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**EMERGENCY MEDICAL
SERVICES AGENCY**

CALIFORNIA TAHOE

EMERGENCY SERVICES OPERATIONS AUTHORITY

FINANCIAL STATEMENTS

AND INDEPENDENT AUDITOR'S REPORT

for the year ended June 30, 2006

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:	
Statement of Revenues and Expenses- Compared to Budget	13-14

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An Accountancy Corporation
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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, 2006, 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. The financial statements of California Tahoe Emergency Services Operations Authority as of June 30, 2005 were audited by other auditors whose report dated August 24, 2005 expressed an unqualified opinion.

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, 2006 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 Accountant Corporation

Citrus Heights, California
January 6, 2010

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY
BALANCE SHEET
June 30, 2006

ASSETS

Current assets:		
Cash and cash equivalents (Note 3)		\$ 884,426
Receivables:		
Contract	\$ 104,509	
IFT, net of allowance for bad debts of \$115,807	<u>300,397</u>	404,906
Prepaid expenses		2,499
Performance deposit		<u>50,000</u>
Total current assets		1,341,831
Capital assets, at cost (Notes 4 and 5):	\$ 503,564	
Less, accumulated depreciation	<u>397,991</u>	
		<u>105,573</u>
		<u>\$1,447,404</u>

LIABILITIES

Current liabilities:		
Capital lease obligations – current (Note 5)		\$ 106,760
Accounts payable		479,619
Accrued interest payable		<u>4,697</u>
Total current liabilities		591,076
Capital lease obligation – long-term (Note 5)		50,429

NET ASSETS

Invested in capital assets, net of related debt (deficit)	(51,616)	
Unrestricted (Note 8)	<u>857,515</u>	
		<u>805,899</u>
		<u>\$1,447,404</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, 2006

Operating revenues:		
Contract payments		\$1,290,261
IFT revenues (net of contractual allowances)		497,122
Other		<u>300</u>
Total operating revenues		1,787,683
Operating expenses:		
Personnel costs	\$ 928,317	
Services and supplies	665,563	
Debt service interest	8,993	
Depreciation	<u>100,725</u>	
Total operating expenses		<u>1,703,598</u>
Operating income		84,085
Interest income		<u>614</u>
Increase in net assets		84,699
Total net assets:		
Beginning		<u>721,200</u>
Ending		<u>\$ 805,899</u>

See notes to financial statements

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY
STATEMENT OF CASH FLOWS
for the year ended June 30, 2006

Cash flows from operating activities:		
Cash received from clients and others		\$1,777,094
Cash paid to suppliers for goods and services		<u>(1,356,303)</u>
Net cash provided by operating activities		420,791
Cash flows provided by investing activities:		
Interest income		614
Cash flows from capital and related financing activities:		
Principal payments on capital lease		<u>(101,780)</u>
Net increase in cash and cash equivalents		319,625
Cash and cash equivalents:		
Beginning of year		<u>564,801</u>
End of year		<u>\$ 884,426</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income		\$ 84,085
Adjustments to reconcile operating income (loss) to cash provided by operating activities:		
Depreciation	\$ 100,725	
Changes in operating assets and liabilities:		
Receivables	(10,589)	
Prepays	708	
Payables	<u>245,862</u>	<u>336,706</u>
Net cash provided by operating activities		<u>\$ 420,791</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"), the Lake Valley Fire Protection District ("Lake Valley"), and the North Tahoe Fire Protection District ("North Tahoe"). North Tahoe ceased participation in the Authority on June 30, 2006.

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 three 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 Accounting Standards Board (FASB) pronouncements 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 TAIHOE EMERGENCY SERVICES OPERATIONS AUTHORITY
NOTES TO FINANCIAL STATEMENTS, continued

2. Summary of Significant Accounting Policies, continued:

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.

3. Cash:

At year-end the carrying amount of the Authority's deposits was \$884,426 and the checking account balance was \$952,217.

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

4. Capital Assets:

Changes in capital assets for the year ended June 30, 2006 are as follows:

	<u>Balance June 30, 2005</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2006</u>
Ambulances	\$ 420,219	\$ -	\$ -	\$ 420,219
Other equipment	<u>83,345</u>	<u>-</u>	<u>-</u>	<u>83,345</u>
	<u>\$ 503,564</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 503,564</u>

5. Long-term Liabilities:

The Authority has entered into two capital leases for the purchase of four ambulances. The following is a summary of long-term liabilities for year ended June 30, 2006:

	<u>Balance June 30, 2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2006</u>	<u>Current Portion</u>
Lease #1	\$ 162,432	\$ -	\$ 79,242	\$ 83,190	\$ 83,190
Lease #2	<u>96,537</u>	<u>-</u>	<u>22,538</u>	<u>73,999</u>	<u>23,570</u>
	<u>\$ 258,969</u>	<u>\$ -</u>	<u>\$ 101,780</u>	<u>\$ 157,189</u>	<u>\$ 106,760</u>

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

5. Long-term Liabilities, continued:

Lease #1

The Authority has entered into capital leases which covers the purchase of three ambulances. The schedule of required payments due in subsequent years for the leases is as follows:

<u>Payment Date</u>	<u>Payment Amount</u>	<u>Principal Portion</u>	<u>Interest Portion</u>
9-1-06	\$ <u>87,336</u>	\$ <u>83,190</u>	\$ <u>4,146</u>

The underlying cost of the ambulances is \$308,621.

Lease #2

In order to purchase a fourth ambulance, on July 14, 2004, the Authority entered into an additional lease. The schedule of required payments due in subsequent years for the lease is as follows:

<u>Payment Date</u>	<u>Payment Amount</u>	<u>Principal Portion</u>	<u>Interest Portion</u>
03/01/07	\$ 26,959	\$ 23,570	\$ 3,389
03/01/08	26,959	24,650	2,309
09/01/09	<u>26,959</u>	<u>25,779</u>	<u>1,180</u>
	\$ <u>80,877</u>	\$ <u>73,999</u>	\$ <u>6,878</u>

The underlying cost of the ambulance is \$111,598.

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

6. 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. The Authority may earn up to five contract extensions up to one each year.

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.

7. 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 2006, the Authority purchased certain commercial insurance coverages to provide for these risks.

8. Net Assets:

Unrestricted:

Board designated – equipment replacement reserve	\$ 254,812
Undesignated	<u>602,703</u>
	<u>\$ 857,515</u>

SUPPLEMENTAL INFORMATION

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY
STATEMENT OF REVENUES AND EXPENSES
COMPARED TO BUDGET
for the year ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable) <u>Variance</u>
Revenues:			
Contract payments	\$1,254,108	\$1,290,261	\$ 36,153
IFT revenues	670,000	688,300	18,300
Extra work	2,000	-	(2,000)
Less – contractual allowance	(140,700)	(191,178)	(50,478)
Interest income	300	614	314
Other	<u>-</u>	<u>300</u>	<u>300</u>
 Total revenues	 <u>1,785,708</u>	 <u>1,788,297</u>	 <u>2,589</u>
 Expenses:			
Personnel:			
SLT personnel	607,055	557,523	49,532
SLT overtime	70,000	32,759	37,241
Lake Valley personnel	305,137	291,571	13,566
Lake Valley overtime	<u>40,000</u>	<u>46,464</u>	<u>(6,464)</u>
 Total personnel	 <u>1,022,192</u>	 <u>928,317</u>	 <u>93,875</u>
 Other operating:			
Bad debt (9% of IFT)	60,300	67,819	(7,519)
Bill charge fee	32,830	26,735	6,095
PPE	9,000	3,037	5,963
Radios	-	-	-
Pagers	400	343	57
Cell phones	300	348	(48)
Computer software	-	-	-
Ambulance equipment	2,500	1,755	745
Household expenses	-	-	-
Liability insurance	16,900	9,621	7,279
Memberships	-	-	-
Office	480	65	415
Penalties	3,000	-	3,000

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY
STATEMENT OF REVENUES AND EXPENSES, continued
COMPARED TO BUDGET
for the year ended June 30, 2006

	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable) <u>Variance</u>
Other operating, continued:			
Attorney	\$ 5,000	\$ 95	\$ 4,905
Audit	-	-	-
Directors expense	-	-	-
Consultant	-	-	-
Physicals	6,800	-	6,800
Dispatch contract	66,927	68,008	(1,081)
Administration contract	73,033	82,421	(9,388)
Medical supplies	50,000	49,138	862
Equipment maintenance	3,500	2,538	962
Training and certifications	8,000	410	7,590
Travel	3,600	201	3,399
Contingency	5,000	850	4,150
Clinical upgrades	1,500	-	1,500
Ambulance #2023	6,000	5,783	217
Ambulance #8116	6,000	2,328	3,672
Ambulance #2024	6,000	6,062	(62)
Ambulance #8489	6,000	4,002	1,998
Ambulance rental	4,000	2,580	1,420
Fuel	18,000	24,167	(6,167)
SLT IFT reimb.	130,000	165,622	(35,622)
LVFD IFT reimb.	130,000	98,604	31,396
NTFD IFT reimb.	50,000	43,031	6,969
Depreciation	100,000	100,725	(725)
Debt service	<u>12,514</u>	<u>8,993</u>	<u>3,521</u>
Total other operation	<u>817,584</u>	<u>775,281</u>	<u>42,303</u>
Total expenses	<u>1,839,776</u>	<u>1,703,598</u>	<u>136,178</u>
Excess revenues (expenses)	\$(54,068)	\$ 84,699	\$ 138,767