

CALIFORNIA TAHOE
EMERGENCY SERVICES OPERATIONS AUTHORITY
SOUTH LAKE TAHOE, CALIFORNIA

ANNUAL FINANCIAL REPORT

JUNE 30, 2014

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

JUNE 30, 2014

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CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

JUNE 30, 2014

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FINANCIAL SECTION



CERTIFIED
PUBLIC
ACCOUNTANTS

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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 the governmental activities and the major fund of California Tahoe Emergency Services Operations Authority as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the California Tahoe Emergency Services Operations Authority'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 misstatements of the financial statements, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion on the Statement of Net Position

The California Tahoe Emergency Services Operations Authority has significant assets in the form of equipment and vehicles. Management has not consistently followed methods for recording annual increases or decreases to the capital asset inventory or recognition of annual depreciation expense. Accounting principles generally accepted in the United States of America require the addition or deletion of capital assets be properly recognized and depreciated over the estimated useful life. The amount by which this departure will affect the assets and net position of the governmental activities has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described above in the "Basis for Qualified Opinion on the Statement of Net Position" paragraph, the financial statements referred to above present fairly, in all material respects, the net position of the governmental activities and the major fund of California Tahoe Emergency Services Operations Authority, as of June 30, 2014, and the respective changes in net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major fund of California Tahoe Emergency Services Operations Authority, as of June 30, 2014, and the respective changes in fund balance for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 and budgetary comparison information be presented to supplement the basic financial statements. Such 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. 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.

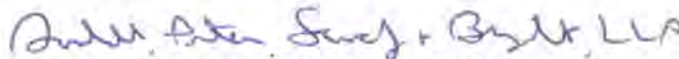
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise California Tahoe Emergency Services Operations Authority's basic financial statements. The financial and statistical information listed as supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The financial and statistical information listed as supplementary information is the responsibility of management and were derived from and relate 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 financial and statistical information listed as 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 21, 2015, on our consideration of the California Tahoe Emergency Services Operations Authority's internal control over financial reporting and 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 California Tahoe Emergency Services Operations Authority's internal control over financial reporting and compliance.


GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
Certified Public Accountants

September 21, 2015

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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, 2014. 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 their 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.

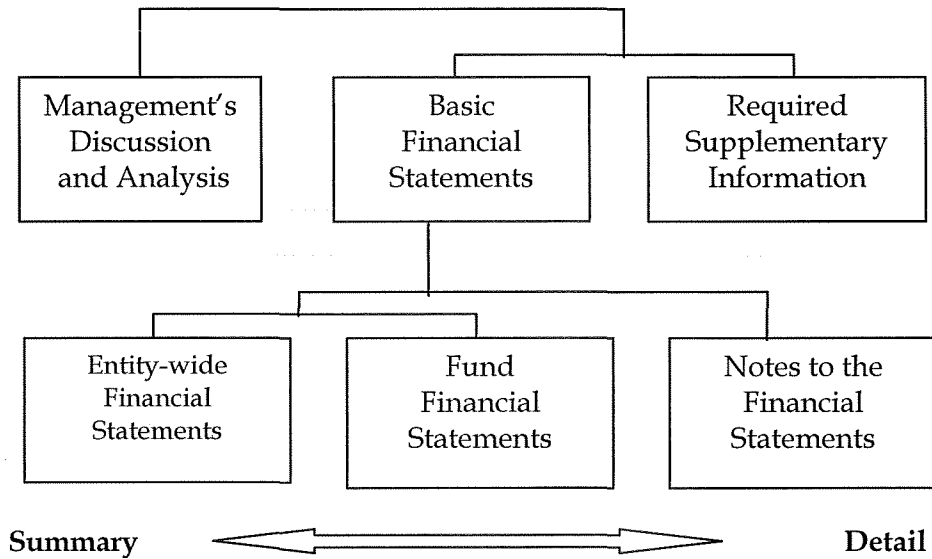
FINANCIAL HIGHLIGHTS

- 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 El Dorado County Health Department. All funds budgeted in excess of actual expenditures are returned at the end of each fiscal year.
- The JPA approved the implementation of cost saving measures by instituting caps on the amount member districts would be reimbursed for certain expenditures. This included a \$1,000,000 cap on the Class 30, salary and benefit expenses, and \$20,000 cap on the Class 40, services and supplies expenses.
- The JPA's total net position is \$1.3 million, an increase of \$121,114 from 2012-2013. This increase is the net of the change in liabilities.

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.

Components of the Financial Section



The first two statements are *entity-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. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term 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 2013-2014?"

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.
- ◆ 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.

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

OVERVIEW OF THE FINANCIAL STATEMENTS (CONCLUDED)

Reporting the JPA's Most Significant Funds (Concluded)

◆ Governmental Funds

All of the JPA's activities are reported in governmental funds. The General Fund is the JPA's only 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 method called modified accrual 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.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

The JPA as a Whole

The JPA's net position was \$1.36 million at June 30, 2014, consisting of \$554 thousand invested in capital assets and \$810,502 unrestricted. The government-wide data is presented in Table 1.

(Table 1)
Comparative Statement of Net Position

| | Governmental Activities | |
|--|-------------------------|---------------------|
| | 2014 | 2013 |
| Assets | | |
| Cash | \$ 1,003,887 | \$ 1,007,469 |
| Receivables | | 25 |
| Prepaid expenditures | 4,587 | 4,415 |
| Performance deposit | 50,000 | 50,000 |
| Capital assets | 553,541 | 699,238 |
| Total assets | <u>\$ 1,612,015</u> | <u>\$ 1,761,147</u> |
| Liabilities | | |
| Accounts payable and other current liabilities | \$ 247,972 | \$ 396,555 |
| Long-term liabilities | | 121,663 |
| Total liabilities | <u>\$ 247,972</u> | <u>\$ 518,218</u> |
| Net Position | | |
| Net investment in capital assets | \$ 553,541 | \$ 699,238 |
| Unrestricted | 810,502 | 543,691 |
| Total net position | <u>\$ 1,364,043</u> | <u>\$ 1,242,929</u> |

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONTINUED)

The JPA as a Whole (Continued)

The JPA's net position increased \$121 thousand this fiscal year. (See Table 2) The JPA's expenses for providing ambulance and dispatch services represented 99% percent of total expenses. (See Figure 2)

**(Table 2)
Comparative Statement of Change in Net Position**

| | <u>Governmental Activities</u> | |
|--|--------------------------------|---------------------|
| | <u>2014</u> | <u>2013</u> |
| Revenues | | |
| Program revenues | \$ 2,046,920 | \$ 2,053,041 |
| General revenues | | |
| Interest and investment earnings | 2,332 | 1,144 |
| Miscellaneous revenues | | 90,374 |
| Total revenues | <u>2,049,252</u> | <u>2,144,559</u> |
| Expenses | | |
| Regional ambulance and dispatch services | <u>1,928,138</u> | <u>2,633,131</u> |
| Total expenses | <u>1,928,138</u> | <u>2,633,131</u> |
| Increase (decrease) in net position | <u>\$ 121,114</u> | <u>\$ (488,572)</u> |

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONCLUDED)

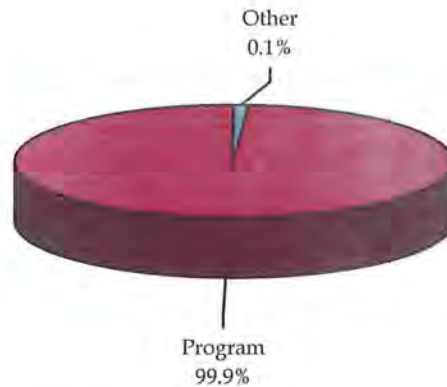
The JPA as a Whole (Concluded)

Governmental Activities

As reported in the Statement of Activities, the cost of all of the JPA's governmental activities this year was \$1.9 million. Program revenues totaled 99.9%. (See Figure 1)

Sources of Revenue for the 2013-2014 Fiscal Year

Figure 1



Expenses for the 2013-2014 Fiscal Year

Figure 2



CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

FINANCIAL ANALYSIS OF THE FUND STATEMENTS

The 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 inflows and outflows of spendable resources. All funds budgeted in excess of actual expenditures are returned at the end of each fiscal year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Table 3
Comparative Schedule of Capital Assets
(net of depreciation)
June 30, 2014 and 2013

| | <u>2014</u> | <u>2013</u> | Difference Increase (Decrease) |
|-------------------------|-------------|-------------|--------------------------------------|
| Machinery and Equipment | \$ 553,541 | \$ 699,238 | \$ (145,697) |

Long-term Debt

During 2013-2014 the JPA paid the final amount due.

