures were also lower than budget due to the City not participating in the JPA's training program and fuel prices being lower than anticipated. These favorable variances were offset by the professional fees and contracts expenditures exceeding the budget by \$18,875, primarily due to standby fees that were earned by member agencies, maintenance expenses exceeding the budget due to two unanticipated ambulance repairs occurring during the year and legal fees exceeding the budget to have an attorney attend Board meetings.

CONTACTING THE JPA'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the JPA's finances and to show the JPA's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Executive Director, Ryan Wagoner, California Tahoe Emergency Services Operations Authority, 2951 Lake Tahoe Boulevard, South Lake Tahoe, CA 96150.

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET

June 30, 2016

	General Fund	Adjustments (Note F)	Statement of Net Position
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and investments	\$ 500,819		\$ 500,819
Prepaid items	16,013		16,013
Performance deposit	50,000		50,000
Capital assets, net of depreciation		\$ 452,303	452,303
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 566,832</u>	<u>452,303</u>	<u>1,019,135</u>
LIABILITIES			
Accounts payable and other current liabilities	\$ 52,274		52,274
TOTAL LIABILITIES	<u>52,274</u>	<u> </u>	<u>52,274</u>
FUND BALANCE			
Nonspendable	16,013	(16,013)	
Committed	219,304	(219,304)	
Unassigned	279,241	(279,241)	
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCE	<u>514,558</u>	<u>(514,558)</u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 566,832</u>	<u> </u>	<u> </u>
NET POSITION			
Investment in capital assets		452,303	452,303
Unrestricted		514,558	514,558
	<u> </u>	<u> </u>	<u> </u>
TOTAL NET POSITION	<u> </u>	<u>\$ 966,861</u>	<u>\$ 966,861</u>

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

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

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

For the Year Ended June 30, 2016

	General Fund	Adjustments (Note G)	Statement of Activities
EXPENDITURES/EXPENSES			
Ambulance services:			
Services and supplies	\$ 1,984,881		\$ 1,984,881
Capital outlay	95,078	\$ (95,078)	
Depreciation		187,240	187,240
(Gain) loss on disposal of capital assets		952	952
TOTAL EXPENDITURES/EXPENSES	2,079,959	93,114	2,173,073
PROGRAM REVENUES			
Operating grants and subsidies:			
Contract service area #3 payments	2,076,636		2,076,636
Charges for services:			
Other program revenue	10,213		10,213
TOTAL REVENUES	2,086,849		2,086,849
EXCESS OF REVENUES OVER EXPENDITURES	6,890		
NET PROGRAM REVENUES/(EXPENSES)		(93,114)	(86,224)
GENERAL REVENUES			
Investment earnings	2,220		2,220
TOTAL GENERAL REVENUES	2,220		2,220
OTHER FINANCING SOURCES			
Proceeds from sale of capital assets	12,500	(12,500)	
NET CHANGE IN FUND BALANCE	21,610	(21,610)	
CHANGE IN NET POSITION		(84,004)	(84,004)
Fund balance/net position, beginning of year - as previously reported	571,424	557,917	1,129,341
Restatement	(78,476)		(78,476)
Fund balance/net position, end of year - as restated	492,948	557,917	1,050,865
FUND BALANCE/NET POSITION, END OF YEAR	\$ 514,558	\$ 452,303	\$ 966,861

