

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

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

FOR THE YEAR ENDED JUNE 30, 2012

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

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

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

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

For the Year Ended June 30, 2012



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

This page was left blank intentionally.

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

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
Introductory Section		
Organization		1
Financial Section		
Independent Auditor's Report		2
Management's Discussion and Analysis		4
Basic Financial Statements		
General Fund Balance Sheet and Statement of Net Assets of Governmental Activities	1	8
General Fund Revenues, Expenditures, and Changes in Fund Balance and Statement of Activities of Governmental Activities	2	10
Notes to the Financial Statements		12
Management and Compliance Section		
Schedule of Findings and Recommendations		20
 Report on Internal Control Over Financial Reporting and Minnesota Legal Compliance		 23

This page was left blank intentionally.

This page was left blank intentionally.

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

ORGANIZATION
JUNE 30, 2012

<u>Name</u>	<u>Representing</u>	<u>Position</u>
Board Members		
Jane Olive	Dodge County	
Chuck Amunrud	Fillmore County	
Dan Belshan	Freeborn County	
Richard Samuelson	Goodhue County	
Teresa Walter	Houston County	
Raymond Tucker	Mower County	Vice Chair
Kenneth Brown	Olmsted County	
Milton Plaisance	Rice County	
Doug Johnson	Steele County	Chair
Dave Harms	Wabasha County	
Marcia Ward	Winona County	
Officer		
Linda Horth, retired August 3, 2012		Director
Don Hauge, hired July 1, 2012		Director

This page was left blank intentionally.

This page was left blank intentionally.



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

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

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

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Southeastern Minnesota Emergency Medical Services
Joint Powers Board

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Southeastern Minnesota Emergency Medical Services Joint Powers Board (the Board) as of and for the year ended June 30, 2012, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Southeastern Minnesota Emergency Medical Services Joint Powers Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Southeastern Minnesota Emergency Medical Services Joint Powers Board as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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 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. In accordance with auditing standards generally accepted in the United States of America, we have applied certain limited procedures to the Management's Discussion and Analysis, 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

December 10, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

This page was left blank intentionally.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012
(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, 2012. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the Board's financial statements.

FINANCIAL HIGHLIGHTS

- Total net assets are \$372,184, of which \$37,676 is invested in capital assets.
- The Board's net assets decreased by \$31,897 for the year ended June 30, 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

THE BOARD AS A WHOLE

The Board's combined net assets decreased from \$404,081 to \$372,184. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Board's governmental activities.

Table 1
Net Assets

	<u>2012</u>	<u>2011</u>	<u>Percent (%) Change</u>
Assets			
Current and other assets	\$ 340,435	\$ 355,590	(4)
Capital assets	<u>37,676</u>	<u>56,089</u>	(33)
Total Assets	<u>\$ 378,111</u>	<u>\$ 411,679</u>	(8)
Liabilities			
Current and other liabilities	<u>\$ 5,927</u>	<u>\$ 7,598</u>	(22)
Net Assets			
Invested in capital assets	\$ 37,676	\$ 56,089	(33)
Unrestricted	<u>334,508</u>	<u>347,992</u>	(4)
Total Net Assets	<u>\$ 372,184</u>	<u>\$ 404,081</u>	(8)

Net assets of the Board decreased by eight percent. Unrestricted net assets--the part of net assets that can be used to finance day-to-day operations without constraints established by enabling legislation or other legal requirements--changed from a \$347,992 surplus at June 30, 2011, to \$334,508 at the end of this year.

Table 2
Changes in Net Assets

	<u>2012</u>	<u>2011</u>	<u>Percent (%) Change</u>
Revenues			
Program revenues			
Charges for services	\$ 109,048	\$ 112,181	(3)
Operating grants	258,044	337,944	(24)
Contributed capital	-	51,000	(100)
General revenues			
Investment income	485	343	41
Other	<u>4,769</u>	<u>6,021</u>	(21)
Total Revenues	<u>\$ 372,346</u>	<u>\$ 507,489</u>	(27)

