

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

**CENTRAL MINNESOTA EMERGENCY
MEDICAL SERVICES REGION
ST. CLOUD, MINNESOTA**

FOR THE YEAR ENDED DECEMBER 31, 2014

Description of the Office of the State Auditor

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

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

The State Auditor performs approximately 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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**CENTRAL MINNESOTA EMERGENCY
MEDICAL SERVICES REGION
ST. CLOUD, MINNESOTA**

For the Year Ended December 31, 2014



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

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**CENTRAL MINNESOTA EMERGENCY MEDICAL SERVICES REGION
ST. CLOUD, MINNESOTA**

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**CENTRAL MINNESOTA EMERGENCY MEDICAL SERVICES REGION
ST. CLOUD, MINNESOTA**

ORGANIZATION
DECEMBER 31, 2014

<u>Name</u>	<u>Representing</u>	<u>Position</u>
Board Members		
Jim McMahon	Benton County	Secretary
Neal Gaalswyk	Cass County	
Rachel Reabe Nystrom	Crow Wing County	
Les Nielsen	Kanabec County	
Genny Reynolds	Mille Lacs County	
Jeff Jelinski	Morrison County	Chair
Matt Ludwig	Pine County	
John Riebel	Sherburne County	
DeWayne Mareck	Stearns County	Vice Chair
David Kircher	Todd County	
Ron Noon	Wadena County	
Christine Husom	Wright County	
Coordinator		
Marion Larson		

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REBECCA OTTO
STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Joint Powers Board
Central Minnesota Emergency
Medical Services Region
St. Cloud, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Central Minnesota Emergency Medical Services Region as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Region'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 Region'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 Region'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 Central Minnesota Emergency Medical Services Region as of December 31, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

April 14, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**CENTRAL MINNESOTA EMERGENCY MEDICAL SERVICES REGION
ST. CLOUD, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014
(Unaudited)**

The Central Minnesota Emergency Medical Services Region Joint Powers Board's discussion and analysis provides an overview of the Region's financial activities for the fiscal year ended December 31, 2014. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the Region's financial statements.

FINANCIAL HIGHLIGHTS

- Total net position is \$300,668. The net position decreased by \$10,739 for the year ended December 31, 2014.
- Legislation has been introduced in the 2015 legislative session that outlines the movement of grant administration from the Minnesota Emergency Medical Services Regulatory Board (MNEMSRB) to the jurisdiction of the Minnesota Department of Health. At this time, the Region does not know if there will be any impact to grant funding if this change happens. The Region will continue to monitor in 2015.
- The Region is awarded the EMS grant on a two-year basis. The current grant cycle ends June 30, 2015.
- The variability of the dollars received from the EMS relief account (seatbelt funding) continues. The Region continues to budget the revenues based on the projection received from the MNEMSRB.
- Reimbursements to the Region for monthly expenditures continue to be three to four months behind. The Region continues to monitor invoices submitted and payments received by contacting the MNEMSRB.
- The Region has received \$7,780 of additional funding in February 2015 from the MNEMSRB. These funds will be used to partially reimburse eligible agencies for EMR/EMT certification costs. These funds must be used by June 30, 2015.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to the basic financial statements. The Region'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 that are 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. These columns provide a detailed short-term view of the Region's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Region's programs. We reconcile the relationship (or differences) between governmental funds 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 provides information about the activities of the Region as a whole and presents a longer-term view of the Region's finances. These columns tell how these services were financed in the short term as well as what remains for future spending.

The Region as a Whole

The Region's combined net position decreased from \$311,407 to \$300,668. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Region's governmental activities.

Table 1 - Net Position

	2014	2013
Cash and pooled investments	\$ 275,933	\$ 279,460
Due from other governments	38,311	40,650
Total Assets	\$ 314,244	\$ 320,110
Current liabilities	\$ 6,588	\$ 6,015
Noncurrent liabilities	6,988	2,688
Total Liabilities	\$ 13,576	\$ 8,703
Net Position		
Unrestricted	\$ 300,668	\$ 311,407

The net position of the Region decreased by 3.45 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 \$311,407 surplus at December 31, 2013, to \$300,668 at the end of this year.

Table 2 - Changes in Net Position

	<u>2014</u>	<u>2013</u>
Revenues		
Program revenues		
Operating grants	\$ 234,828	\$ 208,560
Fees and charges	<u>1,100</u>	<u>1,701</u>
Total Revenues	<u>\$ 235,928</u>	<u>\$ 210,261</u>
Expenses		
Program expenses		
Health		
EMS systems management	\$ 147,802	\$ 127,539
EMS personnel training	78,581	49,594
Communications	1,482	7,270
EMS devices and supplies	13,477	21,903
Public safety involvement	<u>5,325</u>	<u>509</u>
Total Expenses	<u>\$ 246,667</u>	<u>\$ 206,815</u>
Increase (Decrease) in Net Position	<u>\$ (10,739)</u>	<u>\$ 3,446</u>

The Region's General Fund

As the Region completed the year, its governmental fund (as presented in the first column of the statements) reported a fund balance of \$307,656, which is less than last year's fund balance of \$314,095, a decrease of 2.05 percent. The Region has adopted grant budgets for the various grant periods. These budgets may be amended or modified as additional grants are received. A comparison of budgeted revenues and expenditures to actual has not been presented in the financial statements because the budgets are not adopted on an annual fiscal-period basis.

ECONOMIC FACTORS AND NEXT YEAR'S GRANT BUDGETS AND RATES

The Region's officials have considered many factors when planning for the calendar year ending December 31, 2015. The Region is awarded the EMS grant on a two-year basis. The current grant cycle ends June 30, 2015. The MNEMSRB is in the process and has a timeline in place for the request for proposals (RFP) for the next grant period. The timeline established will ensure the grant contracts can be finalized and executed to meet the June 30, 2015, deadline.

CONTACTING THE REGION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the Region's finances and to show the Region's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the Central Minnesota Emergency Medical Services Region Director, P. O. Box 1107, St. Cloud, Minnesota 55302.

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BASIC FINANCIAL STATEMENTS

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**CENTRAL MINNESOTA EMERGENCY MEDICAL SERVICES REGION
ST. CLOUD, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION OF GOVERNMENTAL ACTIVITIES
AND GENERAL FUND BALANCE SHEET
DECEMBER 31, 2014**

	General Fund	Reconciliation	Governmental Activities
<u>Assets</u>			
Current assets			
Cash and investments pooled with Stearns County	\$ 275,933	\$ -	\$ 275,933
Due from other governments	38,311	-	38,311
Total Assets	\$ 314,244	\$ -	\$ 314,244
 <u>Liabilities and Fund Balance/Net Position</u>			
Liabilities			
Current liabilities			
Accounts payable	\$ 572	\$ -	\$ 572
Salaries payable	6,016	-	6,016
Total current liabilities	\$ 6,588	\$ -	\$ 6,588
Noncurrent liabilities			
Compensated absences - long-term	-	6,988	6,988
Total Liabilities	\$ 6,588	\$ 6,988	\$ 13,576
Fund Balance			
Unassigned	307,656	(307,656)	
Net Position			
Unrestricted		300,668	300,668
Total Liabilities and Fund Balance/Net Position	\$ 314,244	\$ -	\$ 314,244
 Reconciliation of the General Fund Balance to Net Position			
Fund Balance - General Fund			\$ 307,656
Long-term liabilities are reported on the Statement of Net Position but not on the Fund Balance Sheet.			
Compensated absences payable at year-end			(6,988)
Net Position - Governmental Activities			\$ 300,668

**CENTRAL MINNESOTA EMERGENCY MEDICAL SERVICES REGION
ST. CLOUD, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITIES OF GOVERNMENTAL ACTIVITIES AND
GENERAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General Fund	Reconciliation	Governmental Activities
Revenues			
State sources			
Emergency medical services (EMS) grant	\$ 91,961	\$ -	\$ 91,961
Seat belt grant	142,867	-	142,867
Charges for services	1,100	-	1,100
Total Revenues	\$ 235,928	\$ -	\$ 235,928
Expenditures/Expenses			
Current			
Health			
EMS systems management	\$ 143,502	\$ 4,300	\$ 147,802
EMS personnel training	78,581	-	78,581
Communications	1,482	-	1,482
EMS devices and supplies	13,477	-	13,477
Public safety involvement	5,325	-	5,325
Total Expenditures/Expenses	\$ 242,367	\$ 4,300	\$ 246,667
Net Change in Fund Balance/Net Position	\$ (6,439)	\$ (4,300)	\$ (10,739)
Fund Balance/Net Position - January 1	314,095	(2,688)	311,407
Fund Balance/Net Position - December 31	\$ 307,656	\$ (6,988)	\$ 300,668
 Reconciliation of the Statement of General Fund Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities			
Net Change in Fund Balance			\$ (6,439)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, such as the increase in compensated absences payable.			(4,300)
Change in Net Position of Governmental Activities			\$ (10,739)

**CENTRAL MINNESOTA EMERGENCY MEDICAL SERVICES REGION
ST. CLOUD, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014**

1. Summary of Significant Accounting Policies

The Central Minnesota Emergency Medical Services Region's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2014. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the Region are discussed below.

A. Financial Reporting Entity

The Region was established in 2001 under Minn. Stat. § 471.59. It was established under a joint powers agreement between 14 counties in Central Minnesota to improve the planning, coordination, and implementation of emergency medical services within the member counties. On January 1, 2013, 2 counties left the Region, leaving 12 member counties. The Region provides training primarily for policemen, firemen, and ambulance personnel in emergency medical procedures, and also assists in purchasing medical supplies.

The Region has established a Board which has general supervision over the Region's activities. The Board consists of 12 County Commissioners, one from each of the member counties. The Board elects a chair, vice chair, and secretary/treasurer from its members. The Board has adopted bylaws and operating rules and policies as it has deemed necessary.

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

**CENTRAL MINNESOTA EMERGENCY MEDICAL SERVICES REGION
ST. CLOUD, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

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 Region's net position is unrestricted.

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 Region considers all revenues as available if collected within 60 days after the end of the current period. 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 Region's policy to use restricted resources first and then unrestricted resources as needed.

D. Assets, Liabilities, and Net Position or Equity

1. Cash and Pooled Investments

The Region's cash and pooled investments include cash on hand, demand deposits, and cash on deposit with Stearns County. 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.

**CENTRAL MINNESOTA EMERGENCY MEDICAL SERVICES REGION
ST. CLOUD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

2. Receivables

All receivables are shown net of an allowance for uncollectibles.

3. Capital Assets

The Region defines capital assets as assets with an initial, individual cost of more than \$5,000 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 market value at the date of donation. The Region currently holds no capital assets over the \$5,000 capitalization threshold.

4. Classification of Net Position

Net position in the government-wide financial statement 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 - amounts 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 - amounts that do not meet the definition of restricted or net investment in capital assets.

**CENTRAL MINNESOTA EMERGENCY MEDICAL SERVICES REGION
ST. CLOUD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

5. Classification of Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the Region 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 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 is imposed by law through constitutional provisions or enabling legislation.

Committed - amounts that can be used only for the specific purposes imposed by formal action of the Region’s 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 Region intends to use for specific purposes but do not meet the criteria to be classified as restricted or committed.

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

The Region 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.

**CENTRAL MINNESOTA EMERGENCY MEDICAL SERVICES REGION
ST. CLOUD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

6. 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.

E. Future Change in Accounting Standards

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, replaces Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 50, *Pension Disclosures*, as they relate to employer governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB Statement 68 requires governments providing defined benefit pension plans to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This statement will be effective for the Central Minnesota Emergency Medical Services Region's calendar year 2015. The Region has not yet determined the financial statement impact of adopting this new standard.

2. Detailed Notes

A. Assets

1. Deposits

As of December 31, 2014, the Region had \$275,933 on deposit with Stearns County. Authorization to deposit cash in financial institutions is provided by Minn. Stat. § 118A.02. The County may invest in the types of investments authorized by Minn. Stat. §§ 118A.04 and 118A.05. Minnesota statutes require that all County deposits be covered by insurance, surety bond, or collateral.

**CENTRAL MINNESOTA EMERGENCY MEDICAL SERVICES REGION
ST. CLOUD, MINNESOTA**

2. Detailed Notes

A. Assets (Continued)

2. Due From Other Governments

At December 31, 2014, the Region had \$38,311 due from other governments. This represents the amount due from the State of Minnesota for the Emergency Medical Services Grant and Seat Belt Relief Grant.

B. Liabilities

Compensated Absences

The Region has adopted Stearns County's personnel policies regarding paid time off (PTO). Under these policies, employees are granted PTO in varying amounts based on their length of service.

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

Changes in the Region's compensated absences balances are:

Payable - January 1, 2014	\$ 2,688
Net change in compensated absences	<u>4,300</u>
Payable - December 31, 2014	<u>\$ 6,988</u>

C. Expenditures

Emergency Medical Services Devices and Supplies

The Region funds expenditures for the purchase of emergency medical equipment and supplies, such as defibrillators and computers, provided largely to other agencies.

**CENTRAL MINNESOTA EMERGENCY MEDICAL SERVICES REGION
ST. CLOUD, MINNESOTA**

3. Employee Retirement Systems and Pension Plans

A. Plan Description

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

General Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan and benefits vest after three years of credited service.

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

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

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

**CENTRAL MINNESOTA EMERGENCY MEDICAL SERVICES REGION
ST. CLOUD, MINNESOTA**

3. Employee Retirement Systems and Pension Plans

A. Plan Description (Continued)

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

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

B. Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. The Region makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 and 6.25 percent, respectively, of their annual covered salary in 2014.

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

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

The Region's contributions for the years ending December 31, 2014, 2013, and 2012, for the General Employees Retirement Fund were:

2014	2013	2012
\$ 5,408	\$ 4,123	\$ 4,074

These contribution amounts are equal to the contractually required contributions for each year as set by state statute. Contribution rates increased on January 1, 2015, in the General Employees Retirement Fund Coordinated Plan (6.50 percent for members and 7.50 percent for employers).

**CENTRAL MINNESOTA EMERGENCY MEDICAL SERVICES REGION
ST. CLOUD, MINNESOTA**

4. Risk Management

The Region 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 Region 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 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 MCIT Workers' Compensation Division liabilities exceed assets, the MCIT may assess the Region, through Stearns County, in a method and amount to be determined by MCIT.

The Property and Casualty Division of MCIT is self-sustaining, and the Region pays an annual premium to cover current and future losses. MCIT carries reinsurance for its property lines to protect against catastrophic losses. Should MCIT Property and Casualty Division liabilities exceed assets, MCIT may assess the Region 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 Region expects such amounts, if any, to be immaterial.

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**CENTRAL MINNESOTA EMERGENCY MEDICAL SERVICES REGION
ST. CLOUD, MINNESOTA**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2014**

ITEM FOR CONSIDERATION

GASB Statement 68

The Governmental Accounting Standards Board (GASB) is the independent organization that establishes standards of accounting and financial reporting for state and local governments. Effective for calendar year 2015 financial statements, the GASB changed those standards as they apply to employers that provide pension benefits.

GASB Statement 68 significantly changes pension accounting and financial reporting for governmental employers that prepare financial statements on the accrual basis by separating pension accounting methodology from pension funding methodology. Statement 68 requires employers to include a portion of the Public Employees Retirement Association (PERA) total employers' unfunded liability, called the "net pension liability" on the face of the government-wide statement of financial position. The employer's financial position will be immediately impacted by its unfunded share of the pension liability.

Statement 68 changes the amount employers report as pension expense and defers some allocations of expenses to future years—deferred outflows or inflows of resources. It requires pension costs to be calculated by an actuary; whereas, in the past pension costs were equal to the amount of employer contributions sent to PERA during the year. Additional footnote disclosures and required supplementary information schedules are also required by Statement 68.

The net pension liability that, if material, will be reported in the Central Minnesota Emergency Medical Services Region's financial statements is an accounting estimate of the proportionate share of PERA's unfunded liability at a specific point in time. That number will change from year to year, and is based on assumptions about the probability of the occurrence of events far into the future. Those assumptions include how long people will live, how long they will continue to work, projected salary increases, and how well pension trust investments will do. PERA has been proactive in taking steps toward implementation and will be providing most of the information needed by the employers to report the net pension liability and deferred outflows/inflows of resources.

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REBECCA OTTO
STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Joint Powers Board
Central Minnesota Emergency
Medical Services Region
St. Cloud, 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 Central Minnesota Emergency Medical Services Region as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Region's basic financial statements and have issued our report thereon dated April 14, 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 Region's financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for depositories of public funds and public investments and contracting and bidding since those transactions are handled by Stearns County. In addition, we did not test for compliance with the provisions for public indebtedness because the Region does not have debt.

In connection with our audit, nothing came to our attention that caused us to believe that the Central Minnesota Emergency Medical Services Region 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 Region's noncompliance with the above referenced provisions.

Included in the Schedule of Findings and Recommendations is an other item for consideration. We believe this information to be of benefit to the Region and are reporting it for that purpose.

This report is intended solely for the information and use of the Joint Powers Board, management, others within the Central Minnesota Emergency Medical Services Region, 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

April 14, 2015