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

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

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

For the Year Ended June 30, 2016

	Budgetary Basis		Actual Amounts - Budgetary Basis	Variance With Final Budget Positive (Negative)	Adjustment to GAAP Basis	Actual Amounts - GAAP Basis
	Budgeted Amounts					
	Original	Final				
REVENUES						
Contract service area #3 payments	\$ 2,087,020	\$ 2,087,020	\$ 2,076,636	\$ (10,384)		\$ 2,076,636
Fund balance appropriated	294,200	294,200	294,200		\$ (294,200)	
Other program revenue	10,000	10,000	10,213	213		10,213
Investment earnings	800	800	2,220	1,420		2,220
TOTAL REVENUE	2,392,020	2,392,020	2,383,269	(8,751)	(294,200)	2,089,069
EXPENDITURES						
Services and Supplies						
Professional fees/contracts	1,620,156	1,620,156	1,639,031	(18,875)		1,639,031
Dispatch contract	150,000	150,000	150,000			150,000
Supplies	102,000	102,000	100,128	1,872		100,128
Maintenance	29,384	29,384	35,986	(6,602)		35,986
Travel/transportation	45,000	45,000	30,928	14,072		30,928
Insurance	15,000	15,000	17,376	(2,376)		17,376
Telephone/radio	8,700	8,700	10,274	(1,574)		10,274
Special department			1,158	(1,158)		1,158
Contingency	5,000	5,000		5,000		
Equipment	2,000	2,000		2,000		
Addition to reserves of fund balance	222,780	222,780	222,780		(222,780)	
Capital outlay	192,000	192,000	95,078	96,922		95,078
TOTAL EXPENSES	2,392,020	2,392,020	2,302,739	89,281	(222,780)	2,079,959
EXCESS OF REVENUES OVER EXPENDITURES			80,530	80,530	(71,420)	9,110
OTHER FINANCING SOURCES						
Proceeds from sale of capital assets			12,500	12,500		12,500
NET CHANGE IN FUND BALANCE	\$ -	\$ -	93,030	\$ 93,030	\$ (71,420)	21,610
Fund balance/net position, beginning of year - as previously reported			571,424			571,424
Restatement			(78,476)			(78,476)
Fund balance/net position, beginning of year - as restated			492,948			492,948
FUND BALANCE AT END OF YEAR			\$ 585,978			\$ 514,558

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

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the California Tahoe Emergency Services Operations Authority (the JPA) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The most significant accounting policies of the JPA are described below.

Reporting Entity: California Tahoe Emergency Services Operations Authority (the JPA) was organized under the laws of the State of California on January 24, 2001 and began operations on September 1, 2001. The JPA is a joint exercise of powers entity (JPE) between the City of South Lake Tahoe Fire Department (the City), and the Lake Valley Fire Protection District (Lake Valley). The JPA is governed by a Board of Directors made up of two Lake Valley elected officials and two members of the City Council that are appointed by their governing body.

The purpose of the JPA is to provide ambulance and other emergency medical services within the Lake Tahoe basin and other portions of El Dorado County (County), as specified by a service agreement with the County ending September 1, 2021. The JPA owns six ambulances for this purpose, which were staffed by the member agencies through June 30, 2016. Dispatch services are also provided by the City under a dispatch agreement through the date of the services agreement. Operational funding for the JPA is handled through the County as part of the services agreement. The County accounts for the ambulance and other emergency services activities in the County Service Area (CSA) No. 3 Fund and its revenues are made up of:

- Property taxes
- Benefit assessment
- Ambulance billing
- Approximately \$10 million annually (combined total for both CSA 3&7)
- 40% from tax/assessments
- 60% from ambulance billing

The JPA's primary funding is received through a monthly service fee from the County from the County's CSA No. 3 Fund as part of the services agreement. Each year the service fee is evaluated and adjusted based on call volume, patient billing and the consumer price index (CPI) for the upcoming year. Interfacility transfers (IFT) and standby fees are not counted as part of the overall response volume, but rather are billed separately by the County. Billings for IFT's and are handled through a contractor, with collected revenues being placed into a separate County account. The County receives 7% of collections for operational costs and fees charged by the contractor. The service fees include a flat amount for long-distance transportation costs. Standby fees remitted to the JPA by the County are passed through to the related member agency.

A reporting entity is comprised of the primary government and its component units, which are entities for which the government is financially accountable. The JPA is not a component unit of any other entity and no other entities are considered to be component units of the JPA.

