

# STATE OF MINNESOTA

## Office of the State Auditor



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

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

FOR THE YEAR ENDED JUNE 30, 2007

## **Description of the Office of the State Auditor**

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

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

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

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

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

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

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

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

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

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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 State Auditor's web site: [www.auditor.state.mn.us](http://www.auditor.state.mn.us).

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

**For the Year Ended June 30, 2007**



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

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

TABLE OF CONTENTS

|   | <u>Reference</u> | <u>Page</u> |
|---|------------------|-------------|
| <b>Introductory Section</b>   |                  |             |
| Organization  |                  | 1           |
| <b>Financial Section</b>  |                  |             |
| Independent Auditor's Report  |                  | 2           |
| Management's Discussion and Analysis  |                  | 4           |
| Basic Financial Statements  |                  |             |
| Statement of Net Assets and Governmental Fund Balance Sheet   | Statement 1      | 9           |
| Statement of Activities and Governmental Fund Revenues,<br>Expenditures and Changes in Fund Balance | Statement 2      | 10          |
| Notes to the Financial Statements   |                  | 11          |
| <b>Management and Compliance Section</b>  |                  |             |
| Schedule of Findings and Recommendations  |                  | 19          |
| Report on Internal Control Over Financial Reporting and<br>Minnesota Legal Compliance               |                  | 20          |

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

ORGANIZATION  
JUNE 30, 2007

| <u>Name</u>       | <u>Representing</u> | <u>Position</u> |
|-------------------|---------------------|-----------------|
| Board Members     |                     |                 |
| David H. Hanson   | Dodge County        |                 |
| Chuck Amunrud     | Fillmore County     |                 |
| Dan Belshan       | Freeborn County     |                 |
| Richard Samuelson | Goodhue County      |                 |
| Tom Bjerke        | Houston County      |                 |
| Raymond Tucker    | Mower County        | Vice Chair      |
| Kenneth Brown     | Olmsted County      |                 |
| Milton Plaisance  | Rice County         |                 |
| Doug Johnson      | Steele County       | Chair           |
| Tom Dwelle        | Wabasha County      |                 |
| David J. Stoltman | Winona County       |                 |
| Officer           |                     |                 |
| Linda Horth       |                     | Director        |

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Southeastern Minnesota Emergency  
Medical Services Joint Powers Board

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Southeastern Minnesota Emergency Medical Services Joint Powers Board as of and for the year ended June 30, 2007, which collectively comprise the Board's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Southeastern Minnesota Emergency Medical Services Joint Powers Board management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Southeastern Minnesota Emergency Medical Services Joint Powers Board as of June 30, 2007, 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 required supplementary information. However, we did not audit the information and express no opinion on it.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

November 13, 2007

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2007  
(Unaudited)**

The Southeastern Minnesota Emergency Medical Services Joint Powers Board's Management's Discussion and Analysis (MD&A) provides an overview of the Board's financial activities for the fiscal year ended June 30, 2007. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the Board's financial statements.

**FINANCIAL HIGHLIGHTS**

- Total net assets are \$99,847, of which \$5,470 is invested in capital assets.
- The Board's net assets increased by \$42,020 for the year ended June 30, 2007.
- The Board received two additional grants this reporting period totaling \$23,828, one of which carries over into fiscal year 2008.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

There are two financial statements. The first column of each statement presents governmental fund data, which focus on how money flows in and out and the balances left at year-end 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 Board'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 Board'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 Board as a whole and presents a longer-term view of the Board's finances. These columns tell how these services were financed in the short-term as well as what remains for future spending.

**THE BOARD AS A WHOLE**

The Board's combined net assets increased from \$57,827 to \$99,847. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Board's governmental activities.

**Table 1--Net Assets**

|                               | <u>2007</u>      | <u>2006</u>      | <u>Percent<br/>(%)<br/>Change</u> |
|-------------------------------|------------------|------------------|-----------------------------------|
| Assets                        |                  |                  |                                   |
| Current and other assets      | \$ 111,851       | \$ 66,914        | 67.2                              |
| Capital assets                | <u>5,470</u>     | <u>5,275</u>     | 3.7                               |
| Total Assets                  | \$ 117,321       | \$ 72,189        | 62.5                              |
| Liabilities                   |                  |                  |                                   |
| Current and other liabilities | <u>17,474</u>    | <u>14,362</u>    | 21.7                              |
| Net Assets                    |                  |                  |                                   |
| Invested in capital assets    | \$ 5,470         | \$ 5,275         | 3.7                               |
| Unrestricted                  | <u>94,377</u>    | <u>52,552</u>    | 80.0                              |
| Total Net Assets              | <u>\$ 99,847</u> | <u>\$ 57,827</u> | 72.7                              |

Net assets of the Board increased by 72.7 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 \$52,552 surplus at June 30, 2006, to \$94,377 at the end of this year.

