

STATE OF MINNESOTA

Office of the State Auditor



Patricia Anderson
State Auditor

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

FOR THE YEAR ENDED DECEMBER 31, 2004

Description of the Office of the State Auditor

The Office of the State Auditor serves as a watchdog for Minnesota taxpayers by helping to ensure financial integrity, accountability, and cost-effectiveness in local governments throughout the state.

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 250 financial and compliance audits per year and has oversight responsibilities for over 4,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits for 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 over 700 public pension funds; and

Tax Increment Financing, Investment and Finance - 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 Employee's Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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

Year Ended December 31, 2004



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

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

TABLE OF CONTENTS

	<u>Reference</u>	<u>Page</u>
Introductory Section		
Organization		1
Financial Section		
Independent Auditor's Report		2
Management's Discussion and Analysis		4
Basic Financial Statements		
Statement of Net Assets of Governmental Activities and General Fund Balance Sheet	Statement 1	8
Statement of Activities of Governmental Activities and General Fund Revenues, Expenditures, and Changes in Fund Balance	Statement 2	9
Notes to the Financial Statements		10
Management and Compliance Section		
Schedule of Findings and Recommendations		18
Report on Minnesota Legal Compliance		19

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

ORGANIZATION
DECEMBER 31, 2004

<u>Name</u>	<u>Representing</u>	<u>Position</u>
Board Members		
Duane Grandy	Benton County	Vice Chair
James Dowson	Cass County	
Mike Robinson	Chisago County	
Ed Larsen	Crow Wing County	
Tom Pagel	Isanti County	
Les Nielson	Kanabec County	
Robert Hoefert	Mille Lacs County	
Bill Block	Morrison County	
Eileen Anderson	Pine County	Secretary/Treasurer
Roger Nelson	Sherburne County	
Don Otte	Stearns County	Chair
Janet Goligowski	Todd County	
Orville Meyer	Wadena County	
Karla Heeter	Wright County	
Coordinator		
Kim Thon		

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STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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PATRICIA ANDERSON
STATE AUDITOR

INDEPENDENT AUDITOR'S REPORT

Joint Powers Board
Central Minnesota Emergency
Medical Services Region

We have audited the accompanying financial statements of the governmental activities and the major fund information of the Central Minnesota Emergency Medical Services Region, as of and for the year ended December 31, 2004, which collectively comprise the Region's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Region'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 major fund of the Central Minnesota Emergency Medical Services Region as of December 31, 2004, 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.

As discussed in Note 1 to the basic financial statements, the Central Minnesota Emergency Medical Services Region adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--or*

State and Local Governments, as amended, and Statement No. 38, *Certain Financial Statement Note Disclosures*, as of and for the year ended December 31, 2004. These statements result in a change in the format and content of the basic financial statements.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

/s/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: March 1, 2005

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, 2004

(Unaudited)

The Central Minnesota Emergency Medical Services Region's discussion and analysis provides an overview of the Region's financial activities for the fiscal year ended December 31, 2004. 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 assets are \$130,933. The net assets decreased by \$25,106 for the year ended December 31, 2004.
- The Region applied for outside grants to support activities. The Region received three additional grants this reporting period totaling \$ 97,192. Two of the grants will continue into 2005.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis 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 Management's Discussion and Analysis (this section) is required to accompany the basic financial statements and, therefore, is included as required supplementary information.

There are two financial statements. The first column of each statement presents governmental fund data, which focus on how money flows in and out and the balances left at year-end that are available for spending. These columns are reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. 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 you 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 Assets and the Statement of Activities, which provide information about the activities of the Region as a whole and present 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 assets decreased from \$156,039 to \$130,933. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Region's governmental activities.

Table 1 -- Net Assets

	<u>2004</u>	<u>2003</u>
Cash and pooled investments	\$ 123,922	\$ 118,313
Due from other governments	<u>22,714</u>	<u>41,703</u>
Total assets	<u>\$ 146,636</u>	<u>\$ 160,016</u>
Current liabilities	\$ 14,770	\$ 3,292
Noncurrent liabilities	<u>933</u>	<u>685</u>
Total liabilities	<u>\$ 15,703</u>	<u>\$ 3,977</u>
Net Assets		
Unrestricted	<u>\$ 130,933</u>	<u>\$ 156,039</u>

Net assets of the Region decreased by 16.1 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 \$156,039 surplus at December 31, 2003, to \$130,933 at the end of this year.