Table 4
Comparative Schedule of Outstanding Debt
June 30, 2014 and 2013

| | <u>2014</u> | <u>2013</u> |
|-----------------|-------------|-------------|
| Lake Valley FPD | \$ 0 | \$ 121,663 |

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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, California Tahoe Emergency Services Operations Authority, 2211 Keetak Street, South Lake Tahoe, CA 96150.

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

STATEMENT OF NET POSITION

JUNE 30, 2014

| | Governmental Activities |
|--|----------------------------|
| <u>Assets</u> | |
| Cash (Note 2) | \$ 1,003,887 |
| Prepaid Expenses (Note 1G) | 4,587 |
| Performance Deposit | 50,000 |
| Capital Assets, Net of Depreciation (Note 4) | 553,541 |
| Total Assets | \$ 1,612,015 |
| <u>Liabilities</u> | |
| Accounts Payable and Other Current Liabilities | \$ 247,972 |
| Total Liabilities | \$ 247,972 |
| <u>Net Position</u> | |
| Net Investment in Capital Assets | \$ 553,541 |
| Unrestricted | 810,502 |
| Total Net Position | \$ 1,364,043 |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| | | | Net Revenue and Changes in Net Position |
|--|---------------------|---|---|
| <u>Governmental Activities</u> | <u>Expenses</u> | <u>Operating Grants and Contributions</u> | <u>Governmental Activities</u> |
| Regional Ambulance and Dispatch Services | \$ 1,928,138 | \$ 2,046,920 | \$ 118,782 |
| Total Governmental Activities | <u>\$ 1,928,138</u> | <u>\$ 2,046,920</u> | <u>118,782</u> |
| General Revenues: | | | |
| Interest and Investment Earnings (Expense) | | | <u>2,332</u> |
| Total General Revenues | | | <u>2,332</u> |
| Change (Decrease) in Net Position | | | 121,114 |
| Net Position Beginning | | | <u>1,242,929</u> |
| Net Position Ending | | | <u>\$ 1,364,043</u> |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

BALANCE SHEET - GOVERNMENTAL FUND

JUNE 30, 2014

| | <u>General Fund</u> |
|-------------------------------------|---------------------|
| <u>Assets</u> | |
| Cash (Note 2) | \$ 1,003,887 |
| Prepaid Expenditures (Note 1G) | 4,587 |
| Performance Deposit | <u>50,000</u> |
| Total Assets | <u>\$ 1,058,474</u> |
| <u>Liabilities and Fund Balance</u> | |
| Liabilities: | |
| Accounts Payable | <u>\$ 247,972</u> |
| Total Liabilities | <u>247,972</u> |
| Fund Balance (Note 1G): | |
| Committed | 300,000 |
| Unassigned | <u>510,502</u> |
| Total Fund Balance | <u>810,502</u> |
| Total Liabilities and Fund Balance | <u>\$ 1,058,474</u> |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY
 RECONCILIATION OF THE GOVERNMENTAL FUND
 BALANCE SHEET TO THE STATEMENT OF NET POSITION
 JUNE 30, 2014

| | | |
|---|----|---------|
| Total fund balance - governmental funds | \$ | 810,502 |
|---|----|---------|

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets: In governmental funds, only current assets are reported. In the statement of net position all assets are reported, including capital assets and accumulated depreciation.

| | | | |
|-------------------------------------|----|------------------|----------------|
| Capital assets, at historical cost: | \$ | 1,532,379 | |
| Accumulated depreciation: | | <u>(978,838)</u> | |
| Net: | | | <u>553,541</u> |

| | | |
|--|----|-------------------------|
| Total net position - governmental activities | \$ | <u><u>1,364,043</u></u> |
|--|----|-------------------------|

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| <u>Revenues</u> | <u>General Fund</u> |
|--------------------------------------|--------------------------|
| Contract Service Area #3 Payments | \$ 2,046,920 |
| Interest | <u>2,332</u> |
| Total Revenues | <u>2,049,252</u> |
| | |
| <u>Expenditures</u> | |
| Services and Supplies | 1,891,097 |
| Capital Outlay | <u>13,007</u> |
| Total Expenditures | <u>1,904,104</u> |
| | |
| Excess of Revenues Over Expenditures | 145,148 |
| | |
| Fund Balances - July 1, 2013 | <u>665,354</u> |
| | |
| Fund Balances - June 30, 2014 | <u><u>\$ 810,502</u></u> |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| | | |
|---|----|---------|
| Net change in fund balance - total governmental funds | \$ | 145,148 |
|---|----|---------|