**Table 2--Changes in Net Assets**

|                      | <u>2007</u>       | <u>2006</u>       | <u>Percent<br/>(%)<br/>Change</u> |
|----------------------|-------------------|-------------------|-----------------------------------|
| Revenues             |                   |                   |                                   |
| Program revenues     |                   |                   |                                   |
| Charges for services | \$ 106,154        | \$ 105,897        | 0.2                               |
| Operating grants     | 202,839           | 194,833           | 4.1                               |
| General revenues     |                   |                   |                                   |
| Investment income    | 2,663             | 1,295             | 105.6                             |
| Other                | <u>10,042</u>     | <u>38,473</u>     | (73.9)                            |
| Total Revenues       | <u>\$ 321,698</u> | <u>\$ 340,498</u> | (5.5)                             |

|                                   | <u>2007</u>       | <u>2006</u>        | <u>Percent<br/>(%)<br/>Change</u> |
|-----------------------------------|-------------------|--------------------|-----------------------------------|
| Expenses                          |                   |                    |                                   |
| Health                            |                   |                    |                                   |
| Medical direction consortium      | \$ 23,778         | \$ 26,009          | (8.6)                             |
| Basic trauma life support         | 6,516             | 6,846              | (4.8)                             |
| EMS personnel training            | 27,378            | 36,382             | (24.7)                            |
| Medical equipment/supplies        | -                 | 18,285             | (100.0)                           |
| Public education safety           | 1,799             | 4,083              | (55.9)                            |
| EMS regional conferences          | 34,779            | 36,969             | (5.9)                             |
| Other health programs             | 32,473            | 55,776             | (41.8)                            |
| Regional program operations       | 151,534           | 168,045            | (9.8)                             |
| Depreciation                      | 1,421             | 1,943              | (26.9)                            |
|                                   | <u>\$ 279,678</u> | <u>\$ 354,338</u>  | (21.1)                            |
| Total Expenses                    |                   |                    |                                   |
|                                   | <u>\$ 279,678</u> | <u>\$ 354,338</u>  | (21.1)                            |
| Increase (Decrease) in Net Assets | <u>\$ 42,020</u>  | <u>\$ (13,840)</u> | 403.6                             |

### **The Board's General Fund**

As the Board completed the year, its governmental fund (as presented in the first column of the statements) reported an undesignated fund balance of \$87,911, which is an increase of 90.7 percent from last year's undesignated fund balance of \$46,086. This increase is due mainly to containing costs and reducing or eliminating programs as a result of reviews by the Board of the revenue picture on a regular basis. Although total revenues decreased by 5.5 percent during the year ended June 30, 2007, expenses decreased by 21.1 percent in an effort to reverse a steady decline in working capital and maintain better control of funds. As reported last year, the Board developed a two-tiered plan to reduce the seat belt budget by approximately \$43,000 for fiscal year 2007. The Board has adopted grant budgets for the various grant periods. These budgets may be amended or modified as additional grants are received. A comparison of budgeted revenues and expenditures to actual has not been presented in the financial statements because all the budgets are not adopted on an annual fiscal-period basis.

### **CAPITAL ASSETS**

As of June 30, 2007, the Board had \$5,470 invested in capital assets. (See Table 3 below.) This amount represents a net increase (including additions and deductions) of \$195, or 3.7 percent, from last year.

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

|                                | <u>2007</u>     | <u>2006</u>     | <u>Percent<br/>(%)<br/>Change</u> |
|--------------------------------|-----------------|-----------------|-----------------------------------|
| Equipment                      | \$ 12,872       | \$ 11,256       | 14.4                              |
| Less: accumulated depreciation | <u>7,402</u>    | <u>5,981</u>    | 23.8                              |
| Net Capital Assets             | <u>\$ 5,470</u> | <u>\$ 5,275</u> | 3.7                               |

This year's changes included \$1,421 of depreciation expense.

### **ECONOMIC FACTORS AND NEXT YEAR'S GRANT BUDGETS AND RATES**

The Board's officials considered many factors when planning for fiscal-year ending June 30, 2007, that included raising user fees, reducing tuition subsidies, and identifying other sources of funding.