Table 2 -- Changes in Net Assets

	<u>2004</u>	<u>2003</u>
Revenues		
Program revenues		
Fees and charges	\$ 56,511	\$ 302,003
Operating grants	222,193	302,003
General revenues		
Other revenues	<u>100</u>	<u>250</u>
Total Revenues	<u>\$ 278,804</u>	<u>\$ 302,253</u>

**Table 2 -- Changes in Net Assets
(Continued)**

	<u>2004</u>	<u>2003</u>
Program expenses		
Health		
EMS systems management	\$ 98,376	\$ 147,691
EMS personnel training	83,854	58,497
Communications	-	4,552
EMS devices and supplies	25,050	103,726
Public safety involvement	10,834	2,767
Safe communities	14,429	-
Patient/non patient care EMS equipment	14,578	-
Bioterrorism training and support	56,539	-
Other	<u>250</u>	<u>-</u>
Total Expenses	<u>\$ 303,910</u>	<u>\$ 317,233</u>
Increase (Decrease) in Net Assets	<u>\$ (25,106)</u>	<u>\$ (14,980)</u>

The Region's General Fund

As the Region completed the year, its governmental fund (as presented in the first column of the statements) reported a fund balance of \$131,866, which is below last year's fund balance of \$156,724, a decrease of 15.9 percent. Most of the decrease is due to less funding received through the EMS Support Act, which was \$70,400 during the year ending December 31, 2004, as opposed to \$89,675 during the year ending December 31, 2003. Also, the Seat Belt Relief Grant revenue totaled \$112,864 during the year ending December 31, 2004, as opposed to \$129,764 for the year ending December 31, 2003. The combined reduction of funds through these two major funding resources totaled 16.5 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 considered many factors when planning for the calendar year ending December 31, 2005.

- The State of Minnesota has projected a significant budget deficit, and it is anticipated that there will be significant reductions in state aids to local governments. The Region, however, continually reviews expenditures against revenue to determine if programs and administrative expenditures can or need to be reduced.

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, Kim Thon, 705 Courthouse Square, P. O. Box 1107, St. Cloud, Minnesota 55302.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Statement 1

**STATEMENT OF NET ASSETS OF GOVERNMENTAL ACTIVITIES
AND GENERAL FUND BALANCE SHEET
DECEMBER 31, 2004**

	General Fund	Reconciliation	Governmental Activities
<u>Assets</u>			
Current assets			
Cash and pooled investments	\$ 123,922	\$ -	\$ 123,922
Due from other governments	22,714	-	22,714
Total Assets	\$ 146,636	\$ -	\$ 146,636
<u>Liabilities</u>			
Current liabilities			
Accounts payable	\$ 8,724	\$ -	\$ 8,724
Salaries payable	4,294	-	4,294
Deferred revenue - unearned	1,752	-	1,752
Noncurrent liabilities			
Compensated absences - long-term	-	933	933
Total Liabilities	\$ 14,770	\$ 933	\$ 15,703
<u>Fund Balance/Net Assets</u>			
Fund Balance			
Unreserved			
Undesignated	131,866	(131,866)	
Total Liabilities and Fund Balance	\$ 146,636		
Net Assets			
Unrestricted		\$ 130,933	\$ 130,933
Reconciliation of the General Fund Balance to Net Assets			
Fund Balance - General Fund			\$ 131,866
Long-term liabilities are reported on the Statement of Net Assets but not in the Fund Balance Sheet.			(933)
Net Assets - Governmental Activities			\$ 130,933

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

Statement 2

**STATEMENT OF ACTIVITIES OF GOVERNMENTAL ACTIVITIES AND
GENERAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2004**

	General Fund	Reconciliation	Governmental Activities
Revenues			
State Sources			
Emergency medical services (EMS) grant	\$ 70,400	\$ -	\$ 70,400
Seat belt grant	112,864	-	112,864
Safe communities grant	14,429	-	14,429
Federal Sources			
Rural access to emergency devices grant	24,500	-	24,500
Charges for services	56,511	-	56,511
Gifts and contributions	100	-	100
Total Revenues	\$ 278,804	\$ -	\$ 278,804
Expenditures/Expenses			
Current			
Health			
EMS systems management	\$ 98,128	\$ 248	\$ 98,376
EMS personnel training	83,854	-	83,854
EMS devices and supplies	25,050	-	25,050
Public safety involvement	10,834	-	10,834
Safe communities	14,429	-	14,429
Patient/non-patient care EMS equipment	14,578	-	14,578
Bioterrorism training and support	56,539	-	56,539
Other	250	-	250
Total Expenditures/Expenses	\$ 303,662	\$ 248	\$ 303,910
Net Change in Fund Balance/Net Assets	\$ (24,858)	\$ (248)	\$ (25,106)
Fund Balance/Net Assets - January 1	156,724	(685)	156,039
Fund Balance/Net Assets - December 31	\$ 131,866	\$ (933)	\$ 130,933

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

Net Change in Fund Balance	\$ (24,858)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(248)
	(248)
Change in Net Assets of Governmental Activities	\$ (25,106)

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

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2004

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) for the year ended December 31, 2004. 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 (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the Region are discussed below.

In June 1999, GASB unanimously approved Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*. The significant changes in the statement include the following:

- For the first time, the financial statements include:
 - A Management's Discussion and Analysis (MD&A) section providing an analysis of the Region's overall financial position and results of operations.
 - Financial statements prepared using full accrual accounting for all of the Region's activities.

These and other changes are reflected in the accompanying financial statements (including the notes to the financial statements). The Region has elected to implement all provisions of the statement in the current year.

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. The Region provides training primarily for policemen, firemen, and ambulance personnel in emergency medical procedures, and also assists in purchasing medical supplies.

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

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

The Region has established a board, which has general supervision over the Region's activities. The Board consists of 14 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 generally accepted accounting principles, 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.

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 assets are 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 to be *available* if collected within 60 days after the end of the current period. Interest is considered to be susceptible to accrual. Expenditures are

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

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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 they are needed.

D. Assets, Liabilities, and Net Assets 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. The County obtains collateral to cover deposits in excess of insurance coverage.

2. Receivables

All receivables are shown net of an allowance for uncollectibles.

3. Capital Assets

The Region defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased. Donated capital assets are recorded at estimated fair market value at the date of donation. The Region currently holds no capital assets over the \$5,000 capitalization threshold.

4. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated vacation balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the governmental activities.

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

1. Summary of Significant Accounting Policies

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

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.

2. Detailed Notes

A. Assets

1. Deposits

As of December 31, 2004, the Region had \$123,922 on deposit with Stearns County. Authorization to deposit cash in financial institutions is provided by Minn. Stat. § 118A.02. Minn. Stat. §§ 118A.04 and 118A.05 authorize the types of investments available. Minnesota statutes require that all County deposits be covered by insurance, surety bond, or collateral.

2. Due From Other Governments

At December 31, 2004, the Region had \$22,714 due from other governments. This represents amounts due from the State of Minnesota for the Emergency Medical Services Grant and the Seat Belt Relief Grant.

B. Liabilities

1. Deferred Revenue

The Region defers revenue for resources that have been received, but not yet earned. Governmental funds also report deferred revenue in connection with receivables for revenues not considered to be available to liquidate liabilities of the current period.

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

2. Detailed Notes

B. Liabilities (Continued)

2. Compensated Absences

The Region has adopted Stearns County's non-union personnel policies regarding vacation and sick leave. Under these policies, employees are granted vacation in varying amounts based on their length of service. All employees accumulate one day of sick leave per month.

The liability for compensated absences reported in the financial statements consists of unused, accumulated vacation and vested sick leave balances. The liability has been calculated using the vesting method outlined in the personnel policies. Sick leave is available to employees in the case of illness-related absences. Unvested sick leave is not paid to employees at termination. Unused accumulated vacation, vested sick leave, and sick leave expected to vest are accrued as compensated absences when incurred in the government-wide financial statements. Sick leave not expected to vest of \$2,043 at December 31, 2004, is not reported in the financial statements.

Changes in the Region's compensated absences balances are:

Payable - January 1, 2004	\$	685
Net change in compensated absences		<u>248</u>
Payable - December 31, 2004	\$	<u><u>933</u></u>
Due within one year	\$	<u><u>-</u></u>

C. Expenditures

EMS Devices and Supplies

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

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

3. Employee Retirement Systems and Pension Plans

A. Plan Description

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

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

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

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

For Public Employees Retirement Fund members whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. 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.

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

3. Employee Retirement Systems and Pension Plans

A. Plan Description (Continued)

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

B. Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The Region makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 5.10 percent, respectively, of their annual covered salary. The Region is required to contribute the following percentages of annual covered payroll:

Public Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	5.53

The Region's contributions for the years ending December 31, 2004, 2003, and 2002, were \$3,183, \$2,343, and \$2,191, respectively, equal to the contractually required contributions for each year as set by state statute.

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 other Minnesota counties to form the Minnesota Counties Insurance Trust (MCIT) to protect against liabilities from workers' compensation and property and casualty. There were no significant reductions in insurance from the prior year or settlements in excess of insurance coverage for the past three 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

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

4. Risk Management (Continued)

in the Workers' Compensation Reinsurance Association with coverage at \$720,000 per claim in 2004 and \$760,000 in 2005. Should the MCIT Workers' Compensation Division liabilities exceed assets, 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. 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 Region in a method and amount to be determined by MCIT.

5. Summary of Significant Contingencies and Other Items

Contingent Liabilities

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

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

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2004**

I. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM RESOLVED

Approval of Expenditures (03-1)

According to the Region's approved internal accounting procedures, all claims over \$5,000 are to be approved by the Board before payment is made. During our review of disbursements made during 2003, we noted six payments over the \$5,000 threshold. None of these claims received the appropriate Board approval required by the Region's internal accounting procedures and Minn. Stat. § 375.18 before payments were made.

Resolution

Claims over the \$5,000 threshold now receive Board approval prior to being paid.

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STATE AUDITOR

REPORT ON MINNESOTA LEGAL COMPLIANCE

Joint Powers Board
Central Minnesota Emergency
Medical Services Region

We have audited the financial statements of the Central Minnesota Emergency Medical Services Region as of and for the year ended December 31, 2004, and have issued our report thereon dated March 1, 2005.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* contains five categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, and claims and disbursements. Our study included all of the listed categories, except that we did not test for compliance in public indebtedness because the Region carries no long-term debt other than compensated absences.

The results of our tests indicate that, for the items tested, the Central Minnesota Emergency Medical Services Region complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of the Board and management and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Pat Anderson

/s/Greg Hierlinger

PATRICIA ANDERSON
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: March 1, 2005