

**CALIFORNIA TAHOE  
EMERGENCY SERVICES OPERATIONS AUTHORITY**

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**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT  
for the year ended June 30, 2012**

**ROBERT W. JOHNSON**  
**Certified Public Accountant**

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**ROBERT  
W.  
JOHNSON**

**An Accountancy Corporation  
Certified Public Accountant**

6234 BIRDCAGE STREET • CITRUS HEIGHTS, CA 95610-5949 • (916) 723-2555

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of California Tahoe Emergency Services Operations Authority, as of and for the year ended June 30, 2012, as listed in the table of contents, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California Tahoe Emergency Services Operations Authority as of June 30, 2012, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and State Regulations governing Special Districts.

### **Other Matters**

The Management's Discussion and Analysis is not a required part of the financial statements but is supplemental information required by the Government Auditing Standards Board. Management has elected to omit the Management's Discussion and Analysis.

The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of California Tahoe Emergency Services Operations Authority. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Robert W. Johnson, An Accountancy Corporation*

Citrus Heights, California  
August 6, 2013

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY  
BALANCE SHEET  
June 30, 2012

ASSETS

Current assets:		
Cash and cash equivalents (Note 3)		\$1,420,030
Receivables, County:		
Contract	\$ 166,500	
Other	<u>39,285</u>	205,785
Prepaid expense		<u>4,055</u>
Total current assets		1,629,870
Capital assets, at cost (Note 4)	930,237	
Less, accumulated depreciation	<u>712,258</u>	217,979
Performance deposit		<u>50,000</u>
		<u>\$1,897,849</u>

LIABILITIES

Current liabilities:		
Current portion of long-term debt (Note 5)		\$ 121,663
Accounts payable		<u>525,946</u>
Total current liabilities		647,609
Long-term debt, net of current portion (Note 5)		<u>121,663</u>
Total liabilities		769,272

NET ASSETS

Invested in capital assets, net of related debt	\$ 217,979	
Unrestricted (Note 8)	<u>910,598</u>	1,128,577
		<u>\$1,897,849</u>

See notes to financial statements

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
for the year ended June 30, 2012

Operating revenues:		
Contract payments		\$1,923,528
Other County revenue		64,284
IFT revenues		39,070
Reduction required in bad debt reserve, net		40,730
Other		<u>266</u>
Total operating revenues		2,067,878
Operating expenses:		
Personnel costs	\$1,631,380	
Services and supplies	708,428	
Debt service interest	-	
Depreciation	<u>63,411</u>	
Total operating expenses		<u>2,403,219</u>
Operating loss		( 335,341)
Interest income		<u>1,362</u>
Decrease in net assets		( 333,979)
Total net assets:		
Beginning, as originally stated	1,554,455	
Less, prior year expense	<u>( 91,899)</u>	
Beginning, as restated		<u>1,462,556</u>
Ending		<u>\$1,128,577</u>

See notes to financial statements

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY  
STATEMENT OF CASH FLOWS  
for the year ended June 30, 2012

Cash flows from operating activities:		
Cash received from clients and others		\$2,239,780
Cash paid to suppliers for goods and services		<u>(1,752,153)</u>
Net cash provided by operating activities		487,627
Cash flows provided by investing activities:		
Interest income		1,362
Cash flows from capital and related financing activities:		
Purchase of capital assets		<u>( 136,643)</u>
Net increase in cash and cash equivalents		352,346
Cash and cash equivalents:		
Beginning of year		<u>1,067,684</u>
End of year		<u>\$ 1,420,030</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating loss		\$( 335,341)
Adjustments to reconcile operating income (loss) to cash provided by operating activities:		
Depreciation	\$ 63,411	
Prior year expense	( 91,899)	
Underpayment charge	243,326	
Changes in operating assets and liabilities:		
Receivables	171,902	
Prepays	4,917	
Payables	<u>431,311</u>	<u>822,968</u>
Net cash provided by operating activities		<u>\$ 487,627</u>

See notes to financial statements

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS

1. Organization:

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 (JPA) between the City of South Lake Tahoe Fire Department (the "City"), and the Lake Valley Fire Protection District ("Lake Valley").

