



350 Howe Avenue, Suite 110
Sacramento, California 95811
Telephone: (916) 884-8727
FAX: (916) 554-3738

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, 2017, 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.

Opinions

In our opinion, 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, 2017, and the respective changes in financial position thereof and the budgetary comparison for the

To the Board of Directors
California Tahoe Emergency Services Operations Authority

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, 2016 government-wide net position and fund balance in the General Fund to record the JPA's medical supplies inventory as of July 1, 2016. Our opinion is not modified with respect to that matter.

Other Matters

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 May 22, 2018 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

May 22, 2018

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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, 2017. 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's total net position was \$989,575 at June 30, 2017, a decrease of \$60,861 from the June 30, 2016 restated balance of \$1,050,436. 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, 2016 net position includes a restatement of \$83,575 record the JPA's medical supplies inventory.
- The JPA purchased an ambulance, a truck, monitors and other medical equipment reported as capital assets totaling \$311,810 and disposed of an ambulance and various equipment during the year. One ambulance was sold for \$9,000 and the equipment was donated to other agencies or scrapped.
- 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 composition of expenses changed significantly due to this event and expenses in total increased \$202,936 due to the transition.
- 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

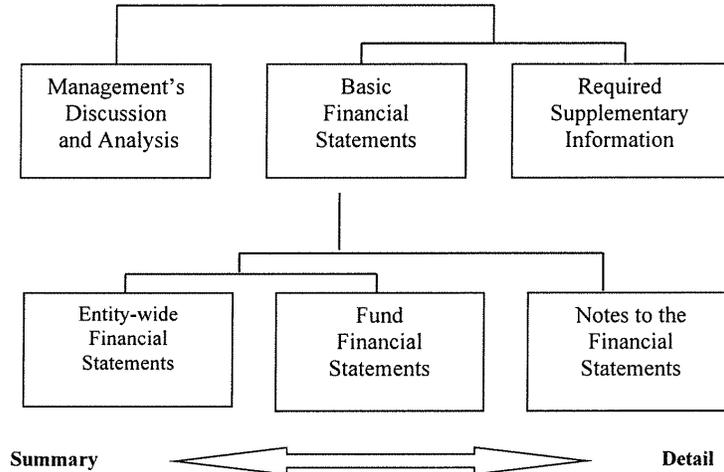
This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. These statements are organized so the reader can understand the California Tahoe Emergency Services Operations Authority as a financial 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, 2017

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, 2017?"

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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 \$60,861 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, 2017

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

The JPA's net position was \$989,575 at June 30, 2017, consisting of \$519,232 invested in capital assets and \$470,343 of unrestricted net position. The government-wide balances are presented in the table below.

COMPARATIVE STATEMENT OF NET POSITION

	Governmental Activities			
	2017	2016 As Restated	\$ Change	% Change
ASSETS				
Cash and investments	\$ 386,299	500,819	\$ (114,520)	-23%
Accounts receivable	9,167		9,167	#DIV/0!
Prepaid items	17,490	16,013	1,477	9%
Medical supplies inventory	92,846	83,575	9,271	11%
Performance deposit	50,000	50,000	-	
Capital assets, net of depreciation	519,232	452,303	66,929	15%
TOTAL ASSETS	1,075,034	1,102,710	(27,676)	-3%
LIABILITIES				
Accounts payable and other liabilities	77,857	52,274	25,583	49%
Compensated absences -current	3,117		3,117	#DIV/0!
Compensated absences -noncurrent	4,485		4,485	#DIV/0!
TOTAL LIABILITIES	85,459	52,274	33,185	63%
NET POSITION				
Investment in capital assets	519,232	452,303	66,929	15%
Unrestricted	470,343	598,133	(127,790)	-21%
TOTAL NET POSITION	\$ 989,575	\$ 1,050,436	\$ (60,861)	-6%

Total assets decreased by \$27,676, including a decrease in cash of \$114,520, offset by an increase in capital assets of \$66,929 and smaller increases in a number of other asset categories. The decrease in cash was mainly due to the capital assets purchased during the year of \$311,810 that were not fully funded by the County and expenses exceeding the budget, resulting in the change in net position (net loss) of \$60,861. This was offset by non-cash depreciation expense of \$242,562 and changes in other balance sheet captions. The increase in capital assets was due to the \$311,810 of asset purchases, offset by sale of one ambulance and the scraping or donation of equipment to other agencies and depreciation.

The JPA's net position decreased \$60,861 during the fiscal year from the restated net position of \$1,050,436. The JPA's expenses for providing ambulance and dispatch services, including payroll and benefits and depreciation, represented 99.87% 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, 2017

COMPARATIVE STATEMENT OF ACTIVITIES

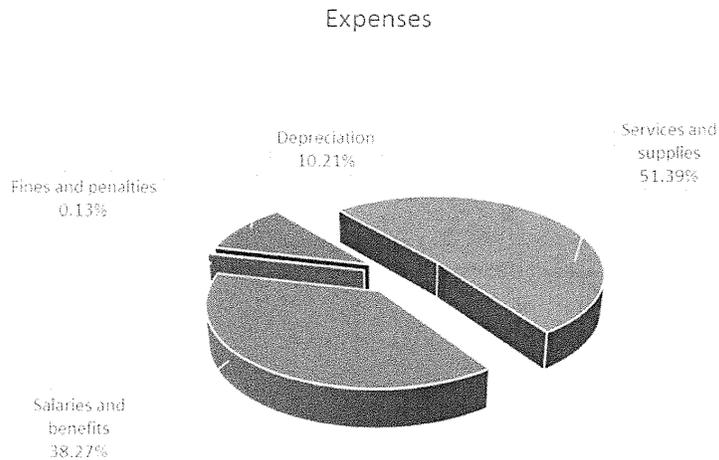
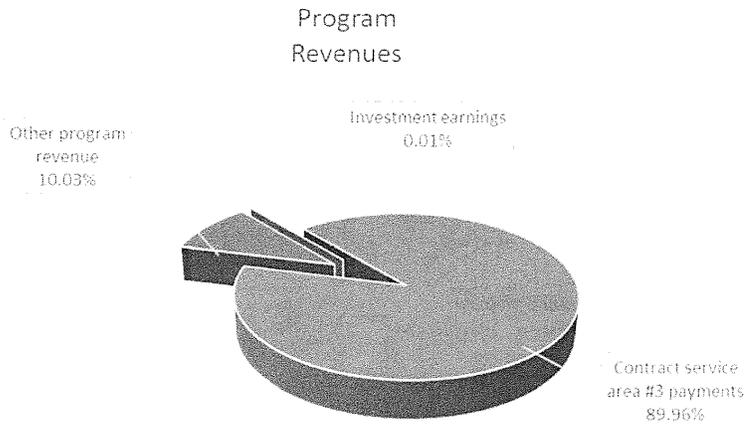
	Governmental Activities			
	2017	2016 As Restated	\$ Change	% Change
REVENUES				
Program revenues	\$ 2,314,845	\$ 2,086,849	\$ 227,996	11%
General revenues				
Interest and investment earnings	303	2,220	(1,917)	-86%
TOTAL REVENUES	2,315,148	2,089,069	226,079	11%
EXPENSES				
Regional ambulance and dispatch	2,376,009	2,173,073	202,936	9%
TOTAL REVENUES	2,376,009	2,173,073	202,936	9%
 CHANGE IN NET POSITION	 (60,861)	 (84,004)	 23,143	 -28%
Net position, beginning of year	1,050,436	1,050,865	(429)	0%
Restatement		83,575	(83,575)	-100%
Net position, beginning of year	1,050,436	1,134,440	(84,004)	(1)
 NET POSITION, END OF YEAR	 <u>\$ 989,575</u>	 <u>\$ 1,050,436</u>	 <u>\$ (60,861)</u>	 <u>-8%</u>

Program revenues increased by \$227,996, including contract service fees increase of \$6,020 from changes in the Ambulance Inflation Factor used by the County to adjust the service fees and other program revenue of \$224,295 representing mainly the County of El Dorado's contribution to purchase an ambulance and a reimbursement for dispatch costs.

Expenses increased by \$202,936 from the 2016 expenses, mainly due to a \$55,322 increase in depreciation on the capital asset additions, an increase in ambulance maintenance of \$16,550, an increase in medical supplies of \$27,699 and staff training and background checks.

As reported in the Statement of Activities, the cost of all of the JPA's governmental activities this year was \$2.38 million. Program revenues were \$2.32 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, 2017



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, 2017

The total assets of the General Fund decreased by \$94,605, primarily due to the reduction of cash, offset by the increase in accounts receivable, prepaid expenses and other assets described previously. Total General Fund liabilities increased by \$25,583, mainly due approximately \$22,000 of management fees that were due to Lake Valley Fire Protection District in 2017 in addition to the invoice for expense reimbursements outstanding at June 30, 2017 and 2016. Fund balance of the General Fund decreased by \$120,188 from the restated June 30, 2016 fund balance of \$588,133. Revenues increased by \$215,898, primarily due to contract service fees increasing by \$6,020 due to the Ambulance Inflation Factor increasing and other program revenue increasing by \$215,295 from the additional contributions received from the County of El Dorado for the ambulance and dispatch costs as described previously. The JPA also received \$9,000 from the sale of an ambulance during the year. Expenditures increased by \$357,696, which was due to an increase in capital outlay expense due the JPA purchasing an ambulance and other equipment during the prior year compared to monitors in the prior year, an increase in ambulance maintenance of \$16,550, an increase in medical supplies of \$27,699 and staff training and background checks.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

**Comparative Schedule of Capital Assets, Net of Depreciation
June 30, 2017 and 2016**

	2017	2016	Difference Increase (Decrease)
Vehicles	\$ 298,396	\$ -	\$ 298,396
Equipment	220,836	452,303	(231,467)
Totals	<u>\$ 519,232</u>	<u>\$ 452,303</u>	<u>\$ 66,929</u>

The JPA reported vehicles separately from equipment during 2017 for the first time in Note C on page 17. Vehicles, net of depreciation, increased from \$275,524 to \$298,396 due to the purchase of an ambulance and a truck in the amount of \$173,019, offset by depreciation of \$150,147. A fully depreciated ambulance was sold for \$9,000. Equipment, net of depreciation, increased from \$176,779 to \$220,836 from equipment purchases of \$138,791 offset by depreciation of \$92,415 and the disposal of assets with a net book value of \$2,319.

Long-term Debt

The JPA had no outstanding debt at June 30, 2017.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund revenues were higher than the final budget by \$7,667, primarily due to the Ambulance Inflation Factor increase provided for contract service payments being a lower percentage than anticipated in the budget and unbudgeted other operating income being received. Expenditures were higher than the final budget by \$30,328, primarily due a number of other negative variances from the budget including in Lake Valley Fire Protection District payroll of \$19,766, attorney fees of \$12,179 to address a lawsuit related to an accident, medical supplies of \$27,302, equipment maintenance of \$17,152 due to unanticipated major repairs, workers' compensation of \$14,810, contract labor of \$27,704 being incurred that was anticipated to be incurred by JPA staff and budgeted in staff salaries and ambulance purchase of \$13,019. These negative budgets were offset by a positive budget variance for salaries and health insurance of \$100,011. The JPA's budgeting for the new expenditures will become more precise as management has history to draw upon when budgeting.

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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, 2017

	General Fund	Adjustments (Note G)	Statement of Net Position
ASSETS			
Cash and investments	\$ 386,299		\$ 386,299
Accounts receivable	9,167		9,167
Prepaid items	17,490		17,490
Medical supplies inventory	92,846		92,846
Performance deposit	50,000		50,000
Capital assets, net of depreciation		\$ 519,232	519,232
TOTAL ASSETS	<u>\$ 555,802</u>	<u>519,232</u>	<u>1,075,034</u>
LIABILITIES			
Accounts payable and other current liabilities	\$ 77,857		77,857
Compensated absences - current		3,117	3,117
Compensated absences - noncurrent		4,485	4,485
TOTAL LIABILITIES	<u>77,857</u>	<u>7,602</u>	<u>85,459</u>
FUND BALANCE			
Nonspendable	110,336	(110,336)	
Committed	219,607	(219,607)	
Unassigned	148,002	(148,002)	
TOTAL FUND BALANCE	<u>477,945</u>	<u>(477,945)</u>	
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 555,802</u>		
NET POSITION			
Investment in capital assets		519,232	519,232
Unrestricted		470,343	470,343
TOTAL NET POSITION		<u>\$ 989,575</u>	<u>\$ 989,575</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, 2017

	General Fund	Adjustments (Note G)	Statement of Activities
EXPENDITURES/EXPENSES			
Ambulance services:			
Services and supplies	\$ 1,221,070		\$ 1,221,070
Salaries and benefits	901,775	7,602	909,377
Fines and penalties	3,000		3,000
Capital outlay	311,810	\$ (311,810)	
Depreciation		242,562	242,562
(Gain) loss on disposal of capital assets		(6,681)	(6,681)
TOTAL EXPENDITURES/EXPENSES	<u>2,437,655</u>	<u>(68,327)</u>	<u>2,369,328</u>
PROGRAM REVENUES			
Operating grants and subsidies:			
Contract service area #3 payments	2,082,656		2,082,656
Dispatch increase	60,000		60,000
Capital grants and subsidies			
County reimbursement for ambulance	160,000		160,000
Charges for services:			
Other program revenue	5,508		5,508
TOTAL REVENUES	<u>2,308,164</u>		<u>2,308,164</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(129,491)</u>		
NET PROGRAM REVENUES/(EXPENSES)		<u>68,327</u>	<u>(61,164)</u>
GENERAL REVENUES			
Investment earnings	303		303
TOTAL GENERAL REVENUES	<u>303</u>		<u>303</u>
OTHER FINANCING SOURCES			
Proceeds from sale of capital assets	9,000	(9,000)	
NET CHANGE IN FUND BALANCE	(120,188)	120,188	
CHANGE IN NET POSITION		(60,861)	(60,861)
Fund balance/net position, beginning of year - as previously reported			
	514,558	452,303	966,861
Restatement			
	83,575		83,575
Fund balance/net position, end of year - as restated			
	<u>598,133</u>	<u>452,303</u>	<u>1,050,436</u>
FUND BALANCE/NET POSITION, END OF YEAR	<u>\$ 477,945</u>	<u>\$ 511,630</u>	<u>\$ 989,575</u>

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, 2017

	Budgetary Basis					
	Budgeted Amounts		Actual	Variance	Adjustment to GAAP Basis	Actual Amounts - GAAP Basis
	Original	Final	Amounts - Budgetary Basis	With Final Budget Positive (Negative)		
REVENUES						
Contract service area #3 payments	\$ 2,153,016	\$ 2,080,000	\$ 2,082,656	\$ 2,656		\$ 2,082,656
Fund balance appropriated	372,387	126,292	126,292		\$ (126,292)	
County reimbursement for ambulance		160,000	160,000			160,000
Dispatch increase		60,000	60,000			60,000
Other program revenue	5,000		5,508	5,508		5,508
Investment earnings	800	800	303	(497)		303
TOTAL REVENUE	2,531,203	2,427,092	2,434,759	7,667	(126,292)	2,308,467
EXPENDITURES						
Services and supplies						
Professional fees/contracts						
Lake Valley Fire Protection District payroll reimbursed	458,858	451,284	471,050	(19,766)		471,050
Executive Director contract	55,000	110,000	110,000			110,000
Attorney fees	30,900	30,900	43,079	(12,179)		43,079
Paychex fees	15,000	15,000	17,539	(2,539)		17,539
Accounting	4,100	4,100	6,375	(2,275)		6,375
Dispatch contract	150,000	150,000	150,000			150,000
Lake Valley Fire Protection District management fees	145,000	145,000	140,001	4,999		140,001
Medical supplies	100,000	100,000	127,302	(27,302)		127,302
Equipment maintenance	35,384	35,384	52,536	(17,152)		52,536
Fuel	40,000	40,000	37,432	2,568		37,432
Employee expense/physical/background	25,000	10,000	20,203	(10,203)		20,203
Insurance	15,000	15,000	16,374	(1,374)		16,374
Communications/cell phone	10,000	10,000	8,919	1,081		8,919
Utilities			8,767	(8,767)		8,767
Personal protective gear/uniforms	2,000	5,000	5,011	(11)		5,011
Office expense	7,000	10,000	4,351	5,649		4,351
Station supplies	3,000	3,000	1,802	1,198		1,802
Travel			74	(74)		74
Addition to reserves of fund balance	44,200					
Contingency	10,000					
Salaries and benefits						
Operations manager salaries/health insurance	110,000					
Staff salaries/health insurance	821,574	889,272	789,261	100,011		789,261
Workers' compensation	70,000	70,000	84,810	(14,810)		84,810
Contract labor			27,704	(27,704)		27,704
Fines and penalties			3,000	(3,000)		3,000
Capital outlay						
Ambulance purchase		160,000	173,019	(13,019)		173,019
Equipment purchase	129,387	148,387	134,592	13,795		134,592
Computer equipment	5,000	5,000	4,199	801		4,199
TOTAL EXPENSES	2,286,403	2,407,327	2,437,655	(30,328)		2,437,655
EXCESS OF REVENUES OVER EXPENDITURES	244,800	19,765	(2,896)	(22,661)	(126,292)	(129,188)
OTHER FINANCING SOURCES						
Proceeds from sale of capital assets			9,000	9,000		9,000
NET CHANGE IN FUND BALANCE	\$ 244,800	\$ 19,765	6,104	\$ (13,661)	\$ (126,292)	(120,188)
Fund balance/net position, beginning of year - as previously reported						
			514,558			514,558
Restatement						
			83,575			83,575
Fund balance/net position, beginning of year - as restated						
			598,133			598,133
FUND BALANCE AT END OF YEAR			\$ 604,237			\$ 477,945

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

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2017

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 (JPA) 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. Dispatch services are 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.

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.

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Prepaid Items: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. In governmental funds, prepaid items are reported as nonspendable fund balance to indicate they do not constitute current resources available for appropriation. The consumption method is used to recognize prepaid items.

Medical Supplies Inventory: Inventory consists of medical supplies and drugs inventory. Inventory is valued at cost, which approximates market, using the specific identification method. The cost of the inventory is recorded as expenditures/expenses when consumed rather than when purchased.

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.

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and inventory.

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. 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.

Compensated Absences – Unused earned time off may be accumulated up to a maximum of 135 hours and is paid at the time of termination from the JPA's employment. The JPA accrues accumulated unpaid compensated absences when earned by the employee and the General Fund is used to liquidate the liability.

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

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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, 2017, the Commission's cash and investments consisted of cash on hand of \$200, deposits in financial institutions of \$385,865 and an investment in the County of El Dorado investment pool of \$234.

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>.

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, 2017, the weighted average maturity of the investments in the County Pool was approximately 184 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, 2017, the carrying amount and the balance in the financial institution of the JPA's deposits was \$385,865 and \$427,815, respectively. Of the balance in financial institutions, \$250,000 was covered by federal depository

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE B – CASH AND INVESTMENTS (Continued)

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.

NOTE C – CAPITAL ASSETS

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

	Balance June 30, 2016	Additions	Disposals	Transfers	Balance June 30, 2017
Capital assets being depreciated:					
Vehicles		\$ 173,019	\$ (130,629)	\$ 825,451	\$ 867,841
Equipment	\$ 1,310,834	138,791	(173,282)	(825,451)	450,892
Total capital assets being depreciated	1,310,834	311,810	(303,911)		1,318,733
Less accumulated depreciation for:					
Vehicles		(150,147)	130,629	(549,927)	(569,445)
Equipment	(858,531)	(92,415)	170,963	549,927	(230,056)
Total accumulated depreciation	(858,531)	(242,562)	301,592		(799,501)
Total capital assets being depreciated, net	\$ 452,303	\$ 69,248	\$ (2,319)	\$ -	\$ 519,232

NOTE D – COMPENSATED ABSENCES

Changes in compensated absences consisted of the following during the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017	Due within one year
Compensated absences	\$ -	\$ 12,924	\$ (5,322)	\$ 7,602	\$ 3,117

NOTE E – COMMITMENTS AND CONTINGENCIES

Legal Contingencies: The JPA is subject to claims arising from the normal course of business. A claim exists over an accident by an ambulance. In the opinion of management, the disposition of the claim is not expected to have a material adverse effect on the financial position of the JPA. However, the ultimate outcome is not currently known.

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 and losing this revenue source would have a significant impact on the JPA's services and would require another revenue source to be identified for the JPA to continue as a going concern. The County has recently notified the JPA that it will require the JPA to re-bid on the contract after it expires on September 1, 2021. If the JPA is not awarded the contract it will no longer perform services for the County and will lose the Contract Service Area #3 payments as a revenue source.

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE E –COMMITMENTS AND CONTINGENCIES (Continued)

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.

NOTE F – 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.

NOTE G – 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	\$ 477,945
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.	
Capital assets, net	519,232
Certain liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Compensated absences	<u>(7,602)</u>
Net position in the government-wide statement of net position	<u>\$ 989,575</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	\$ (120,188)
Governmental funds report capital outlays as expenditures, which are allocated over their useful lives as depreciation expense. Also, governmental funds report proceeds from the 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	311,810
Depreciation	(242,562)
Difference between proceeds from sale and gain on disposal of capital assets	(2,319)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Change in compensated absences	<u>(7,602)</u>
Change in net position of the statement of activities	<u>\$ (60,861)</u>

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2017

NOTE H – RELATED PARTY TRANSACTIONS

The JPA has Lake Valley as a member. Transactions with Lake Valley include the following expenditures:

	<u>City</u>	<u>Lake Valley</u>
Reimbursement of payroll and related costs		\$ 540,063
Dispatch contract	\$ 150,000	
Management fee		118,334
Vehicle maintenance		32,510
Fuel		9,779
Communications and other		4,527
	<u>\$ 150,000</u>	<u>\$ 705,213</u>

Payables to Lake Valley at June 30, 2017 were \$74,575. 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, which is where the JPA parks its ambulances.

NOTE I – SUBSEQUENT EVENTS

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 (Barton), to join the JPA in the future. The Board approved admitting Barton as a member of the JPA pending current member approval.

The JPA experienced significant additional costs for long-distance transports 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 transports during the years ended June 30, 2017 and 2016. During the year ended June 30, 2017, the County agreed to contract amendment number four that will increase the monthly amount included in the JPA's service fees for long-distance transports to a flat amount of \$21,000 per month beginning on July 1, 2017. The County also agreed in contract amendment number four to provide the JPA \$320,000 to fund a remount of an existing ambulance for \$110,000 and the purchase of a new ambulance in the amount of \$210,000.

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 J – CORRECTION OF ERROR

During the June 30, 2017 audit, the JPA corrected an error in the July 1, 2016 government-wide net position and fund balance in the General Fund to record medical supplies and drugs inventory for the first time as of June 30, 2016. As a result of this error correction, the government-wide net position and fund balance in the General Fund as of July 1, 2016 increased by \$83,575.

COMPLIANCE REPORT



550 Howe Avenue, Suite 310
Sacramento, California 95825
Telephone: (916) 334-8727
FAX: (916) 334-8728

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, 2017, and the related notes to the financial statements, which collectively comprise the JPA's basic financial statements, and have issued our report thereon dated May 22, 2018. 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

May 22, 2018

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2017

CURRENT YEAR FINDING

INTERNAL CONTROL OVER FINANCIAL REPORTING

Finding 2017-001

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 hired a contract accountant and set up a new accounting system, which resulted in significant additional workload to create new processes and reports and did not leave enough time to review ending balances and post entries necessary to properly report financial activity in the general ledger.

Effect: A significant number of adjusting and reclassifying entries were found during the audit 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, changes in the commitment of fund balance for ambulance replacements, a significant amount of expenses 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. Additional time should also be spent reviewing the general ledger detail from QuickBooks to ensure the account coding in entries posted in the income statement each month is appropriate and according to where the amounts were budgeted.

Management's Response: The QuickBooks system and reports are set up and JPA staff is now more familiar with its capabilities. Processes have been put into place to review the account coding and general ledger detail regularly to ensure transactions are appropriately recorded, which will address the recommendations.

PRIOR YEAR FINDINGS

COMPLIANCE

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.

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.

Current Status: The issue was not resolved during the year. Finding 2017-001 is a continuation of this finding.