

**CALIFORNIA TAHOE
EMERGENCY SERVICES OPERATIONS AUTHORITY**

Audited Financial Report

June 30, 2019

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

Audited Financial Report

June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the California Tahoe Emergency Services Operations Authority (the JPA), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the JPA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of the California Tahoe Emergency Services Operations Authority as of June 30, 2019, and the respective changes in financial position thereof and the budgetary comparison for the

To the Board of Directors
California Tahoe Emergency Services Operations Authority

General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 9, 2020 on our consideration of the JPA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the JPA's internal control over financial reporting and compliance.

Richardson & Company, LLP

July 9, 2020

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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, 2019. 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 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 County of El Dorado Health and Human Services Agency. All funds budgeted in excess of actual expenditures are returned at the end of each fiscal year.
- The JPA's total net position was \$1,192,785 at June 30, 2019, an increase of \$43,689 from the June 30, 2018 balance of \$1,149,096. This increase in net position was due to revenues exceeding expenses, mainly due to the contract service fees received from the County of El Dorado (the County) exceeding the cost of services and a change in the depreciable lives of ambulances during the year that reduced depreciation expense.
- The JPA did not purchase or remount any ambulances during the year ended June 30, 2019, but suffered an ambulance impairment loss and remounted the box subsequent to year-end. During the year ended June 30, 2018 the JPA purchased a new ambulance, remounted a second ambulance and purchased other medical equipment reported as capital assets totaling \$324,875 and sold an ambulance for \$2,201.
- The JPA placed an additional ambulance in service during the year ended June 30, 2018 and now operates five ambulances. The JPA continued to hire and train employees to staff the ambulances.
- The JPA's revenues declined \$287,923, mainly due to the JPA not purchasing any capital assets, which resulted in a \$320,000 reduction in revenues received from the County, offset by a \$35,110 increase in contract service payments from the County. Contract service payments increased according to the Ambulance Inflation Factor. The JPA's expenses declined \$172,091 during the year due to the Board of Directors approving an increase in reimbursed member expenses of approximately \$163,000, which was offset by a \$140,000 reduction in member management fees, a capital asset impairment loss of \$30,565 and a reduction in depreciation expense of \$181,274 due to an increase in depreciable lives of ambulances from five to eight years.

OVERVIEW OF THE FINANCIAL STATEMENTS

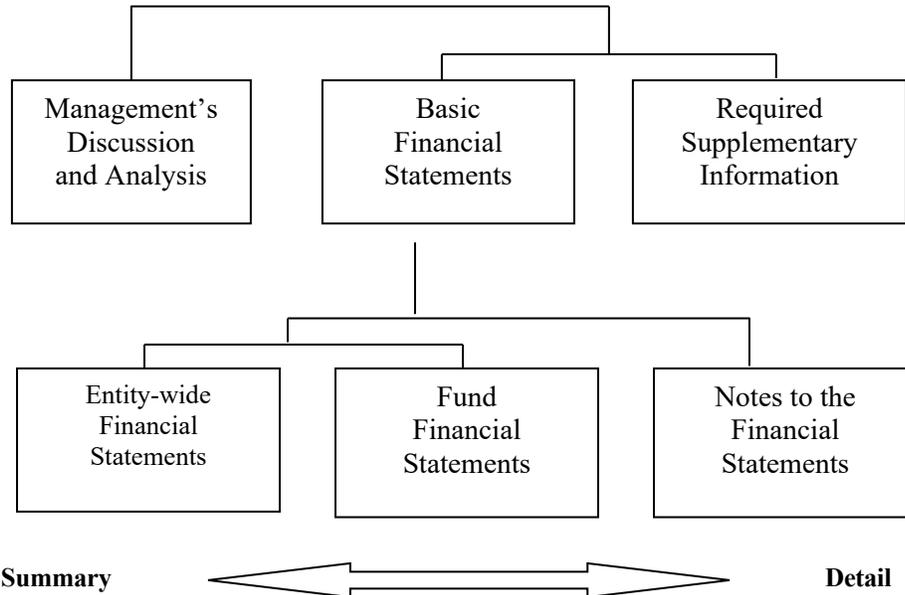
This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. These statements are organized so the reader can understand the California Tahoe Emergency Services Operations Authority as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Components of the Financial Section



The first two statements are *entity-wide or government-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 using the full accrual basis of accounting. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term using the modified accrual basis of accounting 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 the year ended June 30, 2019?”

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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. The net position of the JPA increased by \$43,689 during the year, mainly due to the changes in revenues and expenses described previously.
- ◆ 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. The JPA has needed to replace vehicles at a faster pace than this plan in previous fiscal years. However, a provision in the new contract is expected to reduce the number of miles driven each year significantly.

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.

Major Governmental Funds

- ◆ Governmental Funds

All of the JPA's activities are reported in one governmental fund, the General 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 basis called modified accrual basis of 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.

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

The JPA's net position was \$1,192,785 at June 30, 2019, consisting of \$571,133 investment in capital assets and \$621,652 of unrestricted net position. The government-wide balances are presented in the table below.