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

| | | | |
|----------------------------------|----|-----------|-----------|
| Expenditures for capital outlay: | \$ | 13,007 | |
| Depreciation expense: | | (158,704) | |
| Net: | | (145,697) | (145,697) |

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

| | |
|--|---------|
| | 121,663 |
|--|---------|

| | | |
|--|----|---------|
| Total change in net position - governmental activities | \$ | 121,114 |
|--|----|---------|

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the JPA conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

A. Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the JPA consists of all funds, departments, boards and agencies that are not legally separate from the JPA. For California Tahoe Emergency Services Operations Authority, this includes the general operations of the JPA. The JPA has considered all potential component units in determining how to define the reporting entity, using criteria set forth in generally accepted accounting principles. The JPA determined that there are no potential component units that meet the criteria for inclusion within the reporting entity.

B. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the JPA and its component units.

The government-wide statements are prepared using the economic resources measurement focus. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Concluded)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the JPA's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The JPA does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the JPA, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the JPA.

Fund Financial Statements:

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current asset and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

Revenues - exchange and non-exchange transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the JPA, "available" means collectible within the current period or within 60 days after year-end.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Concluded)

Non-exchange transactions, in which the JPA receives value without directly giving equal value in return, include grants and entitlements. Under the accrual basis, revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the JPA must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the JPA on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue:

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants received before eligibility requirements are met are recorded as unearned revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as unearned revenue.

Expenses/expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

When both restricted and unrestricted resources are available for use, it is the JPA's policy to use restricted resources first, then unrestricted resources as they are needed. Expenditures incurred in the unrestricted resources shall be reduced first from the committed resources, then from assigned resources and lastly, the unassigned resources.

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting

The accounts of the JPA are organized on the basis of funds. The operations of the fund are accounted for within a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. The JPA's accounts are organized using one fund as follows:

MAJOR GOVERNMENTAL FUND:

1. General Fund is the general operating fund of the JPA. It is used to account for all financial resources.

E. Budgets and Budgetary Accounting

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. The original and final revised are presented for the General Fund as required supplementary information in the financial statements.

F. Estimates

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

G. Assets, Liabilities and Equity

1. Deposits and Investments

The JPA has instructed the County of El Dorado to invest excess funds on deposit in their overall pooling of investments. The county pools these funds with those of other local agencies in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited monthly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Assets, Liabilities and Equity (Continued)

1. Deposits and Investments (Concluded)

Investments Valuation - In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. However, the JPA's financial statements do not reflect the fair value of investments as the differences between total investment cost and fair value has been determined to be immaterial.

The County is authorized to deposit cash and invest excess funds by California *Government Code* Section 53648 et seq. The funds maintained by the county either are secured by federal depository insurance or are collateralized.

Deposits and Investment Risk Disclosures - In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures (Amendment of GASB No. 3)*, certain disclosure requirements, if applicable, for Deposits and Investment Risks are specified in the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial
 - Concentrations of Credit Risk
- Foreign Currency Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

2. Prepaid Expenditures

Prepaid expenditures (expenses) 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.

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Assets, Liabilities and Equity (Continued)

3. Capital Assets

Capital assets purchased or acquired with an original cost of \$500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over an estimated useful life of 5 to 10 years depending on the asset class.

4. Unearned Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures.

5. Net Position

In the government-wide financial statements, net position is classified in the following categories:

Net Investment in Capital Assets - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition of the assets.

Restricted Net Position - This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Position - This amount is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

6. Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the JPA's policy is to apply restricted net position first.

7. Fund Equity

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned, based primarily on the extent to which the JPA is bound to honor constraints on how specific amounts are to be spent:

Nonspendable Fund Balance - Includes the portions of fund balance not appropriable for expenditures.

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Assets, Liabilities and Equity (Concluded)

7. Fund Equity (Concluded)

Restricted Fund Balance - Includes amounts subject to externally imposed and legally enforceable constraints.

Committed Fund Balance - Includes amounts subject to JPA constraints self-imposed by formal action of the JPA Governing Board.

