

**CALIFORNIA TAHOE
EMERGENCY SERVICES OPERATIONS AUTHORITY**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
for the year ended June 30, 2013**

ROBERT W. JOHNSON
Certified Public Accountant

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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, 2013, as listed in the table of contents, and the related notes to the financial statements.

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 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 and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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, 2013, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and State Regulations governing Special Districts.

Basis of Accounting

The District changed its financial statement presentation from enterprise to governmental basis presentation. The change in presentation is to reflect the change in revenue source from billed services to contract stipend. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the 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
November 18, 2013

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET
June 30, 2013

ASSETS	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Cash (Note 3)	\$ 1,007,469	\$ -	\$ 1,007,469
Receivable	25	-	25
Prepays	4,415	-	4,415
Performance deposit	50,000	-	50,000
Capital assets (Note 4)	-	1,519,372	1,519,372
Less, accumulated depreciation	<u>-</u>	<u>(820,134)</u>	<u>(820,134)</u>
Total assets	<u>\$ 1,061,909</u>	<u>\$ 699,238</u>	<u>\$ 1,761,147</u>
LIABILITIES			
Accounts payable	\$ 396,555	\$ -	\$ 396,555
Long-term debt (Note 5)	<u>-</u>	<u>121,663</u>	<u>121,663</u>
Total liabilities	<u>396,555</u>	<u>121,663</u>	<u>518,218</u>
FUND BALANCES/NET POSITION			
Fund balances (Note 8):			
Restricted	-	-	-
Committed	300,000	(300,000)	-
Unassigned	<u>365,354</u>	<u>(365,354)</u>	<u>-</u>
Total fund balances	<u>665,354</u>	<u>(665,354)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 1,061,909</u>		
Net position (Note 8):			
Net investment in capital assets		577,575	577,575
Restricted		-	-
Unrestricted		<u>665,354</u>	<u>665,354</u>
Total net position		<u>\$ 1,242,929</u>	<u>\$ 1,242,929</u>

See notes to financial statements

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
for the year ended June 30, 2013

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Program expenditures/expenses:			
Public protection	\$1,922,333	\$ -	\$1,922,333
Capital outlay	589,135	(589,135)	-
Loan payment – principal	121,663	(121,663)	-
Depreciation	<u>-</u>	<u>107,874</u>	<u>107,874</u>
Total program expenditures/expenses	<u>2,633,131</u>	<u>(602,924)</u>	<u>2,030,207</u>
General revenues:			
Contract payments	2,053,041	-	2,053,041
Interest	1,144	-	1,144
Other	<u>90,374</u>	<u>-</u>	<u>90,374</u>
Total general revenues	<u>2,144,559</u>	<u>-</u>	<u>2,144,559</u>
Excess of revenues (expenditures)/ changes in net position	(488,572)	602,924	114,352
Fund balances/net position:			
Beginning	<u>1,153,926</u>	<u>(25,349)</u>	<u>1,128,577</u>
Ending	<u>\$ 665,354</u>	<u>\$ 577,575</u>	<u>\$1,242,929</u>

See notes to financial statements

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY
STATEMENT OF REVENUES AND EXPENDITURES
COMPARED TO BUDGET
for the year ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Favorable/ (Unfavorable) Variance</u>
Revenues:			
Contract payments	\$1,998,000	\$2,053,041	\$ 55,041
Interest income	800	1,144	344
Other	<u>58,000</u>	<u>90,374</u>	<u>32,374</u>
Total revenues	<u>2,056,800</u>	<u>2,144,559</u>	<u>87,759</u>
Expenditures:			
Personnel:			
Personnel	1,151,884	1,171,138	(19,254)
Overtime	110,000	111,731	(1,731)
Special services	<u>339,816</u>	<u>332,881</u>	<u>6,935</u>
Total personnel	<u>1,601,700</u>	<u>1,615,750</u>	<u>(14,050)</u>
Other operating:			
Dispatch	93,000	90,000	3,000
Cell phones	3,600	9,271	(5,671)
Insurance	15,000	13,166	1,834
Equipment maint.	31,000	27,661	3,339
Medical supplies	90,000	109,678	(19,678)
Office	-	491	(491)
Professional services	-	12,303	(12,303)
Fuel	37,000	44,013	(7,013)
Capital outlay	613,700	589,135	24,565
Loan payment – principal	-	121,663	(121,663)
Contingency	<u>12,000</u>	<u>-</u>	<u>12,000</u>
Total operating	<u>895,300</u>	<u>1,017,381</u>	<u>(122,081)</u>
Total expenditures	<u>2,497,000</u>	<u>2,633,131</u>	<u>(136,131)</u>
Excess of revenues/ (expenditures)	<u>\$ (440,200)</u>	<u>\$ (488,572)</u>	<u>\$ (48,372)</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 "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.

