

# STATE OF MINNESOTA

## Office of the State Auditor



**Patricia Anderson**  
**State Auditor**

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

FOR THE YEAR ENDED DECEMBER 31, 2005

## **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.

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

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

**For the Year Ended December 31, 2005**



**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, 2005

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

\* Resigned effective November 8, 2005; position remains vacant.

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PATRICIA ANDERSON  
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

Joint Powers Board  
Central Minnesota Emergency  
Medical Services Region

We have audited the accompanying financial statements of the governmental activities and the major fund of the Central Minnesota Emergency Medical Services Region, as of and for the year ended December 31, 2005, 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, 2005, 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.

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: February 21, 2006

## **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, 2005  
(Unaudited)**

The Central Minnesota Emergency Medical Services Joint Powers Board's Management's Discussion and Analysis (MD&A) provides an overview of the Region's financial activities for the fiscal year ended December 31, 2005. 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 \$84,659. The net assets decreased by \$46,274 for the year ended December 31, 2005.
- The Region applied for outside grants to support activities. The Region was awarded three additional grants this reporting period totaling \$58,857. Two of the grants will continue into 2006.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

There are two financial statements. The first column of each statement presents governmental fund data, which focus on how money flows in and out and the balances left at year-end that are available for spending. These columns are reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. 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 \$130,933 to \$84,659. 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**

	2005	2004
Cash and pooled investments	\$ 69,489	\$ 123,922
Due from other governments	17,086	22,714
<b>Total Assets</b>	<b>\$ 86,575</b>	<b>\$ 146,636</b>
Current liabilities	\$ 1,916	\$ 14,770
Noncurrent liabilities	-	933
<b>Total Liabilities</b>	<b>\$ 1,916</b>	<b>\$ 15,703</b>
Net Assets		
Unrestricted	<u>\$ 84,659</u>	<u>\$ 130,933</u>

Net assets of the Region decreased by 35.3 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 \$130,933 at December 31, 2004, to \$84,659 at the end of this year.

**Table 2 - Changes in Net Assets**

	2005	2004
Revenues		
Program revenues		
Fees and charges	\$ 36,448	\$ 56,511
Operating grants	198,933	222,193
General revenues		
Other revenues	-	100
<b>Total Revenues</b>	<b>\$ 235,381</b>	<b>\$ 278,804</b>

	<u>2005</u>	<u>2004</u>
Program expenses		
Health		
EMS systems management	\$ 114,525	\$ 98,376
EMS personnel training	65,138	83,854
EMS devices and supplies	20,358	25,050
Public safety involvement	9,189	10,834
Safe communities	-	14,429
Patient/nonpatient care EMS equipment	32,127	14,578
Bioterrorism training and support	36,415	56,539
Volunteer EMT	3,803	-
Other	100	250
	<u>281,655</u>	<u>303,910</u>
Total Expenses	\$ 281,655	\$ 303,910
	<u>(46,274)</u>	<u>(25,106)</u>
Increase (Decrease) in Net Assets	\$ (46,274)	\$ (25,106)

## **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 \$84,659, which is below last year's fund balance of \$131,866, a decrease of 35.8 percent. Most of the decrease is due to less funding received through the Seat Belt Relief Grant, \$88,143 during the year ending December 31, 2005, as opposed to \$112,864 during the year ending December 31, 2004, and the Region received a Safe Communities grant of \$14,429 during the year ending December 31, 2004, and did not receive the grant funding during the year ending December 31, 2005. The combined reduction of funds through these two major funding resources totaled \$39,150 or 30.6 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 to 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, 2006.

The Region has seen significant reductions in the Seat Belt Relief grant, and this is projected to continue into 2006. The Region, however, continually reviews expenditures against revenue to determine if programs and administrative expenses 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 Joint Powers Board Director, 705 Courthouse Square, P. O. Box 1107, St Cloud, Minnesota 56303.

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## **BASIC FINANCIAL STATEMENTS**

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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, 2005**

	General Fund	Reconciliation	Governmental Activities
<b><u>Assets</u></b>			
<b>Current assets</b>			
Cash and pooled investments	\$ 69,489	\$ -	\$ 69,489
Due from other governments	17,086	-	17,086
<b>Total Assets</b>	<b>\$ 86,575</b>	<b>\$ -</b>	<b>\$ 86,575</b>
<b><u>Liabilities</u></b>			
<b>Current liabilities</b>			
Accounts payable	\$ 665	\$ -	\$ 665
Salaries payable	1,251	-	1,251
<b>Total Liabilities</b>	<b>\$ 1,916</b>	<b>\$ -</b>	<b>\$ 1,916</b>
<b><u>Fund Balance/Net Assets</u></b>			
<b>Fund Balance</b>			
Unreserved			
Undesignated	84,659	\$ (84,659)	
<b>Total Liabilities and Fund Balance</b>	<b>\$ 86,575</b>		
<b>Net Assets</b>			
Unrestricted		<b>\$ 84,659</b>	<b>\$ 84,659</b>

**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, 2005**

	<b>General Fund</b>	<b>Reconciliation</b>	<b>Governmental Activities</b>
<b>Revenues</b>			
State Sources			
Emergency medical services (EMS) grant	\$ 86,629	\$ -	\$ 86,629
Seat belt grant	88,143	-	88,143
Volunteer emergency medical technician (EMT)	3,803	-	3,803
Federal Sources			
Rural access to emergency devices grant	20,358	-	20,358
Charges for services	36,448	-	36,448
<b>Total Revenues</b>	<b>\$ 235,381</b>	<b>\$ -</b>	<b>\$ 235,381</b>
<b>Expenditures/Expenses</b>			
<b>Current</b>			
<b>Health</b>			
EMS systems management	\$ 115,458	\$ (933)	\$ 114,525
EMS personnel training	65,138	-	65,138
EMS devices and supplies	20,358	-	20,358
Public safety involvement	9,189	-	9,189
Patient/nonpatient care EMS equipment	32,127	-	32,127
Bioterrorism training and support	36,415	-	36,415
Volunteer EMT	3,803	-	3,803
Other	100	-	100
<b>Total Expenditures/Expenses</b>	<b>\$ 282,588</b>	<b>\$ (933)</b>	<b>\$ 281,655</b>
<b>Net Change in Fund Balance/Net Assets</b>	<b>\$ (47,207)</b>	<b>\$ 933</b>	<b>\$ (46,274)</b>
<b>Fund Balance/Net Assets - January 1</b>	<b>131,866</b>	<b>(933)</b>	<b>130,933</b>
<b>Fund Balance/Net Assets - December 31</b>	<b>\$ 84,659</b>	<b>\$ -</b>	<b>\$ 84,659</b>

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

<b>Net Change in Fund Balance</b>	\$ (47,207)
The only employee of the Central Minnesota Emergency Medical Services Region eligible to accrue compensated absences resigned during 2005. The payout of compensated absences used current financial resources in the governmental fund, but had no effect on net assets.	933
<b>Change in Net Assets of Governmental Activities</b>	<b>\$ (46,274)</b>

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

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2005**

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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) for the year ended December 31, 2005. 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. 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. 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 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.

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

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1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements

The financial statements combine fund level financial statements and government-wide financial statements (the governmental activities column). These statements include the financial activities of the overall Joint Powers Board.

The government-wide columns are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Region's net 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 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. Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits will not be returned to it. To cover its custodial credit risk, the County obtains collateral to cover deposits in excess of insurance coverage.

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

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1. Summary of Significant Accounting Policies

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

2. Receivables

All receivables are shown net of an allowance for uncollectibles.

3. Capital Assets

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

4. 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, 2005, the Region had \$69,489 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.

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

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2. Detailed Notes

A. Assets (Continued)

2. Due From Other Governments

At December 31, 2005, the Region had \$17,086 due from other governments. This represents amounts due from the State of Minnesota for the Emergency Medical Services 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.

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.

Changes in the Region's compensated absences balances are:

Payable - January 1, 2005	\$ 933
Net change in compensated absences	<u>(933)</u>
Payable - December 31, 2005	<u>\$ -</u>

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

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2. Detailed Notes (Continued)

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.

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.

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

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3. Employee Retirement Systems and Pension Plans

A. Plan Description (Continued)

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.

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

B. Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. 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 in 2005. Contribution rates in the Coordinated Plan increased in 2006 to 5.5 percent. The Region is required to contribute the following percentages of annual covered payroll:

In 2005

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

In 2006

Public Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	6.00

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

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3. Employee Retirement Systems and Pension Plans

B. Funding Policy (Continued)

The Region's contributions for the years ending December 31, 2005, 2004, and 2003, were \$3,469, \$3,183, and \$2,343, 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 in the Workers' Compensation Reinsurance Association with coverage at \$760,000 per claim in 2005. 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 the 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, the MCIT may assess the Region in a method and amount to be determined by the 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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**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)

PATRICIA ANDERSON  
STATE AUDITOR

**REPORT ON MINNESOTA LEGAL COMPLIANCE**

Joint Powers Board  
Central Minnesota Emergency  
Medical Services Region

We have audited the financial statements of the governmental activities and the major fund of the Central Minnesota Emergency Medical Services Region as of and for the year ended December 31, 2005, and have issued our report thereon dated February 21, 2006.

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.

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: February 21, 2006