

# STATE OF MINNESOTA

## Office of the State Auditor



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

---

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

FOR THE YEAR ENDED JUNE 30, 2014

## **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.

Office of the State Auditor  
525 Park Street, Suite 500  
Saint Paul, Minnesota 55103  
(651) 296-2551  
state.auditor@osa.state.mn.us  
www.auditor.state.mn.us

This document can be made available in alternative formats upon request. Call 651-296-2551 [voice] or 1-800-627-3529 [relay service] for assistance; or visit the Office of the State Auditor's web site: [www.auditor.state.mn.us](http://www.auditor.state.mn.us).

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

**For the Year Ended June 30, 2014**



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

This page was left blank intentionally.

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

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
<b>Introductory Section</b>		
Organization		1
<b>Financial Section</b>		
Independent Auditor's Report		2
Management's Discussion and Analysis		4
Basic Financial Statements		
General Fund Balance Sheet and Statement of Net Position of Governmental Activities	1	8
General Fund Revenues, Expenditures, and Changes in Fund Balance and Statement of Activities of Governmental Activities	2	10
Notes to the Financial Statements		12
<b>Management and Compliance Section</b>		
Schedule of Findings and Recommendations		22
Communication of Significant Deficiencies and/or Material Weaknesses in Internal Control Over Financial Reporting and Other Matters		24
Independent Auditor's Report on Minnesota Legal Compliance		26

This page was left blank intentionally.



This page was left blank intentionally.

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

ORGANIZATION  
JUNE 30, 2014

<u>Name</u>	<u>Representing</u>	<u>Position</u>
Board Members		
John Allen	Dodge County	
Tom Kaase	Fillmore County	
Dan Belshan	Freeborn County	
Richard Samuelson	Goodhue County	
Teresa Walter	Houston County	
Tim Gabrielson	Mower County	
Kenneth Brown	Olmsted County	Vice Chair
Steve Bauer	Rice County	
Doug Johnson	Steele County	Chair
Dave Harms	Wabasha County	
Marcia Ward	Winona County	
Officer		
Don Hauge hired 7/1/12		Director

This page was left blank intentionally.



This page was left blank intentionally.



REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500  
525 PARK STREET  
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)  
(651) 296-4755 (Fax)  
state.auditor@state.mn.us (E-mail)  
1-800-627-3529 (Relay Service)

## INDEPENDENT AUDITOR'S REPORT

Joint Powers Board  
Southeastern Minnesota Emergency Medical Services  
Joint Powers Board  
Rochester, Minnesota

### Report on the Financial Statements

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 (the Board) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Board'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. 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 Board'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 Board'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 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, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

November 7, 2014

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

This page was left blank intentionally.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014  
(Unaudited)**

The Southeastern Minnesota Emergency Medical Services Joint Powers Board's (the Board) Management's Discussion and Analysis (MD&A) provides an overview of the Board's financial activities for the fiscal year ended June 30, 2014. 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 position is \$324,256, of which \$13,556 is the net investment in capital assets.
- The Board's net position decreased by \$52,048 for the year ended June 30, 2014.

**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 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 the 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 Position 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 position decreased from \$376,304 to \$324,256. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Board's governmental activities.

**Table 1**  
**Net Position**

	<u>2014</u>	<u>2013</u>	<u>Percent (%) Change</u>
Assets			
Current and other assets	\$ 324,395	\$ 367,867	(12)
Capital assets	<u>13,556</u>	<u>25,365</u>	(47)
Total Assets	<u>\$ 337,951</u>	<u>\$ 393,232</u>	(14)
Liabilities			
Current and other liabilities	<u>\$ 13,695</u>	<u>\$ 16,928</u>	(19)
Net Position			
Net investment in capital assets	\$ 13,556	\$ 25,365	(47)
Unrestricted	<u>310,700</u>	<u>350,939</u>	(11)
Total Net Position	<u>\$ 324,256</u>	<u>\$ 376,304</u>	(14)

Net position of the Board decreased by 14 percent. Unrestricted net position--the part of net position that can be used to finance day-to-day operations without constraints established by enabling legislation or other legal requirements--changed from a \$350,939 surplus at June 30, 2013, to \$310,700 on June 30, 2014.

**Table 2**  
**Changes in Net Position**

	<u>2014</u>	<u>2013</u>	<u>Percent (%) Change</u>
Revenues			
Program revenues			
Charges for services	\$ 110,414	\$ 122,973	(10)
Operating grants	212,803	219,623	(3)
General revenues			
Investment income	304	449	(32)
Other	<u>3,894</u>	<u>5,315</u>	(27)
Total Revenues	<u>\$ 327,415</u>	<u>\$ 348,360</u>	(6)

	<u>2014</u>	<u>2013</u>	<u>Percent (%) Change</u>
Expenses			
Health			
EMS systems management	\$ 203,978	\$ 189,390	8
EMS personnel training	98,874	116,892	(15)
Public safety involvement	9,876	8,856	12
Patient/nonpatient care EMS equipment	42,805	-	100
Other	12,121	13,644	(11)
Depreciation	<u>11,809</u>	<u>15,458</u>	(24)
Total Expenses	<u>\$ 379,463</u>	<u>\$ 344,240</u>	10
Increase (Decrease) in Net Position	<u>\$ (52,048)</u>	<u>\$ 4,120</u>	(1,363)

### 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 unassigned fund balance of \$312,869, which is a decrease of 11 percent from last year's unassigned fund balance of \$351,234. This decrease is due largely to expenses incurred from the EMS equipment grant that was done in 2014 but not in 2013. 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 the budgets are not all adopted on an annual fiscal-period basis.

### CAPITAL ASSETS

As of June 30, 2014, the Board had \$13,556 invested in capital assets. (See Table 3 below.) This amount represents a net decrease (including additions and deductions) of \$11,809 from the prior year.

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

	<u>2014</u>	<u>2013</u>	<u>Percent (%) Change</u>
Equipment	\$ 73,001	\$ 73,799	(1)
Less: accumulated depreciation	<u>(59,445)</u>	<u>(48,434)</u>	23
Net Capital Assets	<u><u>\$ 13,556</u></u>	<u><u>\$ 25,365</u></u>	(47)

This year's changes included \$11,809 of depreciation expense.

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

With the financial uncertainty of the economy, both on a state and national level, the Joint Powers Board considered many factors when planning for the fiscal year ending June 30, 2014. Some of the decisions made in fiscal year 2013 regarding a reduction in spending while increasing revenue-producing activities were continued in fiscal year 2014.

- The Emergency Medical Services (EMS) Support Act grant funds to regional EMS programs through the Minnesota EMS Regulatory Board for fiscal year 2014 remained the same as in fiscal year 2013. The state in recent years, however, implemented an expenditure-based reimbursement process beginning in fiscal year 2012 for regional EMS programs to receive their monthly seat belt allocations (Special Relief Fund). This eliminated any investment potential which had been previously available. The change to the SWIFT disbursement system for the distribution of all state grant funds significantly delayed reimbursements of expenditure reports to regional EMS programs. This resulted in further reduction of agency reserve funds and some delays in implementing programs and services.
- The decrease in total net position for fiscal year 2014 was primarily a result of disbursing an EMS equipment grant of almost \$43,000 which was not disbursed in the prior fiscal year 2013. We continue to see a decrease in funding from seat belt funds.
- The Board reviews monthly expenditure reports to ensure programs and administrative expenses are within the operating budget. During fiscal year 2014, the Board:
  - continued increasing user and registration fees as the consumer market would accept;
  - continued the increase of educational programs offered by the regional program such as First Responder initial and refresher courses and also increased the number of CPR classes that are offered in the region; and
  - continue to work with the Joint Powers Board to prioritize and maximize the use of current funding and continue to seek opportunities to increase funding sources.

## **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, Donovan Hauge, 1130½ - 7th Street Northwest, Suite 201, Rochester, Minnesota 55901.

## **BASIC FINANCIAL STATEMENTS**

This page was left blank intentionally.

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

*EXHIBIT 1*

**GENERAL FUND BALANCE SHEET AND  
STATEMENT OF NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2014**

	General Fund	Reconciliation	Governmental Activities
<b><u>Assets</u></b>			
<b>Current assets</b>			
Cash and pooled investments	\$ 274,290	\$ -	\$ 274,290
Petty cash and change funds	10	-	10
Due from other governments	49,695	-	49,695
Prepays	400	-	400
Capital assets			
Depreciable - net	-	13,556	13,556
<b>Total Assets</b>	<b>\$ 324,395</b>	<b>\$ 13,556</b>	<b>\$ 337,951</b>
 <b><u>Liabilities and Fund Balance/Net Position</u></b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	\$ 4,705	\$ -	\$ 4,705
Salaries payable	6,421	-	6,421
<b>Total current liabilities</b>	<b>\$ 11,126</b>	<b>\$ -</b>	<b>\$ 11,126</b>
<b>Noncurrent liabilities</b>			
Compensated absences - long-term	-	2,569	2,569
<b>Total Liabilities</b>	<b>\$ 11,126</b>	<b>\$ 2,569</b>	<b>\$ 13,695</b>
<b>Fund Balance/Net Position</b>			
<b>Fund Balance</b>			
Nonspendable			
Prepays	\$ 400	\$ (400)	
Unassigned	312,869	(312,869)	
<b>Total Fund Balance</b>	<b>\$ 313,269</b>	<b>\$ (313,269)</b>	
<b>Net Position</b>			
Net investment in capital assets		\$ 13,556	\$ 13,556
Unrestricted		310,700	310,700
<b>Total Net Position</b>		<b>\$ 324,256</b>	<b>\$ 324,256</b>
<b>Total Liabilities and Fund Balance/Net Position</b>	<b>\$ 324,395</b>	<b>\$ 13,556</b>	<b>\$ 337,951</b>