Assigned Fund Balance - Includes amounts the JPA intends to use for a specific purpose. Assignments may be established by the JPA Governing Board with the recommendation of the Executive Director.

Unassigned Fund Balance - Includes the residual balance that has not been assigned to other funds and is not restricted, committed, or assigned to specific purposes.

Fund Balances

The JPA's fund balance at June 30, 2014 consisted of the following:

| | <u>Total</u> |
|------------------------|-------------------|
| Committed for | |
| Ambulance replacements | \$ 300,000 |
| Unassigned | <u>510,502</u> |
| Total Fund Balance | <u>\$ 810,502</u> |

Fund Balance Policy

The JPA does not have a formal fund balance policy.

H. Impact of Recently Issued Accounting Principles

The GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities* in March, 2013. GASB 65 was intended to compliment Statement No. 63 by identifying items previously reported as assets and liabilities that should be classified as deferred outflows or deferred inflows going forward. The JPA was required to implement the Statement 65 in 2013-2014. The adoption of GASB 65 does not have any impact on the JPA's financial statements.

The GASB issued Statement 68, *Accounting and Financial Reporting for Pensions* in June 2012 to amend Statements 27 and 50 and improve accounting and financial reporting by state and local governments for pensions. The Statement details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan. The Statement is effective beginning in fiscal year 2014-2015.

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

H. Impact of Recently Issued Accounting Principles (Concluded)

The GASB issued Statement 69, *Government Combinations and Disposals of Government Operations* in January 2013 to provide guidance for reporting mergers, acquisitions, transfers of operations, and disposals of government operations. The Statement is effective beginning in fiscal year 2014-2015.

The GASB issued Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* in April 2013 to improve accounting and financial reporting by governments that extend and receive nonexchange financial guarantees. The Statement is effective beginning in fiscal year 2013-2014. The JPA does not have nonexchange financial guarantees and therefore the adoption of GASB 70 does not have any impact on the JPA's financial statements.

The GASB issued Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* which amends Statement 68 by requiring that, at transition, a government should recognize a beginning deferred outflow of resources for its pension contributions made after the measurement date of the beginning net pension liability. The Statement is effective beginning in fiscal year 2014-2015.

NOTE 2 - CASH

A. Summary of Cash

The JPA had the following cash at June 30, 2014:

| | Fair Value | Carrying Amount | Credit Quality Rating |
|-------------------------|---------------------|---------------------|--------------------------|
| Cash in County Treasury | \$ 629,815 | \$ 630,754 | Not Rated |
| Money Market Account | 373,133 | 373,133 | Not Rated |
| Total Cash | <u>\$ 1,002,948</u> | <u>\$ 1,003,887</u> | |

B. Cash in County Treasury

The JPA maintains all operating cash with the County Treasury as an involuntary participant of a common investment pool, which totaled \$411,998,957 on June 30, 2014. The fair market value of this pool as of that date, as provided by the pool sponsor, was \$411,942,612. Interest is deposited into participating funds. The balance available for withdrawal is based on the accounting records maintained by the county treasurer, which is recorded on the amortized cost basis.

C. Cash in Commercial Banks

The JPA also maintains cash in an interest bearing money market account. This account is insured by the Federal Deposit Insurance Corporation to the amount of \$250,000. As of June 30, 2014, the carrying amount of the JPA's accounts was \$373,113, of which \$123,113 was not insured.

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 2 - CASH (CONCLUDED)

C. Risk Disclosures (Concluded)

GASB Statement No. 40 requires a determination as to whether the JPA was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures.

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 and having the pool purchase a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

At June 30, 2014 the JPA had the following investment maturities:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Investment Maturities (In Years)</u> | | |
|------------------------|-------------------|---|-------------------|--------------------|
| | | <u>Less than 1</u> | <u>1 to 2</u> | <u>More than 2</u> |
| County Treasury | <u>\$629,815</u> | <u>\$ 388,281</u> | <u>\$ 211,492</u> | <u>\$ 30,042</u> |

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the JPA was not exposed to credit risk.

Custodial Credit Risk - Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the JPA's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the JPA's name. At year end, the JPA was not exposed to custodial credit risk.

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.

Foreign Currency Risk - This is the risk that exchange rate will adversely affect the fair value of an investment. At year end, the JPA was not exposed to foreign currency risk.

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 3 - ACCOUNTS RECEIVABLE

As of June 30, 2014 the JPA had no accounts receivables.

NOTE 4 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2014, is shown below:

| | Balance July 01, 2013 | Additions | Deductions | Balance June 30, 2014 |
|--|--------------------------|---------------------|-------------|--------------------------|
| Capital assets being depreciated: | | | | |
| Equipment | \$ 1,519,372 | \$ 13,007 | | \$ 1,532,379 |
| Total capital assets, being depreciated | <u>1,519,372</u> | <u>13,007</u> | <u>0</u> | <u>1,532,379</u> |
| Less accumulated depreciation for: | | | | |
| Equipment | 820,134 | 158,704 | | 978,838 |
| Total accumulated depreciation | <u>820,134</u> | <u>158,704</u> | <u>0</u> | <u>978,838</u> |
| Total capital assets, being depreciated, net | <u>699,238</u> | <u>(145,697)</u> | <u>0</u> | <u>553,541</u> |
| Governmental activities capital assets, net | <u>\$ 699,238</u> | <u>\$ (145,697)</u> | <u>\$ 0</u> | <u>\$ 553,541</u> |

Depreciation expense was charged to Regional Ambulance and Dispatch Services on the Statement of Activities.

NOTE 5 - LONG-TERM DEBT

Notes payable at June 30, 2014 consist of the following:

| | Balance July 1, 2013 | Additions | Deductions | Balance June 30, 2014 |
|-----------------|-------------------------|-------------|-------------------|--------------------------|
| Lake Valley FPD | <u>\$ 121,663</u> | <u>\$ 0</u> | <u>\$ 121,663</u> | <u>\$ 0</u> |

In 2012, the Board of Directors approved debt to Lake Valley FPD for past years undercharge to the JPA in the amount of \$243,326. The final payment on this liability was paid during 2013-2014.

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 6 - COMMITMENTS AND CONTINGENCIES

A. Litigation

The JPA may become involved in litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the JPA at June 30, 2014.

B. El Dorado County Contract

El Dorado County has contracted with the JPA to provide full service emergency and non-emergency pre-hospital advanced life support services, dispatch services, and non-emergency transports for the area known in El Dorado County as CSA No. 3 South Shore area, except for the Tahoe West Shore Zone of Benefit. Under the terms of this agreement, the JPA receives a set amount per month, which is adjusted annually for volume changes and the consumer price index.

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

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

NOTE 7 - RISK MANAGEMENT

Property and Liability

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, 2014, the JPA contracted with American Alternative Insurance Corporation for property, liability, auto and theft insurance coverage. Settled claims have not exceeded this commercial coverage in the last year.

NOTE 8 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 21, 2015, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION SECTION

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET (GAAP) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

| | Budget | Final (GAAP Basis) | Variance Positive (Negative) |
|--------------------------------------|-------------------|-----------------------|------------------------------------|
| <u>Revenues</u> | | | |
| Contract Payments | \$ 2,180,000 | \$ 2,046,920 | \$ (133,080) |
| Interest Income | | 2,332 | 2,332 |
| Total Revenues | <u>2,180,000</u> | <u>2,049,252</u> | <u>(130,748)</u> |
| <u>Expenditures</u> | | | |
| Telephone/Radio | 3,600 | 11,844 | (8,244) |
| Professional Fees/Contracts | 1,426,378 | 1,555,833 | (129,455) |
| Insurance | 15,000 | 13,589 | 1,411 |
| Maintenance | 6,500 | 22,571 | (16,071) |
| Supplies | 122,000 | 115,884 | 6,116 |
| Contingency | 12,000 | | 12,000 |
| Dispatch Contract | 95,000 | | 95,000 |
| Equipment | 7,200 | | 7,200 |
| Education | 9,500 | 192 | 9,308 |
| Travel/Transportation | 37,000 | 49,521 | (12,521) |
| Total Services and Supplies | <u>1,734,178</u> | <u>1,769,434</u> | <u>(35,256)</u> |
| Fixed Asset - Equipment | 184,000 | 13,007 | 170,993 |
| Loan Payment - Principal | 120,000 | 121,663 | (1,663) |
| Total Expenditures | <u>2,038,178</u> | <u>1,904,104</u> | <u>134,074</u> |
| Excess of Revenues Over Expenditures | <u>\$ 141,822</u> | <u>\$ 145,148</u> | <u>\$ 3,326</u> |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1 - PURPOSE OF SCHEDULE

Budgetary Comparison Schedule

The JPA employs budget control by account code. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budget is reviewed during the year by the JPA Governing Board to provide for revised priorities. The final revised budget for the General Fund is presented as Required Supplementary Information.