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, as specified by a service agreement with El Dorado County. Powers of the JPA are exercised through a four member Board of Directors made up of each participating entity.

2. Summary of Significant Accounting Policies:

The basic financial statements of the JPA have been prepared in conformity with generally accepted accounting principles 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 more significant of the District's accounting policies are described below.

Reporting Entity

In determining the reporting entity, the JPA considered all governmental units that were members of the JPA. The reporting entity criteria do not require the inclusion of these entities in the JPA's financial statements principally because the JPA does not exercise oversight responsibility over any member.



CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Policies, continued:

Fund Accounting

The JPA is an enterprise fund. All operations are accounted for as an enterprise fund.

Enterprise Fund – The enterprise fund is used to account for ambulance operations that are financed and operated in a manner similar to private business enterprises. The intent of the JPA is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting

The accompanying financial statements are presented as a proprietary fund on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis, revenues and the related assets are recognized when earned, and expenses and related liabilities are recognized when the obligation is incurred.

Cash and Investments

The JPA maintains its cash with a bank interest bearing checking account. This cash is collateralized by both the Federal Deposit Insurance Corporation and securities held by the pledging financial institution.

Depreciation

Capital assets are recorded on the basis of purchase cost. Assets acquired by contribution are recorded at estimated cost or fair market value at the date of acquisition.

Depreciation is calculated by the straight-line method over the estimated useful lives of the related assets. Upon sale or other disposition of assets, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss, if any, is reflected in income. Maintenance and repairs are charged to expense as incurred.

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS, continued

3. Cash:

At year-end the carrying amount of the JPA's deposits was \$1,420,030 and the bank account balances were \$1,476,873.

Cash consists of:

Checking	\$ 319,067
Money market	<u>1,100,963</u>
	<u>\$1,420,030</u>

4. Capital Assets:

Changes in capital assets for the year ended June 30, 2012 are as follows:

	Balance June 30, <u>2011</u>	<u>Additions</u>	<u>Disposals</u>	Balance June 30, <u>2012</u>
Ambulances	\$ 664,953	\$ 104,463	\$ 111,598	\$ 657,818
Other equipment	<u>240,239</u>	<u>32,180</u>	<u>-</u>	<u>272,419</u>
	<u>\$ 905,192</u>	<u>\$ 136,643</u>	<u>\$ 111,598</u>	<u>\$ 930,237</u>

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS, continued

5. Long-Term Debt:

Long-term debt activities for the year ended June 30, 2012 are as follows:

	<u>2011</u>	<u>New Debt Issued</u>	<u>Debt Retired</u>	<u>2012</u>	<u>Current Portion</u>
Lake Valley FPD	\$ <u>-</u>	\$ <u>243,326</u>	\$ <u>-</u>	\$ <u>243,326</u>	\$ <u>121,663</u>

In 2012, the Board of Directors approved a debt to Lake Valley FPD for past years' undercharge to the JPA in the amount of \$243,326. This debt is non-interest bearing and matures as follows:

July 25, 2012	\$ 121,663
July 25, 2013	<u>121,663</u>
	<u>\$ 243,326</u>

6. 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 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.

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.

The JPA has been awarded the bid from El Dorado County for the new contract term starting September 1, 2011. The contract is a ten year contract (five year contract with five one-year extensions).

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS, continued

7. Risk of Loss:

The JPA is exposed to various risks of loss related to theft of, damage to, and destruction of assets; and injuries to employees. During 2012, the JPA purchased certain commercial insurance coverages to provide for these risks.

8. Net Assets:

Unrestricted:

Board designated – equipment replacement reserve	\$ 600,000
Undesignated	<u>310,598</u>
	\$ <u>910,598</u>

9. Subsequent Events:

Management has evaluated subsequent events through August 6, 2013, the date these June 30, 2012 financial statements were available to be issued.

**SUPPLEMENTAL INFORMATION**

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY  
PRINCIPAL OFFICIALS

Board of Directors:

Robert Bettencourt

Chairperson

Dave Huber

Vice Chairperson

Angela Swanson

Director

Tom Davis

Director

Management:

Bryan Pond

Executive Director/Interim  
Secretary/Treasurer

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY  
STATEMENT OF REVENUES AND EXPENSES  
COMPARED TO BUDGET (excluding depreciation)  
for the year ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable) <u>Variance</u>
Revenues:			
Contract payments	\$1,849,055	\$1,923,528	\$ 74,473
IFT revenues	60,000	39,070	( 20,930)
Mental health transfers	15,000	18,285	3,285
Extra work	-	-	-
Interest income	800	1,362	562
County reimbursement	91,250	45,999	( 45,251)
Other	<u>17,000</u>	<u>40,996</u>	<u>23,996</u>
Total revenues	<u>2,033,105</u>	<u>2,069,240</u>	<u>36,135</u>
Expenses:			
Personnel:			
SLT personnel	850,000	868,375	( 18,375)
SLT overtime	60,000	47,760	12,240
Lake Valley personnel	390,000	666,316	( 276,316)
Lake Valley overtime	50,000	45,954	4,046
Workers comp.	<u>-</u>	<u>2,975</u>	<u>( 2,975)</u>
Total personnel	<u>1,350,000</u>	<u>1,631,380</u>	<u>( 281,380)</u>
Other operating:			
PPE/uniforms	7,000	-	7,000
Radios/Communications	8,000	4,738	3,262
Cell phones	4,100	2,425	1,675
Computers/software	3,000	-	3,000
Ambulance equipment	3,000	3,746	( 746)
Liability insurance	15,000	11,803	3,197
Office	100	76	24

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY  
STATEMENT OF REVENUES AND EXPENSES, continued  
COMPARED TO BUDGET (excluding depreciation)  
for the year ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Other operating, continued:			
Attorney	\$ 5,000	\$ 1,035	\$ 3,965
Audit	21,000	46,000	( 25,000)
Accounting fees	5,500	5,500	-
Directors expense	-	-	-
Physicals	7,000	87	6,913
Dispatch contract	90,000	90,000	-
Administration contract	50,000	50,000	-
Medical supplies	90,000	90,338	( 338)
Equipment maintenance	6,000	2,170	3,830
Training and certifications	9,500	9,336	164
Travel	3,000	3,184	( 184)
Contingency	30,000	4,415	25,585
Clinical upgrades	1,000	-	1,000
Ambulance #1740	5,000	7,257	( 2,257)
Ambulance #1741	5,000	3,516	1,484
Ambulance #2855	5,000	4,936	64
Ambulance #5772	5,000	6,136	( 1,136)
Ambulance #7714	5,000	5,038	( 38)
Fuel	37,000	26,692	10,308
SLT IFT reimb.	165,000	165,000	-
LVFD IFT reimb.	<u>165,000</u>	<u>165,000</u>	<u>-</u>
 Total other operating	 <u>750,200</u>	 <u>708,428</u>	 <u>41,772</u>
 Total expenses	 <u>2,100,200</u>	 <u>2,339,808</u>	 <u>( 239,608)</u>
 Excess revenues (expenses)	 <u>\$( 67,095)</u>	 <u>\$( 270,568)</u>	 <u>\$( 203,473)</u>



**CALIFORNIA TAHOE EMERGENCY SERVICES  
OPERATIONS AUTHORITY**

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**REPORT ON ACCOUNTING CONTROLS  
AND PROCEDURES**

**June 30, 2012**

**ROBERT W. JOHNSON**  
**Certified Public Accountant**

**ROBERT  
W.  
JOHNSON**

**An Accountancy Corporation  
Certified Public Accountant**

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August 6, 2013

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

We have audited the financial statements of California Tahoe Emergency Services Operations Authority as of and for the year ended June 30, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the State Controller's Minimum Audit Requirements for California Special Districts.

In planning and performing our audit of the financial statements of California Tahoe Emergency Services Operations Authority as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered California Tahoe Emergency Services Operations Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures but not for the purpose of expressing our opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we have enclosed other recommendations for your consideration.

This communication is intended solely for the information and use of management and Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

*Robert W. Johnson, An Accountancy Corporation*

Robert W. Johnson, An Accountancy Corporation

1. Overview:

In 2012 and 2013 the JPA had a number of operating/financial changes:

- on June 30, 2012 Bryan Pond, Executive Director resigned; for 2012-13 JPA management consisted of Anthony Gasporra, Executive Director and Wayne Creel, Deputy Executive Director.
- on September 1, 2011 the service contract with El Dorado County was amended to provide for IFT (non-emergency transports) to revert to the County and the JPA then received an increase in the lump-sum contract to compensate for the loss (in 2012 monthly contract revenue increased from \$129,264 to \$166,500).
- in 2012 the JPA signed new agreements (2) with the member agencies for annual compensation. Formerly, the JPA had been billed monthly by Lake Valley FPD, and City of South Lake Tahoe on the basis of actual personnel cost. Effective July 1, 2012 the District and City were paid a standard monthly amount based on the member agency respective budgets.

2. Operating Statistics:

<u>Statement of Income</u>	<u>6-30-12</u>	<u>6-30-11</u>	<u>Increase (Decrease)</u>
Operating revenues	\$2,067,878	\$2,263,281	\$( 195,403)
Operating expenses	<u>2,403,219</u>	<u>2,437,897</u>	( 34,678)
Operating income (loss)	( 335,341)	( 174,616)	( 160,725)
Non-operating items	<u>1,362</u>	<u>674</u>	<u>688</u>
Net income (loss)	<u>\$( 333,979)</u>	<u>\$( 173,942)</u>	<u>\$( 160,037)</u>
Cash	<u>\$1,420,030</u>	<u>\$1,067,684</u>	<u>\$ 352,346</u>

2. Operating Statistics, continued:

Observations:

- the 2012 loss of \$333,979 after considering prior year charges of \$243,326 produces a loss of \$90,653 (approximately ½ the loss of 2011)
- the \$352,346 increase in cash is offset by an increase of \$431,311 in accounts payable
- Conclusion: 2012 results similar to 2011; tighter management of expenses appears necessary.

3. Prior Year Recommendations:

(a) Executive Director:

Recommendation

Recommend the Board review the “independent contractor” status of the Executive Director’s compensation. If the Board of Directors provides supervision or direction to the Executive Director, then an employee/employer relationship may exist under current regulations. This employee status would probably provide more security (from liability) to the Authority.

Follow Up

- no longer a consideration since there is no “independent contractor” position after June 30, 2012.

(b) Investment Income:

Recommendation

Make an effort for higher yield cash investments (e.g. money market, certificate of deposit, etc.).

Follow Up

- the JPA is doing its best, considering the economic times.

3. Prior Year Recommendations, continued:

(c) Board Minutes:

Recommendation

Executive Director would sign as "submitted"; President would sign as "approved."

Follow Up

- JPA has complied.

4. City- Late Billings:

Observation – City of South Lake Tahoe bills the JPA late. For example, at June 30, 2012, of \$525,946 in payables, the City was due \$490,389 for a number of months.

Recommendation – timely billing will provide cash to the City on a more timely basis and make the JPA bookkeeping easier.

5. Expense Billing to JPA:

Observation – 2 checks were issued by the JPA to Tamalpais Emergency Systems, a company owned by Chief Gareth Harris of Lake Valley FPD, for the purchase of radio equipment:

7-25-12	\$2,412.50
12-28-12	<u>3,194.75</u>
	<u>\$5,607.25</u>

Recommendation – these checks may violate California Government Code, Section 1090 which prohibits governmental officers or employees from any financial interest in a contract with their body or board. It is recommended that the JPA check with El Dorado County Counsel, and if necessary, recover the \$5,607.25.

6. Labor Overcharge:

Observation – the April 25, 2012 Board minutes indicate that the City of South Lake Tahoe has been billing the JPA for 7 paramedic positions as opposed to 6 positions in the original agreement. There is no indication of any computation of this apparent over-charge nor any resolution of the matter (claim for refund or reduction of future claims).

Recommendation – properly resolve and document the resolution of this matter.