Basis of Presentation – Government-wide Financial Statements: The government-wide statement of net position and statement of activities display information about the non-fiduciary activities of the primary government (the JPA). These statements include the financial activities of the JPA.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions in which the JPA gives (or receives) value without directly receiving (or giving) equal value in exchange, such as grants, are recognized when all eligibility requirements are met.

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of activities presents a comparison between direct expenses and program revenues for the JPA's governmental activities. Direct expenses are those that are specifically associated with the JPA. Program revenues include contract service area #3 payments and contributions that are restricted to meeting the operational requirements of the JPA. Revenues that are not classified as program revenues, including interest income, are presented as general revenues.

Measurement Focus, Basis of Accounting and Financial Statement Presentation: The accounts of the JPA are organized on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. The JPA accounts for its activities in the General Fund, which is accounted for as a governmental fund. Governmental funds are established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions or limitations. Major individual funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources 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. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the JPA considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant funds and exchange revenue earned but not received are recorded as a receivable. Grant funds and exchange revenue received before the revenue recognition criteria have been met are reported as deferred inflows or unearned revenues, respectively.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, long-term liabilities, compensated absences and expenditures related to claims and judgments are recorded only when payment is due. General capital assets are reported as capital outlay expenditures in governmental funds when purchased and proceeds from sales of capital assets are reported as other financing sources in the operating statement.

When both restricted and unrestricted resources are available, it is the JPA's policy to use restricted resources first, then unrestricted resources as they are needed. Expenditures against unrestricted resources first reduce committed, then assigned and finally unassigned fund balance.

The JPA's only major governmental fund is the General Fund. The General Fund is the general operating fund of the JPA and accounts for revenues collected to provide services and finance the fundamental operations of the JPA. The fund is charged with all costs of operations.

Performance Deposit: The JPA made a \$50,000 performance deposit to the County of El Dorado in 2013 under the terms of the JPA's service agreement. The City funded the deposit. The deposit may be returned at the end of the service agreement if the JPA meets the terms of the agreement and it would be returned to the City.

Capital Assets: Capital assets are stated at cost or estimated cost where no historical records exist. Donated capital assets are recorded at the acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. Maintenance and repair costs are expensed as incurred unless they extend the useful life of the asset. Capital assets with a value of \$500 or more are capitalized. Equipment is depreciated on a straight-line basis over 5 to 10 years depending on the asset type.

Fund Balance: Governmental funds report nonspendable, restricted, committed, assigned and unassigned balances.

Nonspendable Fund Balance – Fund balance should be reported as nonspendable when the amounts cannot be spent because they are either not in spendable form, or are legally or contractually required to be maintained intact. Nonspendable balances are not expected to be converted to cash within the next operating cycle, which include prepaid expenses and long-term receivables. The JPA's nonspendable fund balance is for prepaid items.

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Fund Balance – Fund balance should be reported as restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. The JPA had no restricted fund balance.

Committed Fund Balance – Fund balance should be reported as committed when the amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which is a Resolution of the Board of Directors. These amounts are committed for equipment replacement and cannot be used for any other purpose unless the governing body modifies or removes the commitment with another Resolution. The committed fund balance is maintained in a separate bank account and the interest is added to the reserve each year. Because the JPA was in the process of withdrawing funds from the County, in June 2016 the Board approved the use of \$155,000 of the committed funds for monthly expenses and payroll costs that began to be incurred in July 2016 when the JPA hired an Office Administrator and staffing for its ambulances. The Board of Directors also has a 10% operating contingency reserve approved by Commissioner Resolution that is not reported as committed fund balance because the terms for use of the contingency is not sufficiently detailed to meet the definition of committed under GASB Statement No. 54.

Assigned Fund Balance – Fund balance should be reported as assigned when the amounts are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The JPA had no assigned fund balance.

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

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

Investment in Capital Assets – This category groups all capital assets into one component of net position. Accumulated depreciation reduces the balance in this category.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors, laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The JPA had no restricted net position at year-end.