COMPARATIVE STATEMENT OF NET POSITION

	Governmental Activities			
	2019	2018	\$ Change	% Change
ASSETS				
Cash and investments	\$ 373,876	\$ 491,688	\$ (117,812)	-24%
Accounts receivable	200,192		200,192	100%
Prepaid items	17,869	21,937	(4,068)	-19%
Medical supplies inventory	112,438	112,438		
Performance deposit	50,000	50,000		
Capital assets, net of depreciation	571,133	607,858	(36,725)	-6%
TOTAL ASSETS	1,325,508	1,283,921	41,587	3%
LIABILITIES				
Accounts payable and other liabilities	76,009	82,353	(6,344)	-8%
Salaries and benefits payable	48,225	42,612	5,613	13%
Compensated absences -current	7,980	8,874	(894)	-10%
Compensated absences -noncurrent	509	986	(477)	-48%
TOTAL LIABILITIES	132,723	134,825	(2,102)	-2%
NET POSITION				
Investment in capital assets	571,133	607,858	(36,725)	-6%
Unrestricted	621,652	541,238	80,414	15%
TOTAL NET POSITION	\$ 1,192,785	\$ 1,149,096	\$ 43,689	4%

Total assets increased by \$41,587, including a decrease in cash and investments of \$117,812, an increase in receivables of \$200,192 from a receipt of contract service revenue occurring after year-end, an impairment loss on capital assets of \$30,565 and smaller changes in other asset categories. The decrease in cash and investments was mainly due to the revenue that was receivable at year-end, offset by the change in net position of \$43,689 and changes in other assets and liabilities.

The JPA's net position increased \$43,689 during the fiscal year from \$1,149,096 to \$1,192,785. The JPA's expenses for providing ambulance and dispatch services, including payroll and benefits and depreciation, represented nearly 100% of total expenses as described in the table below.

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

COMPARATIVE STATEMENT OF ACTIVITIES

	Governmental Activities			
	2019	2018	\$ Change	% Change
REVENUES				
Program revenues	\$ 2,440,894	\$ 2,728,809	\$ (287,915)	-11%
General revenues				
Interest and investment earnings	160	168	(8)	-5%
TOTAL REVENUES	<u>2,441,054</u>	<u>2,728,977</u>	<u>(287,923)</u>	<u>-11%</u>
EXPENSES				
Regional ambulance and dispatch	2,397,365	2,569,456	(172,091)	-7%
TOTAL EXPENSES	<u>2,397,365</u>	<u>2,569,456</u>	<u>(172,091)</u>	<u>-7%</u>
 CHANGE IN NET POSITION	43,689	159,521	(115,832)	-73%
 Net position, beginning of year	1,149,096	989,575	159,521	16%
 NET POSITION, END OF YEAR	<u>\$ 1,192,785</u>	<u>\$ 1,149,096</u>	<u>\$ 43,689</u>	<u>-8%</u>

Program revenues decreased by \$287,915, mainly from a contract service fees increase of \$35,110 from changes in the Ambulance Inflation Factor used by the County to adjust the service fees, offset by a \$320,000 reduction in the County's contribution to purchase and remount of ambulances in 2018. No capital asset additions occurred during the year ended June 30, 2019.

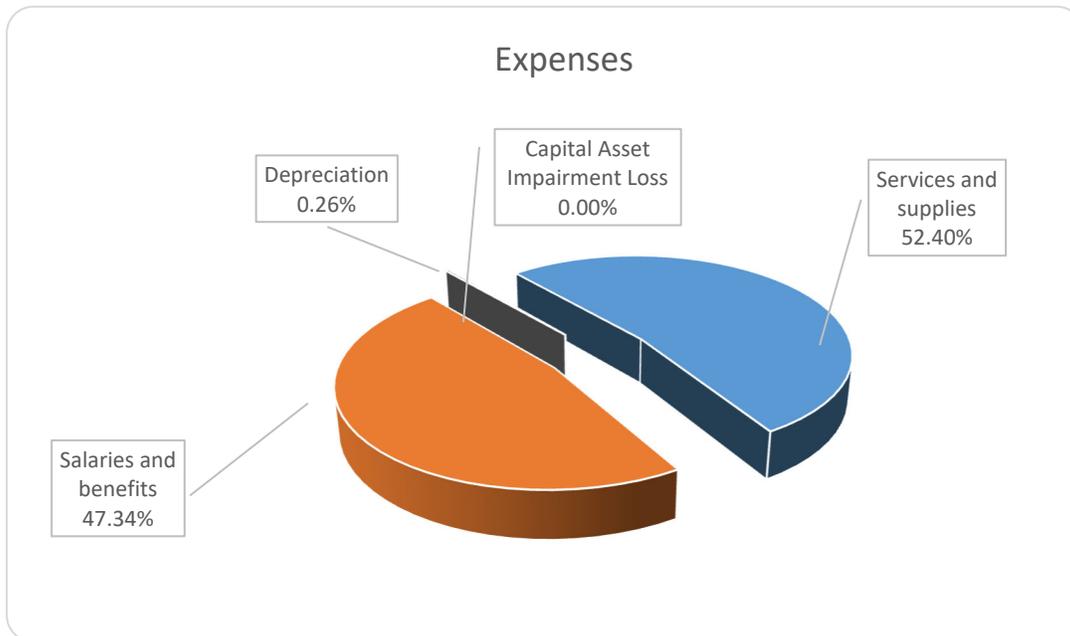
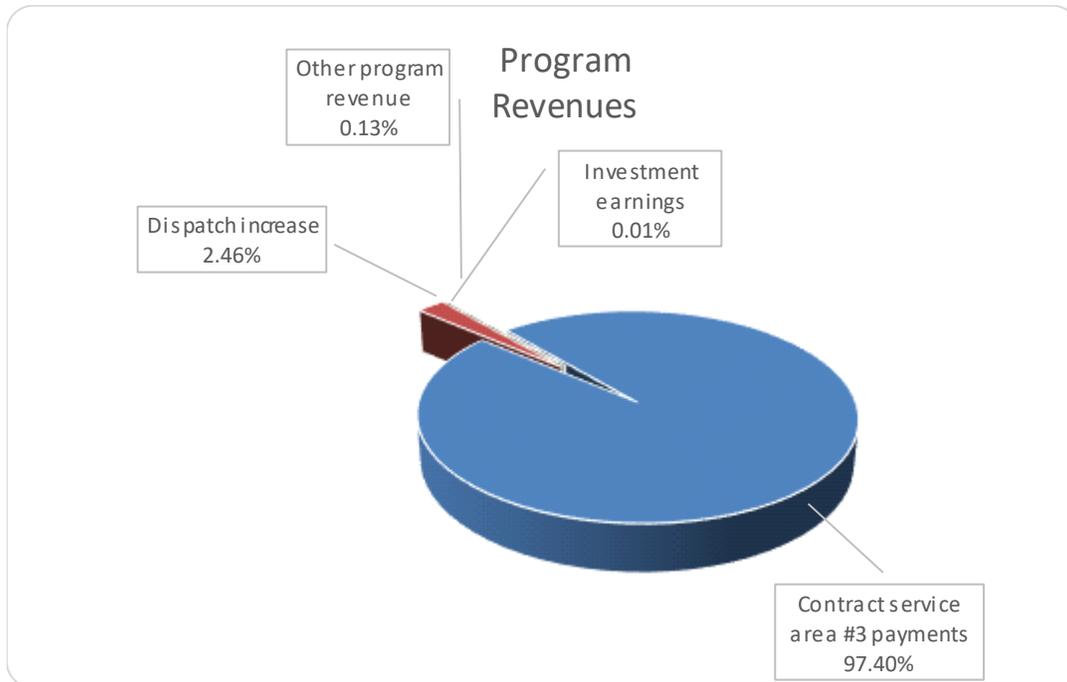
Expenses decreased by \$172,091 from the year ended June 30, 2018, mainly due to decreases in salaries and benefits of \$18,425, medical supplies expense of \$18,929, equipment maintenance of \$22,336, Lake Valley management fees of \$140,000, a capital asset impairment loss of \$30,565 and depreciation of \$230,089, offset by increases in Lake Valley expense reimbursements of \$162,579, attorney fees of \$21,455, Paychex fees of \$11,736, contingency expenses mainly made up of ambulance maintenance of \$18,435 and other smaller increases. The decrease in salaries and benefits was due to turnover and a change in health insurance carriers. The reduction in depreciation expense was from extending the lives of ambulances. The increase in attorney fees was due to assistance with issues related to the admission of Barton Healthcare Group as a member and assistance with contract renewal issues. The Paychex fees increased due to a discount that expired.

As reported in the Statement of Activities, the cost of all of the JPA's governmental activities this year was \$2.40 million. Program revenues were \$2.44 million. The charts below show the composition of program revenues and expenses for the year.

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019



FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUND STATEMENTS

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

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

The total assets of the General Fund increased by \$78,312, primarily due to the decrease in cash and investments and increase in receivables, offset by changes in other assets described previously. Total General Fund liabilities increased only \$731 from June 30, 2018. Fund balance of the General Fund decreased by \$79,043 from the June 30, 2018 fund balance of \$551,098 due to the changes in assets and liabilities described above. Revenues decreased by \$287,923, primarily due to contract service fees increasing by \$35,110 due to the Ambulance Inflation Factor increasing and no revenue being received from the County for asset purchases, as described previously. Expenditures decreased by \$293,813, which was due to the changes described previously, excluding the reduction of depreciation that is not recorded in the General Fund, and capital outlay expense decreasing \$324,875 due the JPA not purchasing capital assets, as described previously.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

**Comparative Schedule of Capital Assets, Net of Depreciation
June 30, 2017 and 2016**

	2019	2018	Difference Increase (Decrease)
Vehicles	\$ 437,274	\$ 414,377	\$ 22,897
Equipment	133,859	193,481	(59,622)
Totals	<u>\$ 571,133</u>	<u>\$ 607,858</u>	<u>\$ (36,725)</u>

The change in depreciation resulted in the changes above. An increase in ambulance depreciable lives from five to eight years and an impairment loss on an ambulance that had an engine failure resulted in a decrease in vehicle accumulated depreciation that resulted in the \$22,897 increase in the net amount above. More information about capital assets may be found in Note C to the financial statements.

Long-term Debt

The JPA had no outstanding debt at June 30, 2019.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund revenues were higher than the final budget by \$23,298, primarily due to the Ambulance Inflation Factor increase provided for contract service payments being a higher percentage than anticipated in the budget. Expenditures were lower than the final budget by \$77,107, primarily due a number of positive variances from the budget, including salaries and benefits of \$57,498, medical supplies of \$10,928 and a large number of smaller positive variances, offset by negative variances in the Lake Valley Fire Protection District payroll of \$10,075 and attorney fees of \$15,882. The JPA's budgeting for the new expenditures will become more precise as management has more history to draw upon when budgeting.

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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, Ryan Wagoner, California Tahoe Emergency Services Operations Authority, 2951 Lake Tahoe Boulevard, South Lake Tahoe, CA 96150.

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET

June 30, 2019

	<u>General Fund</u>	<u>Adjustments (Note G)</u>	<u>Statement of Net Position</u>
ASSETS			
Cash and investments	\$ 373,876		\$ 373,876
Accounts receivable	200,192		200,192
Prepaid items	17,869		17,869
Medical supplies inventory	112,438		112,438
Performance deposit	50,000		50,000
Capital assets, net of depreciation		\$ 571,133	571,133
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 754,375</u>	<u>571,133</u>	<u>1,325,508</u>
LIABILITIES			
Accounts payable and other current liabilities	\$ 76,009		76,009
Salaries and benefits payable	48,225		48,225
Compensated absences - current		7,980	7,980
Compensated absences - noncurrent		509	509
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>124,234</u>	<u>8,489</u>	<u>132,723</u>
FUND BALANCE			
Nonspendable	130,307	(130,307)	
Committed	159,933	(159,933)	
Unassigned	339,901	(339,901)	
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCE	<u>630,141</u>	<u>(630,141)</u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 754,375</u>		
NET POSITION			
Investment in capital assets		571,133	571,133
Unrestricted		621,652	621,652
		<u> </u>	<u> </u>
TOTAL NET POSITION		<u>\$ 1,192,785</u>	<u>\$ 1,192,785</u>

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

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended June 30, 2019

	General Fund	Adjustments (Note G)	Statement of Activities
EXPENDITURES/EXPENSES			
Ambulance services:			
Services and supplies	\$ 1,240,237		\$ 1,240,237
Salaries and benefits	1,121,774	\$ (1,371)	1,120,403
Depreciation		6,160	6,160
Capital asset impairment loss		30,565	30,565
TOTAL EXPENDITURES/EXPENSES	<u>2,362,011</u>	<u>35,354</u>	<u>2,397,365</u>
PROGRAM REVENUES			
Operating grants and subsidies:			
Contract service area #3 payments	2,377,630		2,377,630
Dispatch revenue	60,000		60,000
Charges for services:			
Other program revenue	3,264		3,264
TOTAL REVENUES	<u>2,440,894</u>		<u>2,440,894</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>78,883</u>		
NET PROGRAM REVENUES/(EXPENSES)		<u>(35,354)</u>	<u>43,529</u>
GENERAL REVENUES			
Investment earnings	160		160
TOTAL GENERAL REVENUES	<u>160</u>		<u>160</u>
NET CHANGE IN FUND BALANCE	79,043	(79,043)	
CHANGE IN NET POSITION		43,689	43,689
Fund balance/net position, beginning of year	<u>551,098</u>	<u>597,998</u>	<u>1,149,096</u>
FUND BALANCE/NET POSITION, END OF YEAR	<u>\$ 630,141</u>	<u>\$ 562,644</u>	<u>\$ 1,192,785</u>

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

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

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

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive Negative	Adjustment to GAAP Basis	Actual Amounts - GAAP Basis
	Original	Final				
REVENUES						
Contract service area #3 payments	\$ 2,353,956	\$ 2,353,956	\$ 2,377,630	\$ 23,674		\$ 2,377,630
Fund balance appropriated	21,362	21,362	21,362		\$ (21,362)	
Dispatch revenue	60,000	60,000	60,000			60,000
Other program revenue	3,000	3,000	3,264	264		3,264
Investment earnings	800	800	160	(640)		160
TOTAL REVENUE	2,439,118	2,439,118	2,462,416	23,298	(21,362)	2,441,054
EXPENDITURES						
Salaries and benefits						
Staff salaries/health insurance	1,009,272	1,009,272	990,491	18,781		990,491
Workers' compensation	85,000	85,000	59,314	25,686		59,314
Health benefit	60,000	60,000	46,503	13,497		46,503
Earned time off	25,000	25,000	25,466	(466)		25,466
Services and supplies						
Professional fees/contracts						
Lake Valley Fire Protection						
District payroll reimbursed	605,309	605,309	615,384	(10,075)		615,384
Executive Director contract	110,000	110,000	110,000			110,000
Attorney fees	30,000	30,000	45,882	(15,882)		45,882
Paychex fees	16,000	16,000	23,265	(7,265)		23,265
Accounting	5,000	5,000	6,905	(1,905)		6,905
Dispatch contract	150,000	150,000	150,000			150,000
Medical supplies	128,000	128,000	117,072	10,928		117,072
Fuel	45,000	45,000	42,396	2,604		42,396
Equipment maintenance	35,384	35,384	29,304	6,080		29,304
Contingency						
Ambulance maintenance	13,285	13,285	13,285			13,285
Other	4,868	4,868	6,650	(1,782)		6,650
Employee expense/physical/ background/training	20,000	20,000	15,050	4,950		15,050
Vehicle insurance	15,000	15,000	15,003	(3)		15,003
Ambulance warranties	13,000	13,000	8,833	4,167		8,833
Computer equipment	10,000	10,000	7,059	2,941		7,059
Communications/cell phone	10,000	10,000	6,888	3,112		6,888
Station supplies	5,000	5,000	6,560	(1,560)		6,560
Office expense	10,000	10,000	5,535	4,465		5,535
Scholarships	10,000	10,000	4,787	5,213		4,787
Personal protective equipment/ uniforms	8,000	8,000	2,926	5,074		2,926
Travel	5,000	5,000	2,827	2,173		2,827
Utilities	6,000	6,000	2,306	3,694		2,306
Snow removal	5,000	5,000	2,320	2,680		2,320
TOTAL EXPENSES	2,439,118	2,439,118	2,362,011	77,107		2,362,011
NET CHANGE IN FUND BALANCE	\$ -	\$ -	100,405	\$ 100,405	\$ (21,362)	79,043
Fund balance/net position, beginning of year			551,098			551,098
FUND BALANCE AT END OF YEAR			\$ 651,503			\$ 630,141

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

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the California Tahoe Emergency Services Operations Authority (the JPA) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The most significant accounting policies of the JPA are described below.

Reporting Entity: 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) originally between the City of South Lake Tahoe Fire Department (the City) and the Lake Valley Fire Protection District (Lake Valley). During the year ended June 30, 2018, the JPA admitted Fallen Leaf Lake Community Services District Fire Department (Fallen Leaf Lake) as a member. The JPA is governed by a Board of Directors made up of two Lake Valley elected officials, two members of the City Council and one Fallen Leaf Lake elected official that are appointed by their governing bodies.

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 (County), as specified by a service agreement with the County ending August 31, 2021. The JPA owns six ambulances for this purpose. Dispatch services are provided by the City under a dispatch agreement through the date of the services agreement. Operational funding for the JPA is handled through the County as part of the services agreement. The County accounts for the ambulance and other emergency services activities in the County Service Area (CSA) No. 3 Fund and its revenues are made up of:

- Property taxes
- Benefit assessment
- Ambulance billing
- Approximately \$10 million annually (combined total for both CSA 3&7)
- 40% from tax/assessments
- 60% from ambulance billing

The JPA's primary funding is received through a monthly service fee from the County's CSA No. 3 Fund as part of the service agreement. Each year the service fee is evaluated and adjusted based on call volume, patient billing and the consumer price index (CPI) for the upcoming year. Interfacility transfers (IFT) and standby fees are not counted as part of the overall response volume, but rather are billed separately by the County. Billings for IFT's are handled through a contractor, with collected revenues being placed into a separate County account. The County receives 7% of collections for operational costs and fees charged by the contractor. The service fees include a flat amount for long-distance transportation costs. Standby fees remitted to the JPA by the County are passed through to the related member agency.

A reporting entity is comprised of the primary government and its component units, which are entities for which the government is financially accountable. The JPA is not a component unit of any other entity and no other entities are considered to be component units of the JPA.

Basis of Presentation – Government-wide Financial Statements: The government-wide statement of net position and statement of activities display information about the non-fiduciary activities of the primary government (the JPA). These statements include the financial activities of the JPA.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions in which the JPA gives (or receives) value without directly receiving (or giving) equal value in exchange, such as grants, are recognized when all eligibility requirements are met.

The statement of activities presents a comparison between direct expenses and program revenues for the JPA's governmental activities. Direct expenses are those that are specifically associated with the JPA. Program revenues

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

include contract service area #3 payments and contributions that are restricted to meeting the operational requirements of the JPA. Revenues that are not classified as program revenues, including interest income, are presented as general revenues.

Measurement Focus, Basis of Accounting and Financial Statement Presentation: The accounts of the JPA are organized on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. The JPA accounts for its activities in the General Fund, which is accounted for as a governmental fund. Governmental funds are established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions or limitations. Major individual funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources are included on the balance sheet. Operating statements present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the JPA considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant funds and exchange revenue earned but not received are recorded as a receivable. Grant funds, and exchange revenue received before the revenue recognition criteria have been met, are reported as deferred inflows or unearned revenues, respectively.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, long-term liabilities, compensated absences and expenditures related to claims and judgments are recorded only when payment is due. General capital assets are reported as capital outlay expenditures in governmental funds when purchased and proceeds from sales of capital assets are reported as other financing sources in the operating statement.

When both restricted and unrestricted resources are available, it is the JPA's policy to use restricted resources first, then unrestricted resources as they are needed. Expenditures against unrestricted resources first reduce committed, then assigned and finally unassigned fund balance.

The JPA's only major governmental fund is the General Fund. The General Fund is the general operating fund of the JPA and accounts for revenues collected to provide services and finance the fundamental operations of the JPA. The fund is charged with all costs of operations.

Prepaid Items: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. In governmental funds, prepaid items are reported as nonspendable fund balance to indicate they do not constitute current resources available for appropriation. The consumption method is used to recognize prepaid items.

Medical Supplies Inventory: Inventory consists of medical supplies and drugs inventory. Inventory is valued at cost, which approximates market, using the specific identification method. The cost of the inventory is recorded as expenditures/expenses when consumed rather than when purchased.

Performance Deposit: The JPA made a \$50,000 performance deposit to the County of El Dorado in 2013 under the terms of the JPA's service agreement. The City funded the deposit. The deposit may be returned at the end of the service agreement if the JPA meets the terms of the agreement and it would be returned to the City.

Capital Assets: Capital assets are stated at cost or estimated cost where no historical records exist. Donated capital assets are recorded at the acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. Maintenance and repair costs are expensed as incurred unless they extend the useful life of the asset. Capital assets with a value of \$500 or more are capitalized. Ambulances and other vehicles are depreciated over eight years. Equipment is depreciated on a straight-line basis over 5 to 10 years depending on the type of asset.

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences – Unused earned time off is accumulated at 3.46 hours per pay period up to a maximum of 135 hours and is paid at the time of termination from the JPA's employment. The JPA accrues accumulated unpaid compensated absences when earned by the employee and the General Fund is used to liquidate the liability.

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

Nonspendable Fund Balance – Fund balance should be reported as nonspendable when the amounts cannot be spent because they are either not in spendable form, or are legally or contractually required to be maintained intact. Nonspendable balances are not expected to be converted to cash within the next operating cycle, which include prepaid expenses and long-term receivables. The JPA's nonspendable fund balance is for prepaid items and inventory.

Restricted Fund Balance – Fund balance should be reported as restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. The JPA had no restricted fund balance.

Committed Fund Balance – Fund balance should be reported as committed when the amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which is a Resolution of the Board of Directors. These amounts are committed for equipment replacement and cannot be used for any other purpose unless the governing body modifies or removes the commitment with another Resolution. The committed fund balance is maintained in a separate bank account and the interest is added to the reserve each year. The Board of Directors also has a 10% operating contingency reserve approved by Commissioner Resolution that is not reported as committed fund balance because the terms for use of the contingency is not sufficiently detailed to meet the definition of committed under GASB Statement No. 54.

Assigned Fund Balance – Fund balance should be reported as assigned when the amounts are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The JPA had no assigned fund balance.

Unassigned Funds – Unassigned fund balance is the residual classification of the JPA's funds and includes all spendable amounts that have not been restricted, committed, or assigned to specific purposes.

Net Position: The government-wide financial statements present net position. Net position is categorized as the investment in capital assets, restricted and unrestricted.

Investment in Capital Assets – This category groups all capital assets into one component of net position. Accumulated depreciation reduces the balance in this category.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors, laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The JPA had no restricted net position at year-end.

Unrestricted Net Position – This category represents net position of the JPA that is not restricted for any project or other purpose.

Budget: An annual budget is adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The JPA's governing board adopts a preliminary budget by July 1 and a final budget no later than October 1. A public hearing must be conducted to receive comments prior to adoption. The JPA's governing board satisfied these requirements.

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

This budget is reviewed by the JPA Governing Board during the year to give consideration to unanticipated income and expenditures. Budget appropriations lapse at each year-end. The original and final budget are presented for the General Fund as required under Generally Accepted Accounting Principles (GAAP), with the exception of the amount approved in the budget to be added to the reserves of fund balance. The addition to reserves of fund balance is eliminated to report the actual expenses on the GAAP basis on the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

NOTE B – CASH AND INVESTMENTS

At June 30, 2019, the Commission's cash and investments consisted of cash on hand of \$389, deposits in financial institutions of \$373,253 and an investment in the County of El Dorado investment pool of \$234.

Investment policy: The JPA has adopted an investment policy that allows the JPA to invest in any investments authorized under California Government Code Section 53601. The JPA does not have any policies that address the risks to which the JPA is exposed beyond those addressed under the California Government Code. The JPA currently invests only in bank deposits and the County of El Dorado investment pool. The County allocates interest to the various funds based upon the average daily cash balances. Investments held in the County Pool are available on demand to the JPA and are stated at amortized cost, which approximates fair value.

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 Authority currently has no investments subject to interest rate risk.

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Authority currently has no investments that are rated by a rating agency.

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of a failure of the counter party (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Custodial credit risk does not apply to a local government's indirect deposits or investment in securities through the use of governmental investment pools (such as the County's cash and investments pool).

At June 30, 2019, the carrying amount and the balance in the financial institution of the JPA's deposits was \$373,253 and \$434,922, respectively. Of the balance in financial institutions, \$250,000 was covered by federal depository insurance and the remaining amount was covered by a pledge of the financial institution's securities, but not in the name of the JPA.

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE B – CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk: This risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. At year-end, the JPA was not exposed to concentration of credit risk.

NOTE C – CAPITAL ASSETS

Capital asset activity was as follows for the year ended June 30:

	Balance June 30, 2018	Additions	Disposals	Balance June 30, 2019
Capital assets being depreciated:				
Vehicles	\$ 1,003,640		\$ (146,713)	\$ 856,927
Equipment	494,531			494,531
Total capital assets being depreciated	1,498,171		(146,713)	1,351,458
Less accumulated depreciation for:				
Vehicles	(589,263)	\$ 53,462	116,148	(419,653)
Equipment	(301,050)	(59,622)		(360,672)
Total accumulated depreciation	(890,313)	(6,160)	116,148	(780,325)
Total capital assets being depreciated, net	<u>\$ 607,858</u>	<u>\$ (6,160)</u>	<u>\$ (30,565)</u>	<u>\$ 571,133</u>

The depreciable lives of ambulances were revised from five to eight years during the year-ended June 30, 2019 due to the ambulances being driven fewer miles under the terms of the new contract with the County. This change in depreciable lives was reported as a change in estimate and resulted in a decrease in depreciation expense of \$181,274 during the year ended June 30, 2019.

During the year ended June 30, 2019, ambulance 3134 experienced an impairment loss of \$30,565 due to an engine failure. The box was remounted and the chassis was disposed of after year-end. The cost, accumulated depreciation and net book value of ambulance 3134 is listed in the table above.

NOTE D – COMPENSATED ABSENCES

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

	Balance July 1, 2018	Additions	Retirements	Balance June 30, 2019	Due within one year
Compensated absences	<u>\$ 9,860</u>	<u>\$ 22,531</u>	<u>\$ (23,902)</u>	<u>\$ 8,489</u>	<u>\$ 7,980</u>

NOTE E – COMMITMENTS AND CONTINGENCIES

Legal Contingencies: The JPA is subject to claims arising from the normal course of business. A claim exists over an accident by an ambulance. In the opinion of management, the disposition of the claim is not expected to have a material adverse effect on the financial position of the JPA. However, the ultimate outcome is not currently known.

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 County Service Area (CSA) No. 3 South Shore area, except for the Tahoe West

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE E – COMMITMENTS AND CONTINGENCIES (Continued)

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. This is a significant revenue source for the JPA and losing this revenue source would have a significant impact on the JPA's services and would require another revenue source to be identified for the JPA to continue as a going concern.

The contract in place during the year ended June 30, 2019 ended July 31, 2019, but was extended to August 31, 2021.

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 requests for reimbursement to the County. No such reimbursement requests have been made by the County. The contract also allows the County to activate performance rights/takeover rights allowing the County to use another service provider under certain conditions specified in the contract. If such an event occurred, the County may lease the JPA's assets on a monthly basis for the monthly rental value of the assets or it may exercise a purchase option and purchase the assets from the JPA at an appraised fair value agreed upon by the County and JPA.

NOTE F – RISK MANAGEMENT

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. The JPA contracts with American Alternative Insurance Corporation for property, liability, and auto and theft insurance coverage. There have been no reductions in coverage and settled claims have not exceeded this commercial coverage in the last three years.

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

Total fund balance of the JPA's governmental fund differs from net position of governmental activities primarily because of the long-term focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheet. The differences are described below:

Fund balance of governmental funds	\$ 630,141
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.	
Capital assets, net	571,133
Certain liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Compensated absences	<u>(8,489)</u>
Net position in the government-wide statement of net position	<u>\$ 1,192,785</u>

The net change in fund balances of governmental fund differs from the change in net position of governmental activities primarily because of the long-term focus of the statement of net position versus the current financial resources focus of the governmental funds balance sheet. The differences are described below:

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE G – RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET WITH THE GOVERNMENT-WIDE STATEMENT OF NET POSITION (Continued)

Net change in fund balance of governmental funds	\$ 79,043
Governmental funds report capital outlays as expenditures, which are allocated over their useful lives as depreciation expense. Also, governmental funds report proceeds from the sale of capital assets while gains or losses on disposal of capital assets are reported in the statement of activities. The change in capital assets consists of:	
Depreciation	(6,160)
Capital asset impairment loss	(30,565)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Change in compensated absences	<u>1,371</u>
Change in net position of the statement of activities	<u>\$ 43,689</u>

NOTE H – RELATED PARTY TRANSACTIONS

The JPA has the City, Lake Valley and Fallen Leaf Lake as members. Transactions with the City, Lake Valley and Fallen Leaf Lake, as applicable, include the following expenditures:

	<u>City</u>	<u>Lake Valley</u>
Reimbursement of payroll and related costs		\$ 615,384
Dispatch contract	\$ 150,000	
Vehicle maintenance		25,825
Fuel		13,274
Warranties		12,000
Office Expense		4,346
Miscellaneous		<u>24,239</u>
	<u>\$ 150,000</u>	<u>\$ 695,068</u>

Payables to the City and Lake Valley at June 30, 2019 were \$12,500 and \$56,600, respectively. In November 2016, the JPA and City entered into an agreement allowing the JPA to lease Fire Station #2 from the City through October 31, 2019 at no cost to the JPA, which is where the JPA parks its ambulances.

NOTE I – SUBSEQUENT EVENTS

The new service contract with the County requires the County to provide two payments of \$120,000 each to the JPA for capital asset acquisition, lease or maintenances costs. The first payment was received in August 2019 and the second payment is due in August of 2020. The contract also requires the County to reimburse the JPA up to \$100,000 for the lease of office space and/or staff housing quarters and improvements to replace Fire Station #2 because the agreement with the City ended on October 31, 2019. County management indicated the \$120,000 payment due in August 2020 could be used to reimburse the JPA for costs incurred on the ambulance facility discussed below.

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2019

NOTE I – SUBSEQUENT EVENTS (Continued)

The dispatch contract with the City increased to \$20,833 per month, or \$250,000 per year, during September 2019 and includes a yearly increase of 3% that will apply in future years. The agreement ends on August 31, 2024 and has an option to extend the contract through August 31, 2029 upon agreement by both parties to the contract.

On October 14, 2019 and April 24, 2020, the Board of Directors approved remounts of two ambulances in amounts not to exceed \$130,000.

On February 11, 2020, the JPA signed a sublease agreement with the City of South Lake Tahoe for \$1 to lease a property located at 3066 Lake Tahoe Boulevard in South Lake Tahoe to serve as an ambulance facility. The agreement ends on September 1, 2021 and, assuming the JPA meets the requirements specified in the agreement, the agreement will automatically renew for an additional five-year term through September 1, 2026 for \$1. The agreement requires the JPA to submit a written plan to the City to bring the building in compliance with building codes as a condition to renew the agreement. The JPA may continue to occupy the property on a month to month basis after the agreement has terminated without extension of or execution of a new agreement at the same terms unless the City provides written notice that it will terminate the month to month tenancy. The JPA has entered into various short-term leases for space during the year ended June 30, 2020 that will be renewed on a month to month basis until the facility is completed.

On June 8, 2020, the JPA's Board of Director's approved a construction budget of \$397,680 and approved a construction management agreement budget of \$26,000 for the ambulance facility. However, both contractors did not perform adequately under the agreements and the contracts are in the process of being rebid.

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the JPA's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the taxpayers, employees and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the financial condition and operations is uncertain. The JPA has experienced increased costs for personnel and supplies due to the pandemic. The JPA is seeking funding from the Federal Emergency Management Agency and the County to cover the increased costs, but it is uncertain whether additional funding will ultimately be received.

COMPLIANCE REPORT

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Directors
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 and the major fund of the California Tahoe Emergency Services Operations Authority (the JPA), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the JPA's basic financial statements, and have issued our report thereon dated July 9, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the JPA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the JPA's internal control. Accordingly, we do not express an opinion on the effectiveness of the JPA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the JPA's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and responses as finding 2019-001, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the JPA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Board of Directors
California Tahoe Emergency Services Operations Authority

The JPA's Response to Findings

The JPA's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The JPA's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide on the effectiveness of the JPA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards*, in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Richardson & Company, LLP

July 9, 2020

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2019

CURRENT YEAR FINDING

INTERNAL CONTROL OVER FINANCIAL REPORTING

Finding 2019-001

Condition: A number of audit adjustments were necessary to properly report the JPA's financial activity in accordance with generally accepted accounting principles (GAAP), which is an indication of missing internal controls over financial reporting.

Criteria: Internal controls over financial reporting should be in place to ensure management has the ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

Cause: Although improvement was noted, the District's closing process did not identify all transactions that needed to be recorded during the closing process. It appeared that management properly coded invoices, but did not review of the entries made by the contract accountant to ensure the amounts were posted to the correct account.

Effect: A significant number of adjusting and reclassifying entries were found during the audit and the audit took significantly more time to complete than expected. Transaction classes needing adjustment included prepaid expenses, capital assets, accounts payable, salaries and benefits payable, compensated absences, fund balance and expenditures

Recommendation: We recommend the JPA work with the contract accountant to ensure cut-off entries are posted in areas where journal entries were identified.

Management's Response: The QuickBooks system and reports are set up and JPA staff is now more familiar with its capabilities. Processes have been put into place to review the account coding and general ledger detail regularly to ensure transactions are appropriately recorded, which will address the recommendations.

PRIOR YEAR FINDINGS

COMPLIANCE

FINDING 2018-001

Condition: A number of audit adjustments were necessary to properly report the JPA's financial activity in accordance with generally accepted accounting principles (GAAP), which is an indication of missing internal controls over financial reporting.

Current Status: The issue was not resolved during the year. Finding 2019-001 is a continuation of this finding.