SANTEE-LAKESIDE EMERGENCY MEDICAL SERVICES AUTHORITY

Annual Financial Report

For the Fiscal Year Ended June 30, 2023

NIGRO & NIGRO PC

SANTEE-LAKESIDE EMERGENCY MEDICAL SERVICES AUTHORITY
For the Fiscal Year Ended June 30, 2023
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Financial Section

NIGRO & NIGRO PC
A Professional Accountancy Corporation

INDEPENDENT AUDITORS' REPORT

Board of Chiefs and Commissioners
Santee-Lakeside Emergency Medical Services Authority
Santee, California

Opinion
We have audited the accompanying financial statements of the Santee-Lakeside Emergency Medical Services Authority (Authority) which comprise the balance sheet as of June 30, 2023, the related statements of revenue, expenses, and changes in net position, and cash flows for the year then ended, and related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2023 and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audits 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards,* we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Management has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements due to the Authority's first-year of operations. Such missing information, although not a 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued a separate report dated December 11, 2023, on our consideration of the Authority'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 the effectiveness of the Authority's 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 Authority's internal control over financial reporting and compliance.

Murrieta, California
December 11, 2023

SANTEE-LAKESIDE EMERGENCY MEDICAL SERVICES AUTHORITY
Balance Sheet
June 30, 2023

	2023
ASSETS	
Cash and cash equivalents (note 2)	$ 346,750
Accrued interest receivable	3,619
Accounts receivable – ambulance service revenue, net (note 3)	1,523,139
Other receivables, net (note 3)	374,519
Total assets	$ 2,248,027
LIABILITIES	
Accounts payable and accrued expenses	$ 201,645
Total liabilities	201,645
NET POSITION	
Unrestricted (note 4)	2,046,382
Total net position	2,046,382
Total liabilities and net position	$ 2,248,027

SANTEE-LAKESIDE EMERGENCY MEDICAL SERVICES AUTHORITY
Statement of Revenues Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2023

	2023
Operating Revenues:	
Ambulance service revenue	$ 3,277,060
San Diego County Service Area No. 69 dissolution	12,348,827
San Diego County Service Area No. 69 emergency medical service revenue	374,519
Total operating revenues	16,000,406
Operating Expenses:	
Payments to:	
City of Santee (note 4)	6,613,389
Lakeside Fire Protection District (note 4)	6,613,389
California Department of Health Services	398,996
General and administrative	325,387
Total operating expenses	13,951,161
Operating income	2,049,245
Non-Operating Revenues:	
Investment earnings	(2,863)
Total non-operating revenues	(2,863)
Change in net position	2,046,382
Net Position	
Beginning of year	-
End of year	$ 2,046,382

SANTEE-LAKESIDE EMERGENCY MEDICAL SERVICES AUTHORITY
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2023

	2023
Cash flows from operating activities:	
Cash received from ambulance service revenue and emergency medical service revenue	$ 1,753,921
Cash received from San Diego County Service Area No. 69 dissolution	12,348,827
Cash payments for operating expenses	(13,749,516)
Net cash provided by operating activities	353,232
Cash flows from investing activities:	
Investment earnings	(6,482)
Net cash used in investing activities	(6,482)
Net increase in cash and cash equivalents	346,750
Cash and cash equivalents:	
Beginning of year	-
End of year	$ 346,750

	2023
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 2,049,245
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) decrease in assets:	
Accounts receivable	(1,523,139)
Other receivables	(374,519)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	201,645
Net cash provided by operating activities	$ 353,232
Supplemental disclosure of cash flow information:	
Non-cash investing and financing activities:	
Change in unrealized gains/(losses) of investments	$ (7,005)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations of the Reporting Entity

The Santee-Lakeside Emergency Medical Services Authority (Authority) was formed under a Joint Exercise of Powers Authority on January 1, 2023, pursuant to the provisions of Article 2, Chapter 4; Division 2, Title 5 Sections 55631 through 55634, and Article 1 through 4, Chapter 5, Division 7, Title 1 (commencing with Section 65 of the Government Code of the State of California. The Authority was formed between the City of Santee and the Lakeside Fire Protection District. The Authority was formed as a successor to the dissolution of the San Diego County Service Area No. 69 (CSA 69) which was established by the County of San Diego Board of Supervisors in 1974.

The Authority is an independent public Authority separate from the Members. The Authority's board consists of two Chiefs from each of the Member agencies. The Authority's Commission consists of two council members from the City of Santee and two board members from the Lakeside Fire Protection District, and a board and commission secretary.

The purpose of the Authority is to provide Advance Life Support, Basic Life Support, and ambulance transport services within the City of Santee, and the Lakeside Fire Protection District's boundaries, as well as the unincorporated communities of Bostonia and Pepper Drive. City of Santee and Lakeside Fire Protection District levy, collect, and receive all tax and benefit fee revenues on behalf of the Authority that were previously levied and collected by CSA 69.

Basis of Accounting and Measurement Focus

The Authority reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the Authority is that the costs of providing services be financed or recovered primarily through user (member) charges, capital grants and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Financial Reporting

The Authority's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States Board (GAAP), as applied to enterprise funds, The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the Authority's proprietary fund.

Operating revenues and expenses result from exchange transactions associated with the principal activity of the Authority. Exchange transactions are those in which each party receives and gives up essentially equal values. Management administration and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments
Investments are reported at fair value except for short-term investments, which are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value. Investments in governmental investment pools are reported at fair value based on the fair value per share of the pool's underlying portfolio.

In accordance with fair value measurements, the Authority categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Financial assets and liabilities recorded on the balance sheet are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds. The Authority has the ability to access the holding and quoted prices as of the measurement date.

Level 2 – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

Level 3 – Inputs that are unobservable. Unobservable inputs reflect the Authority's own assumptions about the factors market participants would use in pricing an investment and is based on the best information available in the circumstances.

Accounts Receivable and Allowance for Doubtful Accounts
Accounts receivable consists of amounts owed by individuals for services rendered for ambulance transport. Uncollectible accounts are based on prior experience and management's assessment of the collectability of existing accounts. As of June 30. 2023, and allowance for doubtful accounts has been recorded for those uncollectible accounts (see note 3).

Net Position
The financial statements utilize a net position presentation. Net position is categorized as follows:

Unrestricted – This component of net position is the net amount of the assets less liabilities that are not included in the determination of the investment in capital assets component of net position.

Member Authority Contributions
The Authority's joint exercise of powers agreement provides that any member may make contributions of money or assets to the Authority; make or advance payments of public funds to defray the cost of Authority's operation; and contribute personnel, equipment or property instead of or in addition to other contributions or advances. Such contributions shall be paid to and disbursed by the Authority as set out in separate agreements between the Authority and the member and approved by the board and the governing body of the member. There were no contributions made by members in 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Member's Net Position
In the event of a member withdrawal, member termination, or dissolution of the Authority, any property interest remaining in the Authority, following a discharge of all obligations shall be disposed of pursuant to the Joint Powers Agreements as adopted by the Governing Board.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2023, are classified on the balance sheet as follows:

Description	2023
Cash and cash equivalents	$ 346,750
Total cash and investments	$ 346,750

Cash and investments at June 30, 2023, consisted of the following:

Description	2023
Cash held with City of Santee Pooled Cash	$ 324,517
Demand deposits held with financial institutions	22,233
Total cash and investments	$ 346,750

Cash held with City of Santee Pooled Cash
At June 30, 2023 the carrying amount of the Authority's cash held with the City of Santee was $324,517. The City of Santee pools cash resources from all funds to facilitate the management of cash and achieve the goal of obtaining the highest yield with the greatest safety and least risk. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms. Investments are stated at fair value, the value at which a financial instrument could be exchanged in a current transaction between willing parties, except for investment contracts that are reported at cost because they are not transferable, and they have terms that are not affected by changes in market interest rates. Separate financial statements of the City are available at 10601 N Magnolia Avenue, Santee, CA 92071.

Demand Deposits with Financial Institutions
At June 30, 2023 the carrying amount of the Authority's demand deposits was $22,233, and the financial institution's balance was $22,233. The net difference represents outstanding checks, deposits-in-transit and/or other reconciling items between the financial institution's balance and the Authority's balance for the year.

NOTE 2 – CASH AND INVESTMENTS (continued)

Custodial Credit Risk – Deposits
Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to $250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, 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 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

NOTE 3 – ACCOUNTS AND OTHER RECEVIBLES

Accounts receivable ambulance service revenue, net as of June 30, 2023, consisted of the following:

Description	
Accounts receivable – ambulance service revenue	$ 3,437,426
Allowance for doubtful accounts	(1,914,287)
Total accounts receivable- ambulance service revenue, net	$ 1,523,139

Other receivables, net as of June 30, 2023, consisted of the following:

Description	
Other receivables	$ 477,277
Allowance for doubtful accounts	(102,758)
Total other receivables, net	$ 374,519

NOTE 4 – MEMBER AUTHORITY NET POSITION

The Authority was formed between the City of Santee and Lakeside Fire Protection District. The Member Agencies net position in the Joint Exercise of Powers Authority awaiting distribution has been calculated as follows:

	For the Period Ending June 30, 2023			
Member Agency	**Total Revenue**	**Operating Expenses**	**Distributions**	**Net Position**
City of Santee	$ 7,998,772	$ (362,192)	$ (6,613,389)	$ 1,023,191
Lakeside Fire Protection District	7,998,771	(362,191)	(6,613,389)	1,023,191
Total	$ 15,997,543	$ (724,383)	$ (13,226,778)	$ 2,046,382

	Remaining Balances at June 30, 2023		
Member Agency	**Assets**	**Liabilities**	**Net Position**
City of Santee	$ 1,124,014	$ 100,823	$ 1,023,191
Lakeside Fire Protection District	1,124,013	100,822	1,023,191
Total	$ 2,248,027	$ 201,645	$ 2,046,382

Each annual budget includes a minimum reserve for contingency equal to ten percent of otherwise budgeted and approved expenditures. The approved reserve for fiscal year 2023 was twenty five percent. The distribution to the member agencies is calculated on a cash basis. The Authority calculates the total cash revenue and subtracts the expenditures made and subtracts the required reserve amount to arrive at the distributable amount. The Authority then distributes the distributable amount evenly to the two members.

For fiscal year 2023, the distributable amount was overestimated by $28,986 to the members due to the timing of the final reconciliation which was performed prior to the audit being completed. No further action has been deemed necessary as all net position amounts are distributable to the two member agencies.

NOTE 5 – COMMITMENTS AND CONTINGENCIES

Litigation
The Authority may be involved in routine litigation incidental to its business and may be subject to claims and litigation from outside parties. After consultation with legal counsel, management believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

NOTE 6 – SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through December 11, 2023, the date which the financial statements were available to be issued.

Other Independent Auditors' Reports

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INDEPENDENT AUDITORS' 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*

Board of Chiefs and Commissioners
Santee-Lakeside Emergency Medical Services Authority
Santee, California

We have audited, in accordance with the 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 Santee-Lakeside Emergency Medical Services Authority (Authority) which comprise the balance sheet as of June 30, 2023, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 11, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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 financial statements. 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Murrieta, California
December 11, 2023