

# 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, 2009

## **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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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, 2009**



**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, 2009

<u>Name</u>	<u>Representing</u>	<u>Position</u>
Board Members		
David H. Hanson	Dodge County	
Chuck Amunrud	Fillmore County	
Dan Belshan	Freeborn County	
Richard Samuelson	Goodhue County	
Robert Augedahl	Houston County	
Raymond Tucker	Mower County	Vice Chair
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, 2009, 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, 2009, 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 16, 2009

*/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, 2009  
(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, 2009. 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 \$141,142, of which \$9,219 is invested in capital assets.
- The Board's net assets increased by \$42,170 for the year ended June 30, 2009.
- The Board had two state grants carried over from fiscal year 2008 (\$100,000 through 2007 Legislature, Office of Rural Health, MDH - \$19,500) and received two smaller grants during fiscal year 2009 (Federal - Emergency Medical Services for Children (EMS-C) of \$5,400 and State-Unspent EMT Training Funds of \$11,508).

**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 presents 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 \$98,972 to \$141,142. 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>2009</u>	<u>2008</u>	<u>Percent (%) Change</u>
<b>Assets</b>			
Current and other assets	\$ 157,815	\$ 110,248	43.1
Capital assets	<u>9,219</u>	<u>7,381</u>	24.9
Total Assets	<u>\$ 167,034</u>	<u>\$ 117,629</u>	42.0
<b>Liabilities</b>			
Current and other liabilities	<u>\$ 25,892</u>	<u>\$ 18,657</u>	38.8
<b>Net Assets</b>			
Invested in capital assets	\$ 9,219	\$ 7,381	24.9
Unrestricted	<u>131,923</u>	<u>91,591</u>	44.0
Total Net Assets	<u><u>\$ 141,142</u></u>	<u><u>\$ 98,972</u></u>	42.6

Net assets of the Board increased by 42.6 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 \$91,591 surplus at June 30, 2008, to \$141,142 at the end of this year.

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

	<u>2009</u>	<u>2008</u>	<u>Percent (%) Change</u>
<b>Revenues</b>			
Program revenues			
Charges for services	\$ 102,329	\$ 118,469	(13.6)
Operating grants	256,628	204,833	25.3
General revenues			
Investment income	1,759	2,372	(25.8)
Other	<u>1,861</u>	<u>18,361</u>	(89.9)
Total Revenues	<u>\$ 362,577</u>	<u>\$ 344,035</u>	5.4

(Unaudited)

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	<u>2009</u>	<u>2008</u>	<u>Percent (%) Change</u>
Expenses			
Health			
EMS systems management	\$ 166,697	\$ 169,721	(1.8)
EMS personnel training	108,470	115,569	(6.1)
Public safety involvement	5,928	12,170	(51.3)
Patient/nonpatient care EMS equipment	4,279	436	881.4
Bioterrorism training and support	8,644	-	100.0
Other health programs	9,960	45,276	(78.0)
Volunteer EMT	13,994	-	100.0
Depreciation	<u>2,435</u>	<u>1,738</u>	40.1
Total Expenses	<u>\$ 320,407</u>	<u>\$ 344,910</u>	(7.1)
Increase (Decrease) in Net Assets	<u>\$ 42,170</u>	<u>\$ (875)</u>	4,919.4

### 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 \$125,457, which is an increase of 48.4 percent from last year's undesignated fund balance of \$84,565. 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, 2009; expenses decreased by 7.1 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, 2009, the Board had \$9,219 invested in capital assets. (See Table 3 below.) This amount represents a net increase (including additions and deductions) of \$1,838, or 24.9 percent, from last year.

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

	<u>2009</u>	<u>2008</u>	<u>Percent (%) Change</u>
Equipment	\$ 19,833	\$ 15,560	27.5
Less: accumulated depreciation	<u>(10,614)</u>	<u>(8,179)</u>	(29.8)
Net Capital Assets	<u>\$ 9,219</u>	<u>\$ 7,381</u>	24.9

This year's changes included \$2,435 of depreciation expense.

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

The Board's officials considered many factors when planning for the fiscal year ending June 30, 2009, that included raising user fees, reducing tuition subsidies, and identifying other sources of funding.

- The Board anticipates significant reduction in funding for fiscal year 2010. The state funds that were appropriated by the 2007 Legislature for fiscal years 2008 and 2009 were not re-apportioned for fiscal year 2010 and fiscal year 2011. Due to the current state deficit, the funding through the EMS Support Act was reduced by 6.5 percent for fiscal year 2010 and fiscal year 2011.
- As of July 1, 2009, failure to wear a seat belt became a primary offense in Minnesota for everyone in the car. While this may generate some additional funding for the regional program, the Board decided not to plan on increased revenue, but to use state-suggested amount of \$125,000 for fiscal year 2010 and fiscal year 2011.
- The Board continually reviews expenditures against revenue to determine what programs and administrative expenses can be reduced and increases user fees. During fiscal year 2009, the Board:
  - reduced the number of pre-hospital and hospital classes for the second year;
  - reduced the number of committee meetings from six to four per year and purchased a Global Crossing telephone conferencing program to replace attendance at some meetings outside of the region and some work groups/subcommittees within the region;
  - reduced the Seat Belt budget by an additional \$25,000 for fiscal year 2009;
  - eliminated the pre-hospital Group Buying Programs and Equipment Grant Program for medical equipment and supplies;
  - reduced the budget for office space by 20 percent beginning in fiscal year 2010;
  - did not fill Accounts Manager position when position became vacant in fiscal year 2009;
  - continued to market the Online Education program and other revenue producing activities; and
  - implemented a freeze on salaries beginning January 1, 2009.
- The Executive Committee meets a minimum of every six months to review the budget and address future funding.

## **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*

**STATEMENT OF NET ASSETS OF GOVERNMENTAL ACTIVITIES  
AND GENERAL FUND BALANCE SHEET  
JUNE 30, 2009**

	<b>General Fund</b>	<b>Reconciliation</b>	<b>Governmental Activities</b>
<b><u>Assets</u></b>			
<b>Current assets</b>			
Cash and pooled investments	\$ 115,930	\$ -	\$ 115,930
Petty cash and change funds	10	-	10
Accounts receivable	84	-	84
Accrued interest receivable	710	-	710
Due from other governments	41,081	-	41,081
Capital assets			
Depreciable - net	-	9,219	9,219
<b>Total Assets</b>	<b>\$ 157,815</b>	<b>\$ 9,219</b>	<b>\$ 167,034</b>
 <b><u>Liabilities and Fund Balance/Net Assets</u></b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	\$ 19,381	\$ -	\$ 19,381
Salaries payable	6,511	-	6,511
<b>Total Liabilities</b>	<b>\$ 25,892</b>	<b>\$ -</b>	<b>\$ 25,892</b>
 <b>Fund Balance/Net Assets</b>			
<b>Fund Balance</b>			
Unreserved			
Designated for future expenditures	\$ 6,466	\$ (6,466)	
Undesignated	125,457	(125,457)	
<b>Total Fund Balance</b>	<b>\$ 131,923</b>	<b>\$ (131,923)</b>	
 <b>Net Assets</b>			
Invested in capital assets		\$ 9,219	\$ 9,219
Unrestricted		131,923	131,923
<b>Total Net Assets</b>		<b>\$ 141,142</b>	<b>\$ 141,142</b>
<b>Total Liabilities and Fund Balance/Net Assets</b>	<b>\$ 157,815</b>	<b>\$ 9,219</b>	<b>\$ 167,034</b>
 <b>Reconciliation of the General Fund Balance to Net Assets</b>			
Fund Balance - General Fund			\$ 131,923
Capital assets are reported on the Statement of Net Assets but not on the Balance Sheet.			9,219
<b>Net Assets - Governmental Activities</b>			<b>\$ 141,142</b>

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

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

**Statement 2**

**STATEMENT OF ACTIVITIES OF GOVERNMENTAL ACTIVITIES AND  
GENERAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2009**

	<b>General Fund</b>	<b>Reconciliation</b>	<b>Governmental Activities</b>
<b>Revenues</b>			
State sources			
Emergency medical services (EMS) grant	\$ 139,345	\$ -	\$ 139,345
Seat belt grant	78,765	-	78,765
Volunteer emergency medical technician (EMT)	11,580	-	11,580
Federal sources			
Rural access to emergency devices grant	12,677	-	12,677
Emergency medical services for children	5,400	-	5,400
Local grants	8,861	-	8,861
Charges for services	102,329	-	102,329
Investment earnings	1,759	-	1,759
Miscellaneous	2,421	(560)	1,861
	<b>\$ 363,137</b>	<b>\$ (560)</b>	<b>\$ 362,577</b>
<b>Expenditures/Expenses</b>			
<b>Current</b>			
<b>Health</b>			
EMS systems management	\$ 169,389	\$ (2,692)	\$ 166,697
EMS personnel training	108,470	-	108,470
Public safety involvement	5,928	-	5,928
Patient/nonpatient care EMS equipment	5,860	(1,581)	4,279
Bioterrorism training and support	8,644	-	8,644
Other	9,960	-	9,960
Volunteer EMT	13,994	-	13,994
Depreciation	-	2,435	2,435
	<b>\$ 322,245</b>	<b>\$ (1,838)</b>	<b>\$ 320,407</b>
<b>Net Change in Fund Balance/Net Assets</b>	<b>\$ 40,892</b>	<b>\$ 1,278</b>	<b>\$ 42,170</b>
<b>Fund Balance/Net Assets - July 1</b>	<b>91,031</b>	<b>7,941</b>	<b>98,972</b>
<b>Fund Balance/Net Assets - June 30</b>	<b>\$ 131,923</b>	<b>\$ 9,219</b>	<b>\$ 141,142</b>

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

**Statement 2**  
**(Continued)**

**STATEMENT OF ACTIVITIES OF GOVERNMENTAL ACTIVITIES AND  
GENERAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2009**

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

Net Change in Fund Balance	\$	40,892
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In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statement and the statement of activities is the increase or decrease in revenue deferred as unavailable.		(560)
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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		(2,435)
Capital outlays reported as expenditures		4,273

<b>Change in Net Assets of Governmental Activities</b>	<b>\$</b>	<b><u>42,170</u></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, 2009

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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, 2009. 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, 2009, the Board had \$110,701 on deposit with Olmsted County and one checking account totaling \$5,229. Minn. Stat. §§ 118A.02 and 118A.04 authorize the County 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, 2009. The Board has established a \$10 change fund.

2. Capital Assets

Capital asset activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets depreciated				
Furniture and equipment	\$ 15,560	\$ 4,273	\$ -	\$ 19,833
Less: accumulated depreciation for				
Furniture and equipment	(8,179)	(2,435)	-	(10,614)
Total Capital Assets Depreciated, Net	\$ 7,381	\$ 1,838	\$ -	\$ 9,219

Depreciation expense of \$2,435 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 \$18,415 for the year ended June 30, 2009. The future minimum lease payments for these leases are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2009	\$ 18,415
2010	3,065

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.

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

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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. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. 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 6.0 percent, respectively, of their annual covered salary.

The Board is required to contribute the following percentages of annual covered payroll in 2008 and 2009:

	2008	2009
Public Employees Retirement Fund		
Basic Plan members	11.78%	11.78%
Coordinated Plan members	6.00	6.75

The Board's contributions for the years ending June 30, 2009, 2008, and 2007, for the Public Employees Retirement Fund were:

	2009	2008	2007
Public Employees Retirement Fund	\$ 5,149	\$ 6,022	\$ 5,549

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 other Minnesota counties to form the Minnesota Counties Insurance 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**

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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 \$410,000 per claim in 2008 and \$430,000 in 2009. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County 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.



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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, 2009

**INTERNAL CONTROLS**

**PREVIOUSLY REPORTED ITEM 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.

**ITEMS ARISING THIS YEAR**

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 control deficiency 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 misstatements of the financial statements on a timely basis. One control deficiency that typically is considered significant is identification by the auditor of a material misstatement in the financial statements that was not initially identified by the entity's internal controls. During our audit, we proposed the following adjustments that resulted in significant changes to the Board's financial statements:

- adjustments of \$3,700 to accounts payable for a correction;
- adjustment to record \$710 of year-end interest receivable; and
- adjustment to salaries payable of \$3,760 for correction.

Proposed audit adjustments were reviewed and approved by the appropriate staff and are reflected in the financial statements. Independent external auditors, however, should not be used as part of the government's internal control.

We recommend the Board continue its efforts in reducing the audit entries by establishing review procedures to ensure all postings to the general ledger and supporting schedules are accurate and complete.

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

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

We recommend the Board reconcile the reserve account with Olmsted County each month to ensure accurate reporting.





REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

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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, 2009, which collectively comprise SEMN EMS's basic financial statements, 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 basic 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the SEMN EMS's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the

SEM N EMS's financial statements that is more than inconsequential will not be prevented or detected by the SEM N EMS's internal control over financial reporting. We consider the deficiencies listed in the Schedule of Findings and Recommendations as items 97-1 and 09-1 through 09-3 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the SEM N EMS's internal control over financial reporting. We believe that the deficiencies identified as items 09-1 and 09-2 in the Schedule of Findings and Recommendations constitute material weaknesses.

### Minnesota Legal Compliance

We have audited the financial statements of the governmental activities and the General Fund of the SEM N EMS as of and for the year ended June 30, 2009, which collectively comprise the SEM N 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 SEM N EMS.

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

This report 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

November 16, 2009

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR