

**EL DORADO COUNTY EMERGENCY
SERVICES AUTHORITY**

Audited Financial Report

June 30, 2016

EL DORADO COUNTY EMERGENCY SERVICES AUTHORITY

Audited Financial Report

June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
El Dorado County Emergency Services Authority
Diamond Springs, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the El Dorado County Emergency Services 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, and 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 Qualified Opinion

The JPA has recorded a liability for compensated absences related to JPA-funded employees that are employees of its member agencies, which is not defined in the member agency agreements and is not clear that this is a liability of the JPA. In addition, the charges billed by the member agencies to the JPA for the unfunded pension liability and OPEB costs are not defined by the agreements and are not consistently calculated among agencies, and are not consistent with the JPA's understanding of costs to be reimbursed.

Opinions

In our opinion, except for the possible effects of the matter discussed in the Basis for Qualified Opinion 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 JPA 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.

Emphasis of Matter

As described in Note K to the financial statements, the JPA corrected two errors that resulted in an increase in fund balance and net assets as of July 1, 2015. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the JPA's basic financial statements. The supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 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

September 18, 2017

EL DORADO COUNTY EMERGENCY SERVICES AUTHORITY

STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET

June 30, 2016

	General Fund	Adjustments (Note J)	Statement of Net Position
ASSETS			
Cash	\$ 802,229		\$ 802,229
Due from other governments	168,648		168,648
Accounts receivable	5,208		5,208
Prepaid costs	50,361		50,361
Capital assets depreciated, net		\$ 1,144,662	1,144,662
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 1,026,446</u>	<u>1,144,662</u>	<u>2,171,108</u>
LIABILITIES			
Accounts payable and other current liabilities	\$ 438,447		438,447
Salaries and benefits payable	277,307		277,307
Compensated absences		212,904	212,904
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>715,754</u>	<u>212,904</u>	<u>928,658</u>
DEFERRED INFLOWS OF RESOURCSE			
Unavailable revenues	98,067	(98,067)	
	<u> </u>	<u> </u>	<u> </u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>98,067</u>	<u>(98,067)</u>	<u> </u>
FUND BALANCE/NET POSITION			
Fund balance:			
Nonspendable	50,361	(50,361)	
Committed	212,904	(212,904)	
Unassigned	(50,640)	50,640	
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCE	<u>212,625</u>	<u>(212,625)</u>	<u> </u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	<u>\$ 1,026,446</u>		
NET POSITION			
Investment in capital assets		1,144,662	1,144,662
Unrestricted		97,788	97,788
		<u> </u>	<u> </u>
TOTAL NET POSITION		<u>\$ 1,029,825</u>	<u>\$ 1,242,450</u>

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

EL DORADO COUNTY EMERGENCY SERVICES 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 J)	Statement of Activities
EXPENDITURES/EXPENSES			
Salaries and related benefits	\$ 8,262,679	\$ 55,974	\$ 8,318,653
Services and supplies	2,073,443		2,073,443
Provider administrative fees	160,000		160,000
Capital outlay	854,010	(854,010)	
Depreciation		361,123	361,123
TOTAL EXPENDITURES/EXPENSES	11,350,132	(436,913)	10,913,219
REVENUES			
Contract service area #7 payments	11,299,369	98,067	11,397,436
Other reimbursements	47,417		47,417
TOTAL REVENUES	11,346,786	98,067	11,444,853
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,346)		
NET PROGRAM REVENUES		534,980	531,634
GENERAL REVENUES			
Interest earned	(3,556)		(3,556)
Loss on disposal of assets		(61,370)	(61,370)
NET CHANGE IN FUND BALANCE	(6,902)	6,902	
CHANGE IN NET POSITION		466,708	466,708
Fund balance/net position, beginning of year, as previously reported	196,669	529,562	726,231
Restatement	22,858	26,653	49,511
Fund balance/net position, as restated	219,527	556,215	775,742
FUND BALANCE/NET POSITION AT END OF YEAR	\$ 212,625	\$ 1,029,825	\$ 1,242,450

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

EL DORADO COUNTY EMERGENCY SERVICES AUTHORITY

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

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
CSA #7 Contract Payments	\$ 11,645,105	\$ 11,645,105	\$ 11,299,369	\$ (345,736)
Interest Income			(3,556)	(3,556)
Other Program Revenue-Reimbursements			47,417	47,417
TOTAL REVENUE	<u>11,645,105</u>	<u>11,645,105</u>	<u>11,343,230</u>	<u>(301,875)</u>
EXPENSES				
Salaries	\$ 5,281,614	5,299,114	5,342,073	42,959
Deferred Compensation	44,234	44,234	50,456	6,222
Payroll Tax	123,703	123,703	116,335	(7,368)
Health Insurance	739,974	734,974	723,462	(11,512)
Health Insurance-OPEB	377,492	377,492	400,379	22,887
Other Employee Benefits	1,506,208	1,790,408	1,629,974	(160,434)
Total Salaries and Benefits	<u>8,073,225</u>	<u>8,369,925</u>	<u>8,262,679</u>	<u>(107,246)</u>
Provider Administration Fee	160,000	160,000	160,000	-
Clothing and Personal Supplies	57,300	40,400	36,692	(3,708)
Telephone/Radio	1,110,000	1,020,940	837,498	(183,442)
Professional Fees/Contracts	67,650	67,650	42,685	(24,965)
Household/Food	12,160	4,260	3,591	(669)
Utilities	98,770	98,770	98,636	(134)
Insurance	30,000	30,000	25,491	(4,509)
Maintenance	170,800	170,800	176,102	5,302
Supplies	392,875	392,375	466,508	74,133
Dues/Memberships	575	575	5,391	4,816
Miscellaneous	1,500	1,500	1,788	288
Postage	900	900	1,014	114
Printing	150	150	382	232
Rent	179,200	179,260	174,843	(4,417)
Equipment	53,500	30,000	11,075	(18,925)
Special Project/Other	3,000	3,000	36,166	33,166
Education	75,100	62,300	37,589	(24,711)
Travel/Transportation	218,400	136,900	117,992	(18,908)
Total Services and Supplies	<u>2,471,880</u>	<u>2,239,780</u>	<u>2,073,443</u>	<u>(166,337)</u>
Fixed Assets - Equipment	940,000	875,400	854,010	(21,390)
TOTAL EXPENDITURES	<u>11,645,105</u>	<u>11,645,105</u>	<u>11,350,132</u>	<u>(294,973)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(6,902)</u>	<u>\$ (6,902)</u>
Fund balance, beginning of year, as restated			219,527	
FUND BALANCE AT END OF YEAR			<u>\$ 212,625</u>	

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

EL DORADO COUNTY EMERGENCY SERVICES AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the El Dorado County Emergency Services 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: The El Dorado County Emergency Services Authority (JPA) (formerly: The El Dorado County Regional Prehospital Emergency Services Operations Authority) was established to provide a regional ambulance service to the western slope of El Dorado County and to provide a coordinated dispatch system within El Dorado County. The JPA contracts the ambulance services to five Provider Fire Districts within the County of El Dorado: El Dorado County Fire Protection District, Diamond Springs Fire Protection District, Georgetown Fire Protection District, El Dorado Hills Fire Protection District and Cameron Park Community Services District, which are also members of the JPA. The JPA also has five Non-Provider Fire District members, including Pioneer Fire Protection District, Rescue Fire Protection District, Mosquito Fire Protection District, Garden Valley Fire Protection District and Latrobe Fire Protection District. The effective date of the notice of Joint Powers Agreement filed with the State of California Secretary of State was September 1, 1996. The agreement is pursuant to California Governmental Code Sections 6503.5 and 6503.7. Actual operations of the JPA commenced on January 1, 1997. Operational funding for the JPA is handled through El Dorado County as part of the services agreement with the County. The County accounts for the ambulance and other emergency services activities in the County Service Area (CSA) No. 7 Fund.

A board composed of ten (10) members governs the JPA. Each member is a representative of the Provider and Non-Provider Fire Districts listed above.

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 a component unit 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, including agency funding from member districts, 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 programs of the JPA. Program revenues include charges paid by recipients of goods and services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital 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

EL DORADO COUNTY EMERGENCY SERVICES AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, as well as expenditures related to compensated absences, claims and judgments, are recorded only when payment is due. General capital assets are reported as capital outlay expenditures in governmental funds when purchased.

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 Costs: Prepaid costs represent amounts paid in advance of receiving goods or services. The JPA has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The JPA has chosen to report the expenditures in the period benefited.

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 purchased or acquired with an original cost of \$5,000 or more are capitalized. Depreciation is provided on the straight-line basis over an estimated useful life of 5 to 10 years, depending on the asset class.

Deferred Outflows and Inflows of Resources: In addition to assets and liabilities, the balance sheet will sometimes report separate sections for deferred outflows and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position by the government that is applicable to a future reporting period. Deferred inflows of resources represent an acquisition of net position that is applicable to a future reporting period. These amounts will not be recognized as an outflow of resources (expense) or an inflow of resources (revenue) until the earnings process is complete. Unavailable revenue in governmental funds arises when a potential revenue source does not meet both the "measurable" and "available" criteria for recognition in the current period.

Compensated Absences: Employees of each Provider Fire District accumulate earned but unused vacation (and in some Districts, sick leave,) which will be paid to the employees upon separation of service. Such vacation and sick leave pay is accrued when incurred in the government-wide financial statements of the JPA. A liability for these amounts is reported in the governmental fund of the JPA, but only if they have matured, for example, as a result of employee resignations and retirements. The Provider Fire District agreements do not define what the JPA is responsible for with regard to the payment of accumulated vacation and sick leave, as applicable, upon termination of the JPA-funded employees, so it is unclear as to whether this liability needs to be recorded in the JPA financial statements.

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

Nonspendable Funds – 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.

EL DORADO COUNTY EMERGENCY SERVICES AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 expenses.

Restricted Funds – 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 Funds – 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 cannot be used for any other purpose unless the governing body modifies or removes the fund commitment. The JPA's residual fund balance, after considering amounts nonspendable, is committed to fund the unfunded compensated absences (vacation and sick leave liability) of its member agencies. This reserve amount is adjusted annually to the amount of the compensated absences liability of the JPA-funded employees, as required by the CSA #7 Board of Directors.

Assigned Funds – 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 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.

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. By state law, the JPA's governing board must adopt a final budget no later than July 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.

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.

EL DORADO COUNTY EMERGENCY SERVICES AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2016

NOTE B – CASH AND INVESTMENTS

At June 30, 2016, the JPA’s cash consisted of an investment in the County of El Dorado investment pool of \$802,229.

Investment policy: The JPA’s investment policy requires the JPA to invest 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, 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 risk is the risk that the government will not be able to recover its deposits or the value of its investments that are in the possession of an outside party. Custodial credit risk does not apply to a local government’s indirect deposits or investment in securities through the use of government investment pools (such as the County investment pool).

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, 2016:

	Balance June 30, 2015	Additions	Disposals	Transfers	Balance June 30, 2016
Capital assets, not being depreciated:					
Vehicles	\$ 267,003				\$ 267,003
Capital assets being depreciated:					
Vehicles and equipment	\$ 3,063,188	587,007	\$(1,071,749)	\$(302,458)	2,275,988
Less accumulated depreciation for:					
Vehicles and equipment	(2,376,696)	(334,470)	1,010,379	302,458	(1,398,329)
Total capital assets, being depreciated, net	\$ 686,492	\$ 519,540	\$ (61,370)	\$ -	\$ 1,144,662

EL DORADO COUNTY EMERGENCY SERVICES AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2016

NOTE D – COMPENSATED ABSENCES

Changes in compensated absences consisted of the following during the year ended June 30, 2016:

	Balance June 30, 2015	Additions	Retirements	Balance June 30, 2016
El Dorado County Fire Protection District		\$ 1,880		\$ 1,880
Diamond Springs Fire Protection District	\$ 22,739	23,370		46,109
Georgetown Fire Protection District	125,290	16,894		142,184
El Dorado Hills Fire Protection District	8,901	12,323		21,224
JPA Administration		1,507		1,507
Total compensated absences	\$ 156,930	\$ 55,974	\$ -	\$ 212,904

No amounts are considered to be due within one year.

NOTE E – EMPLOYEE RETIREMENT BENEFITS

The JPA is not a CalPERS contracting agency. JPA employees do not have retirement benefits. JPA-funded employees are provided with CalPERS retirement benefits through the Provider Fire Districts that employ them. The JPA reimburses the Provider Fire Districts (excluding Cameron Park Community Services District) for the contributions to CalPERS related to the JPA-funded employees, which are based on actuarially valuations. Information on benefits provided, funding policy and contributions can be obtained from these member agency financial statements. The amount paid to these member agencies for retirement benefits, including the required payment for the unfunded pension liability, for the year ended June 30, 2016 totaled \$1,341,922. JPA-funded employees of the Cameron Park Community Services District are State employees and the JPA pays an established benefits rate that includes pension and other benefits. The JPA has no obligation for retirement benefits beyond those annual payments, so no pension liability is reflected in the JPA’s financial statements.

NOTE F – OTHER POSTEMPLOYMENT BENEFITS PLAN

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, requires all other postemployment benefits (OPEB), such as healthcare benefits provided to retirees, that are in addition to pension benefits be recorded as an expense and a liability by the employer. The JPA has not granted any OPEB benefits to its employees. JPA-fund employees are provided with OPEB benefits through the Provider Fire Districts that employ them. The JPA reimburses these Provider Fire Districts (excluding Cameron Park Community Services District) based on actuarial valuations. The amount paid to these member agencies for OPEB benefits for the year ended June 30, 2016 totaled \$400,379. The JPA has no obligation for post-employment health care programs beyond the annual payments made to the Provider Fire Districts, so no liability for OPEB benefits has been included in the JPA’s financial statements.

NOTE G – RISK MANAGEMENT

Property and Liability Insurance: 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. During fiscal year ending June 30, 2016, the JPA contracted with American Alternative Insurance Corporation for property, liability, auto and theft insurance coverage. There have been no reductions in insurance limits and settled claims have not exceeded this commercial coverage in the last three years.

EL DORADO COUNTY EMERGENCY SERVICES AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2016

NOTE G – RISK MANAGEMENT (Continued)

Workers' Compensation Insurance: For fiscal year 2016, the JPA purchased workers' compensation insurance for its two employees from the State Compensation Insurance Fund.

NOTE H – COMMITMENTS AND CONTINGENCIES

El Dorado County Contract: El Dorado County has contracted with the JPA to provide prehospital ambulance and dispatch services for the area known in El Dorado County as County Service Area No. 7 (CSA No. 7). Ambulance services are provided by five Provider Fire Districts within the County of El Dorado and dispatch services are provided by Cal Fire. Under the terms of this agreement, the JPA receives an amount per month based on JPA and member agency budgeted expenses. The current contract with the County expires June 30, 2018. Continued operation of the JPA is contingent on annual funding agreements with CSA No. 7.

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 request have been made by the County.

Dispatch Contract Commitment: The JPA contracts with Cal Fire for its dispatch services. The contract term is July 1, 2014 through June 30, 2017 at a cost not to exceed \$3,311,326. As of June 30, 2016, the JPA had one year remaining under the contract at a cost not to exceed \$1,158,045.

Operating Lease: The JPA has entered into a lease for office and storage space and two office equipment leases that extend beyond the current fiscal year. The JPA does not intend to purchase the building or buy-out the equipment at the end of the leases and historically has turned in the old equipment for new. The office lease expired on October 31, 2014 but the JPA continues to lease this facility on a month-to-month basis. Total rent expense under these operating leases for the year ended June 30, 2016 totaled \$15,612. Minimum future rental payments under the non-cancelable operating lease for the office equipment were as follows at year-end:

<u>Year Ending June 30,</u>	
2017	\$ 2,412
2018	<u>1,530</u>
	<u>\$ 3,942</u>

NOTE I – NEW PRONOUNCEMENTS

In January 2016, the GASB issued Statement No. 80, Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14. This Statement amends the blending requirements for component units to add an additional criterion that requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. This Statement is effective for periods beginning after June 15, 2016.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. This Statement addresses practice issues that have been identified during implementation and application of certain GASB statements, including issues related to blending component units, goodwill, fair value measurements and application, pensions and other postemployment benefits. This Statement is effective for periods beginning after June 15, 2017.

The JPA will fully analyze the impact of these new Statements prior to the effective dates listed above.

EL DORADO COUNTY EMERGENCY SERVICES AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2016

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

Total fund balances of the JPA's governmental funds differ 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	\$ 212,625
Certain receivables are not available to pay current period expenditures and therefore are deferred in the governmental funds	98,067
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.	
Capital assets, net	1,144,662
Certain liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Compensated absences	<u>(212,904)</u>
Net position in the government-wide statement of net position	<u><u>\$ 1,242,450</u></u>

The net change in fund balances of governmental funds 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 balances of governmental funds	\$ (6,902)
Certain receivables are not available to pay current period expenditures and therefore are deferred in the governmental funds	98,067
Governmental funds report capital outlays as expenditures. In the statement of activities, however, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. The change in capital assets consists of:	
Capital outlay	854,010
Depreciation expense	(361,123)
Loss on disposal of assets	(61,370)
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>(55,974)</u>
Change in net position of the statement of activities	<u><u>\$ 466,708</u></u>

EL DORADO COUNTY EMERGENCY SERVICES AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2016

NOTE K – RESTATEMENTS

During the June 30, 2016 audit, certain items were discovered that warrant adjustments as of June 30, 2015. As a result of these prior period adjustments, the net position and fund balance reported on the statement of activities and statement of revenues and expenditures as of July 1, 2015 have been restated as follows:

	<u>General Fund</u>	<u>Governmental Activities</u>
Fund balance and net position as of July 1, 2015, as previously reported	\$ 196,669	\$ 726,231
Correct depreciation taken in excess of cost of assets		26,653
Accrue reimbursement revenue for fiscal year 2014/15 received in 2015/16	<u>22,858</u>	<u>22,858</u>
Total Restatements	<u>22,858</u>	<u>49,511</u>
Fund balance and net position as of July 1, 2015, as restated	<u><u>\$ 219,527</u></u>	<u><u>\$ 775,742</u></u>

SUPPLEMENTARY INFORMATION

EL DORADO COUNTY EMERGENCY SERVICES AUTHORITY

COMBINING SCHEDULE OF EXPENDITURES

For the Year Ended June 30, 2016

	El Dorado County Fire District	Diamond Springs/El Dorado Fire District	Georgetown Fire District	Cameron Park Community Service District	El Dorado Hills Fire And Water District	Garden Valley Fire District	Total Program	Joint Powers Authority Administration	Total Joint Powers Authority
EXPENDITURES									
Permanent Employees/ Elected Officials	\$1,976,802	\$ 468,087	\$ 491,118	\$ 958,289	\$ 410,067		\$4,304,363	\$ 154,794	\$ 4,459,157
Temporary Employees		2,581	32,779				35,360		35,360
Overtime	411,174	103,871	123,884		135,080		774,009		774,009
Other Compensation	56,758	6,395	2,422		3,000		68,575	4,972	73,547
Retirement-Employer	911,891	124,000	179,751		126,280		1,341,922		1,341,922
Payroll Taxes	36,935	42,666	13,557		9,218		102,376	13,959	116,335
Health Insurance- Employer	427,205	96,202	77,879		122,176		723,462		723,462
Health Insurance-OPEB								400,379	400,379
Long Term Disability-Employer	5,719	1,719	1,168		4,334		12,940		12,940
Deferred Compensation-Employer		16,672	33,784				50,456		50,456
Vision Insurance-Employer	5,543		1,099		9,550		16,192		16,192
Worker Compensation	117,431	86,704	(1,541)		53,809		256,403	1,356	257,759
Flexible Benefits		648			513		1,161		1,161
Total Salaries and Benefits	<u>3,949,458</u>	<u>949,545</u>	<u>955,900</u>	<u>958,289</u>	<u>874,027</u>		<u>7,687,219</u>	<u>575,460</u>	<u>8,262,679</u>
Provider Administration Fee								160,000	160,000
Clothing and Personal Supplies	6,459	5,992	5,064	6,167	13,010		36,692		36,692
Telephone/Radio								837,498	837,498
Professional Fees/Contracts			1,138				1,138	41,547	42,685
Household/Food	66		15	3,326			3,407	184	3,591
Utilities								98,636	98,636
Insurance	1,488						1,488	24,003	25,491
Maintenance	364		2,493				2,857	173,245	176,102
Supplies		397	(29)	1,406	375		2,149	464,359	466,508
Dues/Memberships			900				900	4,491	5,391
Miscellaneous	1,920						1,920	(132)	1,788
Postage								1,014	1,014
Printing								382	382
Rent				201		\$ 59	260	174,583	174,843
Equipment	154	953	442	2,633			4,182	6,893	11,075
Special Project/Other								36,166	36,166
Education	15,003	1,856	2,254	1,075	11,156		31,344	6,245	37,589
Travel/Transportation				50	30		80	117,912	117,992
Total Services and Supplies	<u>17,077</u>	<u>2,809</u>	<u>3,596</u>	<u>3,959</u>	<u>11,186</u>	<u>59</u>	<u>38,686</u>	<u>1,987,026</u>	<u>2,073,443</u>
Fixed Assets-Equipment								854,010	854,010
Total Expenditures	<u>\$3,966,535</u>	<u>\$ 952,354</u>	<u>\$ 959,496</u>	<u>\$ 962,248</u>	<u>\$ 885,213</u>	<u>\$ 59</u>	<u>\$7,725,905</u>	<u>\$3,576,496</u>	<u>\$11,350,132</u>

COMPLIANCE REPORT

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
El Dorado County Emergency Services Authority
Diamond Springs, 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, the major fund and the aggregate remaining fund information of the El Dorado County Emergency Services 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 September 18, 2017. The report was qualified because there is no basis for the recording of the compensated absence liability or employees of member agencies and the amounts reimbursed for certain pension and OPEB costs are not defined by the member agency agreements.

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 opinion 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 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 preceding paragraph 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 did identify certain deficiencies in internal control, described in the accompanying schedule of findings 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 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*.

To the Board of Directors
El Dorado County Emergency Services Authority

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. 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

September 18, 2017

EL DORADO COUNTY EMERGENCY SERVICES AUTHORITY

SCHEDULE OF FINDINGS

June 30, 2016

Material Weaknesses

Finding 2016-1

Condition: The JPA is reflecting a liability in its financial statements for the accrued compensated absences of JPA-funded employees that are employed by the Provider Fire Districts. The need to reflect this liability in the financial statements of the JPA is unclear because the agreements between the JPA and the Provider Fire Districts do not define the financial responsibility for this liability.

In addition, we noted that the amounts being billed by most of the Provider Fire Districts for OPEB costs is the actuarially determined annual required contribution, which includes both current and retired employees. One agency is billing the entire amount of the actuary's projected benefit payments, but we were unable to determine if this amount represents only JPA-funded retirees or all of the district's retirees. Based on our discussion with JPA management, it appears the intent of these reimbursements is to pay for healthcare premiums on current JPA-funded retirees and not pre-fund for current employees. However, the JPA's policy does not specify this intent, nor do the agreements with the Provider Fire Districts. The JPA does not currently record a liability for the unfunded OPEB costs of JPA-funded employees because the responsibility for these OPEB costs is believed to be the Provider Fire Districts'; however, this is not specified in the agreements.

Pension cost reimbursements are also not specifically defined in the Provider Fire District agreements and there is an inconsistency in the methods being used by them in calculating the charge to the JPA for the JPA's share of the payment required by CalPERS during fiscal year 2015/16 toward the unfunded pension liability. The JPA's responsibility for these costs needs to be defined in the Provider Fire District agreements, as well as the method to use to calculate the reimbursement amount. Similar to the OPEB, the JPA does not currently record a liability for the unfunded pension liability of JPA-funded employees because the responsibility for these pension costs is believed to be the Provider Fire Districts'; however, this is not specified in the agreements.

Recommendation: We recommend the JPA amend the Provider Fire District agreements to discuss which payroll related items will be reimbursed, and the basis for such reimbursements. We recommend the agreements specifically address, in addition to member agency salaries, whether overtime, temporary help, payroll taxes, health insurance premiums, workers compensation insurance premiums, compensated absences expenditures (i.e. any applicable vacation, sick leave, PTO, compensatory time-off, etc.), contributions to deferred compensation plans, contributions to retirement plans, contributions to other postretirement benefit (OPEB) plans and any other benefits paid by the Provider Fire Districts will be reimbursed. We recommend the agreement specifically address whether any unfunded liabilities for Provider Fire District compensated absences, pension plans and OPEB plans will be funded by the JPA or whether any unfunded liabilities will be the responsibility of the Provider Fire District. If the unfunded liabilities will be partially or fully funded by the JPA, we recommend the agreements specifically define how the unfunded liabilities for which the JPA is responsible will be computed and funded, including if the JPA dissolves without sufficient cash to fund its share of the unfunded liabilities.

Management's Response:

The accrued compensated absences for JPA funded employees were initiated with the approval of the County Board of Supervisors in 1996 when the JPA was first created. There was a concern during the early days of who would be responsible for the accrued absences if the JPA were to cease to exist. The accrued liability has been carried forward since then. We can account for this expense via policy and/or contract agreement with the ALS transporting fire districts.

The JPA Board approved a revision of the OPEB policy on May 3rd, 2017 which addresses in part the auditors finding. Additionally, we have asked for further clarification from the auditor and our ALS transporting fire districts in regards to "pay as you go" OPEB reimbursements and who is responsible for

EL DORADO COUNTY EMERGENCY SERVICES AUTHORITY

SCHEDULE OF FINDINGS (Continued)

June 30, 2016

Material Weaknesses (Continued)

this liability. From our discussions, we believe a possible solution for the OPEB and pension inconsistencies is to enter into a fixed rate contract with the County of El Dorado (County). We welcome further discussion with the County on this matter.

Class 30 and 40 reimbursements from the JPA to the fire districts are outlined in two policies and they are titled:

- a. Other Post-employment Retiree Health Benefits – Approved 05-03-2017
- b. Budget Preparation and Management Policy – Approved 01-07-2016

We will consider the auditor's recommendation of adding the JPA Board Policy direction to the fire district contract agreements when the agreements come up for their annual review and renewal in January of each year.