- The Board does not anticipate a reduction from the state for fiscal year 2008. The Legislature has approved a two-year contract with state funding identical to the previous contract. They also approved a one-time appropriation to regional programs for fiscal years 2008 and 2009 for a total of \$100,000. This appropriation will help offset the expected decrease in seat belt funding.
- The Board continually reviews expenditures against revenue to determine what programs and administrative expenses can be reduced and increases user fees. During fiscal year 2007, the Board:
  - reduced the number of hospital classes,
  - reduced staff hours,
  - did not immediately fill staff vacancies,
  - continued to develop the Online Education program as a possible revenue producing activity,
  - explored which fundraising activities could be developed by a government entity, and
  - planned a reduction in the number of consortium classes per service from six to five for fiscal year 2008 in a move projected to save several thousand dollars.
- The Executive Committee has scheduled regular meetings to review budget and future funding issues.

## **CONTACTING THE BOARD'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the Board's finances and to show the Board's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the Southeastern Minnesota Emergency Medical Services Joint Powers Board Director, Linda Horth, 1130 1/2 - 7th Street Northwest, Suite 201, Rochester, Minnesota 55901.

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## **BASIC FINANCIAL STATEMENTS**

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

Statement 1

**STATEMENT OF NET ASSETS AND  
GOVERNMENTAL FUND BALANCE SHEET  
FOR THE YEAR ENDED JUNE 30, 2007**

|  | <b>General<br/>Fund</b> | <b>Adjustments</b> | <b>Governmental<br/>Activities</b> |
|--|-------------------------|--------------------|------------------------------------|
| <b><u>Assets</u></b>   |                         |                    |                                    |
| Cash and pooled investments  | \$ 97,690               | \$ -               | \$ 97,690                          |
| Petty cash and change funds  | 10                      | -                  | 10                                 |
| Accounts receivable  | 1,440                   | -                  | 1,440                              |
| Accrued interest receivable  | 1,240                   | -                  | 1,240                              |
| Due from other governments   | 11,471                  | -                  | 11,471                             |
| Capital assets   |                         |                    |                                    |
| Depreciable (net)  | -                       | 5,470              | 5,470                              |
| <b>Total Assets</b>  | <b>\$ 111,851</b>       | <b>\$ 5,470</b>    | <b>\$ 117,321</b>                  |
| <br><b><u>Liabilities and Fund Balance/Net Assets</u></b>                                |                         |                    |                                    |
| <b><u>Liabilities</u></b>  |                         |                    |                                    |
| Current liabilities  |                         |                    |                                    |
| Accounts payable   | \$ 11,722               | \$ -               | \$ 11,722                          |
| Salaries payable   | 5,752                   | -                  | 5,752                              |
| <b>Total Liabilities</b>   | <b>\$ 17,474</b>        | <b>\$ -</b>        | <b>\$ 17,474</b>                   |
| <br><b><u>Fund Balance/Net Assets</u></b>  |                         |                    |                                    |
| Fund Balance   |                         |                    |                                    |
| Unreserved   |                         |                    |                                    |
| Designated for future expenditures   | \$ 6,466                | \$ (6,466)         |                                    |
| Undesignated   | 87,911                  | (87,911)           |                                    |
| <b>Total Fund Balance</b>  | <b>\$ 94,377</b>        | <b>\$ (94,377)</b> |                                    |
| <b>Total Liabilities and Fund Balance</b>  | <b>\$ 111,851</b>       |                    |                                    |
| <br><b><u>Net Assets</u></b>   |                         |                    |                                    |
| Invested in capital assets   |                         | \$ 5,470           | \$ 5,470                           |
| Unrestricted   |                         | 94,377             | 94,377                             |
| <b>Total Net Assets</b>  |                         | <b>\$ 99,847</b>   | <b>\$ 99,847</b>                   |
| <br><b>Reconciliation of the Governmental Fund Balance to Net Assets</b>                 |                         |                    |                                    |
| Fund Balance - General Fund  |                         |                    | \$ 94,377                          |
| Capital assets are reported on the Statement of Net Assets but not on the Balance Sheet. |                         |                    | 5,470                              |
| <b>Net Assets - Governmental Activities</b>  |                         |                    | <b>\$ 99,847</b>                   |

