

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

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

YEAR ENDED JUNE 30, 2015

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 150 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 700 public pension funds; and

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

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

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

Year Ended June 30, 2015



**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, 2015

<u>Name</u>	<u>Representing</u>	<u>Position</u>
Board Members		
Dave Erickson	Dodge County	
Mitch Lentz	Fillmore County	
Dan Belshan	Freeborn County	
Jason Majerus	Goodhue County	
Teresa Walter	Houston County	
Tim Gabrielson	Mower County	Vice Chair
Kenneth Brown	Olmsted County	Chair
Steve Bauer	Rice County	
John Glynn	Steele County	
Cheryl Key	Wabasha County	
Marcia Ward	Winona County	
Officer		
Don Hauge		Director

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REBECCA OTTO
STATE AUDITOR

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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, 2015, 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, 2015, 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.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 1 to the financial statements, in fiscal year 2015, the Board adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, which represent changes in accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the GASB, 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 25, 2015

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, 2015
(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, 2015. 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 \$179,171, of which \$3,673 is the net investment in capital assets.
- The Board's net position decreased by \$18,902 for the year ended June 30, 2015.

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 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 \$198,073 to \$179,171. 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>2015</u>	<u>2014*</u>	<u>Percent (%) Change</u>
Assets			
Current and other assets	\$ 312,610	\$ 324,395	(4)
Capital assets	<u>8,825</u>	<u>13,556</u>	(35)
Total Assets	<u>\$ 321,435</u>	<u>\$ 337,951</u>	(5)
Deferred Outflows of Resources			
Deferred pension outflows	<u>\$ 23,648</u>	<u>\$ 9,485</u>	149
Liabilities			
Long-term liabilities	\$ 121,111	\$ 135,668	(11)
Other liabilities	<u>13,171</u>	<u>13,695</u>	(4)
Total Liabilities	<u>\$ 134,282</u>	<u>\$ 149,363</u>	(10)
Deferred Inflows of Resources			
Deferred pension inflows	<u>\$ 31,630</u>	<u>\$ -</u>	100
Net Position			
Net investment in capital assets	\$ 3,673	\$ 13,556	(73)
Unrestricted	<u>175,498</u>	<u>184,517</u>	(5)
Total Net Position	<u><u>\$ 179,171</u></u>	<u><u>\$ 198,073</u></u>	(10)

*For fiscal year 2015, a restatement of prior net position was required because of a change in accounting principle. This change is reflected in the 2014 column. See Note 1 for change in accounting principle.

Net position of the Board decreased by 10 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 \$184,517 surplus at June 30, 2014, to \$175,498 on June 30, 2015.

Table 2
Changes in Net Position

	<u>2015</u>	<u>2014</u>	<u>Percent (%) Change</u>
Revenues			
Program revenues			
Charges for services	\$ 119,306	\$ 110,414	8
Operating grants	206,162	212,803	(3)
General revenues			
Investment income	257	304	(15)
Other	<u>2,232</u>	<u>3,894</u>	(43)
Total Revenues	<u>\$ 327,957</u>	<u>\$ 327,415</u>	-
Expenses			
Health			
EMS systems management	\$ 194,242	\$ 203,978	(5)
EMS personnel training	104,637	98,874	6
Public safety involvement	9,008	9,876	(9)
Patient/nonpatient care EMS equipment	7,783	42,805	(82)
Other health programs	20,880	12,121	72
Depreciation	<u>10,309</u>	<u>11,809</u>	(13)
Total Expenses	<u>\$ 346,859</u>	<u>\$ 379,463</u>	(9)
Increase (Decrease) in Net Position	\$ (18,902)	\$ (52,048)	(64)
Net Position, beginning	<u>198,073*</u>	<u>376,304</u>	(47)
Net Position, ending as reported	<u>\$ 179,171</u>	<u>\$ 324,256</u>	(45)

*For fiscal year 2015, a restatement of prior year net position was required because of a change in accounting principle. This change is not reflected in the 2014 column. See Note 1 for information on change in accounting principle.

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 \$301,639, which is a decrease of four percent from last year's unassigned fund balance of \$312,869. This decrease is due largely to a decrease in seat belt funding. The Board has adopted grant budgets for the various grant periods. These budgets are re-evaluated during each fiscal year and changes made if seat belt funds trend downward during the fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2015, the Board had \$8,825 invested in capital assets. (See Table 3 below.) This amount represents a net decrease (including additions and deductions) of \$4,731.