SUPPLEMENTARY INFORMATION SECTION

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

SOUTH LAKE TAHOE, CALIFORNIA

JUNE 30, 2014

ORGANIZATION

The California Tahoe Emergency Services Operations Authority (JPA) is administered through a Board of Directors that is represented by two members for each of the member agencies. In addition the Fire Chief of each agency is also involved on the Board. The Executive Director of the JPA is selected by the Board and is retained under contract to provide operational oversight of financial operations, contract negotiations and compliance in collaboration with the Fire Chiefs and member agencies.

BOARD OF DIRECTORS

| <u>Name</u> | <u>Office</u> | <u>Term Expires</u> |
|--------------------|---------------|---------------------|
| Robert Bettencourt | Chair | December 2014 |
| Dave Huber | Member | December 2014 |
| Angela Swanson | Member | December 2014 |
| Jo Ann Conner | Member | December 2016 |

ADMINISTRATION

Ryan Wagoner
Executive Director

Jeff Mestor
Fire Chief
South Lake Tahoe Fire Department

Gareth Harris
Fire Chief
Lake Valley Fire Department

OTHER INDEPENDENT AUDITORS REPORTS SECTION

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, each major fund, and the aggregate remaining fund information of California Tahoe Emergency Services Operations Authority, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise California Tahoe Emergency Services Operations Authority's basic financial statements and have issued our report thereon dated September 21, 2015, which included an unmodified opinion on the each major fund and the aggregate remaining fund information. Our opinion was qualified for the amounts reported for governmental activities capital assets, net of depreciation on the Statement of Net Position.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered California Tahoe Emergency Services Operations Authority'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 California Tahoe Emergency Services Operations Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of California Tahoe Emergency Services Operations Authority's internal control.

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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described as 2014-001, 2014-002, 2014-003 and 2014-004 in the accompanying schedule of findings and responses to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether California Tahoe Emergency Services Operations Authority'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*.

California Tahoe Emergency Services Operations Authority's Responses to Findings

California Tahoe Emergency Services Operations Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. California Tahoe Emergency Services Operations Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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.


GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
Certified Public Accountants

September 21, 2015

FINDINGS AND RESPONSES SECTION

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

2014 - 001 - CAPITAL ASSET INVENTORY

Criteria: The JPA's policy is to record assets purchased or acquired with an original cost of \$500 or more as capital assets. All additions and deletions should be included in the capital asset listing timely. All depreciable capital assets should be depreciated on the straight-line basis over an estimated useful life.

Statement of Condition: During our audit of capital assets, we determined the capital assets valuation has not been properly reconciled for several years and has not matched the JPA's audited valuation. The listing of capital assets has not been updated completely for all additions, deletions and depreciation for several years.

Cause: The JPA has not been following its policy for recording capital assets and updating the listing in an accurate and timely manner.

Effect or Potential Effect: Lack of complete and current listings of all capital assets will lead to inaccurate capital asset records and potential loss of management control over JPA assets.

Questioned Costs: The JPA has reported fixed assets of \$1.5 million and accumulated depreciation of \$978 thousand.

Recommendation: We recommend the following:

1. The JPA should maintain current capital asset inventory records, updated throughout the year by including additions and eliminating disposed items.
2. The capital asset records should summarize equipment placed into service at the end of each year. An annual physical inventory should be completed to ensure all listed items are properly accounted for.

JPA Response: The JPA will adopt a policy to update the capital asset inventory records annually at the time of the JPA audit per recommendation.

2014 - 002 - INTERNAL CONTROL - CASH DISBURSEMENTS

Criteria: Sound accounting practices require appropriate internal controls be in place including:

1. The use of purchase orders as a management tool to document prior approval and encumbrance of JPA expenditures.
2. Supporting documentation for purchases and cash disbursements with proper authorization for expenditures and appropriate evidence that supports services and supplies purchased by the JPA have been received, counted and inspected by a JPA employee to ensure it is suitable for JPA use.

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

2014 - 002 - INTERNAL CONTROL - CASH DISBURSEMENTS (CONTINUED)

Criteria (Concluded):

3. Adequate segregation of duties so that no one employee or group of employees are in a position to both perpetrate and conceal errors or irregularities in the normal course of their duties. The principal incompatible duties to be segregated are: authorization, custody of assets and recording or reporting of transactions.

Statement of Condition: During our testing of internal controls for purchase and cash disbursements we found the following:

1. Purchase orders were not issued for purchases made by the JPA.
2. We selected 25 payments for testing and noted that 11 lacked proper support.
3. The Executive Officer is able to approve his own invoice to the JPA.
4. The JPA regularly makes purchases without any review from the Board.

Cause: The JPA does not have formal policies and procedures that ensure appropriate internal controls are being followed.

Effect or Potential Effect: Circumventing internal controls over purchases and cash disbursements increases the risk of an inappropriate expenditure occurring and not being detected by employees performing their regular duties.

Questioned Costs: No cost are questioned.

Recommendation: To improve internal and budgetary controls, we recommend the JPA develop written procedures for the processing of purchases and cash disbursements. The written procedures should include:

1. All JPA expenditures be supported by a completed purchase order prepared and approved in advance of the purchase. Before the purchase is approved, the budget should be reviewed for availability of funds and then the expenditure should be encumbered.
2. All documents including purchase orders, invoices, receiving records, etc. that are accumulated to support each payment be retained in an orderly manner and available for inspection as verification that JPA expenditures are appropriate.
3. A Board Member should review and approve the invoice for the Executive Directors outside services rendered.
4. The Board should review and approve purchases made by the JPA at each meeting.

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

2014 - 002 - INTERNAL CONTROL - CASH DISBURSEMENTS (CONCLUDED)

JPA Response: The Board of Directors approved the implementation of Policy and Procedures (P&P) Manual on April 13, 2015. The P&P identifies a logistics officer who shall be responsible for purchasing supplies in accordance with the county and department inventory requirements. Due to the emergent nature of medical supply needs, it is not practical to have all medical supply orders authorized by the Executive Director (ED) on a daily basis, as orders are placed per the logistics officer's recommendation. The ED shall review supply costs on a monthly basis while reviewing the budget. The JPA board will review adding the auditor recommendation to the JPA P&P regarding having board members review and approve purchases made by the JPA at each meeting. The contract for the Executive Director states both Fire Chiefs will approve the ED monthly invoice, and this policy has been implemented.

2014 - 003 - INTERNAL CONTROL - CASH RECEIPTS

Criteria: Sound accounting policies require supporting documentation for cash receipts, and accurate receipts given for funds received.

Statement of Condition: During our testing of cash receipts we noted that the majority of receipts had no documentation or support other than the deposit log submitted to the County. The cash receipts book was found to be an unreliable documentation source. The JPA does not prepare a receipt or maintain a receipt log to document amounts received in the mail.

Cause: The JPA did not retain any back up documentation for deposits made.

Effect or Potential Effect: Without supporting documentation, it is impossible to verify that all cash and checks are deposited into the County Treasury or entered to the correct general ledger account. This lack of internal control limits management's control over cash received and facilitates an environment where misappropriation of assets may go undetected.

Questioned Costs: No cost are questioned

Recommendation: We recommend the JPA retain supporting documentation for all amounts deposited. This documentation should include an accurate receipt prepared for all receipts prepared by someone other than the person that processes receipts for deposit. All supporting documentation should be attached to the related deposit permit to provide an adequate audit trail.

JPA Response: As of the audit, the JPA will no longer accept any deposits. The El Dorado County billing department will invoice all special event stand-by billing per the JPA contract. This will eliminate the collection of any cash or check receipts.

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

2014 - 004 - FINANCIAL POLICIES

Criteria: Sound accounting policies require management to adopt and monitor financial procedures and policies to be adhered to by the organization.

Statement of Condition: Management has not adopted operating procedures governing how the organization is to operate.

Cause: As of this audit report, no policies have been adopted by management.

Effect or Potential Effect: The lack of formal financial procedures and policies has led to an environment where no standard procedures are being followed which limits Board guidance and oversight.

Questioned Costs: None

Recommendation: We recommend the Board adopt formal operating policies.

JPA Response: The Board of Directors approved the implementation of Policy and Procedures (P & P) Manual on April 13, 2015.

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

The fiscal year 2012-2013 audit did not report findings and recommendations. A separate report was issued to management and described three (3) observations and recommendations.