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

Budget: An annual budget is adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The JPA's governing board adopts a preliminary budget by July 1 and a final budget no later than October 1. A public hearing must be conducted to receive comments prior to adoption. The JPA's governing board satisfied these requirements.

This budget is reviewed by the JPA Governing Board during the year to give consideration to unanticipated income and expenditures. Budget appropriations lapse at each year-end. The original and final budget are presented for the General Fund as required under Generally Accepted Accounting Principles (GAAP), with the exception of the amount approved in the budget to be added to the reserves of fund balance. The addition to reserves of fund balance is eliminated to report the actual expenses on the GAAP basis on the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

of resources, liabilities and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

NOTE B – CASH AND INVESTMENTS

At June 30, 2016, the Commission's cash consisted of deposits in financial institutions of \$219,304 and an investment in the County of El Dorado investment pool of \$281,515.

Investment policy: The JPA has not adopted an investment policy that addresses the risks to which the JPA is exposed; however, by practice the JPA invested funds not maintained in financial institutions in the County of El Dorado cash and investments pool (County Pool), which is invested by the County Treasurer. The County allocates interest to the various funds based upon the average daily cash balances. Investments held in the County Pool are available on demand to the JPA and are stated at amortized cost, which approximates fair value. The County's investment policy may be found in the notes to its Annual Financial Report at <http://www.edcgov.us/Auditor-Controller/CountyFinancialStatements.aspx>. The investment in the County Pool was transferred to a bank account in July 2017.

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 JPA manages its exposure to interest rate risk by investing in the County Pool. As of June 30, 2016, the weighted average maturity of the investments in the County Pool was approximately 277 days.

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

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

At June 30, 2016, the carrying amount and the balance in the financial institution of the JPA's deposits was \$219,304 and \$372,388, respectively. Of the balance in financial institutions, \$250,000 was covered by federal depository insurance and the remaining amount was covered by a pledge of the financial institutions securities, but not in the name of the JPA.

Concentration of Credit Risk: This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year-end, the JPA was not exposed to concentration of credit risk.

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2016

NOTE C – CAPITAL ASSETS

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

	Balance June 30, 2015	Additions	Disposals	Balance June 30, 2016
Capital assets being depreciated:				
Equipment	\$ 1,516,560	\$ 95,078	\$ (300,804)	\$ 1,310,834
Less accumulated depreciation for:				
Equipment	(958,643)	(187,240)	287,352	(858,531)
Total capital assets being depreciated, net	<u>\$ 557,917</u>	<u>\$ (92,162)</u>	<u>\$ (13,452)</u>	<u>\$ 452,303</u>

NOTE D – COMMITMENTS AND CONTINGENCIES

Legal Contingencies: The JPA is subject to claims arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all claims is not expected to have a material adverse effect on the financial position of the JPA.

El Dorado County Contract: El Dorado County has contracted with the JPA to provide full service emergency and non-emergency pre-hospital advanced life support services, dispatch services, and non-emergency transports for the area known in El Dorado County as County Service Area (CSA) No. 3 South Shore area, except for the Tahoe West Shore Zone of Benefit. Under the terms of this agreement, the JPA receives a set amount per month, which is adjusted annually for volume changes and the consumer price index. This is a significant revenue source for the JPA that would have a significant impact on the JPA’s services if it were to lose this revenue source.

Under the terms of the contract, audits may be required and certain items may be questioned as not being appropriate under the terms of the contract. Such audits could lead to request for reimbursement to the County. No such reimbursement requests have been made by the County.

Change in Status of Member: On December 7, 2015, the City of South Lake Tahoe announced at its City Council meeting that the South Lake Tahoe Fire Department would no longer be a transporting member of the JPA. The South Lake Tahoe Fire Department employed ambulance drivers and paramedics operating the JPA’s ambulances, which resulted in the JPA assuming responsibility for ambulance operations as described in the Subsequent Events footnote.

NOTE E – RISK MANAGEMENT

The JPA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The JPA contracts with American Alternative Insurance Corporation for property, liability, and auto and theft insurance coverage. There have been no reductions in coverage and settled claims have not exceeded this commercial coverage in the last three years.

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2016

NOTE F – RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET WITH THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

Total fund balances of the JPA’s governmental fund differs from net position of governmental activities primarily because of the long-term focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheet. The differences are described below:

Fund balance of governmental funds	\$ 514,558
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.	
Capital assets, net	<u>452,303</u>
Net position in the government-wide statement of net position	<u>\$ 966,861</u>

The net change in fund balances of governmental fund differs from the change in net position of governmental activities primarily because of the long-term focus of the statement of net position versus the current financial resources focus of the governmental funds balance sheet. The differences are described below:

Net change in fund balance of governmental funds	\$ 21,610
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. Also, governmental funds report proceeds from sale of capital assets while gains or losses on disposal of capital assets are reported in the statement of activities. The change in capital assets consists of:	
Capital outlay	95,078
Depreciation	(187,240)
Difference between proceeds from sale and gain on disposal of capital assets	<u>(13,452)</u>
Change in net position of the statement of activities	<u>\$ (84,004)</u>

NOTE G – RELATED PARTY TRANSACTIONS

The JPA has the City and Lake Valley as members. Transaction with members include the following expenditures:

	<u>City</u>	<u>Lake Valley</u>
Reimbursement of payroll and related costs	\$ 814,272	\$ 415,920
Dispatch contract	150,000	
Management fee	145,000	145,000
Vehicle maintenance		35,986
Standby fees and other		34,743
Fuel		11,432
Communications		<u>4,530</u>
	<u>\$ 1,109,272</u>	<u>\$ 647,611</u>

Payables to the City and Lake Valley at June 30, 2016 were \$12,500 and \$34,660, respectively.

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2016

NOTE H – SUBSEQUENT EVENTS

As discussed in Note D above, the City of Lake Tahoe Fire Department pulled out of the JPA in July of 2016. Consequently, the JPA hired the ambulance drivers and paramedics operating the JPA's ambulances that were previously employed by the City and assumed responsibility for ambulance operations through the end of the JPA service agreement with the County. The additional costs incurred due to this action was funded with the amounts previously paid to the City for payroll and management of the ambulances. The JPA now retains these funds for use on operations. The City will continue to perform dispatch services through the end of the service agreement for \$150,000 per year for which the County agreed to pay an additional \$60,000 per year. In addition, in November 2016 the JPA and City entered into an agreement allowing the JPA to lease Fire Station #2 from the City through October 31, 2019 at no cost to the JPA to store the ambulances.

On December 22, 2016, the JPA purchased a new ambulance and related expenses for approximately \$180,000, of which \$170,000 was funded by the County of El Dorado through the County's CSA No. 3 Fund. On July 10, 2017, the Board of Directors approved the purchase of one additional new and one remounted ambulance and related expenses for \$321,442, of which \$320,000 was funded by the County of El Dorado through the County's CSA No. 3 Fund.

The Governor signed Assembly Bill (AB) No. 545 on July 24, 2017, which allows private, nonprofit hospitals in the County of El Dorado to enter into a joint powers agreement with a public agency beginning January 1, 2018. AB 545 makes it possible for the local non-profit hospital in South Lake Tahoe, Barton Healthcare System, to join the JPA in the future.

The JPA has experienced significant additional costs for long-distance transportation during the year ended June 30, 2016 due to a significant number of the trips occurring to San Francisco Bay Area facilities. The JPA received a flat amount of \$1,000 per month for long-distance transportation during the year ended June 30, 2016. During the year ended June 30, 2017, the County agreed to increase the monthly amount included in the JPA's service fees for long-distance transportation to a flat amount of \$20,000 per month.