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

*Statement 2*

**STATEMENT OF ACTIVITIES AND  
GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2007**

|   | General<br>Fund   | Adjustments     | Governmental<br>Activities |
|---|-------------------|-----------------|----------------------------|
| <b>Revenues</b>   |                   |                 |                            |
| State Sources   |                   |                 |                            |
| Emergency medical services grant  | \$ 89,687         | \$ -            | \$ 89,687                  |
| Seat belt grant   | 90,584            | -               | 90,584                     |
| Rural health grant  | 3,588             | -               | 3,588                      |
| Federal sources   |                   |                 |                            |
| Rural access to emergency devices grant   | 18,980            | -               | 18,980                     |
| Charges for services  | 106,154           | -               | 106,154                    |
| Investment earnings   | 2,663             | -               | 2,663                      |
| Miscellaneous   | 10,042            | -               | 10,042                     |
|   |                   |                 |                            |
| <b>Total Revenues</b>   | <b>\$ 321,698</b> | <b>\$ -</b>     | <b>\$ 321,698</b>          |
| <b>Expenditures/Expenses</b>  |                   |                 |                            |
| <b>Current</b>  |                   |                 |                            |
| <b>Health</b>   |                   |                 |                            |
| Medical direction consortium  | \$ 23,778         | \$ -            | \$ 23,778                  |
| Basic trauma life support   | 6,516             | -               | 6,516                      |
| EMS personnel training  | 27,378            | -               | 27,378                     |
| Public education safety   | 1,799             | -               | 1,799                      |
| EMS regional conferences  | 34,779            | -               | 34,779                     |
| Other health programs   | 32,473            | -               | 32,473                     |
| Regional program operations   | 153,150           | (1,616)         | 151,534                    |
| Depreciation  | -                 | 1,421           | 1,421                      |
|   |                   |                 |                            |
| <b>Total Expenditures/Expenses</b>  | <b>\$ 279,873</b> | <b>\$ (195)</b> | <b>\$ 279,678</b>          |
| <b>Net Change in Fund Balance/Net Assets</b>  | <b>\$ 41,825</b>  | <b>\$ 195</b>   | <b>\$ 42,020</b>           |
| <b>Fund Balance/Net Assets - July 1</b>   | <b>52,552</b>     | <b>5,275</b>    | <b>57,827</b>              |
| <b>Fund Balance/Net Assets - June 30</b>  | <b>\$ 94,377</b>  | <b>\$ 5,470</b> | <b>\$ 99,847</b>           |
| <br><b>Reconciliation of the Statement of Governmental Fund Revenues, Expenditures,<br/>and Changes in Fund Balance to the Statement of Activities</b>  |                   |                 |                            |
| Net Change in Fund Balance  |                   |                 | \$ 41,825                  |
| <br>Governmental funds report capital outlays as expenditures. However, in the statement of<br>activities, the cost of those assets is allocated over their estimated useful lives and reported<br>as depreciation expense. |                   |                 |                            |
| Depreciation expense for the current period   |                   |                 | (1,421)                    |
| Capital outlays reported as expenditures  |                   |                 | 1,616                      |
| <b>Change in Net Assets of Governmental Activities</b>  |                   |                 | <b>\$ 42,020</b>           |

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

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

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1. Summary of Significant Accounting Policies

The Board's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended June 30, 2007. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements.

A. Financial Reporting Entity

The Southeastern Minnesota Emergency Medical Services (SEMN EMS) was established February 1, 1983, by Minn. Stat. § 471.59. It was established under a joint powers agreement between 11 counties in Southeastern Minnesota to provide training primarily for policemen, firemen, and ambulance personnel in emergency medical procedures and also to assist in purchasing medical supplies. The Board has contracted with Olmsted County to act as its fiscal agent to receive grant funds from the Minnesota EMS Regulatory Board. The Board is governed by an 11-member Board of Commissioners. Each member county appoints one of its County Commissioners to the EMS Board. The Board is organized with a chair and vice chair elected at the annual meeting in February of each year.

B. Basic Financial Statements

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

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

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1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Pooled Investments

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

2. Receivables

All receivables are shown net of an allowance for uncollectibles.

3. Capital Assets

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

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

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

3. Capital Assets (Continued)

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

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

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

4. Fund Equity

In the fund financial statements, fund balance designations represent tentative management plans that are subject to change.

5. Use of Estimates

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

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

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2. Detailed Notes

A. Assets

1. Deposits

As of June 30, 2007, the Board had \$73,743 on deposit with Olmsted County and two checking accounts totaling \$23,947. Minn. Stat. §§ 118A.02 and 118A.04 authorize the County to deposit its cash in financial institutions. Minnesota statutes require that all County deposits be covered by insurance, surety bond, or collateral. The Board's checking accounts were fully insured as of June 30, 2007. The Board has established a \$10 change fund.

2. Capital Assets

Capital asset activity for the year ended June 30, 2007, was as follows:

|  | <u>Beginning<br/>Balance</u> | <u>Increase</u> | <u>Decrease</u> | <u>Ending<br/>Balance</u> |
|--|------------------------------|-----------------|-----------------|---------------------------|
| Capital assets depreciated               |                              |                 |                 |                           |
| Furniture and equipment                  | \$ 11,256                    | \$ 1,616        | \$ -            | \$ 12,872                 |
| Less: accumulated depreciation<br>for    |                              |                 |                 |                           |
| Furniture and equipment                  | <u>5,981</u>                 | <u>1,421</u>    | <u>-</u>        | <u>7,402</u>              |
| Total Capital Assets<br>Depreciated, Net | <u>\$ 5,275</u>              | <u>\$ 195</u>   | <u>\$ -</u>     | <u>\$ 5,470</u>           |

Depreciation expense of \$1,421 was charged to the health function.

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

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2. Detailed Notes (Continued)

B. Liabilities

1. Leases

Operating Leases

The County leases office space under a noncancelable five-year operating lease. Total costs for such lease were \$18,415 for the year ended June 30, 2007. The future minimum lease payments for these leases are as follows:

| <u>Year Ending<br/>June 30</u> | <u>Amount</u> |
|--------------------------------|---------------|
| 2007                           | \$ 18,415     |
| 2008                           | 18,415        |
| 2009                           | 18,415        |
| 2010                           | 3,065         |

3. Employee Retirement Systems and Pension Plans

A. Plan Description

All full-time and certain part-time employees of SEMN EMS are covered by defined benefit pension 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.

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

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3. Employee Retirement Systems and Pension Plans

A. Plan Description (Continued)

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

For all PERA 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 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 Board 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 5.50 percent,

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

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3. Employee Retirement Systems and Pension Plans

B. Funding Policy (Continued)

respectively, of their annual covered salary in 2006. Contribution rates in the Coordinated Plan increased in 2007 to 5.75 percent. The Board is required to contribute the following percentages of annual covered payroll:

|                                  |       |
|----------------------------------|-------|
| In 2006                          |       |
| Public Employees Retirement Fund |       |
| Basic Plan members               | 11.78 |
| Coordinated Plan members         | 6.00  |
| In 2007                          |       |
| Public Employees Retirement Fund |       |
| Basic Plan members               | 11.78 |
| Coordinated Plan members         | 6.25  |

The Board's contributions for the years ending June 30, 2007, 2006, and 2005, for the Public Employees Retirement Fund were \$5,549, \$5,380, and \$5,232, respectively. These contribution amounts are equal to the contractually required contributions for each year as set by state statute.

4. Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The Board has entered into a joint powers agreement with 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 four fiscal 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 \$390,000 and \$400,000 per claim in 2006 and 2007, respectively. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

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4. Risk Management (Continued)

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

5. Summary of Significant Contingencies and Other Items

Contingent Liabilities

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



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

SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2007

**FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*--INTERNAL CONTROLS**

**PREVIOUSLY REPORTED ITEM NOT RESOLVED**

97-1 Segregation of Duties

In order to ensure proper control of the Southeastern Minnesota Emergency Medical Services Joint Powers Board's assets and financial reporting of the Board, the services of more than one person are required to perform accounting-related activities, including grant reporting and the receipting of collections. Without an adequate number of people to perform accounting-related activities, there is a general absence of internal control with respect to segregation of duties.

Because of the Board's limited staff size and structure, the most effective control lies in the Board's knowledge and constant awareness that the concentration of duties and responsibilities in a limited number of individuals prevents the proper segregation of accounting and reporting functions. Therefore, we recommend the Board continue to approve all bills, consider reviewing reports submitted to granting agencies, and establish procedures for receipting collections.

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REBECCA OTTO  
STATE AUDITOR

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## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND MINNESOTA LEGAL COMPLIANCE**

Board of Commissioners  
Southeastern Minnesota Emergency Medical  
Services Joint Powers Board

We have audited the financial statements of the governmental activities and the General Fund of the Southeastern Minnesota Emergency Medical Services Joint Powers Board (SEMN EMS) as of and for the year ended June 30, 2007, and have issued our report thereon dated November 13, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Southeastern Minnesota Emergency Medical Services Joint Powers Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the SEMN EMS's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the SEMN EMS's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the SEMN EMS's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the SEMN EMS's financial statements that is more than inconsequential will not be prevented or detected by the SEMN EMS's internal control over financial reporting. We considered the deficiency described in the accompanying Schedule of Findings and Recommendations as item 97-1 to be a significant deficiency in internal control over financial reporting

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Southeastern Minnesota Emergency Medical Services Joint Powers Board's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency mentioned above is not a material weakness.

#### Minnesota Legal Compliance

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.

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

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

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

November 13, 2007

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR