

# STATE OF MINNESOTA

## Office of the State Auditor



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

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

**YEAR ENDED DECEMBER 31, 2016**

## **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 650 public pension funds; and

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

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

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

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

**Year Ended December 31, 2016**



**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, 2016

<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
Barb Becker	Todd County	
Bill Stearns	Wadena County	
Christine Husom	Wright County	
Coordinator		
Marion Larson		

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE 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, 2016, 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 from 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, 2016, 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 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 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 10, 2017

## **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, 2016  
(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, 2016. 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 \$180,775. The net position decreased by \$60,294 for the year ended December 31, 2016.
- 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 Minnesota Emergency Medical Services Regulatory Board, (MNEMSRB). In addition, the Region continues to look for additional funding to fill the gap.
- The contract for the Support Grant ends June 30, 2017. The MNEMSRB is in the process of determining if the current contract will be extended or if a new grant application will be required.
- The Region received \$35,000 of additional funding in November 2015 from the Minnesota Department of Health. These funds will end as of June 30, 2017. At this time, it is not known whether a new grant will be issued.

**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. This report also contains other 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. This column provides 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 \$241,069 to \$180,775. 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**

	<u>2016</u>	<u>2015</u>
Assets		
Cash and pooled investments	\$ 238,603	\$ 276,447
Due from other governments	39,641	42,571
Total Assets	<u>\$ 278,244</u>	<u>\$ 319,018</u>
Deferred Outflows of Resources		
Deferred pension outflows	<u>\$ 45,643</u>	<u>\$ 9,519</u>
Liabilities		
Current liabilities	\$ 8,388	\$ 6,706
Noncurrent liabilities	124,580	77,377
Total Liabilities	<u>\$ 132,968</u>	<u>\$ 84,083</u>
Deferred Inflows of Resources		
Deferred pension inflows	<u>\$ 10,144</u>	<u>\$ 3,385</u>
Net Position		
Unrestricted	<u>\$ 180,775</u>	<u>\$ 241,069</u>

The net position of the Region decreased by 25.01 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 \$241,069 surplus at December 31, 2015, to \$180,775 at December 31, 2016.

**Table 2 - Changes in Net Position**

	2016	2015
Revenues		
Program revenues		
Operating grants	\$ 184,970	\$ 194,152
Opiate antagonist grant	24,390	7,780
Pension contribution	430	-
Miscellaneous	893	766
Total Revenues	<u>\$ 210,683</u>	<u>\$ 202,698</u>
Expenses		
Program expenses		
Health		
EMS systems management	\$ 174,411	\$ 146,214
EMS personnel training	59,067	51,880
EMS devices and supplies	14,522	-
Public safety involvement	22,977	-
Total Expenses	<u>\$ 270,977</u>	<u>\$ 198,094</u>
Increase (Decrease) in Net Position	\$ (60,294)	\$ 4,604
Net Position, beginning	<u>241,069</u>	<u>236,465</u>
Net Position, ending	<u>\$ 180,775</u>	<u>\$ 241,069</u>

### **The Region's General Fund**

As the Region completed the year, its General Fund (as presented in the first column of the statements) reported a fund balance of \$269,856, which is less than last year's fund balance of \$312,312, a decrease of 13.59 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, 2016.

- The Region is awarded the EMS Support Grant on a two-year basis. The current grant cycle ends June 30, 2017. The MNEMSRB is in the process of determining if it will extend the existing contracts or require a new grant application be submitted.

- The Region continues variability of the dollars received from the EMS relief account (seatbelt funding). The Region continues to budget the revenues based on the projection received from the MNEMSRB. In addition, the Region continues to review revenues and expenditures to determine if changes are needed as the year progresses.