	<u>2012</u>	<u>2011</u>	<u>Percent (%) Change</u>
Expenses			
Health			
EMS systems management	\$ 143,073	\$ 146,278	(2)
EMS personnel training	111,617	126,980	(12)
Public safety involvement	5,570	2,087	167
Patient/nonpatient care EMS equipment	101,982	-	
Bioterrorism training and support	206	39,459	(99)
Other health programs	25,824	26,064	(1)
Depreciation	<u>15,971</u>	<u>14,301</u>	12
Total Expenses	<u>\$ 404,243</u>	<u>\$ 355,169</u>	14
Increase (Decrease) in Net Assets	<u>\$ (31,897)</u>	<u>\$ 152,320</u>	(79)

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 \$324,102, which is a decrease of five percent from last year's unassigned fund balance of \$340,958. This decrease is due to significantly delayed reimbursements of expenditure reports to regional EMS programs. The Board has adopted grant budgets for the various grant periods. These budgets may be amended or modified as additional grants are received. A comparison of budgeted revenues and expenditures to actual has not been presented in the financial statements because the budgets are not all adopted on an annual fiscal-period basis.

CAPITAL ASSETS

As of June 30, 2012, the Board had \$37,676 invested in capital assets. (See Table 3 below.) This amount represents a net decrease (including additions and deductions) of \$18,413.

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

	<u>2012</u>	<u>2011</u>	<u>Percent (%) Change</u>
Equipment	\$ 70,652	\$ 75,702	(7)
Less: accumulated depreciation	<u>(32,976)</u>	<u>(19,613)</u>	68
Net Capital Assets	<u>\$ 37,676</u>	<u>\$ 56,089</u>	(33)

This year's changes included \$15,971 of depreciation expense.

ECONOMIC FACTORS AND NEXT YEAR'S GRANT BUDGETS AND RATES

With the financial uncertainty of the economy both on a state and national level, the Joint Powers Board considered many factors when planning for the fiscal year ending June 30, 2012. Some of the decisions made in fiscal year 2011 regarding a reduction in spending while increasing revenue-producing activities were continued in fiscal year 2012.

- The EMS Support Act grant funds to regional EMS programs through the Minnesota EMS Regulatory Board for FY 2012 remained the same as in FY 2011. The state, however, implemented an expenditure-based reimbursement process beginning FY 2012 for regional EMS programs to receive their monthly seat belt allocations (*Special Relief Fund*). This eliminated any investment potential which had been previously available. The creation of the SWIFT Department by the Minnesota Legislature for the distribution of all state grant funds significantly delayed reimbursements of expenditure reports to regional EMS programs. This resulted in further reduction of agency reserve funds and some delays in implementing programs and services. The Board anticipates that the expenditure-based system for seat belt funds and the lengthy delay in payment of expenditure reports by the state will continue for FY 2013.
- The reduction in total net assets for FY 2012 was primarily a result of depreciation of capital assets and lack of any additional grant funds, (i.e., *Healthcare System Preparedness Planning*). The Board's plan for increasing net assets beginning in FY 2013 includes the restructuring of the Regional Office so more staff hours are available for researching grants and marketing activities that would generate revenue.
- The Board reviews monthly expenditure reports to ensure programs and administrative expenses are within the operating budget. During fiscal year 2012, the Board:
 - continued increasing user and registration fees as the consumer market would accept;
 - continued the reduction of advisory committee meetings to quarterly and staff travel outside of the region for meetings and conferences; and
 - continued the additional meetings of the Executive Committee to review the finances and make recommendations to the full Board.

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, 1130 ½ - 7th Street Northwest, Suite 201, Rochester, Minnesota 55901.

BASIC FINANCIAL STATEMENTS

This page was left blank intentionally.

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

EXHIBIT 1

**GENERAL FUND BALANCE SHEET AND
STATEMENT OF NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2012**

	General Fund	Reconciliation	Governmental Activities
<u>Assets</u>			
Current assets			
Cash and pooled investments	\$ 298,152	\$ -	\$ 298,152
Petty cash and change funds	10	-	10
Accounts receivable	225	-	225
Due from other governments	42,048	-	42,048
Capital assets			
Depreciable - net	-	37,676	37,676
	\$ 340,435	\$ 37,676	\$ 378,111
 <u>Liabilities and Fund Balance/Net Assets</u>			
Liabilities			
Current liabilities			
Accounts payable	\$ 2,556	\$ -	\$ 2,556
Salaries payable	3,371	-	3,371
Deferred revenue - unavailable	3,940	(3,940)	-
	\$ 9,867	\$ (3,940)	\$ 5,927
 Fund Balance/Net Assets			
Fund Balance			
Assigned for seat belt	\$ 6,466	\$ (6,466)	
Unassigned	324,102	(324,102)	
	\$ 330,568	\$ (330,568)	
 Net Assets			
Invested in capital assets		\$ 37,676	\$ 37,676
Unrestricted		334,508	334,508
		\$ 372,184	\$ 372,184
Total Liabilities and Fund Balance/Net Assets	\$ 340,435	\$ 37,676	\$ 378,111

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

***EXHIBIT 1
(Continued)***

**GENERAL FUND BALANCE SHEET AND
STATEMENT OF NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2012**

Reconciliation of the General Fund Balance to Net Assets

Fund Balance - General Fund	\$ 330,568
Capital assets are reported on the Statement of Net Assets but not on the Balance Sheet.	37,676
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental fund.	<u>3,940</u>
Net Assets - Governmental Activities	<u><u>\$ 372,184</u></u>

**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, 2012**

	General Fund	Reconciliation	Governmental Activities
Revenues			
State sources			
Emergency medical services (EMS) grant	\$ 69,584	\$ 3,535	\$ 73,119
Seat belt grant	184,925	-	184,925
Charges for services	109,013	35	109,048
Investment earnings	485	-	485
Miscellaneous	4,967	(198)	4,769
	\$ 368,974	\$ 3,372	\$ 372,346
Expenditures/Expenses			
Current			
Health			
EMS systems management	\$ 140,631	\$ 2,442	\$ 143,073
EMS personnel training	111,617	-	111,617
Public safety involvement	5,570	-	5,570
Patient/nonpatient care EMS equipment	101,982	-	101,982
Bioterrorism training and support	206	-	206
Other	25,824	-	25,824
Depreciation	-	15,971	15,971
	\$ 385,830	\$ 18,413	\$ 404,243
Net Change in Fund Balance/Net Assets	\$ (16,856)	\$ (15,041)	\$ (31,897)
Fund Balance/Net Assets - July 1	347,424	56,657	404,081
Fund Balance/Net Assets - June 30	\$ 330,568	\$ 41,616	\$ 372,184

**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, 2012**

**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	\$	(16,856)
----------------------------	----	----------

In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statement and the statement of activities is the increase or decrease in revenue deferred as unavailable.

Deferred Revenue - June 30	\$	3,940	
Deferred Revenue - July 31		<u>(568)</u>	3,372

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

Depreciation expense for the current period		(15,971)
Net book value of assets disposed of		<u>(2,442)</u>

Change in Net Assets of Governmental Activities	\$	<u><u>(31,897)</u></u>
--	-----------	-------------------------------

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

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

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, 2012. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements.

A. Financial Reporting Entity

The Southeastern Minnesota Emergency Medical Services 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 EMS Regulatory Board. The Board is governed by an 11-member Board of Commissioners. Each member county appoints one of its County Commissioners to the EMS Board. The Board is organized with a chair and vice chair elected at the annual meeting in February of each year.

B. Basic Financial Statements

The financial statements combine fund level financial statements and government-wide financial statements (the governmental activities column). These statements include the 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 assets are reported in three parts: (1) invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets. The Board first utilizes restricted resources to finance qualifying activities.

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

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Pooled Investments

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

2. Receivables

All receivables are shown net of an allowance for uncollectibles.

3. Capital Assets

Capital assets are defined by the Board as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of 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, Liabilities, and Net Assets or Equity

3. Capital Assets (Continued)

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

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

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

4. Fund Equity

In the fund financial statements, fund balance assigned represents amounts the Board intends to use for a specific purpose (Seat Belt) that have not been restricted to that purpose by others or committed by formal Board action to that purpose.

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.

5. Use of Estimates

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

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

2. Detailed Notes

A. Assets

1. Deposits

As of June 30, 2012, the Board had \$289,035 on deposit with Olmsted County and one checking account of \$9,117. 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, 2012. The Board has established a \$10 change fund.

2. Capital Assets

Capital asset activity for the year ended June 30, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets depreciated				
Furniture and equipment	\$ 75,702	\$ -	\$ 5,050	\$ 70,652
Less: accumulated depreciation for				
Furniture and equipment	<u>(19,613)</u>	<u>(15,971)</u>	<u>(2,608)</u>	<u>(32,976)</u>
Total Capital Assets Depreciated, Net	<u>\$ 56,089</u>	<u>\$ (15,971)</u>	<u>\$ 2,442</u>	<u>\$ 37,676</u>

Depreciation expense of \$15,971 was charged to the health function.

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

2. Detailed Notes (Continued)

B. Liabilities

1. Leases

Operating Leases

The SEMN EMS leases office space under an operating lease. Total costs for the lease were \$14,400 for the year ended June 30, 2012. The future minimum lease payments for the lease are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2012	\$ 14,400
2013	14,400

3. Employee Retirement Systems and Pension Plans

A. Plan Description

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

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

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service (five years for those first eligible for membership after June 30, 2010). Defined retirement benefits are based on a member's average yearly salary for the five highest-paid consecutive years of allowable service, age, and years of credit at termination of service.

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

3. Employee Retirement Systems and Pension Plans

A. Plan Description (Continued)

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

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

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the 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.

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

3. Employee Retirement Systems and Pension Plans (Continued)

B. Funding Policy

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

The Board is required to contribute the following percentages of annual covered payroll in 2012:

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

The Board's contributions for the years ending June 30, 2012, 2011, and 2010, for the General Employees Retirement Fund were:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
General Employees Retirement Fund	\$ 5,584	\$ 5,517	\$ 5,644

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

4. Risk Management

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

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

4. Risk Management (Continued)

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$450,000 per claim in 2011 and \$460,000 per claim in 2012. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the Board in a method and amount to be determined by MCIT.

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

5. Summary of Significant Contingencies and Other Items

Contingent Liabilities

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

This page was left blank intentionally.

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

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2012

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

97-1 **Segregation of Duties**

Criteria: A good system of internal control provides for an adequate segregation of duties so that no one individual handles a transaction from its inception to completion.

Condition: The Southeastern Minnesota Emergency Medical Services Joint Powers Board (SEMN EMS) has one staff person responsible for the collecting and recording of receipts and disbursements as well as reconciling bank accounts.

Context: Due to the limited number of staff within SEMN EMS, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of SEMN EMS; however, SEMN EMS' management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in one individual is not desirable from an accounting point of view.

Effect: Inadequate segregation of duties could adversely affect SEMN EMS' ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

Cause: SEMN EMS does not have the economic resources needed to hire additional qualified staff in order to segregate duties.

Recommendation: We recommend that SEMN EMS' elected officials and management be aware of the lack of segregation of duties of the accounting functions and, where possible, implement oversight procedures to ensure that the internal control policies and procedures are implemented by staff to the extent possible.

Client's Response:

This has been an area that has been identified since the Joint Powers Board was established. As a Board, we will continue to operate with the existing staff and monitor their action as recommended in the Audit report.

09-1 Preparation of Financial Statements

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

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

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

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

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

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

Client's Response:

The Board has been committed to improving our financial documentation. We will work on opportunities for increased training and understanding for the preparation of the annual financial statements.

PREVIOUSLY REPORTED ITEM RESOLVED

Audit Adjustments (09-2)

Management and employees, in the normal course of performing their assigned functions, were not able to prevent, or detect and correct, misstatements of the financial statements on a timely basis.

Resolution

There were no material and significant audit adjustments required in our audit of the Board's financial statements.

This page was left blank intentionally.



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND MINNESOTA LEGAL COMPLIANCE

Board of Commissioners
Southeastern Minnesota Emergency Medical Services
Joint Powers Board

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the governmental activities and the General Fund of the Southeastern Minnesota Emergency Medical Services Joint Powers Board (the Board) as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

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

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

internal control over financial reporting that we consider to be significant deficiencies described in the accompanying Schedule of Findings and Recommendations as items 97-1 and 09-1. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Minnesota Legal Compliance

We have audited the financial statements of the governmental activities and the General Fund of the Board as of and for the year ended June 30, 2012, which collectively comprise the Board's basic financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories, except that we did not test for compliance in public indebtedness because the Board has no debt.

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

The Board's written responses to the internal control findings identified in our audit have been included in the Schedule of Findings and Recommendations. We did not audit the Board's responses and, accordingly, we express no opinion on them.

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

December 10, 2012