2. Summary of Significant Accounting Policies:

The financial statements of the JPA have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing GAAP for state and local government organizations. The JPA's significant accounting policies are described below.

Measurement Focus and Basis of Accounting

The JPA reports a *General Fund* that is used to account for all financial resources except those required or designated by the Board of Directors to be accounted for in another fund.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Non-exchange transactions, in which the JPA gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

2. Summary of Significant Accounting Policies, continued:

Measurement Focus and Basis of Accounting, continued

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The JPA considers revenues to be available if they are collectible in the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues that are accrued include property taxes, interest income, and charges for current services. Revenues that are not accrued include permits and fines, forfeitures, and penalties, if applicable. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. General capital assets are reported as expenditures in governmental funds. Proceeds of general long-term and capital assets are reported as other financing sources.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Cash and Investments

The JPA maintains cash balances with the Treasurer of El Dorado County in an interest-bearing pooled investment account.

The JPA also maintains cash with a bank interest bearing money market account. This cash is collateralized by both the Federal Deposit Insurance Corporation and securities held by the pledging financial institution.

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

2. Summary of Significant Accounting Policies, continued:

Capital Assets

Capital assets are recorded at historical cost if purchased or constructed. Amortization of assets acquired under capital lease is included in depreciation. Ambulances and equipment are depreciated using the straight-line method over their estimated useful lives.

Budgets

In accordance with the provisions of Sections 13901 through 13906 of the California Health & Safety Code and other statutory provisions, commonly known as the Budget Act, the District prepares and legally adopts a final balanced budget for each fiscal year.

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 expenditures 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 JPA's deposits was \$1,007,469 and the account balances were \$1,007,469.

Cash consists of:

Cash with County	\$ 635,081
Money market	<u>372,388</u>
	<u>\$1,007,469</u>

4. Capital Assets:

Changes in capital assets for the year ended June 30, 2013 are as follows:

	Balance June 30, <u>2012</u>	<u>Additions</u>	<u>Disposals</u>	Balance June 30, <u>2013</u>
Ambulances	\$ 657,818	\$ 437,587	\$ -	\$1,095,405
Other equipment	<u>272,419</u>	<u>151,548</u>	<u>-</u>	<u>423,967</u>
	<u>\$ 930,237</u>	<u>\$ 589,135</u>	<u>\$ -</u>	<u>\$1,519,372</u>

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

5. Long-Term Debt:

Long-term debt activities for the year ended June 30, 2013 are as follows:

	<u>2012</u>	<u>New Debt Issued</u>	<u>Debt Retired</u>	<u>2013</u>	<u>Current Portion</u>
Lake Valley					
FPD	\$ <u>243,326</u>	\$ <u>-</u>	\$ <u>121,663</u>	\$ <u>121,663</u>	\$ <u>121,663</u>

In 2012, the Board of Directors approved a debt to Lake Valley FPD for past years' undercharge to the JPA in the amount of \$243,326. This debt is non-interest bearing and matures as follows:

2013	\$ <u>121,663</u>
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6. 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).

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

7. Risk of Loss:

The JPA is exposed to various risks of loss related to theft of, damage to, and destruction of assets; and injuries to employees. During 2013, the JPA purchased certain commercial insurance coverages to provide for these risks.

8. Equity:

General fund:

Total fund balances consists of:

Restricted for:

\$ -

Committed for:

 Equipment replacement

300,000

Unassigned:

365,354

\$ 665,354

Statement of Net Position:

Total net position consists of:

Net investment in capital assets

\$ 577,575

Unrestricted:

 Board designated:

 Equipment replacement

\$300,000

 Undesignated (deficit):

365,354

665,354

\$ 1,242,929

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

9. Subsequent Events:

Management has evaluated subsequent events through November 18, 2013, the date these June 30, 2013 financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY
PRINCIPAL OFFICIALS

Board of Directors:

Robert Bettencourt

Chairperson

Dave Huber

Vice Chairperson

Angela Swanson

Director

JoAnn Conner

Director

Management:

Anthony Gasporra

Executive Director

Wayne M. Creel

Deputy Executive Director

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY
STATEMENT OF CASH FLOWS
for the year ended June 30, 2013

Cash flows from operating activities:

Change in net position (net loss)		\$ 114,352
Adjustments to reconcile change in net position to net cash provided by operating activities		
Depreciation		107,874
(Increase) decrease in:		
Receivables	\$ 205,760	
Prepaid expense	(360)	
(Decrease) increase in:		
Accounts payable	<u>(129,389)</u>	
		<u>76,011</u>
Net cash provided by operating activities		298,237
Cash flows from investing activities:		
Purchase of equipment		(589,135)
Cash flows from financing activities:		
Principal payment of long-term debt		<u>(121,663)</u>
Net decrease in cash		(412,561)
Cash at beginning of year		<u>1,420,030</u>
Cash at end of year		<u>\$ 1,007,469</u>

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**CALIFORNIA TAHOE EMERGENCY SERVICES
OPERATIONS AUTHORITY**

**REPORT ON ACCOUNTING CONTROLS
AND PROCEDURES**

June 30, 2013

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 18, 2013

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, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the State Controller's Minimum Audit Requirements for California Special Districts.

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, 2013, 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. Overview:

In 2012 and 2013 the JPA had a number of operating/financial changes:

- on June 30, 2012 Bryan Pond, Executive Director resigned; for 2012-13 JPA management consisted of Anthony Gasporra, Executive Director and Wayne Creel, Deputy Executive Director.
- on September 1, 2011 the service contract with El Dorado County was amended to provide for IFT (non-emergency transports) to revert to the County and the JPA then received an increase in the lump-sum contract to compensate for the loss (in 2012 monthly contract revenue increased from \$129,264 to \$166,500).
- in 2012 the JPA signed new agreements (2) with the member agencies for annual compensation. Formerly, the JPA had been billed monthly by Lake Valley FPD, and City of South Lake Tahoe on the basis of actual personnel cost. Effective July 1, 2012 the District and City were paid a standard monthly amount based on the member agency respective budgets.

2. Operating Statistics:

<u>Statement of Income</u>	<u>6-30-13</u>	<u>6-30-12</u>	<u>Increase (Decrease)</u>
Operating revenues	\$2,144,559	\$2,067,878	\$ 76,681
Operating expenses	<u>2,030,207</u>	<u>2,403,219</u>	<u>373,012</u>
Operating income (loss)	114,352	(335,341)	449,693
Non-operating items	<u>-</u>	<u>1,362</u>	<u>(1,362)</u>
Net income (loss)	\$ <u>114,352</u>	\$(<u>333,979</u>)	\$ <u>448,331</u>
Cash	<u>\$1,007,469</u>	<u>\$1,420,030</u>	<u>\$(412,561)</u>

2. Prior Year Recommendations:

A. City-Late Billings:

Recommendation – more timely billing will provide cash to the City on a more timely basis and make the JPA bookkeeping easier.

Follow Up – on November 7, 2013 the City had not submitted invoices for the months of September and October.

B. Expense Billing to JPA:

Recommendation – 2 checks totalling \$5,607.25 were issued to a company owned by Chief Gareth Harris of Lake Valley FPD. It was recommended that the JPA communicate with El Dorado County Counsel as these checks may violate California Government Code, Section 1090.

Follow Up – this matter has been turned over to El Dorado County Counsel; no response has been received to date.

C. Labor Overcharge:

Recommendation – the April 25, 2012 Board minutes indicate that the City of South Lake Tahoe has been billing the JPA for 7 paramedic positions as opposed to 6 positions in the original agreement. There is no indication of any computation of this apparent over-charge nor any resolution of the matter (claim for refund or reduction of future claims).

Properly resolve and document the resolution of this matter

Follow Up – the Board advises that this matter was resolved at a later date.

3. Dispatch Fee:

Observation – the 2012/13 Board minutes seemed largely concerned with current Dispatch Fee contract:

- amount of fee
- level of service
- alternative suppliers

Also, current supplier (City) is challenging amounts paid for 2012 and 2013.

Recommendation – assemble concerned parties; negotiate final agreement. Move on with other JPA business!

4. Billings – Heavenly Valley Ski Resort:

Observation – El Dorado County is currently billing the Resort as follows:

“FY 2010/11 County Service Area #3 – Contribution for ambulance services (\$12,683)”.

Apparently, earlier years have been billed in a similar manner.

JPA management has attempted to determine if these funds are actually due the JPA.

Recommendation – resolution is needed to determine if this revenue should have accrued to the JPA.

5. Financial Policies:

Observation – the October 4, 2012 Board minutes make reference to the process of “having a financial policy and procedures manual in place.” To date nothing has been finalized.

Recommendation – written policies implement Board methods and procedures. Also, such policies provide employees with consistent direction.

This project should be completed ASAP.

