

**CALIFORNIA TAHOE
EMERGENCY SERVICES OPERATIONS AUTHORITY**

Audited Financial Report

June 30, 2018

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

Audited Financial Report

June 30, 2018

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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, 2018, 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, 2018, 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 2, 2019 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 2, 2019

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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, 2018. 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 \$1,149,096 at June 30, 2018, a decrease of \$159,521 from the June 30, 2017 restated balance of \$989,575. 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 long-distance transportation. This was mainly due to the County providing capital funds for ambulance purchases, providing \$60,000 to cover the cost of dispatch contract expenses and increasing the monthly amount provided for long-distance transportation from \$1,000 to \$20,000 per month.
- 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 changes resulted in increased salaries, benefits, fuel, training and medical supplies inventory that resulted in an increase in expenses of \$193,447 during the year.
- The JPA admitted a new member in August of 2017, the Fallen Leaf Lake Community Services District Fire Department. The JPA's Bylaws were amended to add a new Board Member from this agency. The JPA also approved the Barton Healthcare Group as a new member subsequent to year-end.

OVERVIEW OF THE FINANCIAL STATEMENTS

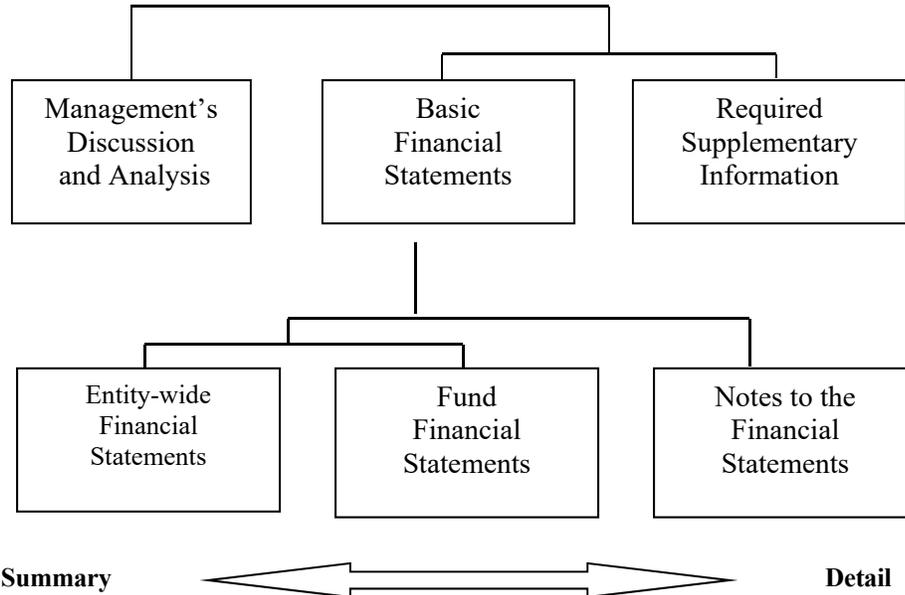
This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. These statements are organized so the reader can understand the California Tahoe Emergency Services Operations Authority as a financial 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 DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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, 2018?"

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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 \$159,521 during the year, mainly due to the County providing additional resources for the dispatch contract and out of area transportation to the Bay Area. The County provided \$60,000 for the dispatch contract, \$320,000 for ambulance purchases and the JPA negotiated an increase on July 1, 2017 out of area transportation component of the contract service payments from the County from \$1,000 per month to \$20,000 per month to compensate the JPA for these additional costs.
- ◆ 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 the past two fiscal years.

Fund Financial Statements

The fund financial statements provide more detailed information about the inflow and outflow of the JPA's resources in the current year – not the JPA as a whole.

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 DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

The JPA's net position was \$1,149,096 at June 30, 2018, consisting of \$607,858 invested in capital assets and \$541,238 of unrestricted net position. The government-wide balances are presented in the table below.

COMPARATIVE STATEMENT OF NET POSITION

	Governmental Activities			
	2018	2017	\$ Change	% Change
ASSETS				
Cash and investments	\$ 491,688	386,299	\$ 105,389	27%
Accounts receivable		9,167	(9,167)	-100%
Prepaid items	21,937	17,490	4,447	25%
Medical supplies inventory	112,438	92,846	19,592	21%
Performance deposit	50,000	50,000		
Capital assets, net of depreciation	607,858	519,232	88,626	17%
TOTAL ASSETS	<u>1,283,921</u>	<u>1,075,034</u>	<u>208,887</u>	<u>19%</u>
LIABILITIES				
Accounts payable and other liabilities	82,353	77,857	4,496	6%
Salaries and benefits payable	42,612		42,612	#DIV/0!
Compensated absences -current	8,874	3,117	5,757	185%
Compensated absences -noncurrent	986	4,485	(3,499)	-78%
TOTAL LIABILITIES	<u>134,825</u>	<u>85,459</u>	<u>49,366</u>	<u>58%</u>
NET POSITION				
Investment in capital assets	607,858	519,232	88,626	17%
Unrestricted	541,238	470,343	70,895	15%
TOTAL NET POSITION	<u>\$ 1,149,096</u>	<u>\$ 989,575</u>	<u>\$ 159,521</u>	<u>16%</u>

Total assets increased by \$208,887, including increases in cash and investments of \$105,389, medical supplies inventory of \$19,592 and capital assets of \$88,626 and smaller changes other asset categories. The increase in cash and investments was mainly due to the additional \$413,964 in operating and capital funding provided by the County as previously discussed and expenses increasing \$193,447 due to the additional costs of placing another ambulance in service, resulting in the change in net position of \$159,521. The increase in capital assets was due to the \$324,639 of asset purchases, offset by sale of one ambulance and depreciation.

The JPA's net position increased \$159,521 during the fiscal year from \$989,575 to \$1,149,096. 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 DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

COMPARATIVE STATEMENT OF ACTIVITIES

	Governmental Activities			
	2018	2017	\$ Change	% Change
REVENUES				
Program revenues	\$ 2,728,809	\$ 2,314,845	\$ 413,964	18%
General revenues				
Interest and investment earnings	168	303	(135)	-45%
TOTAL REVENUES	<u>2,728,977</u>	<u>2,315,148</u>	<u>413,829</u>	<u>18%</u>
EXPENSES				
Regional ambulance and dispatch	2,569,456	2,376,009	193,447	8%
TOTAL REVENUES	<u>2,569,456</u>	<u>2,376,009</u>	<u>193,447</u>	<u>8%</u>
CHANGE IN NET POSITION	159,521	(60,861)	220,382	-362%
Net position, beginning of year	<u>989,575</u>	<u>1,050,436</u>	<u>(60,861)</u>	<u>-6%</u>
NET POSITION, END OF YEAR	<u>\$ 1,149,096</u>	<u>\$ 989,575</u>	<u>\$ 75,946</u>	<u>-8%</u>

Program revenues increased by \$413,964, including contract service fees increase of \$259,656 from changes in the Ambulance Inflation Factor used by the County to adjust the service fees and an increase in the reimbursement for out of area transportation increase from \$1,000 to \$20,000 per month starting in January 2018 as well as other operating and capital contributions increasing by 158,580 representing mainly the County of El Dorado's contribution to purchase and remount ambulances and a reimbursement for dispatch costs.

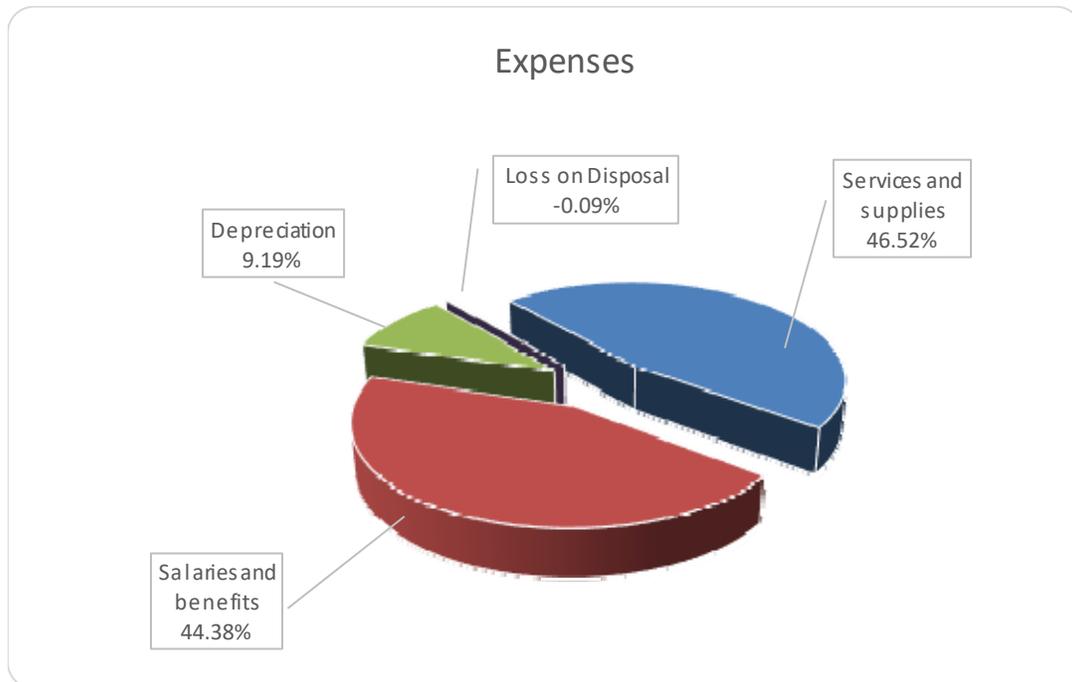
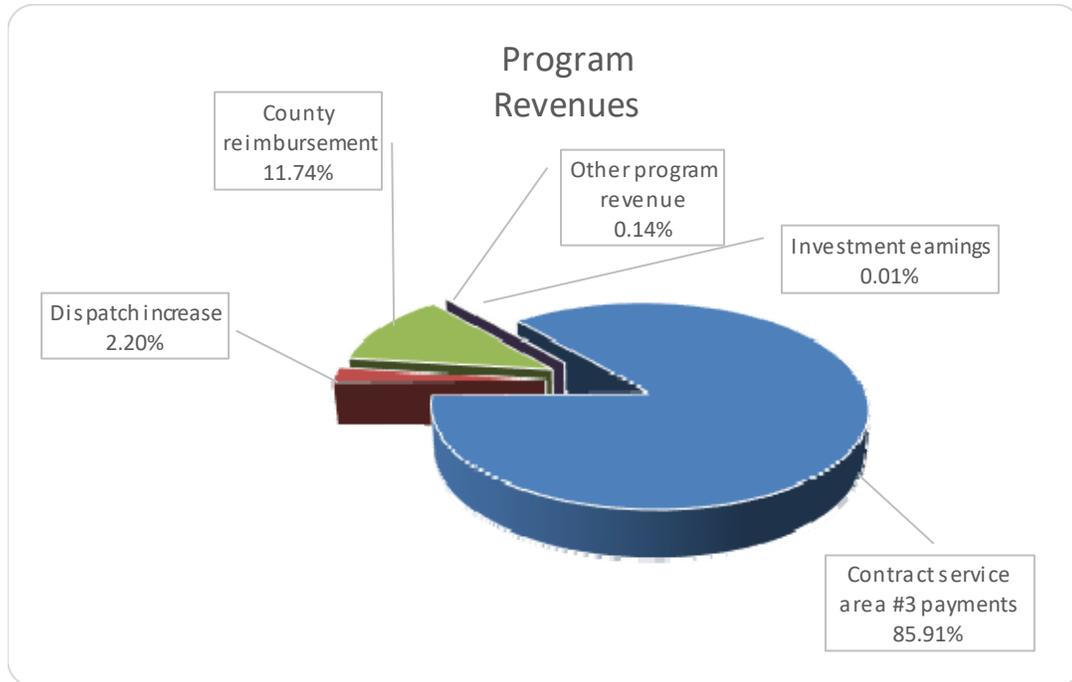
Expenses increased by \$193,447 from the 2017 expenses, mainly due to a \$229,451 increase in salaries and benefits from placing an additional ambulance in service, offset by a decrease in services and supplies of \$26,691 and depreciation expense of \$6,316. Services and supplies decreased mainly due to reimbursed member salaries, attorney fees and employee background checks decreasing by \$18,245, \$18,652 and \$11,774, respectively, offset by increases in medical supplies, fuel and office expenses of \$8,699, \$5,883, and \$7,134, respectively.

As reported in the Statement of Activities, the cost of all of the JPA's governmental activities this year was \$2.57 million. Program revenues were \$2.73 million. The charts below show the composition of program revenues and expenses for the year.

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018



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 DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The total assets of the General Fund increased by \$120,261, primarily due to the increase in cash and investments and prepaid expenses, offset by changes in other assets described previously. Total General Fund liabilities increased by \$47,108, mainly due to payroll and benefits payable at June 30, 2018 due to how the payroll calendar fell and a small increase in accounts payable due to the final dispatch payment to the City being outstanding at year-end. Fund balance of the General Fund increased by \$73,153 from the June 30, 2017 fund balance of \$477,945. Revenues increased by \$418,309, primarily due to contract service fees increasing by \$259,864 due to the Ambulance Inflation Factor increasing, the reimbursement for out of area transportation increasing from \$1,000 to \$20,000 per month in January 2018 and the JPA receiving \$380,000 for the dispatch contract and capital purchases from the County of El Dorado compared to \$240,000 in 2017 as described previously. The JPA also received \$2,201 from the sale of an ambulance during the year. Expenditures increased by \$218,169, which was due to an increase in salaries and benefits as described previously and capital outlay expense of \$13,065 due the JPA purchasing an ambulance and remounting a second ambulance, offset by a decrease in services and supplies as described previously.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

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

	2018	2017	Difference Increase (Decrease)
Vehicles	\$ 414,377	\$ 298,396	\$ 115,981
Equipment	193,481	220,836	(27,355)
Totals	<u>\$ 607,858</u>	<u>\$ 519,232</u>	<u>\$ 88,626</u>

The JPA purchased a new ambulance and related equipment and remounted a second ambulance, resulting in additions of \$324,875 and sold a fully depreciated ambulance with a cost of \$145,437 during the year for \$2,201. Those changes and depreciation resulted in the changes 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, 2018.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund revenues were higher than the final budget by \$15,976, primarily due to the Ambulance Inflation Factor increase provided for contract service payments being a higher percentage than anticipated in the budget and unbudgeted other operating income being received. Expenditures were lower than the final budget by \$54,976, primarily due a number of positive variances from the budget including in Lake Valley Fire Protection District payroll of \$12,504, attorney fees of \$15,573, employee training of \$10,130, workers' compensation of \$26,363 and not using the contingency budget, offset by negative variances in medical supplies, equipment maintenance and contract labor. The JPA's budgeting for the new expenditures will become more precise as management has history to draw upon when budgeting.

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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, 2018

	<u>General Fund</u>	<u>Adjustments (Note G)</u>	<u>Statement of Net Position</u>
ASSETS			
Cash and investments	\$ 491,688		\$ 491,688
Prepaid items	21,937		21,937
Medical supplies inventory	112,438		112,438
Performance deposit	50,000		50,000
Capital assets, net of depreciation		<u>\$ 607,858</u>	<u>607,858</u>
TOTAL ASSETS	<u>\$ 676,063</u>	<u>607,858</u>	<u>1,283,921</u>
LIABILITIES			
Accounts payable and other current liabilities	\$ 82,353		82,353
Salaries and benefits payable	42,612		42,612
Compensated absences - current		8,874	8,874
Compensated absences - noncurrent		<u>986</u>	<u>986</u>
TOTAL LIABILITIES	<u>124,965</u>	<u>9,860</u>	<u>134,825</u>
FUND BALANCE			
Nonspendable	134,375	(134,375)	
Committed	159,774	(159,774)	
Unassigned	256,949	(256,949)	
TOTAL FUND BALANCE	<u>551,098</u>	<u>(551,098)</u>	
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 676,063</u>		
NET POSITION			
Investment in capital assets		607,858	607,858
Unrestricted		<u>541,238</u>	<u>541,238</u>
TOTAL NET POSITION		<u>\$ 1,149,096</u>	<u>\$ 1,149,096</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, 2018

	General Fund	Adjustments (Note G)	Statement of Activities
EXPENDITURES/EXPENSES			
Ambulance services:			
Services and supplies	\$ 1,194,379		\$ 1,194,379
Salaries and benefits	1,136,570	\$ 2,258	1,138,828
Capital outlay	324,875	(324,875)	
Depreciation		236,249	236,249
(Gain) loss on disposal of capital assets		(2,201)	(2,201)
TOTAL EXPENDITURES/EXPENSES	<u>2,655,824</u>	<u>(88,569)</u>	<u>2,567,255</u>
PROGRAM REVENUES			
Operating grants and subsidies:			
Contract service area #3 payments	2,342,520		2,342,520
Dispatch increase	60,000		60,000
Capital grants and subsidies			
County reimbursement for ambulance	320,000		320,000
Charges for services:			
Other program revenue	4,088		4,088
TOTAL REVENUES	<u>2,726,608</u>		<u>2,726,608</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>70,784</u>		
NET PROGRAM REVENUES/(EXPENSES)		<u>88,569</u>	<u>159,353</u>
GENERAL REVENUES			
Investment earnings	168		168
TOTAL GENERAL REVENUES	<u>168</u>		<u>168</u>
OTHER FINANCING SOURCES			
Proceeds from sale of capital assets	2,201	(2,201)	
NET CHANGE IN FUND BALANCE	73,153	(73,153)	
CHANGE IN NET POSITION		159,521	159,521
Fund balance/net position, beginning of year	<u>477,945</u>	<u>511,630</u>	<u>989,575</u>
FUND BALANCE/NET POSITION, END OF YEAR	<u>\$ 551,098</u>	<u>\$ 597,998</u>	<u>\$ 1,149,096</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, 2018

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Contract service area #3 payments	\$ 2,330,000	\$ 2,330,000	\$ 2,342,520	\$ 12,520
County reimbursement for ambulance	320,000	320,000	320,000	
Dispatch increase	60,000	60,000	60,000	
Other program revenue			4,088	4,088
Investment earnings	800	800	168	(632)
TOTAL REVENUE	2,710,800	2,710,800	2,726,776	15,976
EXPENDITURES				
Services and supplies				
Professional fees/contracts				
Lake Valley Fire Protection District payroll reimbursed	465,309	465,309	452,805	12,504
Executive Director contract	110,000	110,000	110,000	
Attorney fees	40,000	40,000	24,427	15,573
Paychex fees	15,000	15,000	11,529	3,471
Accounting	5,000	5,000	5,345	(345)
Medical supplies	120,000	120,000	136,001	(16,001)
Dispatch contract	150,000	150,000	150,000	
Lake Valley Fire Protection District management fees	140,000	140,000	140,000	
Equipment maintenance	35,384	35,384	51,640	(16,256)
Fuel	45,000	45,000	43,315	1,685
Insurance	15,000	15,000	11,984	3,016
Office expense	10,000	10,000	11,485	(1,485)
Communications/cell phone	10,000	10,000	8,722	1,278
Employee expense/physical/background	5,000	5,000	8,429	(3,429)
Personal protective gear/uniforms	8,000	8,000	7,734	266
Scholarships	10,000	10,000	5,000	5,000
Employee training	15,000	15,000	4,870	10,130
Station supplies	5,000	5,000	4,030	970
Utilities	6,000	6,000	2,719	3,281
Travel	5,000	5,000	1,674	3,326
Contingency	26,835	26,835	1,500	25,335
Snow removal	5,000	5,000	1,170	3,830
Salaries and benefits				
Staff salaries/health insurance	1,009,272	1,009,272	1,011,903	(2,631)
Contract labor	60,000	60,000	81,030	(21,030)
Workers' compensation	70,000	70,000	43,637	26,363
Capital outlay				
Ambulance purchase	320,000	320,000	319,909	91
Computer equipment	5,000	5,000	4,966	34
TOTAL EXPENSES	2,710,800	2,710,800	2,655,824	54,976
EXCESS OF REVENUES OVER EXPENDITURES			70,952	70,952
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets			2,201	2,201
NET CHANGE IN FUND BALANCE	\$ -	\$ -	73,153	\$ 73,153
Fund balance/net position, beginning of year			477,945	
FUND BALANCE AT END OF YEAR			\$ 551,098	

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

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

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 September 1, 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, 2018

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. Equipment is depreciated on a straight-line basis over 5 to 10 years depending on the asset type.

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 net 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.

Compensated Absences – Unused earned time off may be accumulated 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.