Table 3
Capital Assets at Year-End

	2015	2014	Percent (%) Change
Equipment	\$ 78,133	\$ 73,001	7
Less: accumulated depreciation	<u>(69,308)</u>	<u>(59,445)</u>	17
Net Capital Assets	<u>\$ 8,825</u>	<u>\$ 13,556</u>	(35)

This year's changes included \$10,309 of depreciation expense.

Debt

As of June 30, 2015, the Board had \$5,152 in a capital lease outstanding. (See Table 4 below.) This amount represents total payments made during the year of \$368.

Table 4
Outstanding Debt at Year-End

	2015	2014	Percent (%) Change
Capital leases	<u>\$ 5,152</u>	<u>\$ -</u>	100

More detailed information about the Board's long-term liabilities is presented in the notes to the financial statements.

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, 2015. Some of the decisions made in fiscal year 2014 regarding a reduction in spending while increasing revenue-producing activities were continued in fiscal year 2015.

- The Emergency Medical Services (EMS) Support Act grant funds to regional EMS programs through the Minnesota EMS Regulatory Board for fiscal year 2015 remained the same as in fiscal year 2014. A substantial shortfall (\$40,000) in the estimated amount of seat belt funds (*Special Relief Fund*) that Regional Programs were told to budget and actual amount received caused some decrease in our Net Position. Changes in the Emergency Medical Services Regulatory Board's process of processing invoices and reviewing expenditures have continued to slow payments to the regions causing concern for keeping our programs going, and this continued throughout the fiscal year 2015 cycle.
- The decrease in total net position for fiscal year 2015 was primarily a result of reduction of seat belt fund revenues and also a decrease in attendance at our annual EMS Conference. We continue to see a decrease in funding from the seat belt funds.
- The Board reviews monthly expenditure reports to ensure programs and administrative expenses are within the operating budget. During fiscal year 2015, 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; also increased the number of CPR classes that are offered in the region as well as increase attendance at our annual EMS Conference; and
 - continued to work with the Joint Powers Board to prioritize and maximize the use of current funding and continues 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.

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BASIC FINANCIAL STATEMENTS

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**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, 2015**

	General Fund	Reconciliation	Governmental Activities
<u>Assets and Deferred Outflows of Resources</u>			
Current assets			
Cash and pooled investments	\$ 289,986	\$ -	\$ 289,986
Petty cash and change funds	10	-	10
Due from other governments	22,614	-	22,614
Capital assets			
Depreciable - net	-	8,825	8,825
Total Assets	\$ 312,610	\$ 8,825	\$ 321,435
Deferred Outflows of Resources			
Deferred pension outflows	\$ -	\$ 23,648	\$ 23,648
Total Assets and Deferred Outflows of Resources	\$ 312,610	\$ 32,473	\$ 345,083
 <u>Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position</u>			
Liabilities			
Current liabilities			
Accounts payable	\$ 1,714	\$ -	\$ 1,714
Salaries payable	7,133	-	7,133
Compensated absences	-	1,096	1,096
Unearned revenue	2,124	-	2,124
Capital lease	-	1,104	1,104
Total current liabilities	\$ 10,971	\$ 2,200	\$ 13,171
Long-term liabilities			
Capital lease due after one year	-	4,048	4,048
Net pension liability	-	117,063	117,063
Total Liabilities	\$ 10,971	\$ 123,311	\$ 134,282
Deferred Inflows of Resources			
Deferred pension inflows	\$ -	\$ 31,630	\$ 31,630

**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, 2015**

	General Fund	Reconciliation	Governmental Activities
<u>Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position</u> (Continued)			
Fund Balance/Net Position			
Fund Balance			
Unassigned	\$ 301,639	\$ (301,639)	
Net Position			
Net investment in capital assets		\$ 3,673	\$ 3,673
Unrestricted		175,498	175,498
Total Net Position		\$ 179,171	\$ 179,171
Total Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position	\$ 312,610	\$ 32,473	\$ 345,083
Reconciliation of the General Fund Balance to Net Position			
Fund Balance - General Fund			\$ 301,639
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.			8,825
Deferred outflows resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds			23,648
Long-term liabilities, including capital lease, compensated absences, and pension liability are not due and payable in the current period and, therefore, are not reported in the governmental fund.			(123,311)
Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in governmental funds.			(31,630)
Net Position - Governmental Activities			\$ 179,171

**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, 2015**

	General Fund	Reconciliation	Governmental Activities
Revenues			
State sources			
Emergency medical services (EMS) grant	\$ 73,125	\$ -	\$ 73,125
Seat belt grant	125,257	-	125,257
Volunteer emergency medical technician (EMT)	7,780	-	7,780
Charges for services	119,306	-	119,306
Investment earnings	257	-	257
Miscellaneous	2,232	-	2,232
	\$ 327,957	\$ -	\$ 327,957
Expenditures/Expenses			
Current			
Health			
EMS systems management	\$ 202,431	\$ (8,189)	\$ 194,242
EMS personnel training	104,637	-	104,637
Public safety involvement	9,008	-	9,008
Patient/nonpatient care EMS equipment	7,783	-	7,783
Other	20,880	-	20,880
Principal payments for capital lease	368	(368)	-
Depreciation	-	10,309	10,309
	\$ 345,107	\$ 1,752	\$ 346,859
Excess of Revenues Over (Under) Expenditures	\$ (17,150)	\$ (1,752)	\$ (18,902)
Other Financing Sources (Uses)			
Capital lease issued	5,520	(5,520)	-
	\$ (11,630)	\$ (7,272)	\$ (18,902)
Fund Balance/Net Position - July 1, as restated (See Note 1.D.11.)	313,269	(115,196)	198,073
Fund Balance/Net Position - June 30	\$ 301,639	\$ (122,468)	\$ 179,171

**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, 2015**

**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	\$ (11,630)
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Issuing a long-term capital lease provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net position.

Capital lease issued	(5,520)
Principal repayments capital leases	368

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in compensated absences payable	1,473
Change in net pension liability, as restated	18,605
Change in deferred outflows of resources, as restated	14,163
Change in deferred inflows of resources	(31,630)

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	(10,309)
Expenditures for general capital assets	6,048
Net book value of assets disposed of	(470)

Change in Net Position of Governmental Activities	<u><u>\$ (18,902)</u></u>
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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, 2015

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, 2015. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations).

Changes in Accounting Principles

During the year ended June 30, 2015, the Board adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*.

The Board restated the June 30, 2014 net position as a result of the adoption of GASB Statement 68 and GASB Statement 71. Refer to Note 1.D.11. for details regarding change in accounting principles.

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.

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

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

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.

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.

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

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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, principal on long-term debt, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources in governmental fund financial statements. 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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, 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.

2. Receivables

Receivables are collectible within one 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.

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

1. Summary of Significant Accounting Policies

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position 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. 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.

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. The liability is reported in governmental funds only if they have matured (as a result of employee resignations and retirements). Unused accumulated and vested PTO is accrued as compensated absences when incurred in the government-wide financial statements. The current portion of the liability was determined to be short-term based on historical average.

5. Unearned Revenue

Governmental funds and government-wide financial statements report unearned revenue in connection with resources that have been received, but not yet earned.

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

1. Summary of Significant Accounting Policies

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

6. Long-Term Obligations

In the government-wide financial statements, long-term debt is reported as liabilities in the applicable governmental activities statement of net position. The face amount of the debt issued is reported as other financing sources.

7. Deferred Outflow/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expenditure/expense) until then. Currently, the Board has deferred outflows related to pension obligations. The length of the expense recognition period for deferred amounts is equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan, determined as of the beginning of the measurement period.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. Currently, the Board has deferred inflows related to pension obligations. These deferred amounts represent differences between projected and actual earnings on pension plan investments and are recognized over a five-year period.

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

1. Summary of Significant Accounting Policies

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

8. 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.

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

9. 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.

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

1. Summary of Significant Accounting Policies

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity

9. Classifications of Fund Balances (Continued)

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.

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.

10. 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.

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

1. Summary of Significant Accounting Policies

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

11. 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.

12. Restatement of Beginning Net Position

GASB Statements 68 and 71 require the Board to report its proportionate share of the Public Employees Retirement Association (PERA) total employers' unfunded liability. As a result, the net position as of June 30, 2014, has been restated to record the Board's net position liability and related deferred inflows of resources and outflows of resources.

	Governmental Activities
Net Position, June 30, 2014, as reported	\$ 324,256
Change in accounting principles	(126,183)
Net Position, July 1, 2014, as restated	\$ 198,073

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

2. Detailed Notes

A. Assets

1. Deposits

As of June 30, 2015, the Board had \$277,906 on deposit with Olmsted County and one checking account of \$12,080. 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, 2015, 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, 2015, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets depreciated				
Furniture and equipment	\$ 73,001	\$ 6,048	\$ 916	\$ 78,133
Less: accumulated depreciation for				
Furniture and equipment	59,445	10,309	446	69,308
Total Capital Assets Depreciated, Net	\$ 13,556	\$ (4,261)	\$ 470	\$ 8,825

Depreciation expense of \$10,309 was charged to the health function.

B. Liabilities

1. Compensated Absences

Changes in the Board's compensated absences balances are:

Payable - July 1, 2014	\$ 2,569
Net change in compensated absences	1,473
Payable and due within one year - June 30, 2015	\$ 1,096

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

2. Detailed Notes

B. Liabilities (Continued)

2. Capital Leases

The Board has entered into a lease agreement as lessee for financing the acquisition of a copier. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The capital lease consists of the following at June 30, 2015.

	<u>Maturity</u>	<u>Installment</u>	<u>Payment Amount</u>	<u>Original</u>	<u>Balance</u>
Copier	2020	Monthly	\$ 92	\$ 5,520	\$ 5,125

The amount of the capital lease balance due within one year is \$1,104.

The future minimum lease obligations as of June 30, 2015, were as follows:

<u>Year Ended June 30</u>	<u>Governmental Activities</u>
2016	\$ 1,104
2017	1,104
2018	1,104
2019	1,104
2020	736
Total	<u>\$ 5,152</u>

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

3. Defined Benefit Pension Plans

Plan Description

The Board participates in the following cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minn. Stat. chs. 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

All full-time and certain part-time employees of the Board are covered by the General Employees Retirement Fund (GERF). GERF 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. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90 percent funded, or have fallen below 80 percent, are given 1.0 percent increases.

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

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 PERA's 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. The annuity accrual rate for a Coordinated Plan 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

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

3. Defined Benefit Pension Plans

Benefits Provided (Continued)

Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Disability benefits are available for vested members and are based upon years of service and average high-five salary.

Contributions

Minn. Stat. ch. 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature. Basic Plan members and Coordinated Plan members were required to contribute 9.1 percent and 6.25 percent, respectively, of their annual covered salary in calendar year 2014. Basic Plan members' contribution rates remained the same, however. Coordinated Plan members contributed 6.5 percent of pay in 2015. In calendar year 2014, the Board was required to contribute 11.78 percent of pay for Basic Plan members and 7.25 percent for Coordinated Plan members. In 2015, employer rates increased to 7.5 percent in the Coordinated Plan and remained the same for the Basic Plan. The Board's contributions to the GERF for the year ended June 30, 2015, were \$9,787. The Board's contributions were equal to the required contributions as set by state statute.

Pension Costs

At June 30, 2015, the Board reported a liability of \$117,063 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Board's proportion of the net pension liability was based on the Board's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2014, the Board's proportion was 0.002 percent.

For the year ended June 30, 2015, the Board recognized pension expense of \$8,649 for its proportionate share of the GERF's pension expense.

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

3. Defined Benefit Pension Plans

Pension Costs (Continued)

At June 30, 2015, the Board reported its proportionate share of the GERF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual economic experience	\$ 1,797	\$ -
Changes in actuarial assumptions	12,064	-
Difference between projected and actual investment earnings	-	31,630
Contributions paid to PERA subsequent to the measurement date	<u>9,787</u>	<u>-</u>
Total	<u>\$ 23,648</u>	<u>\$ 31,630</u>

The total of \$9,787 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	Pension Expense Amount
<u> </u>	<u> </u>
2016	\$ (3,287)
2017	(3,287)
2018	(3,287)
2019	(7,908)
2020	-

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

3. Defined Benefit Pension Plans (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2014, actuarial valuation was determined using the entry age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.75 percent per year
Active member payroll growth	3.50 percent per year
Investment rate of return	7.90 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. Benefit increases for retirees are assumed to be 1.0 percent effective every January 1st through 2030 and 2.5 percent thereafter.