## **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 56302.

## **BASIC FINANCIAL STATEMENTS**

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

*EXHIBIT 1*

**GENERAL FUND BALANCE SHEET AND  
STATEMENT OF NET POSITION OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2016**

	<b>General Fund</b>	<b>Reconciliation</b>	<b>Governmental Activities</b>
<b><u>Assets and Deferred Outflows of Resources</u></b>			
<b>Current assets</b>			
Cash and investments pooled with Stearns County	\$ 238,603	\$ -	\$ 238,603
Due from other governments	39,641	-	39,641
<b>Total Assets</b>	<b>\$ 278,244</b>	<b>\$ -</b>	<b>\$ 278,244</b>
<b>Deferred Outflows of Resources</b>			
Deferred pension outflows	-	45,643	45,643
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 278,244</b>	<b>\$ 45,643</b>	<b>\$ 323,887</b>
 <b><u>Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position</u></b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	\$ 508	\$ -	\$ 508
Salaries payable	7,398	-	7,398
Due to other governments	482	-	482
<b>Long-term liabilities</b>			
Compensated absences	-	14,055	14,055
Net pension liability	-	110,525	110,525
<b>Total Liabilities</b>	<b>\$ 8,388</b>	<b>\$ 124,580</b>	<b>\$ 132,968</b>
<b>Deferred Inflows of Resources</b>			
Deferred pension inflows	-	10,144	10,144
<b>Fund Balance</b>			
Unassigned	269,856	(269,856)	
<b>Net Position</b>			
Unrestricted		180,775	180,775
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position</b>	<b>\$ 278,244</b>	<b>\$ 45,643</b>	<b>\$ 323,887</b>

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

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

***EXHIBIT 1  
(Continued)***

**GENERAL FUND BALANCE SHEET AND  
STATEMENT OF NET POSITION OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2016**

**Reconciliation of the General Fund Balance to Net Position**

Fund Balance - General Fund	\$ 269,856
Deferred outflows resulting from pension obligations are not available resources and, therefore, are not reported in the governmental fund.	45,643
Long-term liabilities, including compensated absences and net pension liability, are not due and payable in the current period and, therefore, are not reported in the governmental fund.	(124,580)
Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental fund.	<u>(10,144)</u>
<b>Net Position - Governmental Activities</b>	<b><u><u>\$ 180,775</u></u></b>



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

*EXHIBIT 2*

**GENERAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
AND STATEMENT OF ACTIVITIES OF GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<b>General Fund</b>	<b>Reconciliation</b>	<b>Governmental Activities</b>
<b>Revenues</b>			
State sources			
Emergency medical services (EMS) grant	\$ 75,428	\$ -	\$ 75,428
Seat belt grant	109,542	-	109,542
Opiate antagonist grant	24,390	-	24,390
Pension contribution	-	430	430
Miscellaneous	893	-	893
	<b>\$ 210,253</b>	<b>\$ 430</b>	<b>\$ 210,683</b>
<b>Expenditures/Expenses</b>			
<b>Current</b>			
<b>Health</b>			
EMS systems management	\$ 156,143	\$ 18,268	\$ 174,411
EMS personnel training	59,067	-	59,067
EMS devices and supplies	14,522	-	14,522
Public safety involvement	22,977	-	22,977
	<b>\$ 252,709</b>	<b>\$ 18,268</b>	<b>\$ 270,977</b>
<b>Net Change in Fund Balance/Net Position</b>	<b>\$ (42,456)</b>	<b>\$ (17,838)</b>	<b>\$ (60,294)</b>
<b>Fund Balance/Net Position - January 1</b>	<b>312,312</b>	<b>(71,243)</b>	<b>241,069</b>
<b>Fund Balance/Net Position - December 31</b>	<b>\$ 269,856</b>	<b>\$ (89,081)</b>	<b>\$ 180,775</b>

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

Net Change in Fund Balance \$ (42,456)

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 the governmental fund.

Change in compensated absences payable	(3,814)
Change in net pension liability	(43,389)
Change in deferred outflows of resources	36,124
Change in deferred inflows of resources	(6,759)
	(60,294)

**Change in Net Position of Governmental Activities \$ (60,294)**

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

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2016**

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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, 2016. 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, two 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.

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.

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

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

The government-wide columns are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The 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, Deferred Outflows of Resources, Deferred Inflows of Resources, 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.

2. Receivables

All receivables are shown net of an allowance for uncollectibles.

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

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1. Summary of Significant Accounting Policies

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

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 acquisition value at the date of donation. The Region currently holds no capital assets over the \$5,000 capitalization threshold.

4. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports 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 a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the Region has one item, deferred pension outflows, that qualifies for reporting in this category. These outflows arise only under the full accrual basis of accounting and consist of pension plan contributions paid subsequent to the measurement date and also the differences between projected and actual earnings on pension plan investments and, accordingly, are reported only in the statement of net position.