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

Page 8

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

***EXHIBIT 1  
(Continued)***

**GENERAL FUND BALANCE SHEET AND  
STATEMENT OF NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2014**

<b>Reconciliation of the General Fund Balance to Net Position</b>	
<b>Fund Balance - General Fund</b>	<b>\$ 313,269</b>
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.	13,556
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the governmental fund.	<u>(2,569)</u>
<b>Net Position - Governmental Activities</b>	<b><u><u>\$ 324,256</u></u></b>

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

*EXHIBIT 2*

**GENERAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
AND STATEMENT OF ACTIVITIES OF GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

	<b>General Fund</b>	<b>Reconciliation</b>	<b>Governmental Activities</b>
<b>Revenues</b>			
State sources			
Emergency medical services (EMS) grant	\$ 73,125	\$ -	\$ 73,125
Seat belt grant	133,816	-	133,816
Federal sources			
National Bioterrorism Hospital Preparedness Program	5,862	-	5,862
Charges for services	110,414	-	110,414
Investment earnings	304	-	304
Miscellaneous	3,894	-	3,894
<b>Total Revenues</b>	<b>\$ 327,415</b>	<b>\$ -</b>	<b>\$ 327,415</b>
<b>Expenditures/Expenses</b>			
<b>Current</b>			
<b>Health</b>			
EMS systems management	\$ 203,161	\$ 817	\$ 203,978
EMS personnel training	98,874	-	98,874
Public safety involvement	9,876	-	9,876
Patient/nonpatient care EMS equipment	42,805	-	42,805
Other	12,121	-	12,121
Depreciation	-	11,809	11,809
<b>Total Expenditures/Expenses</b>	<b>\$ 366,837</b>	<b>\$ 12,626</b>	<b>\$ 379,463</b>
<b>Net Change in Fund Balance/Net Position</b>	<b>\$ (39,422)</b>	<b>\$ (12,626)</b>	<b>\$ (52,048)</b>
<b>Fund Balance/Net Position - July 1</b>	<b>352,691</b>	<b>23,613</b>	<b>376,304</b>
<b>Fund Balance/Net Position - June 30</b>	<b>\$ 313,269</b>	<b>\$ 10,987</b>	<b>\$ 324,256</b>

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

**EXHIBIT 2  
(Continued)**

**GENERAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
AND STATEMENT OF ACTIVITIES OF GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

**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** **\$ (39,422)**

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, such as the increase in compensated absences payable. (817)

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 position differs from the change in fund balance by the net book value of assets disposed of.

Depreciation expense for the current period (11,809)

**Change in Net Position of Governmental Activities** **\$ (52,048)**

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

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

---

---

1. Summary of Significant Accounting Policies

The Southeastern Minnesota Emergency Medical Services Joint Powers Board's (the Board) financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended June 30, 2014. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations).

A. Financial Reporting Entity

The Southeastern Minnesota Emergency Medical Services Joint Powers Board 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 Emergency Medical Services (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.

The Board is a separate entity independent of the counties that formed it. In accordance with GAAP, the Board's financial statements are not included in any member county's financial statements. However, Olmsted County, as fiscal agent, accounts for the transactions of the Board and reports the Board as an agency fund in its financial statements. No single member county retains control over the operations or is financially accountable for the Board.

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 overall financial activities of the Board.

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

---

---

1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

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 position is reported in three parts: (1) net investment in capital assets; (2) restricted net position; and (3) unrestricted net position. The Board first utilizes restricted resources to finance qualifying activities.

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 Position or Equity

1. Cash and Pooled Investments

The Board's cash and pooled investments include cash on hand, a demand deposit, 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 demand deposit consists of a Board-controlled checking account. Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits will not be returned to it. To cover its custodial credit risk, the County obtains collateral to cover deposits in excess of insurance coverage.