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of actuarial experience studies. The experience study in the GERF was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014.

The following changes in actuarial assumptions occurred in 2014: As of July 1, 2013, the postretirement benefit increase rate was assumed to increase from 1.0 percent to 2.5 percent on January 1, 2046. As of July 1, 2014, the postretirement benefit increase rate was assumed to increase from 1.0 percent to 2.5 percent on January 1, 2031.

The long-term expected rate of return on pension plan investments is 7.9 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic stocks	45%	5.50%
International stocks	15	6.00
Bonds	18	1.45
Alternative assets	20	6.40
Cash	2	0.50

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

3. Defined Benefit Pension Plans (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.9 percent. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Liability Sensitivity

The following presents the Board's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Board's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	<u>1% Decrease in Discount Rate (6.9%)</u>	<u>Discount Rate (7.9%)</u>	<u>1% Increase in Discount Rate (8.9%)</u>
Board's proportionate share of the GERF net pension liability	\$ 188,711	\$ 117,063	\$ 58,114

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, #200, St. 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**

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.

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 \$480,000 per claim in 2014 and \$490,000 per claim in 2015. 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.

REQUIRED SUPPLEMENTARY INFORMATION

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

EXHIBIT A-1

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
GENERAL EMPLOYEES RETIREMENT FUND
JUNE 30, 2015**

Fiscal Year Ending	Employer's Proportion of Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.002%	\$ 117,063	\$ 132,690	88.22%	78.75%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The amounts presented for each fiscal year were determined June 30 of the previous year.

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

EXHIBIT A-2

**SCHEDULE OF CONTRIBUTIONS
GENERAL EMPLOYEES RETIREMENT FUND
JUNE 30, 2015**

Fiscal Year Ending	Statutorily Required Contributions (a)	Contributions in Relation to Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
2015	\$ 9,787	\$ 9,787	\$ -	\$ 132,690	7.38%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The amounts presented for each fiscal year were determined June 30 of the previous year.

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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, 2015**

INTERNAL CONTROL OVER FINANCIAL REPORTING

ITEM ARISING THIS YEAR

Finding 2015-001

Audit Adjustments

Criteria: A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis.

Condition: During our audit, we proposed audit adjustments which resulted in significant changes to Southeastern Minnesota Emergency Medical Services Joint Power Board's financial statements. These adjustments were reviewed and approved by the appropriate staff and are reflected in the financial statements.

Context: The inability to detect misstatements in the financial statements increases the likelihood the financial statements would not be fairly presented. These adjustments were found in the audit; however, independent external auditors cannot be considered part of the entity's internal control.

Effect: An audit adjustment of \$5,520 was necessary in the General Fund to include a capital lease issued. An audit adjustment to the Governmental Activities was necessary to recognize a capital lease liability of \$5,152.

Cause: The Board properly recorded the capital lease as an asset but omitted the liability for the lease. The Board has not had a capital lease in prior periods.

Recommendation: We recommend Southeastern Minnesota Emergency Medical Services review internal controls currently in place and design and implement procedures to improve internal controls over financial reporting which will prevent, or detect and correct, misstatements in the financial statements.

Client's Response:

The SEEMS Joint Powers Board will continue to pursue educational opportunities on general accounting principles for office staff and management, so that in the coming year we can improve internal controls over financial reporting which will decrease the chances of having misstatements in the financial statements.

PREVIOUSLY REPORTED ITEM RESOLVED

Preparation of Financial Statements (2009-001)

The Board 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.

Resolution

In the current year, the Board prepared the governmental trial balance used in the preparation of the basic financial statements and related notes to the financial statements.



REBECCA OTTO
STATE AUDITOR

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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
Rochester, Minnesota

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, 2015, 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 25, 2015.

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 2015-001.

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

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

November 25, 2015



REBECCA OTTO
STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

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

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, 2015, 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 25, 2015.

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.

In connection with our audit, nothing came to our attention that caused us to believe 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

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

November 25, 2015

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