

**CALIFORNIA TAHOE
EMERGENCY SERVICES OPERATIONS AUTHORITY**

Audited Financial Report

June 30, 2020

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CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

Audited Financial Report

June 30, 2020

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550 Howe Avenue, Suite 210
Sacramento, California 95825

Telephone: (916) 564-8727
FAX: (916) 564-8728

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, 2020, 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, 2020, and the respective changes in financial position for the for the year then ended in accordance

To the Board of Directors
California Tahoe Emergency Services Operations Authority

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 and the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, 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 September 28, 2021 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

September 28, 2021

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

This 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, 2020. 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, the JPA's financial statements, and notes to the basic 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 (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 may be returned at the end of each fiscal year.
- The JPA's total net position was \$1,474,512 at June 30, 2020, an increase of \$281,727 from the June 30, 2019 balance of \$1,192,785. This increase in net position was due to revenues exceeding expenses, mainly due to the contract service and dispatch fees received from the County of El Dorado (the County) exceeding the cost of services by \$152,357 and a federal COVID-19 grant of \$119,622 being received from the County. Also, long-distance transportation fees of \$30,208 were received during the year.
- The JPA incurred capital outlay expenditures of \$163,473 from a remounted ambulance, and tenant improvements on the Lake Tahoe Boulevard ambulance facility under construction during the year. The JPA did not incur any capital outlay expenditures during the year ended June 30, 2019 but suffered an ambulance impairment loss.
- The JPA operates five ambulances. The JPA continues to hire and train employees to staff the ambulances.
- The JPA's revenues increased by \$1,092,258, mainly due to the JPA receiving \$74,690 more per month of additional CSA #3 payments from the County beginning in September 2019 due to contract changes to cover increased cost of services, receiving \$154,373 of reimbursements from the County for the capital outlay expenditures discussed above, and receiving \$31,896 more in long-distance transportation and other fees. Contract service payments also increase according to the Ambulance Inflation Factor each January. The JPA's expenses increased by \$854,220 during the year due to an increase in reimbursed member expenses of approximately \$346,720 (see Note H for expenditures reimbursed), an increase in depreciation expense of \$152,773 due to an increase in depreciable lives of ambulances from five to eight years resulting in a one-time credit to depreciation in 2019, incurring \$163,473 of capital outlay expenditures, incurring rent expenditures of \$43,850 for temporary housing while the ambulance facility is under construction, and incurring \$437,847 of additional salaries and benefits during the year. The increases were partially due to the increased costs related to the COVID-19 pandemic that were partially reimbursed with a federal grant.

OVERVIEW OF THE FINANCIAL STATEMENTS

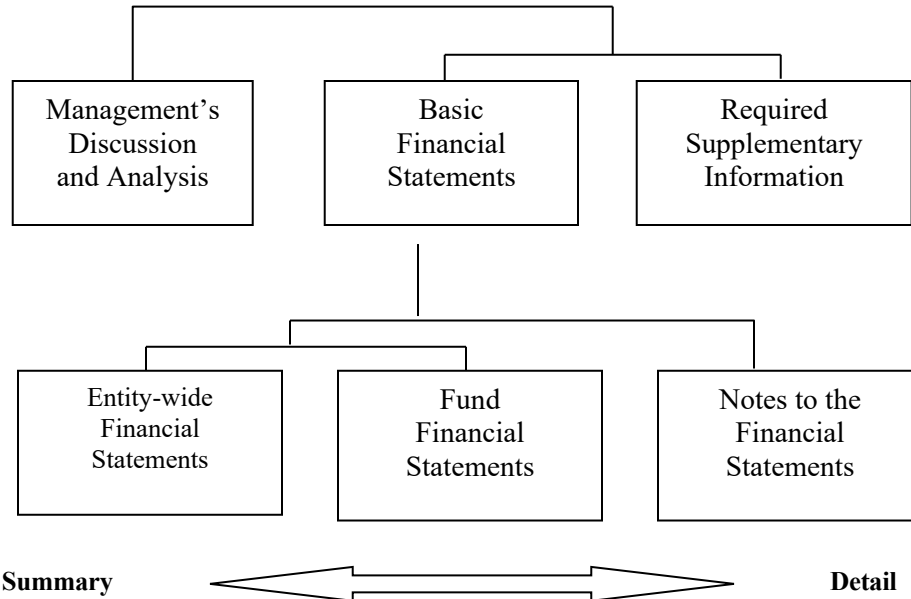
This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. These statements are organized so the reader can understand the California Tahoe Emergency Services Operations Authority as a financial 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, 2020

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 in the required supplementary information section.

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, 2020?”

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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 \$281,727 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 the 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, 2020

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

The JPA's net position was \$1,474,512 at June 30, 2020, consisting of \$554,715 invested in capital assets and \$919,797 of unrestricted net position. The government-wide balances are presented in the table below.

COMPARATIVE STATEMENT OF NET POSITION

	Governmental Activities			
	2020	2019	\$ Change	% Change
ASSETS				
Cash and investments	\$ 1,197,321	\$ 373,876	\$ 823,445	220%
Due from other governments	177,473	200,192	(22,719)	-11%
Prepaid items	12,330	17,869	(5,539)	-31%
Rent security deposits	8,406		8,406	100%
Medical supplies inventory	168,585	112,438	56,147	50%
Performance deposit	50,000	50,000		
Capital assets, net of depreciation	554,715	571,133	(16,418)	-3%
TOTAL ASSETS	2,168,830	1,325,508	843,322	64%
LIABILITIES				
Accounts payable and other liabilities	105,154	76,009	29,145	38%
Salaries and benefits payable	18,787	48,225	(29,438)	-61%
Unearned revenue	554,713		554,713	100%
Compensated absences-current	11,776	7,980	3,796	48%
Compensated absences-noncurrent	3,888	509	3,379	664%
TOTAL LIABILITIES	694,318	132,723	561,595	423%
NET POSITION				
Investment in capital assets	554,715	571,133	(16,418)	-3%
Unrestricted	919,797	621,652	298,145	48%
TOTAL NET POSITION	\$ 1,474,512	\$ 1,192,785	\$ 281,727	24%

Total assets increased by \$843,322, including an increase in cash and investments of \$823,445 that was largely due to receiving two months or \$554,713 of unearned revenue from the County at year-end for July and August 2020 of fiscal 2021, a decrease in receivables of \$22,719, an increase in the medical supplies inventory of \$56,147 due to the COVID-19 pandemic, and smaller changes in other asset categories.

Liabilities increased by \$561,595, which was largely due to receiving a quarterly payment that included the July and August 2020 (of fiscal 2021) CSA #3 revenue at year-end. Accounts payable increased by \$29,145 due to the Lake Valley professional services and City dispatch contract services scheduled rate increases with the new County contract. Salaries and benefits payable decreased by \$29,438 due to how the payroll calendar fell this year.

Net position increased \$281,727 during the fiscal year from \$1,192,785 to \$1,474,512. The JPA's expenses for providing ambulance and dispatch services, including salaries 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, 2020

COMPARATIVE STATEMENT OF ACTIVITIES

	Governmental Activities			
	2020	2019	\$ Change	% Change
REVENUES				
Program revenues				
Operating grants and subsidies	\$ 3,343,673	\$ 2,437,630	\$ 906,043	37%
Capital grants and subsidies	154,373		154,373	100%
Charges for services	35,160	3,264	31,896	977%
General revenues				
Investment earnings	106	160	(54)	-34%
TOTAL REVENUES	3,533,312	2,441,054	1,092,258	45%
EXPENSES				
Regional ambulance and dispatch	3,251,585	2,397,365	854,220	36%
TOTAL EXPENSES	3,251,585	2,397,365	854,220	36%
CHANGE IN NET POSITION	281,727	43,689	238,038	545%
Net position, beginning of year	1,192,785	1,149,096	43,689	4%
NET POSITION, END OF YEAR	\$ 1,474,512	\$ 1,192,785	\$ 281,727	24%

Operating grants and subsidies increased by \$906,043, mainly from the contract service fees increase of \$786,421 from changes in the reimbursement rate beginning in September 2019 from \$200,192 to \$274,882 and the Ambulance Inflation Factor used by the County to adjust the service fees, increasing the rate to \$277,356 in December 2020. Operating grants also include a \$119,622 COVID-19 federal grant and a \$60,000 dispatch reimbursement from the County. Capital grants and subsidies increased \$154,373 due to an ambulance remount and tenant improvements on the ambulance facility under construction that were reimbursed by the County. Charges for services increased due to increased long-distance transportation fees from the JPA being reimbursed 80% of the collections from customers by the County under the new contract.

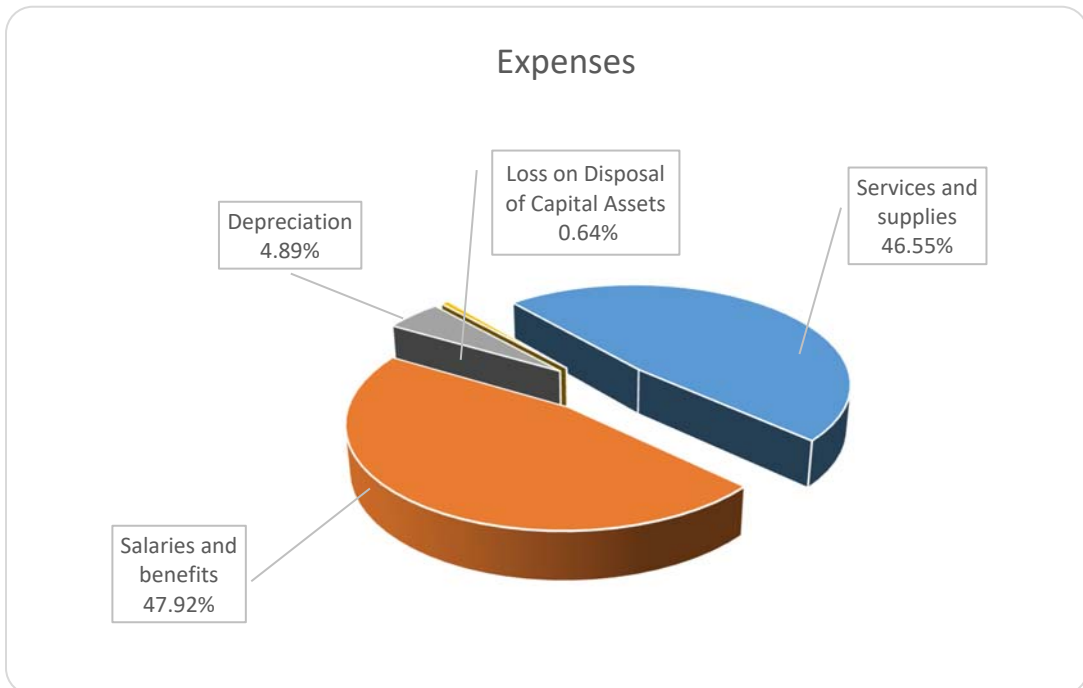
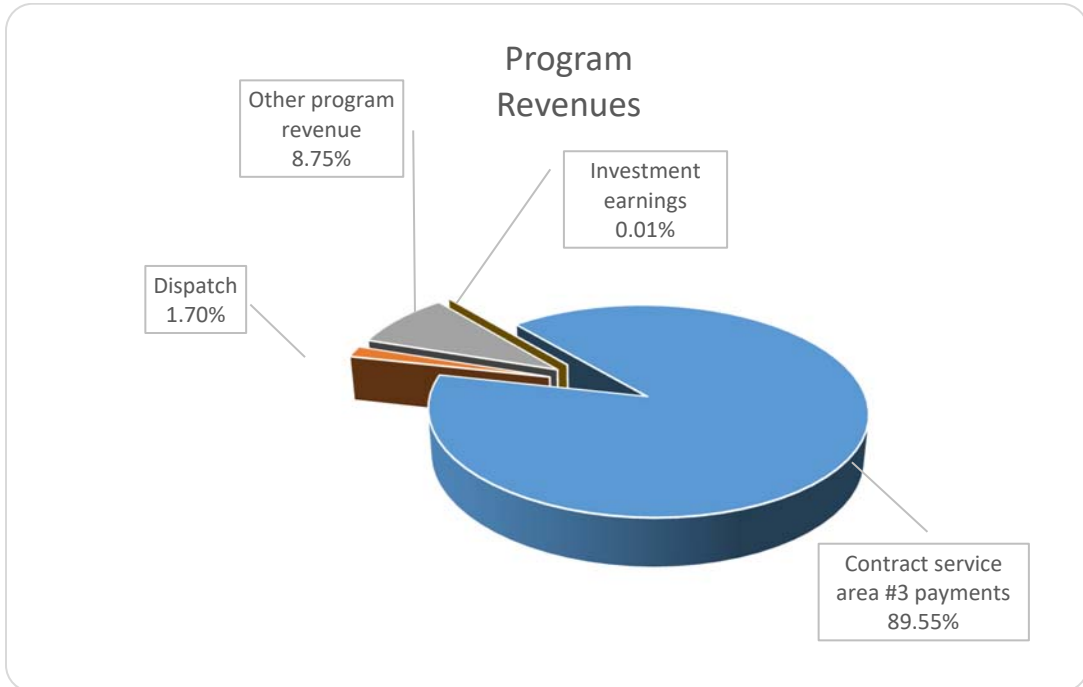
Expenses increased by \$854,220 for the year ended June 30, 2020, mainly due to increases in salaries and benefits of \$437,847, Lake Valley management and other reimbursed expenditures of \$257,975, City dispatch and other costs of \$88,745, depreciation expense of \$152,773 due to a one-time credit from a change in depreciable lives in 2019, rent of \$43,850 and other smaller increases, offset by a decrease in medical supplies expense of \$38,578 after capitalizing inventory purchases. The increase in salaries and benefits was due to pay increases, hiring an EMS Supervisor and benefits increasing with the related salaries.

As reported in the Statement of Activities, the cost of all of the JPA's governmental activities this year was \$3.25 million. Program revenues were \$3.53 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, 2020



CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Comparative Schedule of Capital Assets, Net of Depreciation

	<u>2020</u>	<u>2019</u>	Difference Increase (Decrease)
Construction in progress	\$ 34,373		\$ 34,373
Vehicles	453,485	\$ 437,274	16,211
Equipment	<u>66,857</u>	<u>133,859</u>	<u>(67,002)</u>
Totals	<u>\$ 554,715</u>	<u>\$ 571,133</u>	<u>\$ (16,418)</u>

The changes above were the result of an ambulance remount of \$129,100 while disposing of the remounted ambulance and tenant improvements on the Lake Tahoe Boulevard ambulance facility of \$34,373 being record as construction in progress. Equipment declined mainly due to a change in the depreciation thresholds from \$500 to \$5,000 in the policy approved by the Board of Directors during the year. Additional 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, 2020. However, the JPA entered into a capital lease during the year ending June 30, 2021, as described in Note J to the financial statements.

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 may be returned at the end of each fiscal year.

The total assets of the General Fund increased by \$859,740 primarily due to the \$823,445 increase in cash and investments from receiving a quarterly payment from the County that included July and August revenues in June 2020 that resulted in \$554,713 of unearned revenue being recognized, collecting \$22,719 of receivables, and the positive change in fund balance of \$174,487. The medical supply inventory also increased by \$56,147 due to the COVID-19 pandemic. Total General Fund liabilities increased by \$554,420 from June 30, 2019, which was primarily the unearned revenue being collected before the end of fiscal 2021. The General Fund recognized deferred inflows of resources of \$130,833 from the \$119,622 COVID-19 federal grant and \$11,211 of long-distance transportation fees being received after the 60 day availability period. These amounts were recognized in the statement of activities. Fund balance of the General Fund increased by \$174,487 from the June 30, 2019 fund balance of \$630,141 due to the changes in assets and liabilities described above. Revenues increased by \$961,479, primarily due to contract service fees increasing by \$786,421, capital grants increasing \$154,373 and other operating revenues increasing \$20,685, as described previously. Expenditures increased by \$865,981, which was due to the changes described previously, excluding the increase depreciation that is not recorded in the General Fund, and capital outlay expense increasing \$163,473 due to the JPA purchasing capital assets, as described previously.

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund revenues were lower than the final budget by \$45,372, primarily due to the full budget for the tenant improvements and fund balance appropriated for capital purposes not being fully used. Long-distance transportation fees exceeded the budget by \$18,997 due to the amount being difficult to predict. Expenditures were lower than the final budget by \$223,712, primarily due to positive variances from the budget in salaries and benefits of \$6,025 and tenant improvements of \$215,627, offset by negative variances in rent of \$11,850, equipment maintenance of \$9,302 and medical supplies of \$9,641. The JPA's budgeting for the new expenditures will become more precise as management has more history to draw upon when budgeting.

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, 2020

	General Fund	Adjustments (Note G)	Statement of Net Position
ASSETS			
Cash and investments	\$ 1,197,321		\$ 1,197,321
Due from other governments	177,473		177,473
Prepaid items	12,330		12,330
Medical supplies inventory	168,585		168,585
Rent security deposits	8,406		8,406
County contract performance deposit	50,000		50,000
Capital assets:			
Nondepreciable		\$ 34,373	34,373
Depreciable, net		520,342	520,342
Total capital assets, net		<u>554,715</u>	<u>554,715</u>
TOTAL ASSETS	<u>\$ 1,614,115</u>	<u>\$ 554,715</u>	<u>\$ 2,168,830</u>
LIABILITIES			
Accounts payable and other current liabilities	\$ 105,154		\$ 105,154
Salaries and benefits payable	18,787		18,787
Unearned revenue	554,713		554,713
Compensated absences - current		\$ 11,776	11,776
Compensated absences - noncurrent		3,888	3,888
TOTAL LIABILITIES	<u>678,654</u>	<u>15,664</u>	<u>694,318</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	130,833	(130,833)	
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>130,833</u>	<u>(130,833)</u>	
FUND BALANCE			
Nonspendable	180,915	(180,915)	
Committed	160,040	(160,040)	
Unassigned	463,673	(463,673)	
TOTAL FUND BALANCE	<u>804,628</u>	<u>(804,628)</u>	
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,614,115</u>		
NET POSITION			
Investment in capital assets		554,715	554,715
Unrestricted		919,797	919,797
TOTAL NET POSITION		<u>\$ 1,474,512</u>	<u>\$ 1,474,512</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, 2020

	General Fund	Adjustments (Note G)	Statement of Activities
EXPENDITURES/EXPENSES			
Ambulance services:			
Salaries and benefits	\$ 1,551,075	\$ 7,175	\$ 1,558,250
Services and supplies	1,513,444		1,513,444
Capital outlay	163,473	(163,473)	
Depreciation		158,933	158,933
Loss on disposal of capital assets		20,958	20,958
TOTAL EXPENDITURES/EXPENSES	<u>3,227,992</u>	<u>23,593</u>	<u>3,251,585</u>
PROGRAM REVENUES			
Operating grants and subsidies:			
Contract service area #3 payments	3,164,051		3,164,051
Dispatch revenue	60,000		60,000
CARES Act operating grant		119,622	119,622
Capital grants and subsidies			
Reimbursement for tenant improvements and ambulance	154,373		154,373
Charges for services:			
Long-distance transportation fees	18,997	11,211	30,208
Standby fees	4,952		4,952
TOTAL REVENUES	<u>3,402,373</u>	<u>130,833</u>	<u>3,533,206</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>174,381</u>		
NET PROGRAM REVENUES		<u>107,240</u>	<u>281,621</u>
GENERAL REVENUES			
Investment earnings	106		106
TOTAL GENERAL REVENUES	<u>106</u>		<u>106</u>
NET CHANGE IN FUND BALANCE	174,487	(174,487)	
CHANGE IN NET POSITION		281,727	281,727
Fund balance/net position, beginning of year	<u>630,141</u>	<u>562,644</u>	<u>1,192,785</u>
FUND BALANCE/NET POSITION, END OF YEAR	<u>\$ 804,628</u>	<u>\$ 669,884</u>	<u>\$ 1,474,512</u>

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

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2020

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: 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 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, which was extended as described in Note J. The JPA owns six ambulances for this purpose. Dispatch services are provided by the City under a dispatch agreement ending August 31, 2024, as described in Note I. 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) #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 #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, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

include CSA #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, deferred inflows of resources and fund balance 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 not 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.

Due From Other Governments: Due from other governments includes \$28,306 of professional fees due from Lake Valley and \$8,333 of dispatch fees due from the City due to applying a scheduled rate increase in August 2019 rather than in September 2019 as required by the related agreement. Due from other governments also includes a CARES Act grant receivable of \$119,622 and transportation fees of \$21,212 due from the County.

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. Prepaid items consisted of prepaid maintenance agreements and diesel engine warranties. 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. The amount would be returned to the City.

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$5,000 or more with a life of more than three years are capitalized and depreciated on a straight-line basis. Ambulances and other vehicles are depreciated over eight years. Equipment is depreciated over 5 to 10 years depending on the type of asset.

Unearned Revenue: Unearned revenues arise when resources are received by the JPA before it has legal claim to them. Unearned revenues consisted of CSA #3 payments for July and August 2020 received prior to June 30, 2020.

Compensated Absences – Unused earned time off is accumulated at 3.46 to 5.0 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 assets. 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 Fund Balance – 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.

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 and the entry to true-up the medical supplies inventory is added to report the actual expenses on the GAAP basis on the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, which is reported as required supplementary information.

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, 2020, the JPA's cash and investments consisted of cash on hand of \$389, deposits in financial institutions of \$1,196,698 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.

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE B – CASH AND INVESTMENTS (Continued)

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, 2020, the carrying amount and the balance in the financial institution of the JPA’s deposits was \$1,196,698 and \$1,188,077, 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.

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, 2019	Additions	Disposals	Balance June 30, 2020
Capital assets not being depreciated:				
Construction in progress		\$ 34,373		\$ 34,373
Capital assets being depreciated:				
Vehicles	\$ 856,927	129,100	\$ (148,437)	837,590
Equipment	494,531		(82,361)	412,170
Total capital assets being depreciated	1,351,458	129,100	(230,798)	1,249,760
Less accumulated depreciation for:				
Vehicles	(419,653)	(98,988)	134,536	(384,105)
Equipment	(360,672)	(59,945)	75,304	(345,313)
Total accumulated depreciation	(780,325)	(158,933)	209,840	(729,418)
Total capital assets being depreciated, net	571,133	(29,833)	(20,958)	520,342
Total capital assets, net	\$ 571,133	\$ 4,540	\$ (20,958)	\$ 554,715

During the year ending June 30, 2020, the JPA increased its capitalization threshold to \$5,000. Due to this change, the JPA wrote off assets with a cost of \$85,361 and accumulated depreciation of \$76,553, resulting in a net loss of \$8,838, which is a portion of the loss on disposal of capital assets.

NOTE D – COMPENSATED ABSENCES

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

	Balance June 30, 2019	Additions	Retirements	Balance June 30, 2020	Due within one year
Compensated absences	\$ 9,860	\$ 23,382	\$ (17,578)	\$ 15,664	\$ 11,776

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE E – COMMITMENTS AND CONTINGENCIES

Legal Contingencies: The JPA is subject to claims arising from the normal course of business. The outcome of the claims is unknown, but in the opinion of management would not have a significant effect on the JPA's financial position.

El Dorado County Contract: El Dorado County has contracted with the JPA to provide full-service emergency and non-emergency pre-hospital advanced life support services, dispatch services, and non-emergency transports for the area known in El Dorado County as CSA #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 on January 1 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, 2020 expired on August 31, 2021. However, as described in Note J, the contract was extended during 2021. 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. 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. A partial payment of \$34,373 was received in June 2020 for tenant improvements. County management indicated the remaining portion of the second \$120,000 payment could be used to reimburse the JPA for costs incurred on the ambulance facility discussed below.

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.

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.

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.

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

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	\$ 804,628
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.	
Capital assets, net	554,715
Long-term receivables are not available to pay current period expenditures and are reported as deferred inflows in governmental funds.	130,833
Certain liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Compensated absences	<u>(15,664)</u>
Net position in the government-wide statement of net position	<u><u>\$ 1,474,512</u></u>

The net change in fund balance of the 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	\$ 174,487
Some receivables are deferred in the governmental fund because the amounts do not represent current financial resources that are recognized under the accrual basis in the statement of activities. This amount represents the change in deferred inflows of resources for unavailable revenue.	130,833
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	163,473
Depreciation	(158,933)
Difference between proceeds from sale and loss on disposal of capital assets	(20,958)
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>(7,175)</u>
Change in net position of the statement of activities	<u><u>\$ 281,727</u></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:

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE H – RELATED PARTY TRANSACTIONS (Continued)

	<u>City</u>	<u>Lake Valley</u>
Reimbursement of payroll and related costs		\$ 891,718
Dispatch contract	\$ 233,333	
Vehicle maintenance		25,008
Station supplies		11,360
Reimbursement for furniture	5,412	
Miscellaneous		29,033
	<u>\$ 238,745</u>	<u>\$ 957,119</u>

Accounts payable to the City and Lake Valley at June 30, 2020 for dispatch and payroll and related expenditures was \$20,833 and \$80,741, respectively. In February 2011 the JPA signed a lease agreement with the City for a facility under construction on Lake Tahoe Boulevard as described in Note J. See also a description of the dispatch agreement with the City described in Note I.

On October 19, 2020, the JPA sold an ambulance to the City’s Police Department for \$10,000.

NOTE I – DISPATCH CONTRACT

The dispatch contract with the City increased to \$20,833 per month, or \$250,000 per contract year, starting 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.

NOTE J – SUBSEQUENT EVENTS

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 bring the building in compliance with building codes as a condition to renew the agreement, which is in progress. 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 years ended June 30, 2020 and 2021 that will be renewed on a month to month basis until the facility is completed.

In October 2020, the JPA entered into a capital lease agreement for an ambulance requiring payments of \$29,794 to be made each December 12 from December 12, 2020 to December 12, 2024. The lease carries an interest rate of 3.781%. The JPA will obtain the title to the ambulance if all payments are made according to the terms of the agreement.

In October 2020, the JPA received \$200,000 of Coronavirus Relief Funds under the CARES Act through the County to reimburse the JPA for impacts of the COVID-19 public health emergency. The JPA was reimbursed \$119,622 of expenditures incurred prior to June 30, 2020 with the funds and the remaining amount was used to reimburse expenditures incurred during the fiscal year ending June 30, 2021.

On March 29, 2021, the JPA’s Board of Director’s approved a construction budget of \$517,000 for the 3066 Lake Tahoe Boulevard facility.

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE J – SUBSEQUENT EVENTS (Continued)

On August 24, 2021, the County's Board of Supervisors approved a new agreement for prehospital advanced life support, ambulance and dispatch services (Agreement) with the JPA that extends the agreement through August 31, 2031 with an additional County option to extend the agreement for one additional five year period. The JPA will be paid \$3,779,425 for the initial year of the agreement and the agreement includes an escalation factor using the Medicare Ambulance Inflation Factor released by the Centers for Medicare and Medicaid Services each calendar year. The Agreement allows the contract compensation to be renegotiated if changes in the JPA's expenses beyond the reasonable control of the JPA occur that jeopardize the JPA's ability to perform under the terms of the Agreement. The agreement also has provisions to pass-through to the JPA 100% of payments received from State and federal agencies specifically designated to reimburse the JPA for the direct, unusual expense of providing disaster services and 93% for special event and standby event services provided by the JPA. The agreement provides for penalties up to \$5,000 for noncompliance with response time requirements defined in the agreement.

In August of 2021, the Board of Directors approved the establishment of a 401k plan (Plan) through Paychex pension services called Pensionmark. The effective date of the plan is January 1, 2021, and regular and Roth elective deferrals may begin June 15, 2021. Under the provisions of the Plan, all employees over 18 years of age and completing 1 year of service, except those covered by a collective bargaining unit, are eligible for the Plan. The Plan is subject to a discretionary employer match of employee contributions and discretionary employer profit-sharing contributions. Employees may contribute up to 91% of their pay or the maximum allowed under the Internal Revenue Code. Employees are fully vested in employee contributions, 100% vested in employer matching contributions after two years of service and are subject to a graded vesting schedule for employer profit sharing contributions from two through six years of service.

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REQUIRED SUPPLEMENTARY INFORMATION

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CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

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

For the Year Ended June 30, 2020

	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	\$ 3,298,588	\$ 3,164,051	\$ 3,164,051			\$ 3,164,051
Reimbursement for ambulance	120,000	120,000	120,000			120,000
Reimbursement for tenant improvements	100,000	100,000	34,373	\$ (65,627)		34,373
Fund balance appropriated - capital	60,000	60,000	60,000		\$ (60,000)	
Dispatch revenue	60,000	60,000	60,000			60,000
Long-distance transportation fees	52,312		18,997	18,997		18,997
Standby fees	3,000	3,000	4,952	1,952		4,952
Investment earnings	800	800	106	(694)		106
TOTAL REVENUE	3,694,700	3,507,851	3,462,479	(45,372)	(60,000)	3,402,479
EXPENDITURES						
Salaries and benefits						
Staff salaries/health insurance	1,520,000	1,400,100	1,337,875	62,225		1,337,875
Payroll taxes			114,906	(114,906)		114,906
Workers' compensation	65,000	65,000	34,689	30,311		34,689
Health benefit	65,000	62,000	43,867	18,133		43,867
Earned time off	30,000	30,000	19,738	10,262		19,738
Services and supplies						
Professional fees/contracts						
Lake Valley Fire Protection						
District payroll reimbursed	945,000	891,718	891,718			891,718
Attorney fees	45,000	45,000	47,573	(2,573)		47,573
Paychex fees	16,000	16,000	19,856	(3,856)		19,856
Accounting	7,000	7,000	13,381	(6,381)		13,381
Dispatch contract	255,000	233,333	233,333			233,333
Medical supplies	125,000	125,000	134,641	(9,641)	(56,147)	78,494
Rent	20,000	32,000	43,850	(11,850)		43,850
Fuel	55,000	55,000	46,480	8,520		46,480
Equipment maintenance	35,000	35,000	44,302	(9,302)		44,302
Contingency						
Other	15,000	12,000	1,336	10,664		1,336
Employee expense/physical/ background/training						
background/training	20,000	20,000	18,409	1,591		18,409
Vehicle insurance	16,000	16,000	15,582	418		15,582
Ambulance warranties	6,000	6,000	2,041	3,959		2,041
Computer equipment	10,000	10,000	6,969	3,031		6,969
Communications/cell phone	10,000	10,000	7,524	2,476		7,524
Station supplies	25,000	25,000	25,775	(775)		25,775
Office expense			506	(506)		506
Scholarships	10,000	5,000	5,607	(607)		5,607
Personal protective equipment/ uniforms						
uniforms	7,700	7,700	1,922	5,778		1,922
Travel	5,000	5,000	354	4,646		354
Utilities	10,000	5,000	6,432	(1,432)		6,432
Snow removal	5,000	2,000	2,000			2,000
Critical care transport	15,000					
County request for proposal	7,000	7,000		7,000		
Capital outlay						
Ambulance purchase	130,000	130,000	129,100	900		129,100
Tenant improvements	220,000	250,000	34,373	215,627		34,373
TOTAL EXPENSES	3,694,700	3,507,851	3,284,139	223,712	(56,147)	3,227,992
NET CHANGE IN FUND BALANCE	\$ -	\$ -	\$ 178,340	\$ 178,340	\$ (3,853)	174,487
Fund balance, beginning of year						630,141
FUND BALANCE, END OF YEAR						\$ 804,628

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

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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, 2020, and the related notes to the financial statements, which collectively comprise the JPA's basic financial statements, and have issued our report thereon dated September 28, 2021.

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 2020-001, 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

September 28, 2021

CALIFORNIA TAHOE EMERGENCY SERVICES OPERATIONS AUTHORITY

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2020

CURRENT YEAR FINDING

INTERNAL CONTROL OVER FINANCIAL REPORTING

Finding 2020-001

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: 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 accrual entries were generally not made due to the bookkeeper having health issues and not being able to spend time closing the books.

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. Also, a new bookkeeper was hired that is expected to assist the JPA with preparation for the audit.

PRIOR YEAR FINDINGS

COMPLIANCE

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.

Current Status: The issue was not resolved during the year. Finding 2020-001 is a continuation of this finding.

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