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

---

---

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position or Equity (Continued)

2. Receivables

All receivables are shown net of an allowance for uncollectibles. Net receivables are collectible within the year.

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 three 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.

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. Classifications of Net Position

Net position in government-wide statements is classified in the following categories:

Net investment in capital assets - the amount of net position representing capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

Restricted net position - the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

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

---

---

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position or Equity

4. Classifications of Net Position (Continued)

Unrestricted net position - the amount of net position that does not meet the definition of restricted or net investment in capital assets.

5. Classifications of Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the Board is bound to observe constraints imposed upon the use of the resources in the General Fund. The classifications are as follows:

Nonspendable - amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted - amounts for which constraints have been placed on the use of resources either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

Committed - amounts that can be used only for the specific purposes imposed by formal action of the Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned - amounts in the assigned fund balance classification are for the amounts the Board intends to use for specific purposes but do not meet the criteria to be classified as restricted or committed. The Board has designated the Executive Director as having authority to assign fund balance.

Unassigned - the residual classification for the General Fund includes all spendable amounts not contained in the other fund balance classifications.

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

---

---

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position or Equity

5. Classifications of Fund Balances (Continued)

The Board applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

6. Minimum Fund Balance

The Board has adopted a minimum fund balance policy to provide for operating expenditure needs for the General Fund. The Board has determined the need to maintain a minimum unassigned fund balance in the General Fund to provide for six months of operating expenditures in the event of delay in receiving grant funding from the state.

7. 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**

---

2. Detailed Notes

A. Assets

1. Deposits

As of June 30, 2014, the Board had \$248,526 on deposit with Olmsted County and one checking account of \$25,764. 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 account was fully insured as of June 30, 2014 and therefore not exposed to custodial credit risk. The Board has established a \$10 change fund.

2. Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets depreciated				
Furniture and equipment	\$ 73,799	\$ -	\$ 798	\$ 73,001
Less: accumulated depreciation for Furniture and equipment	(48,434)	(11,809)	(798)	(59,445)
Total Capital Assets Depreciated, Net	<u>\$ 25,365</u>	<u>\$ (11,809)</u>	<u>\$ -</u>	<u>\$ 13,556</u>

Depreciation expense of \$11,809 was charged to the health function.

B. Liabilities

1. Compensated Absences

The Board has adopted personnel policies regarding paid time off (PTO). Under these policies, employees are granted PTO in varying amounts based on their length of service and hours worked per week.

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

---

---

2. Detailed Notes

B. Liabilities

1. Compensated Absences (Continued)

The liability for compensated absences reported in the financial statements consists of unused accumulated and vested PTO balances. The liability has been calculated using the vesting method outlined in the personnel policies. PTO may be utilized for any purpose subject to the needs of the employer to return appropriate staffing and service levels. Unvested PTO is not paid to employees at termination. Unused accumulated and vested PTO is accrued as compensated absences when incurred in the government-wide financial statements.

Changes in the Board's compensated absences balances are:

Payable - July 1, 2013	\$ 1,752
Net change in compensated absences	<u>817</u>
Payable - June 30, 2014	<u>\$ 2,569</u>

3. Employee Retirement Systems and Pension Plans

A. Plan Description

All full-time and certain part-time employees of the Board are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General 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.

General 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 and vest after three years of credited service (five years for those first eligible for membership after June 30, 2010).

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

---

---

3. Employee Retirement Systems and Pension Plans

A. Plan Description (Continued)

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. 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.

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 remaining year. 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 remaining 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 General Employees Retirement Fund members hired prior to July 1, 1989, whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is either 65 or 66 (depending on date hired) for General Employees Retirement Fund members. 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 General 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.

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

---

3. Employee Retirement Systems and Pension Plans (Continued)

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. These statutes are established and amended by the State Legislature. The Board makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 and 6.25 percent, respectively, of their annual covered salary.

The Board is required to contribute the following percentages of annual covered payroll in 2014:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.25

The Board's contributions for the years ending June 30, 2014, 2013, and 2012, for the General Employees Retirement Fund were:

	2014	2013	2012
General Employees Retirement Fund	\$ 9,485	\$ 8,874	\$ 5,584

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) 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.

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

---

---

4. Risk Management (Continued)

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 \$470,000 per claim in 2013 and \$480,000 per claim in 2014. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the Board in a method and amount to be determined by MCIT.

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.



This page was left blank intentionally.

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

SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2014

**I. INTERNAL CONTROL OVER FINANCIAL REPORTING**

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 2009-001

Preparation of Financial Statements

**Criteria:** The Southeastern Minnesota Emergency Medical Services Joint Powers Board (the 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 control over both (1) recording, processing, and summarizing accounting data (that is, maintaining internal books and records); and (2) preparing and reporting appropriate financial statements, including the related notes to the financial statements.

**Condition:** As is the case with many small and medium-sized entities, the Board has relied on its independent external auditors to assist in the preparation of the basic financial statements, including notes to the financial statements, as part of its external financial reporting process.

**Context:** The Board's ability to prepare financial statements in accordance with GAAP is based, at least in part, on its reliance on its external auditors, who cannot by definition be considered part of the government's internal control.

**Effect:** As a result of this condition, the Board has not prepared the financial statements as required by GAAP.

**Cause:** This condition was caused by the Board's decision that it is more cost effective to have its auditors prepare its annual basic financial statements than to incur the time and expense of obtaining the necessary training and expertise required to prepare the financial statements internally.

**Recommendation:** We recommend the Board obtain the training and expertise to internally prepare its annual financial statements as required by GAAP. If the Board still intends to have external audit staff assist in preparation then, at a minimum, it must have an individual identified and trained with the expertise to sufficiently review, understand, and approve the Board's financial statements, including notes. As an alternative, the Board could have an outside consultant assist in preparing its basic financial statements.

Client's Response:

*The Southeastern Minnesota Emergency Medical Services Joint Powers Board will continue to investigate training opportunities with staff and management or outside services in order to provide the financial statement oversight recommended.*

## II. OTHER FINDINGS AND RECOMMENDATIONS

### MINNESOTA LEGAL COMPLIANCE

#### PREVIOUSLY REPORTED ITEM RESOLVED

##### **Public Purpose (2013-001)**

We noted during our previous audit that the Southeastern Minnesota Emergency Medical Services Joint Powers Board made expenditures for employee service recognition without the adoption of a program or policy of employee recognition adopted by the governing board.

##### **Resolution**

The Board has adopted a program of employee recognition, setting forth its objectives prior to expending public funds for this purpose.



REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

SUITE 500  
525 PARK STREET  
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)  
(651) 296-4755 (Fax)  
state.auditor@state.mn.us (E-mail)  
1-800-627-3529 (Relay Service)

### COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND/OR MATERIAL WEAKNESSES IN INTERNAL CONTROL OVER FINANCIAL REPORTING AND OTHER MATTERS

Joint Powers Board  
Southeastern Minnesota Emergency Medical Services  
Joint Powers Board

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the financial statements of the governmental activities and the General Fund of the Southeastern Minnesota Emergency Medical Services Joint Powers Board (the Board) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated November 7, 2014.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) as a basis for designing 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 Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Board's financial statements will not be prevented, or detected and corrected, on a timely basis.

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. 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. Our audit was also not designed to identify deficiencies in internal control that might be significant deficiencies. A significant deficiency is a deficiency, or 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. The significant deficiency is reported in the Schedule of Findings and Recommendations as item 2009-001.

### **Other Matters**

The Southeastern Minnesota Emergency Medical Services Joint Powers Board's written response to the internal control finding identified in our audit has been included in the Schedule of Findings and Recommendations. We did not audit the Board's response and, accordingly, we express no opinion on it.

### **Purpose of This Report**

This communication is intended solely for the information and use of management, the Joint Powers Board, and others within the 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

November 7, 2014

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR



REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500  
525 PARK STREET  
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)  
(651) 296-4755 (Fax)  
state.auditor@state.mn.us (E-mail)  
1-800-627-3529 (Relay Service)

## INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Joint Powers Board  
Southeastern Minnesota Emergency Medical Services  
Joint Powers Board

We have audited, in accordance with auditing standards generally accepted in the United States of America, the accompanying financial statements of the governmental activities and the General Fund of the Southeastern Minnesota Emergency Medical Services Joint Powers Board (the Board) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated November 7, 2014.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains six categories of compliance to be tested in connection with the audit of the Board's financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for public indebtedness because the Board has no long-term debt.

In connection with our audit, nothing came to our attention that caused us to believe that the Southeastern Minnesota Emergency Medical Services Joint Powers Board failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Board's noncompliance with the above referenced provisions.

This report is intended solely for the information and use of the Joint Powers Board and management of the Southeastern Minnesota Emergency Medical Services Joint Powers Board and the State Auditor 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

November 7, 2014

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR