

CALIFORNIA TAHOE EMERGENCY SERVICES

OPERATIONS AUTHORITY

REPORT ON ACCOUNTING CONTROLS

AND PROCEDURES

June 30, 2011

ROBERT W. JOHNSON
Certified Public Accountant

**ROBERT
W.
JOHNSON**

**An Accountancy Corporation
Certified Public Accountant**

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

November 2, 2011

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

We have audited the financial statements of California Tahoe Emergency Services Operations Authority as of and for the year ended June 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

In planning and performing our audit of the financial statements of California Tahoe Emergency Services Operations Authority as of and for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered California Tahoe Emergency Services Operations Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures but not for the purpose of expressing our opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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

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

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

Sincerely,

Robert W. Johnson, An Accountancy Corporation

Robert W. Johnson, An Accountancy Corporation

1. Operating Statistics:

<u>Statement of Income</u>	<u>6-30-11</u>	<u>6-30-10</u>	<u>6-30-09</u>
Operating revenues	\$2,263,281	\$2,249,524	\$2,263,919
Operating expenses	<u>2,437,897</u>	<u>1,955,429</u>	<u>2,028,791</u>
Operating income (loss)	(174,616)	294,095	235,128
Non-operating items	<u>674</u>	<u>1,123</u>	<u>864</u>
Net income (loss)	<u>\$(173,942)</u>	<u>\$ 295,218</u>	<u>\$ 235,992</u>
Cash	<u>\$1,067,684</u>	<u>\$1,425,667</u>	<u>\$ 958,470</u>

2. Prior Year Recommendations:

(a) Executive Director:

Recommendation

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

Follow Up

No change; still evaluating.

2. Prior Year Recommendations, continued:

(b) Policies:

Recommendation

Establish written policies ASAP.

Written policies protect the JPA and ensure that employees follow the dictates of the Board of Directors.

Examples of financial policies include:

- fraud policy
- investment policy
- retention of records
- use of electronic equipment
- fixed assets policy
- equity reserve policy

Follow Up

All these policies have been written.

(c) Investment Income:

Recommendation

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

Follow Up

The Authority is still considering investment options.

2. Prior Year Recommendations, continued:

(d) Board Minutes:

Recommendation

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

Follow Up

No change.

CALIFORNIA TAHOE
EMERGENCY SERVICES OPERATIONS AUTHORITY

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
for the year ended June 30, 2011

ROBERT W. JOHNSON
Certified Public Accountant

TABLE OF CONTENTS

	<u>Pages</u>
Independent Auditor's Report	1-2
Financial Statements:	
Balance Sheet	3
Statement of Revenues, Expenses and Changes in Net Assets	4
Statement of Cash Flows	5
Notes to Financial Statements	6-11
Supplemental Information:	
Principal Officials	13
Statement of Revenues and Expenses- Compared to Budget	14-15

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of California Tahoe Emergency Services Operations Authority as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California Tahoe Emergency Services Operations Authority as of June 30, 2011 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

Robert W. Johnson, An Account Corporation

Citrus Heights, California
November 2, 2011

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY
 BALANCE SHEET
 June 30, 2011

ASSETS

Current assets:		
Cash and cash equivalents (Note 3)		\$1,067,684
Receivables:		
Contract	\$ 129,264	
IFT, net of allowance for bad debts of \$134,642	142,458	
Other	<u>105,965</u>	377,687
Prepaid expenses		8,972
Performance deposit		<u>50,000</u>
Total current assets		1,504,343
Capital assets, at cost (Note 4)	905,192	
Less, accumulated depreciation	<u>760,445</u>	
		<u>144,747</u>
		<u>\$1,649,090</u>

LIABILITIES

Current liabilities:		
Accounts payable		\$ <u>94,635</u>
Total current liabilities		94,635

NET ASSETS

Invested in capital assets, net of related debt	\$ 144,747	
Unrestricted (Note 7)	<u>1,409,708</u>	
		<u>1,554,455</u>
		<u>\$1,649,090</u>

See notes to financial statements

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 for the year ended June 30, 2011

Operating revenues:		
Contract payments		\$1,558,005
Other County revenue		91,250
IFT revenues (net of contractual allowances)		591,363
Other		<u>22,663</u>
Total operating revenues		2,263,281
Operating expenses:		
Personnel costs	\$1,289,399	
Services and supplies	1,049,861	
Debt service interest	-	
Depreciation	<u>98,637</u>	
Total operating expenses		<u>2,437,897</u>
Operating loss		(174,616)
Interest income		<u>674</u>
Decrease in net assets		(173,942)
Total net assets:		
Beginning		<u>1,728,397</u>
Ending		<u>\$1,554,455</u>

See notes to financial statements

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY
STATEMENT OF CASH FLOWS
for the year ended June 30, 2011

Cash flows from operating activities:		
Cash received from clients and others		\$2,290,892
Cash paid to suppliers for goods and services		<u>(2,649,549)</u>
Net cash provided to operating activities		(358,657)
Cash flows provided by investing activities:		
Interest income		674
Cash flows from capital and related financing activities:		
Purchase of capital assets		<u>-</u>
Net decrease in cash and cash equivalents		(357,983)
Cash and cash equivalents:		
Beginning of year		<u>1,425,667</u>
End of year		<u>\$ 1,067,684</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating loss		\$(174,616)
Adjustments to reconcile operating income (loss) to cash provided by operating activities:		
Depreciation	\$ 98,637	
Changes in operating assets and liabilities:		
Receivables	27,611	
Prepays	(5,134)	
Payables	<u>(305,155)</u>	<u>(184,041)</u>
Net cash provided to operating activities		<u>\$(358,657)</u>

See notes to financial statements

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY
NOTES TO FINANCIAL STATEMENTS

1. Organization:

California Tahoe Emergency Services Operations Authority (the "Authority") was organized under the laws of the State of California on January 24, 2001 and began operations on September 1, 2001. The Authority is a joint exercise of powers entity (JPA) between the City of South Lake Tahoe Fire Department (the "City"), and the Lake Valley Fire Protection District ("Lake Valley").

The purpose of the Authority is to provide ambulance and other emergency medical services within the Lake Tahoe basin and other portions of El Dorado County, as specified by a service agreement with El Dorado County. Powers of the Authority are exercised through a four member Board of Directors made up of each participating entity.

2. Summary of Significant Accounting Policies:

The accounting policies of California Tahoe Emergency Services Operations Authority conform to generally accepted accounting principles applicable to enterprise funds. The Authority applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply financial reporting principles established by the Financial Accounting Standards Board (FASB) and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Reporting Entity

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

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

2. Summary of Significant Accounting Policies, continued:

Fund Accounting

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

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

Basis of Accounting

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

Cash and Investments

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

Depreciation

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

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

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

2. Summary of Significant Accounting Policies, continued:

Allowance for Doubtful Accounts

The Authority maintains an allowance for doubtful accounts for estimated losses resulting from the inability of patients to make required payments. Management estimates bad debt expense by calculating 9% of IFT revenues. Receivables are written off after two years of non-payment which results in a decrease of allowance for doubtful accounts.

Statement of Cash Flows

All highly liquid investments with a maturity of three months or less when purchased, are considered to be cash equivalents.

Budget and Budgetary Accounting

The Board of Directors annually adopts an operating budget. The operating budgets are prepared on the accrual basis to match the operating statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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 may differ from those estimates.

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

3. Cash:

At year-end the carrying amount of the Authority's deposits was \$1,067,684 and the checking account balance was \$1,279,879.

Cash is allocated:

Operating	\$ 653,783
Capital reserve	<u>413,901</u>
	<u>\$1,067,684</u>

4. Capital Assets:

Changes in capital assets for the year ended June 30, 2011 are as follows:

	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2011</u>
Ambulances	\$ 664,953	\$ -	\$ -	\$ 664,953
Other equipment	<u>240,239</u>	<u>-</u>	<u>-</u>	<u>240,239</u>
	<u>\$ 905,192</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 905,192</u>

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

5. El Dorado County Contract:

El Dorado County contracted with the Authority to provide full service emergency and non-emergency pre hospital advanced life support services and dispatch services for the area known in El Dorado County as CSA No. 3 South Shore Area, except for the Tahoe West Shore Zone of Benefit. Under the terms of this agreement, the Authority receives a set amount per month, which is adjusted annually for volume changes and the consumer price index. The Authority also receives quarterly payments for non-emergency transports that have been billed and collected by the County. The term of the contract is for five years, beginning September 1, 2001 and continuing through August 31, 2006. On September 1, 2006, the Authority earned a total of five (one year) contract extensions.

Under the terms of the contract, audits may be required and certain items may be questioned as not being appropriate under the terms of the contract. Such audits could lead to request for reimbursement to the County.

The Authority has been awarded the bid from El Dorado County for the new contract term starting September 1, 2011. The contract is currently being finalized by both parties. The contract is a ten year contract (five year contract with five one-year extensions).

6. Risk of Loss:

The Authority is exposed to various risks of loss related to theft of, damage to, and destruction of assets; and injuries to employees. During 2011, the Authority purchased certain commercial insurance coverages to provide for these risks.

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

7. Net Assets:

Unrestricted:

Board designated – equipment replacement reserve	\$ 413,901
Undesignated	<u>995,807</u>
	<u>\$1,409,708</u>

8. Subsequent Events:

Management has evaluated subsequent events through November 2, 2011, the date these June 30, 2011 financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY
PRINCIPAL OFFICIALS

Board of Directors:

Robert Bettencourt

Chairperson

Kathay Lovell

Vice Chairperson

Bill Crawford

Director

Dave Huber

Director

Management:

Bryan Pond

Executive Director/Interim
Secretary/Treasurer

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY
STATEMENT OF REVENUES AND EXPENSES
COMPARED TO BUDGET
for the year ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Revenues:			
Contract payments	\$1,558,005	\$1,558,005	\$ -
IFT revenues	454,000	1,079,616	625,616
Less – contractual allowance	-	(488,253)	(488,253)
Mental health transfers	15,000	21,494	6,494
Extra work	10,600	-	(10,600)
Interest income	1,200	674	(526)
County reimbursement	54,000	91,250	37,250
Other	<u>-</u>	<u>1,169</u>	<u>1,169</u>
Total revenues	<u>2,092,805</u>	<u>2,263,955</u>	<u>171,150</u>
Expenses:			
Personnel:			
SLT personnel	830,000	948,959	(118,959)
SLT overtime	65,000	43,755	21,245
Lake Valley personnel	390,000	236,632	153,368
Lake Valley overtime	50,000	45,301	4,699
Workers comp.	<u>-</u>	<u>14,752</u>	<u>(14,752)</u>
Total personnel	<u>1,335,000</u>	<u>1,289,399</u>	<u>45,601</u>
Other operating:			
Bad debt (9% of IFT)	-	97,689	(97,689)
Bill charge fee	-	36,766	(36,766)
PPE/uniforms	7,000	4,987	2,013
Radios/Communications	8,000	7,447	553
Cell phones	4,100	118	3,982
Computers/software	9,005	3,068	5,937
Ambulance equipment	3,000	6,491	(3,491)
Household expense	-	-	-
Liability insurance	15,000	11,783	3,217
Office	100	641	(541)

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY
STATEMENT OF REVENUES AND EXPENSES, continued
COMPARED TO BUDGET
for the year ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Other operating, continued:			
Attorney	\$ 5,000	\$ -	\$ 5,000
Audit/accounting	59,000	85,494	(26,494)
Directors expense	-	104	(104)
Physicals	6,000	3,596	2,404
Dispatch contract	85,000	83,551	1,449
Administration contract	50,000	50,000	-
Medical supplies	90,000	69,748	20,252
Equipment maintenance	5,000	5,758	(758)
Training and certifications	9,500	6,299	3,201
Travel	3,100	1,144	1,956
Contingency	16,000	8,720	7,280
Clinical upgrades	1,000	-	1,000
Ambulance #1740	5,000	2,055	2,945
Ambulance #1741	5,000	3,387	1,613
Ambulance #2023	5,000	3,471	1,529
Ambulance #5772	5,000	6,292	(1,292)
Ambulance #7714	5,000	1,514	3,486
Fuel	37,000	29,738	7,262
SLT IFT reimb.	260,000	260,000	-
LVFD IFT reimb.	260,000	260,000	-
Depreciation	-	98,637	(98,637)
Debt service	-	-	-
	<u>957,805</u>	<u>1,148,498</u>	<u>(190,693)</u>
Total other operation			
	<u>2,292,805</u>	<u>2,437,897</u>	<u>(145,092)</u>
Total expenses			
Excess revenues (expenses)	<u>\$(200,000)</u>	<u>\$(173,942)</u>	<u>\$ 26,058</u>