

# STATE OF MINNESOTA

## Office of the State Auditor



**Rebecca Otto**  
**State Auditor**

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**SOUTHEASTERN MINNESOTA EMERGENCY  
MEDICAL SERVICES JOINT POWERS BOARD  
ROCHESTER, MINNESOTA**

FOR THE YEAR ENDED JUNE 30, 2010

## **Description of the Office of the State Auditor**

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 160 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

**Audit Practice** - conducts financial and legal compliance audits of local governments;

**Government Information** - collects and analyzes financial information for cities, towns, counties, and special districts;

**Legal/Special Investigations** - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

**Pension** - monitors investment, financial, and actuarial reporting for approximately 730 public pension funds; and

**Tax Increment Financing** - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**SOUTHEASTERN MINNESOTA EMERGENCY  
MEDICAL SERVICES JOINT POWERS BOARD  
ROCHESTER, MINNESOTA**

**For the Year Ended June 30, 2010**



**Audit Practice Division  
Office of the State Auditor  
State of Minnesota**

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**SOUTHEASTERN MINNESOTA EMERGENCY  
MEDICAL SERVICES JOINT POWERS BOARD  
ROCHESTER, MINNESOTA**

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**SOUTHEASTERN MINNESOTA EMERGENCY  
MEDICAL SERVICES JOINT POWERS BOARD  
ROCHESTER, MINNESOTA**

ORGANIZATION  
JUNE 30, 2010

<u>Name</u>	<u>Representing</u>	<u>Position</u>
Board Members		
David H. Hanson	Dodge County	
Chuck Amunrud	Fillmore County	Vice Chair
Dan Belshan	Freeborn County	
Richard Samuelson	Goodhue County	
Robert Augedahl	Houston County	
Raymond Tucker	Mower County	
Kenneth Brown	Olmsted County	
Milton Plaisance	Rice County	
Doug Johnson	Steele County	Chair
Tom Dwelle	Wabasha County	
Marcia Ward	Winona County	
Officer		
Linda Horth		Director

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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### INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Southeastern Minnesota Emergency Medical Services  
Joint Powers Board

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Southeastern Minnesota Emergency Medical Services Joint Powers Board as of and for the year ended June 30, 2010, which collectively comprise the Board's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Southeastern Minnesota Emergency Medical Services Joint Powers Board's management. 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. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Southeastern Minnesota Emergency Medical Services Joint Powers Board as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of required supplementary information. However, we did not audit the information and express no opinion on it.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

November 12, 2010

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**SOUTHEASTERN MINNESOTA EMERGENCY  
MEDICAL SERVICES JOINT POWERS BOARD  
ROCHESTER, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010  
(Unaudited)**

The Southeastern Minnesota Emergency Medical Services Joint Powers Board's Management's Discussion and Analysis (MD&A) provides an overview of the Board's financial activities for the fiscal year ended June 30, 2010. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the Board's financial statements.

**FINANCIAL HIGHLIGHTS**

- Total net assets are \$251,761, of which \$11,670 is invested in capital assets.
- The Board's net assets increased by \$110,619 for the year ended June 30, 2010.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This MD&A is intended to serve as an introduction to the basic financial statements. The Board's basic financial statements consist of two statements which combine government-wide financial statements and fund financial statements and notes to the financial statements. The MD&A (this section) is required to accompany the basic financial statements and, therefore, is included as required supplementary information.

There are two financial statements. The first column of each statement presents governmental fund data, which focus on how money flows in and out and the balances left at year-end available for spending. These columns are reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. This column provides a detailed short-term view of the Board's general government operations and the basic services it provides. Governmental fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the Board's programs. We reconcile the relationship (or differences) between governmental fund and governmental activities (reported in the third column) in the center column of each statement.

The third column in each statement presents the Statement of Net Assets and the Statement of Activities, which provide information about the activities of the Board as a whole and present a longer-term view of the Board's finances. These columns tell how these services were financed in the short term as well as what remains for future spending.

## THE BOARD AS A WHOLE

The Board's combined net assets increased from \$141,142 to \$251,761. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Board's governmental activities.

**Table 1--Net Assets**

	<u>2010</u>	<u>2009</u>	<u>Percent (%) Change</u>
Assets			
Current and other assets	\$ 248,478	\$ 157,815	57.4
Capital assets	<u>11,670</u>	<u>9,219</u>	26.6
Total Assets	<u>\$ 260,148</u>	<u>\$ 167,034</u>	55.7
Liabilities			
Current and other liabilities	<u>\$ 8,387</u>	<u>\$ 25,892</u>	(67.6)
Net Assets			
Invested in capital assets	\$ 11,670	\$ 9,219	26.6
Unrestricted	<u>240,091</u>	<u>131,923</u>	82.0
Total Net Assets	<u><u>\$ 251,761</u></u>	<u><u>\$ 141,142</u></u>	78.4

Net assets of the Board increased by 78.4 percent. Unrestricted net assets--the part of net assets that can be used to finance day-to-day operations without constraints established by enabling legislation or other legal requirements--changed from a \$131,923 surplus at June 30, 2009, to \$240,091 at the end of this year.

**Table 2--Changes in Net Assets**

	<u>2010</u>	<u>2009</u>	<u>Percent (%) Change</u>
Revenues			
Program revenues			
Charges for services	\$ 99,640	\$ 102,329	(2.6)
Operating grants	277,813	256,628	8.3
General revenues			
Investment income	1,003	1,759	(43.0)
Other	<u>3,744</u>	<u>1,861</u>	101.2
Total Revenues	<u>\$ 382,200</u>	<u>\$ 362,577</u>	5.4

	<u>2010</u>	<u>2009</u>	<u>Percent (%) Change</u>
Expenses			
Health			
EMS systems management	\$ 148,999	\$ 166,697	(10.6)
EMS personnel training	87,227	108,470	(19.6)
Public safety involvement	2,256	5,928	(61.9)
Patient/nonpatient care EMS equipment	399	4,279	(90.7)
Bioterrorism training and support	18,722	8,644	116.6
Other health programs	10,083	9,960	1.2
Volunteer EMT	-	13,994	(100.0)
Depreciation	<u>3,895</u>	<u>2,435</u>	60.0
Total Expenses	<u>\$ 271,581</u>	<u>\$ 320,407</u>	(15.2)
Increase (Decrease) in Net Assets	<u>\$ 110,619</u>	<u>\$ 42,170</u>	162.3

### The Board's General Fund

As the Board completed the year, its governmental fund (as presented in the first column of the statements) reported an undesignated fund balance of \$233,625, which is an increase of 86.2 percent from last year's undesignated fund balance of \$125,457. This increase is due mainly to decreases in expenditures during the year. Total revenues increased by 5.4 percent during the year ended June 30, 2010; expenses decreased by 15.2 percent. The Board has adopted grant budgets for the various grant periods. These budgets may be amended or modified as additional grants are received. A comparison of budgeted revenues and expenditures to actual has not been presented in the financial statements because all of the budgets are not adopted on an annual fiscal-period basis.

### CAPITAL ASSETS

As of June 30, 2010, the Board had \$11,670 invested in capital assets. (See Table 3 below.) This amount represents a net increase (including additions and deductions) of \$2,451, or 26.6 percent, from last year.

**Table 3--Capital Assets at Year-End**

	<u>2010</u>	<u>2009</u>	<u>Percent (%) Change</u>
Equipment	\$ 26,179	\$ 19,833	32.0
Less: accumulated depreciation	<u>(14,509)</u>	<u>(10,614)</u>	(36.7)
Net Capital Assets	<u>\$ 11,670</u>	<u>\$ 9,219</u>	26.6

This year's changes included \$3,895 of depreciation expense.

## ECONOMIC FACTORS AND NEXT YEAR'S GRANT BUDGETS AND RATES

With the financial uncertainty of the economy including a significant state deficit, the Joint Powers Board considered many factors when planning for the fiscal year ending June 30, 2010. Some of the decisions made in fiscal year 2009 regarding a reduction in spending while increasing revenue-producing activities would be continued in fiscal year 2010.

- Due to the state deficit, the Minnesota EMS Regulatory Board reduced funding through the EMS Support Act to regional EMS programs by 6.5 percent for fiscal year 2010 and fiscal year 2011 (*total \$9,886*). While additional reductions of the EMS Support Act were discussed for fiscal year 2010, they were not implemented.
- As of July 1, 2009, failure to wear a seat belt became a primary offense in Minnesota for everyone in the car. While the change in statute significantly increased the appropriation of Seat Belt fines to regional EMS programs (*\$180,353 during fiscal year 2010*), the Board decided not to make adjustments in the original Seat Belt budget for fiscal year 2010. The additional revenue, however, was available to offset additional costs in line item activities throughout the year.
- The Board reviews monthly expenditure reports to ensure programs and administrative expenses are within the operating budget. During fiscal year 2010, the Board:
  - continued the salary and hiring freeze implemented in fiscal year 2009;
  - continued increasing user and registration fees as the consumer market would accept;
  - continued the reduction of advisory committee meetings to quarterly and staff travel outside of the region for meetings and conferences;
  - continued the additional meetings of the Executive Committee to review the finances and make recommendations to the full Board; and
  - increased the budget for EMS funds (*money raised by regional program activities*) by 27 percent over fiscal year 2009 for fiscal years 2010 and 2011.

The Board acknowledges that there has been minimum economic improvement on a national and state level during 2010 and into fiscal year 2011. Many of the measures approved for fiscal year 2010 shall continue in 2011.

## **CONTACTING THE BOARD'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the Board's finances and to show the Board's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the Southeastern Minnesota Emergency Medical Services Joint Powers Board Director, Linda Horth, 1130½ - 7th Street Northwest, Suite 201, Rochester, Minnesota 55901.

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## **BASIC FINANCIAL STATEMENTS**

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**SOUTHEASTERN MINNESOTA EMERGENCY  
MEDICAL SERVICES JOINT POWERS BOARD  
ROCHESTER, MINNESOTA**

*Statement 1*

**GENERAL FUND BALANCE SHEET AND  
STATEMENT OF NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2010**

	General Fund	Reconciliation	Governmental Activities
<b><u>Assets</u></b>			
<b>Current assets</b>			
Cash and pooled investments	\$ 228,056	\$ -	\$ 228,056
Petty cash and change funds	10	-	10
Accounts receivable	5,296	-	5,296
Due from other governments	15,116	-	15,116
Capital assets			
Depreciable - net	-	11,670	11,670
<b>Total Assets</b>	<b>\$ 248,478</b>	<b>\$ 11,670</b>	<b>\$ 260,148</b>
 <b><u>Liabilities and Fund Balance/Net Assets</u></b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	\$ 5,165	\$ -	\$ 5,165
Salaries payable	3,222	-	3,222
<b>Total Liabilities</b>	<b>\$ 8,387</b>	<b>\$ -</b>	<b>\$ 8,387</b>
 <b>Fund Balance/Net Assets</b>			
<b>Fund Balance</b>			
Unreserved			
Designated for future expenditures	\$ 6,466	\$ (6,466)	
Undesignated	233,625	(233,625)	
<b>Total Fund Balance</b>	<b>\$ 240,091</b>	<b>\$ (240,091)</b>	
 <b>Net Assets</b>			
Invested in capital assets		\$ 11,670	\$ 11,670
Unrestricted		240,091	240,091
<b>Total Net Assets</b>		<b>\$ 251,761</b>	<b>\$ 251,761</b>
<b>Total Liabilities and Fund Balance/Net Assets</b>	<b>\$ 248,478</b>	<b>\$ 11,670</b>	<b>\$ 260,148</b>
 <b>Reconciliation of the General Fund Balance to Net Assets</b>			
Fund Balance - General Fund			\$ 240,091
Capital assets are reported on the Statement of Net Assets but not on the Balance Sheet.			11,670
<b>Net Assets - Governmental Activities</b>			<b>\$ 251,761</b>

The notes to the financial statements are an integral part of this statement.

**SOUTHEASTERN MINNESOTA EMERGENCY  
MEDICAL SERVICES JOINT POWERS BOARD  
ROCHESTER, MINNESOTA**

*Statement 2*

**GENERAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
AND STATEMENT OF ACTIVITIES OF GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010**

	<b>General Fund</b>	<b>Reconciliation</b>	<b>Governmental Activities</b>
<b>Revenues</b>			
State sources			
Emergency medical services (EMS) grant	\$ 72,999	\$ -	\$ 72,999
Seat belt grant	180,353	-	180,353
Federal sources			
National Bioterrorism Hospital Preparedness Program	18,584	-	18,584
Rural access to emergency devices grant	5,877	-	5,877
Charges for services	99,640	-	99,640
Investment earnings	1,003	-	1,003
Miscellaneous	3,744	-	3,744
	<b>\$ 382,200</b>	<b>\$ -</b>	<b>\$ 382,200</b>
<b>Expenditures/Expenses</b>			
<b>Current</b>			
<b>Health</b>			
EMS systems management	\$ 155,345	\$ (6,346)	\$ 148,999
EMS personnel training	87,227	-	87,227
Public safety involvement	2,256	-	2,256
Patient/nonpatient care EMS equipment	399	-	399
Bioterrorism training and support	18,722	-	18,722
Other	10,083	-	10,083
Depreciation	-	3,895	3,895
	<b>\$ 274,032</b>	<b>\$ (2,451)</b>	<b>\$ 271,581</b>
<b>Net Change in Fund Balance/Net Assets</b>	<b>\$ 108,168</b>	<b>\$ 2,451</b>	<b>\$ 110,619</b>
<b>Fund Balance/Net Assets - July 1</b>	<b>131,923</b>	<b>9,219</b>	<b>141,142</b>
<b>Fund Balance/Net Assets - June 30</b>	<b>\$ 240,091</b>	<b>\$ 11,670</b>	<b>\$ 251,761</b>

**Reconciliation of the Statement of General Fund Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities of Governmental Activities**

Net Change in Fund Balance	\$ 108,168
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the statement of activities, only the gain or loss on the disposal is reported; whereas, in the governmental fund, the proceeds from the sale increase financial resources. The change in net assets differs from the change in fund balance by the net book value of assets disposed of.

Depreciation expense for the current period	(3,895)
Capital outlays reported as expenditures	6,346

<b>Change in Net Assets of Governmental Activities</b>	<b>\$ 110,619</b>
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**SOUTHEASTERN MINNESOTA EMERGENCY  
MEDICAL SERVICES JOINT POWERS BOARD  
ROCHESTER, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

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1. Summary of Significant Accounting Policies

The Southeastern Minnesota Emergency Medical Services Joint Powers Board's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended June 30, 2010. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements.

A. Financial Reporting Entity

The Southeastern Minnesota Emergency Medical Services (SEMN EMS) was established February 1, 1983, by Minn. Stat. § 471.59. It was established under a joint powers agreement between 11 counties in Southeastern Minnesota to provide training primarily for policemen, firemen, and ambulance personnel in emergency medical procedures and also to assist in purchasing medical supplies. The Board has contracted with Olmsted County to act as its fiscal agent to receive grant funds from the Minnesota EMS Regulatory Board. The Board is governed by an 11-member Board of Commissioners. Each member county appoints one of its County Commissioners to the EMS Board. The Board is organized with a chair and vice chair elected at the annual meeting in February of each year.

B. Basic Financial Statements

The financial statements combine fund level financial statements and government-wide financial statements (the governmental activities column). These statements include the financial activities of the overall Joint Powers Board.

The government-wide columns are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Board's net assets are reported in three parts: (1) invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets. The Board first utilizes restricted resources to finance qualifying activities.

**SOUTHEASTERN MINNESOTA EMERGENCY  
MEDICAL SERVICES JOINT POWERS BOARD  
ROCHESTER, MINNESOTA**

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1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

The governmental activities columns are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund columns (General Fund) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. The Board considers all revenues as available if collected within 60 days after the end of the current period. Interest is considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for compensated absences and claims and judgments, which are recognized as expenditures to the extent that they have matured. When both restricted and unrestricted resources are available for use, it is the Board's policy to use restricted resources first and then unrestricted resources as needed.

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Pooled Investments

The Board's cash and pooled investments include cash on hand, demand deposits, and cash on deposit with Olmsted County. Cash on deposit with Olmsted County can be withdrawn at any time without prior notice or penalty. The cash on deposit consists of a Board-controlled checking account.

2. Receivables

All receivables are shown net of an allowance for uncollectibles.

3. Capital Assets

Capital assets are defined by the Board as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased. Donated capital assets are recorded at estimated fair value at the date of donation.

**SOUTHEASTERN MINNESOTA EMERGENCY  
MEDICAL SERVICES JOINT POWERS BOARD  
ROCHESTER, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

3. Capital Assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Equipment of the Board is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Office furnishings	5 - 15
Computer equipment	3 - 7
Medical equipment	3 - 5

4. Fund Equity

In the fund financial statements, fund balance designations represent tentative management plans that are subject to change.

5. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**SOUTHEASTERN MINNESOTA EMERGENCY  
MEDICAL SERVICES JOINT POWERS BOARD  
ROCHESTER, MINNESOTA**

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2. Detailed Notes

A. Assets

1. Deposits

As of June 30, 2010, the Board had \$191,684 on deposit with Olmsted County and one checking account totaling \$36,372. The County is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to deposit its cash in financial institutions. Minnesota statutes require that all County deposits be covered by insurance, surety bond, or collateral. The Board's checking accounts were fully insured as of June 30, 2010. The Board has established a \$10 change fund.

2. Capital Assets

Capital asset activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets depreciated				
Furniture and equipment	\$ 19,833	\$ 6,346	\$ -	\$ 26,179
Less: accumulated depreciation for Furniture and equipment	(10,614)	(3,895)	-	(14,509)
Total Capital Assets Depreciated, Net	\$ 9,219	\$ 2,451	\$ -	\$ 11,670

Depreciation expense of \$3,895 was charged to the health function.

**SOUTHEASTERN MINNESOTA EMERGENCY  
MEDICAL SERVICES JOINT POWERS BOARD  
ROCHESTER, MINNESOTA**

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2. Detailed Notes (Continued)

B. Liabilities

1. Leases

Operating Leases

The SEMN EMS leases office space under a noncancelable five-year operating lease. Total costs for such lease were \$15,069 for the year ended June 30, 2010. The future minimum lease payments for these leases are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2010	\$ 15,069
2011	14,400

3. Employee Retirement Systems and Pension Plans

A. Plan Description

All full-time and certain part-time employees of the SEMN EMS are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund, which is a cost-sharing, multiple-employer retirement plan. The plan is established and administered in accordance with Minn. Stat. chs. 353 and 356.

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan.

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

**SOUTHEASTERN MINNESOTA EMERGENCY  
MEDICAL SERVICES JOINT POWERS BOARD  
ROCHESTER, MINNESOTA**

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3. Employee Retirement Systems and Pension Plans

A. Plan Description (Continued)

Two methods are used to compute benefits for Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service.

For Public Employees Retirement Fund members whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 65 for members hired prior to July 1, 1989, and is the age for unreduced Social Security benefits capped at age 66 for Coordinated Plan members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not yet receiving them are bound by the provisions in effect at the time they last terminated public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the Public Employees Retirement Fund. That report may be obtained on the internet at [www.mnpera.org](http://www.mnpera.org); by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

B. Funding Policy

Pension benefits are funded from member and employer contributions and income from investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. The Board makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 and 6.00 percent, respectively, of their annual covered salary.

**SOUTHEASTERN MINNESOTA EMERGENCY  
MEDICAL SERVICES JOINT POWERS BOARD  
ROCHESTER, MINNESOTA**

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3. Employee Retirement Systems and Pension Plans

B. Funding Policy (Continued)

The Board is required to contribute the following percentages of annual covered payroll in 2009:

Public Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	6.75

The Board's contributions for the years ending June 30, 2010, 2009, and 2008, for the Public Employees Retirement Fund were:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Public Employees Retirement Fund	\$ 5,644	\$ 5,149	\$ 6,022

These contributions are equal to the contractually required contribution rates for each year as set by statute.

4. Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The Board has entered into a joint powers agreement with Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT), formerly the Minnesota Counties Insurance Trust, to protect against liabilities from workers' compensation and property and casualty. There were no significant reductions in insurance from the prior year or settlements in excess of insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$430,000 per claim in 2009 and \$450,000 in 2010. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the Board in a method and amount to be determined by MCIT.

**SOUTHEASTERN MINNESOTA EMERGENCY  
MEDICAL SERVICES JOINT POWERS BOARD  
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4. Risk Management (Continued)

The Property and Casualty Division of MCIT is self-sustaining, and the Board pays an annual premium to cover current and future losses. The MCIT carries reinsurance for its property lines to protect against catastrophic losses. Should the MCIT Property and Casualty Division liabilities exceed assets, MCIT may assess the Board in a method and amount to be determined by MCIT.

5. Summary of Significant Contingencies and Other Items

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of the expenditures that may be disallowed by the grantor cannot be determined at this time, although the Board expects such amounts, if any, to be immaterial.



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**SOUTHEASTERN MINNESOTA EMERGENCY  
MEDICAL SERVICES JOINT POWERS BOARD  
ROCHESTER, MINNESOTA**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2010**

**INTERNAL CONTROLS**

**PREVIOUSLY REPORTED ITEMS NOT RESOLVED**

97-1 Segregation of Duties

In order to ensure proper control of the Southeastern Minnesota Emergency Medical Services Joint Powers Board's assets and financial reporting of the Board, the services of more than one person are required to perform accounting-related activities, including grant reporting and the receipting of collections. Without an adequate number of people to perform accounting-related activities, there is a general absence of internal control with respect to segregation of duties.

Because of the Board's limited staff size and structure, the most effective control lies in the Board's knowledge and constant awareness that the concentration of duties and responsibilities in a limited number of individuals prevents the proper segregation of accounting and reporting functions. Therefore, we recommend the Board continue to approve all bills, review reports submitted to granting agencies, and establish procedures for receipting collections.

09-1 Preparation of Financial Statements

The Southeastern Minnesota Emergency Medical Services Joint Powers Board is required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). The preparation of the financial statements is the responsibility of the Board's management. Financial statement preparation in accordance with GAAP requires internal controls over both: (1) recording, processing, and summarizing accounting data (maintaining internal books and records); and (2) preparing and reporting appropriate government-wide and fund financial statements, including the related notes to the financial statements.

The Board's accounting system permits the modified accrual basis of accounting and a separate ledger to allow for the preparation of annual financial statements in accordance with GAAP. The accounting system generates some summary information with the level of detail needed for the preparation of the annual financial statements. However, some accounting services were provided by the auditors in order to prepare complete financial statements.

We recommend the Board work toward internally preparing complete annual financial statements in accordance with GAAP.

#### 09-2 Audit Adjustments

A deficiency in internal control over financial reporting 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 of the financial statements on a timely basis.

During our audit, we proposed the following adjustments that resulted in significant changes to the Board's financial statements. Adjustments were made to correct cash (\$8,463), emergency medical services grant revenue (\$34,544), expenditures (\$26,081), and accounts receivable (\$4,125).

We recommend that the Board design and implement procedures to establish internal controls over financial reporting which will prevent, or detect and correct, misstatements in the financial statements. The controls should include review of the balances and supporting documentation by a qualified individual to identify potential misstatements.

#### PREVIOUSLY REPORTED ITEM RESOLVED

##### **Reconciliation of Reserve Account with Olmsted County Fiscal Agent (09-3)**

The Southeastern Minnesota Emergency Medical Services Joint Powers Board was not performing monthly reconciliations of the reserve account held by its fiscal agent, Olmsted County, to the Board's general ledger. At June 30, 2009, the balance in the reserve account at Olmsted County did not balance to the Board's general ledger.

##### **Resolution**

The Board is now reconciling the reserve account held by its fiscal agent, Olmsted County, to the general ledger.

## **OTHER ITEM FOR CONSIDERATION**

### GASB Statement 54

The Governmental Accounting Standards Board (GASB) recently issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The intention of this standard is to enhance the usefulness of information included in the financial report about fund balance through clearer fund balance classifications that can be more consistently applied, as well as to clarify existing governmental fund type definitions.

### Fund Balance Reporting

Statement 54 establishes new fund balance classifications based on constraints imposed on how resources can be spent. The existing components of fund balance reserved, unreserved, designated, and undesignated are being replaced by nonspendable, restricted, committed, assigned, and unassigned as defined below:

- *Nonspendable* - amounts that cannot be spent because they are either not in spendable form (for example, inventory or prepaid items) or legally or contractually required to be maintained intact (such as the corpus of a permanent fund).
- *Restricted* - amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed* - amounts that can be used only for specific purposes determined by a formal action of a government's highest level of decision-making authority.
- *Assigned* - amounts a government intends to use for a specific purpose that do not meet the criteria to be classified as restricted or committed.
- *Unassigned* - spendable amounts not contained in the other classifications.

### Governmental Fund Type Definitions

The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified in Statement 54. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency.

The requirements of GASB Statement 54 are effective for the Board for the year ending June 30, 2011.

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REBECCA OTTO  
STATE AUDITOR

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## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND MINNESOTA LEGAL COMPLIANCE**

Board of Commissioners  
Southeastern Minnesota Emergency Medical Services  
Joint Powers Board

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the governmental activities and the General Fund of the Southeastern Minnesota Emergency Medical Services Joint Powers Board (SEMN EMS) as of and for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the SEMN EMS's internal control over financial reporting as a basis for designing our auditing procedures 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 SEMN EMS's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the SEMN EMS's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the SEMN EMS's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified deficiencies in internal control over financial reporting that we consider to be significant deficiencies described in the accompanying Schedule of Findings and Recommendations as items 97-1, 09-1, and 09-2.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### Minnesota Legal Compliance

We have audited the financial statements of the governmental activities and the General Fund of the SEMN EMS as of and for the year ended June 30, 2010, which collectively comprise the SEMN EMS's basic financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories, except that we did not test for compliance in miscellaneous provisions because they did not apply to the SEMN EMS.

The results of our tests indicate that, for the items tested, the SEMN EMS complied with the material terms and conditions of applicable legal provisions.

Also included in the Schedule of Findings and Recommendations is an other item for consideration. We believe this information to be of benefit to SEMN EMS, and it is reported for that purpose.

This communication is intended solely for the information and use of the Board of Commissioners, management, and others within the Southeastern Minnesota Emergency Medical Services Joint Powers Board and is not intended to be, and should not be, used by anyone other than those specified parties.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

November 12, 2010