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, 2018

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, 2018, the Commission's cash and investments consisted of cash on hand of \$200, deposits in financial institutions of \$491,252 and an investment in the County of El Dorado investment pool of \$236.

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.

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.

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, 2018, the carrying amount and the balance in the financial institution of the JPA's deposits was \$491,252 and \$506,987, 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, 2018

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, 2017	Additions	Disposals	Transfers	Balance June 30, 2018
Capital assets being depreciated:					
Vehicles	\$ 867,841	\$ 281,236	\$ (145,437)		\$ 1,003,640
Equipment	450,892	43,639			494,531
Total capital assets being depreciated	<u>1,318,733</u>	<u>324,875</u>	<u>(145,437)</u>		<u>1,498,171</u>
Less accumulated depreciation for:					
Vehicles	(569,445)	(165,255)	145,437		(589,263)
Equipment	(230,056)	(70,994)			(301,050)
Total accumulated depreciation	<u>(799,501)</u>	<u>(236,249)</u>	<u>145,437</u>		<u>(890,313)</u>
Total capital assets being depreciated, net	<u>\$ 519,232</u>	<u>\$ 88,626</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 607,858</u>

NOTE D – COMPENSATED ABSENCES

Changes in compensated absences consisted of the following during the year ended June 30, 2017:

	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018	Due within one year
Compensated absences	<u>\$ 7,602</u>	<u>\$ 22,279</u>	<u>\$ (20,021)</u>	<u>\$ 9,860</u>	<u>\$ 8,874</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 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 JPA was recently required to re-bid on the contract and was notified by County staff that the JPA was selected as the winning bid, which is subject to approval by the County Board of Supervisors. The contract is for a ten-year period with a five-year renewal option.

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.

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2018

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 balances 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	\$ 551,098
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.	
Capital assets, net	607,858
Certain liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Compensated absences	<u>(9,860)</u>
Net position in the government-wide statement of net position	<u>\$ 1,149,096</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:

Net change in fund balance of governmental funds	\$ 73,153
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:	
Capital outlay	324,875
Depreciation	(236,249)
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>(2,258)</u>
Change in net position of the statement of activities	<u>\$ 159,521</u>

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2018

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		\$ 457,922
Dispatch contract	\$ 150,000	
Management fee		140,000
Vehicle maintenance		45,233
Fuel		13,488
Miscellaneous	<u>697</u>	<u>17,543</u>
	<u>\$ 150,697</u>	<u>\$ 674,186</u>

Payables to the City and Lake Valley at June 30, 2018 were \$12,500 and \$57,353, 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.

COMPLIANCE REPORT



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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, 2018, 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 2, 2019.

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 2018-001, 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 2, 2019

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2018

CURRENT YEAR FINDING

INTERNAL CONTROL OVER FINANCIAL REPORTING

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.

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 in classifications of transactions, the District's closing process did not identify all transactions that needed to be recorded during the closing process..

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. Also, the budget versus actual information reported to the Board of Directors changed significantly, which may have affected the usefulness of the information for decision making purposes. Transaction classes needing adjustment included prepaid expenses, inventory, capital assets, accounts payable, salaries and benefits payable, compensated absences, fund balance, revenues and expenditures

Recommendation: We recommend the JPA staff work with the contract accountant to review invoices paid and receipts collected near year-end to ensure the transactions are reported in the period the related work was performed. JPA staff should update the capital asset detail list for asset additions and disposals and then adjust the cost, accumulated depreciation and depreciation expense accounts in the general ledger. JPA staff should also post the audit adjustments provided to make sure fund balance rolls-forward and should use a separate set of self-balancing accounts for the government-wide adjustments related to capital assets. Additional time should also be spent reviewing the general ledger detail from QuickBooks to ensure the account coding in entries posted in the income statement each month is appropriate and according to where the amounts were budgeted.

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 2017-001

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.

Cause: The District did not have sufficient staff knowledgeable about GAAP accounting with the time necessary to devote to review ending balances and post entries necessary to properly report financial activity in the general ledger. In addition, much of the information necessary to identify necessary closing entries was not provided by the County of El Dorado staff due to the transition for accounting to a contract accountant.

Current Status: The issue was not resolved during the year. Finding 2018-001 is a continuation of this finding.