In August 2017, the JPA admitted the Fallen Leaf Lake Community Services District Fire Department (FLLCSDFD) as a new member. As part of the agreement to admit the FLLCSDFD, the JPA agreed to amend its Bylaws to add a FLLCSDFD Board Member to the JPA Board of Directors.

NOTE I – CORRECTION OF ERROR

During the June 30, 2016 audit, the JPA corrected an error in the July 1, 2015 government-wide net position and fund balance in the General Fund to accrue certain expenses/expenditures paid during the year ended June 30, 2016 that were incurred as of June 30, 2015. As a result of this error correction, the government-wide net position and fund balance in the General Fund as of July 1, 2015 decreased by \$78,476.

COMPLIANCE REPORT



550 Howe Avenue, Suite 210
Sacramento, California 95825

Telephone: (916) 564-8727

FAX: (916) 564-8728

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

To the Board of Directors
California Tahoe Emergency Services Operations Authority
South Lake Tahoe, California

We have audited, 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, the financial statements of the governmental activities and the major fund of the California Tahoe Emergency Services Operations Authority (the JPA), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the JPA's basic financial statements, and have issued our report thereon dated October 20, 2017. Our report expressed modified opinions on the financial statements due to JPA reporting its inventory of medical supplies and drugs as expenditures when purchased rather than reporting unused amounts as inventory on the statement of net position and General Fund balance sheet as required by accounting principles generally accepted in the United State of America.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and responses as finding 2017-001 that we consider to be a material weakness.

Compliance and Other Matters

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

To the Board of Directors
California Tahoe Emergency Services Operations Authority

agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The JPA's Response to Findings

The JPA's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The JPA's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Richardson & Company, LLP

October 20, 2017

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2016

INTERNAL CONTROL OVER FINANCIAL REPORTING

Finding 2016-001

Condition: A number of audit adjustments were necessary to properly report the JPA's financial activity in accordance with generally accepted accounting principles (GAAP), which is an indication of missing internal controls over financial reporting.

Criteria: Internal controls over financial reporting should be in place to ensure management has the ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

Cause: The District did not have sufficient staff knowledgeable about GAAP accounting with the time necessary to devote to review ending balances and post entries necessary to properly report financial activity in the general ledger. In addition, much of the information necessary to identify necessary closing entries was not provided by the County of El Dorado staff due to the transition for accounting to a contract accountant.

Effect: A restatement of beginning net position/fund balance was reported and the audit took significantly more time to complete than expected. Also, the budget versus actual information reported to the Board of Directors changed significantly, which may have affected the usefulness of the information for decision making purposes. Transaction classes needing adjustment included payables for work performed during the year that were paid after year-end, prepaid expenditures for payments made during the year for expenses related to the subsequent fiscal year, cash accounts to match bank account balances and capital asset cost, accumulated depreciation and depreciation expense. In addition, fund balance accounts were revised to match the prior year financial statements and changes in the commitment for ambulance replacements and revenues were reclassified for reporting purposes.

Recommendation: We recommend the JPA staff work with the contract accountant to review invoices paid and receipts collected near year-end ensure the transactions are reported in the period the related work was performed. JPA staff should update the capital asset detail list for asset additions and disposals and then adjust the cost, accumulated depreciation and depreciation expense accounts in the general ledger. JPA Staff should also post the audit adjustments provided to make sure fund balance rolls-forward and should use a separate set of self-balancing accounts for the government-wide adjustments related to capital assets. It would be useful to use separate general ledger accounts for the individual professional services expenditure categories budgeted separately in the JPA's budget. This would make it easier to identify whether twelve payments were accrued in the general ledger and the amounts were properly cut-off at year-end.

Management's Response: The JPA was in the process of assuming responsibility for the JPA's accounting and had difficulty obtaining documentation for checks cut and receipts collected near the June 30, 2016 audit date. Now that the JPA has control of the general ledger, it will be possible to reconcile individual transactions and ensure the general ledger is updated prior to the audit. The JPA is currently working with the contract accountant to implement these recommendations.

PRIOR YEAR FINDINGS

None