In addition to liabilities, the statement of financial position reports 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 a future period(s) and so will not be recognized as an inflow of resources until that time. Currently, the Region has one item, deferred pension inflows, that qualifies for reporting in this category. These inflows arise only under the full accrual basis of accounting and consist of differences between expected and actual pension plan economic experience and also pension plan changes in proportionate share and, accordingly, are reported only in the statement of net position.

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

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1. Summary of Significant Accounting Policies

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

5. Pension Plan

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year-end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates, and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value.

6. Classification of Net Position

Net position in the government-wide financial 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 - 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.

7. 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:

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

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1. Summary of Significant Accounting Policies

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

7. Classification of Fund Balances (Continued)

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 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 (resolution) 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 (resolution) 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 that do not meet the criteria to be classified as restricted or committed.

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

8. 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.

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

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2. Detailed Notes

A. Assets

1. Deposits

As of December 31, 2016, the Region had \$238,603 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.

2. Due From Other Governments

At December 31, 2016, the Region had \$39,641 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

1. Due To Other Governments

At December 31, 2016, the Region had \$482 due to other governments. This represents the amount due to the State of Minnesota for the Opiate Antagonist Grant as a result of an overpayment. These funds were refunded to the State of Minnesota in January 2017.

2. 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.



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

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2. Detailed Notes

B. Liabilities

2. Compensated Absences (Continued)

Changes in the Region's compensated absences balances are:

Payable - January 1, 2016	\$	10,241
Net change in compensated absences		<u>3,814</u>
Payable - December 31, 2016	\$	<u>14,055</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.

3. Defined Benefit Pension Plan

A. Plan Description

All full-time and certain part-time employees of the Central Minnesota Emergency Medical Services Region are covered by a defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan, which is a cost-sharing, multiple employer retirement plan. The plan is established and administered in accordance with Minn. Stat. chs. 353 and 356. PERA's defined benefit pension plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code.

The General Employees Retirement Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security and Basic Plan and Minneapolis Employees Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Retirement Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service.

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

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3. Defined Benefit Pension Plan (Continued)

B. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Benefit recipients receive a future annual 1.0 percent post-retirement benefit increase. If the funding ratio reaches 90 percent for two consecutive years, the benefit increase will revert to 2.5 percent. If, after reverting to a 2.5 percent benefit increase, the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.0 percent.

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 yet receiving them 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 General Employees Retirement Plan Coordinated and Basic Plan members. Members hired prior to July 1, 1989, receive 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 member is 1.2 percent of average salary for each of the first ten years of service 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. Only Method 2 is used for members hired after June 30, 1989. Minneapolis Employees Retirement Fund members have an annuity accrual rate of 2.0 percent of average salary for each of the first ten years of service and 2.5 percent for each remaining year.

For General Employees Retirement Plan 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 on years of service and average high-five salary.

**CENTRAL MINNESOTA EMERGENCY MEDICAL SERVICES REGION  
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3. Defined Benefit Pension Plan (Continued)

C. Contributions

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. General Employees Retirement Plan Basic members, Coordinated members, and Minneapolis Employees Retirement Fund members were required to contribute 9.10 percent, 6.50 percent, and 9.75 percent, respectively, of their annual covered salary in 2016.

In 2016, the Region was required to contribute the following percentages of annual covered salary:

General Employees Retirement Plan	
Basic Plan members	11.78%
Coordinated Plan members	7.50
Minneapolis Employees Retirement Fund members	9.75

The employee and employer contribution rates did not change from the previous year.

The Region's contributions for the General Employees Retirement Plan for the year ended December 31, 2016, were \$6,478. The contributions are equal to the contractually required contributions as set by state statute.

D. Pension Costs

At December 31, 2016, the Region reported a liability of \$110,525 for its proportionate share of the General Employees Retirement Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Region's proportion of the net pension liability was based on the Region's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the Region's proportion was 0.0013 percent. It was 0.0013 percent measured as of June 30, 2015. The Region recognized pension expense of \$20,932 for its proportionate share of the General Employees Retirement Plan's pension expense.

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

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3. Defined Benefit Pension Plan

D. Pension Costs (Continued)

The Region also recognized \$430 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Retirement Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute \$6 million to the General Employees Retirement Plan each year, starting September 15, 2015, through September 15, 2031.

Region's proportionate share of the net pension liability	\$	110,525
State of Minnesota's proportionate share of the net pension liability associated with the Region		1,443
Total	\$	111,968

The Region reported its proportionate share of the General Employees Retirement Plan'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
Differences between expected and actual economic experience	\$ -	\$ 10,144
Changes in actuarial assumptions	21,641	-
Difference between projected and actual investment earnings	20,735	-
Contributions paid to PERA subsequent to the measurement date	3,267	-
Total	\$ 45,643	\$ 10,144

A total of \$3,267 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017.

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

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3. Defined Benefit Pension Plan

D. Pension Costs (Continued)

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2017	\$ 9,038
2018	9,038
2019	10,165
2020	3,991

E. Actuarial Assumptions

The total pension liability in the June 30, 2016, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.50 percent per year
Active member payroll growth	3.25 percent per year
Investment rate of return	7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants in the General Employees Retirement Plan were based on RP-2014 tables. The cost of living benefit increases for retirees is assumed to be 1.0 percent.

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of actuarial experience studies. The experience study in the General Employees Retirement Plan was for the period 2008 through 2015.

The long-term expected rate of return on pension plan investments is 7.5 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

**CENTRAL MINNESOTA EMERGENCY MEDICAL SERVICES REGION  
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3. Defined Benefit Pension Plan

E. Actuarial Assumptions (Continued)

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

F. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2016, a reduction of the 7.90 percent used in 2015. 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, the fiduciary net position of the General Employees Retirement Plan 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.

G. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2016:

General Employees Retirement Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.

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

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3. Defined Benefit Pension Plan

G. Changes in Actuarial Assumptions (Continued)

- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

H. Pension Liability Sensitivity

The following presents the Region’s proportionate share of the net pension liability calculated using the discount rate disclosed in the preceding paragraph, as well as what the Region’s proportionate share of the net pension liability would be if it were calculated using a discount rate 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate:

	Proportionate Share of the General Employees Retirement Plan	
	Discount Rate	Net Pension Liability
1% Decrease	6.50%	\$ 156,978
Current	7.50	110,525
1% Increase	8.50	72,260

I. 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](http://www.mnpera.org); by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

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

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

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4. Risk Management (Continued)

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 \$500,000 per claim in 2016 and 2017. 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.



**REQUIRED SUPPLEMENTARY INFORMATION**

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

*EXHIBIT A-1*

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
PERA GENERAL EMPLOYEES RETIREMENT FUND  
DECEMBER 31, 2016**

<b>Measurement Date</b>	<b>Employer's Proportion of the Net Pension Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</b>	<b>State's Proportionate Share of the Net Pension Liability Associated with the Central Minnesota Emergency Medical Services Region (b)</b>	<b>Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)</b>	<b>Covered Payroll (c)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2016	0.0013%	\$ 110,525	\$ 1,443	\$ 111,968	\$ 84,479	130.83%	68.91%
2015	0.0013	67,136	N/A	67,136	76,038	88.29	78.75

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

The measurement date for each year is June 30.

N/A - Not Applicable

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

*EXHIBIT A-2*

**SCHEDULE OF CONTRIBUTIONS  
PERA GENERAL EMPLOYEES RETIREMENT FUND  
DECEMBER 31, 2016**

<b>Year Ending</b>	<b>Statutorily Required Contributions (a)</b>	<b>Actual Contributions in Relation to Statutorily Required Contributions (b)</b>	<b>Contribution (Deficiency) Excess (b - a)</b>	<b>Covered Payroll (c)</b>	<b>Actual Contributions as a Percentage of Covered Payroll (b/c)</b>
2016	\$ 6,478	\$ 6,478	\$ -	\$ 86,381	7.50%
2015	6,195	6,195	-	82,600	7.50

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.  
The Region's year-end is December 31.

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

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30, 2016:

General Employees Retirement Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

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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, 2016, 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 10, 2017.

The *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for deposits and investments and for contracting and bidding, since those transactions are handled by Stearns County. In addition, we did not test for compliance with the provisions for tax increment financing because the Region does not administer any tax increment financing districts, and we did not test for compliance with the provisions for public indebtedness because the Region has no 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 Counties*. 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.

This report is intended solely for the information and use of the Joint Powers Board and management of 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

April 10, 2017

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR