

M E T R O P O L I T A N E M E R G E N C Y S E R V I C E S B O A R D

May 13, 2015

*****10:00 AM*****

OFFICERS

Chair
Commissioner Rhonda Sivarajah*
Anoka County

Vice Chair
Commissioner Blake Huffman*
Ramsey County

Secretary
Commissioner George McMahon*
Chisago County

Treasurer
Council Member Andrew Johnson*
City of Minneapolis

BOARD MEMBERS

Commissioner Mike Gamache
Anoka County

Commissioner James Ische*
Carver County

Commissioner Gayle Degler
Carver County

Commissioner Tom Egan*
Dakota County

Commissioner Mike Slavik
Dakota County

Commissioner Randy Johnson*
Hennepin County

Commissioner Linda Higgins
Hennepin County

Commissioner Greg Anderson *
Isanti County

Commissioner Jim McDonough
Ramsey County

Commissioner Mary Jo McGuire
Ramsey County

Commissioner Janice Rettman
Ramsey County

Commissioner Tom Wolf
Scott County

Commissioner Barbara Marshall*
Scott County

Commissioner Ted Bearth*
Washington County

Commissioner Fran Miron
Washington County

* Executive Committee

Page

- 1. Call to Order (Comm. Sivarajah)**
- 2. Approve Agenda (Comm. Sivarajah)**
- 3. Oath of Office (Comm. Sivarajah)**
 - Commissioner McDonough
- 4. Consent Agenda (Comm. Sivarajah)**
 - A. Approval of Previous Meeting Minutes (March 11, 2015)** 1
 - B. Approval: February Treasurer's Report** 5
 - C. Approval: March Treasurer's Report** 6
 - D. Correspondence**
 - 1. EMS Grant Proposal** 7
 - 2. Legislative letter re: HF 189/SF 175** 8
- 5. Issues and Action Requests**
 - A. Radio TOC (Jill Rohret)** 10
 - 1. Accept: 2014 SHSP Grant**
 - 2. Approve: Interim Signature Authority** 12
- 6. Reports** 13
 - A. Audit Report (Peggy Moeller, Redpath and Co)**
 - B. Legislative Update (Margaret Vesel, Govt. Relations Director, Larkin & Hoffman)**
 - C. FirstNet Presentation (Jill Rohret)** 52
 - D. Statewide Emergency Communications Board (SECB) Reports:**
 - 1. Finance (Comm. Huffman /Comm. R. Johnson)**
 - 2. Legislative (Comm. Egan /Comm. Bigham)**
 - 3. OTC (Jill Rohret)**
 - 4. Steering (Comm. Slavik /Comm. Wolf)**
 - 5. Board (Comm. Gamache /Comm. Bearth)**
- 7. Old Business**
 - A. Executive Director Replacement update (Sivarajah)**
Request authorization for Interviewing Subcommittee to make an offer and negotiate a contract
- 8. Adjourn**

METROPOLITAN EMERGENCY SERVICES BOARD

MEETING MINUTES

MARCH 11, 2015

Commissioners Present:

ANOKA	Rhonda Sivarajah Mike Gamache	HENNEPIN	Randy Johnson Linda Higgins
CARVER	Jim Ische Gayle Degler	ISANTI	Greg Anderson
CHISAGO	George McMahon	RAMSEY	Blake Huffman Mary Jo McGuire
City of Minneapolis	Andrew Johnson -Absent	SCOTT	Tom Wolf Barbara Marschall
DAKOTA	Tom Egan Mike Slavik	WASHINGTON	Ted Bearth Fran Miron

Staff Present: Martin Moody, Kelli Jackson, Jill Rohret, Ron Robinson, Martha Ziese, Jay Arneson, *MESB Board Counsel*

Guests Attending: Carrie Oster, Rick Juth, *ECN*, Margaret Vesel, *Larkin Hoffman*, Mike Fink, Chris Meier, *Motorola* Andy Benish, Diana Kroska, *Dakota County Human Resources*

1. Call to Order

Meeting was called to order at 10:30 by MESB 2015 Chair, Commissioner Sivarajah.

Oath of Office was administered to Commissioners, Miron and McGuire by Commissioner Sivarajah.

2. Approval of Agenda

Commissioner Sivarajah asked that 7.A. (Executive Director Replacement) 4.A. Legislative Update, 5. (Action Items and Requests) and 7. B. (Board meeting times) be moved ahead of 4.B. (SECB Reports).

Motion made by Commissioner Bearth seconded by Commissioner Anderson to approve the January 14, 2015 Agenda as amended. Motion Carried.

3. Consent Agenda (Comm. Sivarajah)

A. Approval of Previous Meeting Minutes (January 14, 2015)

B. Appvl: October Treasurer's Report

C. Appvl: November Treasurer's Report

D. Commissioner Marschall appointed as Scott County Executive Committee representative to MESB

E. Correspondence

1. Background: Topic 8.B of January Board agenda – 9-1-1 & Radio Grants

2. Letter re: GIS to County Administrators and Sheriffs

3. Letter re: GIS to County Administrators

4. Letter re: SECB Appointments

5. Letter: Executive Director Retirement

METROPOLITAN EMERGENCY SERVICES BOARD

Motion made by Commissioner Degler, seconded by Commissioner McMahon to approve the Consent Agenda. Motion Carried.

7. New Business

A. Executive Director Replacement (Moody, Dakota County HR)

Diana Kroska gave a PowerPoint presentation overview of the recruitment and timeline.

There have been 14 applications to date. Expectations are to have 12-15 qualified candidates, and interview 7-8. Ideally there will be a unanimous candidate and a second choice. They suggested two full days of interviews with an additional 8 hours of preparation and pre-employment paperwork.

It was suggested by Jay Arneson and Dakota HR that the interview panel should be approximately five people. The top candidate would be presented to the full board.

Commissioners McMahon, Eagan, Sivarajah and Higgins (if schedule allows) volunteered to sit on selection committee.

4. A. Reports- Legislative Update (Vesel)

5. Issues and Action Requests

A. Radio TOC (Rohret)

1. Concurrence on Motorola Maintenance Contract, 2016-2020

The Radio TOC and the Executive Committee recommended the Board concur with Emergency Communication Networks (ECN) and MnDOT's plan to establish a five year maintenance contract with Motorola at the current System Upgrade Agreement II (SUAI) level.

Motion made by Commissioner Anderson, seconded by Commissioner Bearth to concur with ECN and MnDOT on Motorola Maintenance Contract, 2016-2020. Motion Carried.

2. Concurrence on 7.19 Grant Program

The Radio TOC and the Executive Committee recommended the Board concur with Emergency Communication Networks (ECN) 7.19 grant program, which will provide 50% of the estimated required equipment costs.

Motion made by Commissioner Huffman, seconded by Commissioner Marschall to concur with ECN 7.19 grant program. Motion Carried.

3. Accept: 2014 SHSP Grant

The Radio TOC and the Executive Committee recommended the Board accept the 2014 SHP Grant allocated among the following areas:

Exercises	\$6,000.00
Planning	\$5,000.00
Training	\$22,000.00
Equipment	<u>\$244,852.73</u>
Total	\$277,852.73

Motion made by Commissioner McMahon, seconded by Commissioner Gamache to accept the 2014 SHP Grant. Motion Carried.

METROPOLITAN EMERGENCY SERVICES BOARD

4. Appvl: Dakota County Sponsorship – Burnsville Center Radio

The Radio TOC recommended the Board approve the Dakota County sponsorship of an ARMER radio at Burnsville Center, under Metro Standard 5.5.0.

Motion made by Commissioner Slavik, seconded by Commissioner McMahon to approve the approve the Dakota County sponsorship of an ARMER radio at Burnsville Center, under Metro Standard 5.5.0. Motion Carried.

5. B. EMS TOC – None

5. C. 9-1-1 TOC (Moody)

1. GIS Workgroup

The 9-1-1 Technical Operations Committee (TOC) and Executive Committee requested that the Board support the participation of the metropolitan county GIS Managers, or their designee, on a 911 TOC work group. The work group will be tasked with ensuring the metro area GIS datasets and work flows are ready to support the deployment and operation of the NG911 system. In addition, the work group may develop metro GIS standards for acceptance by the MESB Board and submission to the State Emergency Communications Board for potential adoption statewide.

Motion Made by Commissioner Marschall, seconded by Commissioner Bearth to support the GIS workgroup. Motion Carried.

7. B. Executive Committee and Board Meeting – change starting time to 10am? (Moody)

Motion made by Commissioner Miron, seconded by Commissioner Degler to change start time of both the full board and Executive meetings to 10:00 A.M. to 11:30 A.M. Motion Carried.

Motion made by Commissioner Bearth, seconded by Commissioner Degler to cancel the November 11, 2015 meeting which falls on Veterans Day. The October 14 meeting will become a full board meeting. Motion Carried.

Old Business

6. A. MESB Officer Rotation

Motion made by Commissioner Wolf, seconded by Commissioner Miron to approve amended MESB Officer Rotation. Motion Carried.

4. B. Reports-SECB (Rohret)

1. Finance – Met in January, did not meet in February

Discussions at the meeting included –budget initiative, regional funding priorities for the next 3-5 years (719), allocation of the 2014 grant funds

2. Legislative - Met in February and March. Chair is needed for this sub-committee. Achieving quorum has been difficult even though it is a call in meeting.

Commissioner Egan recommended that this sub-committee be combined with the Steering Committee.

3. OTC – Met in January and February.

Approved console upgrades, Ottertail County site addition, amended some standards, Interoperability request for Washington County. Radio approvals, Mower County site addition

METROPOLITAN EMERGENCY SERVICES BOARD

4. Steering – Met in January. Today’s meeting was cancelled.

January meeting they discussed the State wide Emergency Communication Board Strategic Plan summary. Jill distributed that Plan handout.

5. Board – Met in January. February meeting was cancelled.

They approved all that the sub-committees had.

12. ADJOURN

DRAFT



METROPOLITAN
EMERGENCY SERVICES BOARD

2099 UNIVERSITY AVENUE WEST
SUITE 201
SAINT PAUL, MINNESOTA
55104-3431

PHONE 651-643-8395
FAX 651-603-0101
WWW.MN-MESB.ORG

TO: Metropolitan Emergency Services Board

FROM: City of Minneapolis Councilmember Andrew Johnson, MESB Treasurer

RE: Treasurer's Report – February 2015

DATE: May 4, 2015

As Treasurer for the Metropolitan Emergency Services Board it is necessary to review the following documents:

- Monthly summary financial reports for Administration, 911, Radio and EMS
- Explanation for significant variance from budget report for Administration, 911, Radio and EMS.

The review was conducted on May 4, 2015.

Sincerely,

Received email approval

Andrew Johnson, Councilmember
City of Minneapolis
Treasurer, Metropolitan Emergency Services Board



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TO: Metropolitan Emergency Services Board

FROM: City of Minneapolis Councilmember Andrew Johnson, MESB Treasurer

RE: Treasurer's Report – March 2015

DATE: May 4, 2015

As Treasurer for the Metropolitan Emergency Services Board it is necessary to review the following documents:

- Monthly summary financial reports for Administration, 911, Radio and EMS
- Explanation for significant variance from budget report for Administration, 911, Radio and EMS.

The review was conducted on May 4, 2015.

Sincerely,

Received email approval

Andrew Johnson, Councilmember
City of Minneapolis
Treasurer, Metropolitan Emergency Services Board



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April 28, 2015

Mr. Christopher Popp
EMS Regulatory Board
Suite 310
2829 SE University Avenue
Minneapolis, MN 55414-3222

Dear Mr. Popp:

Please accept this proposal for the operation of the Metro Region Emergency Medical Services System in the nine county metropolitan emergency medical services region of Minnesota for FY 2016-2017.

This proposal is submitted by the Metropolitan Emergency Services Board joint powers board comprised of County Commissioners from each of the nine metropolitan counties of Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Washington and a City Council member from Minneapolis. The Metropolitan Emergency Services Board has a standing Metro Region EMS System Technical Operations Committee composed of County Community Health Services representatives, emergency physicians, ambulance service providers, and communications system representatives.

If you require additional information, please contact Ron Robinson, the Metro Region EMS System Coordinator by phone at (651) 643-8378, email at rrobinson@emsmn.org or by mail at Metropolitan Emergency Services Board, 2099 West University Avenue, St. Paul, MN 55104.

The Metropolitan Emergency Services Board and the Metro Region EMS System Technical Operations Committee are dedicated to the coordination and improvement of emergency medical services within the nine metropolitan counties. On behalf of the Board and the EMS technical Operations Committee, I look forward to continuing a successful relationship with the EMS Regulatory Board for emergency medical services activities and programs both in the Metro EMS Region and throughout the State of Minnesota.

Sincerely,

Rhonda Sivarajah, Chair
Metropolitan Emergency Services Board



METROPOLITAN
EMERGENCY SERVICES BOARD

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April 21, 2015

Dear Senator or Representative:

The Metropolitan Emergency Services Board (MESB) is home to the Metro Region EMS System supporting the EMS providers in Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, and Washington counties through the Emergency Medical Services Regulatory Board (EMSRB) regional EMS systems grants. The EMS grants received by the MESB support the almost 15,000 EMS responders that live and work in the nine county metropolitan region and the more than 30 response agencies who provide timely response to over 346,000 requests for medical emergencies!

Early in January, H.F. 189 (Davids)/S.F. 175 (Hayden) were introduced at the Minnesota State Legislature. The proposed legislation moves administration of the EMS Regional System Grants (MN Stat. 144E.50) and the EMS Relief Fund Grant (MN Stat. 169.686, Subd. 3) from the EMSRB to the Commissioner of Health. The rationale for the move centered on the EMSRB's past failures to process grants in a timely fashion and its inability to put together a Request for Proposal (RFP) for the FY 2016-2017 EMS regional system grants.

Since the legislation's introduction, positive progress has been made in resolving the EMS communities' concerns. Including: significant leadership changes, **immediate** improvements in services, release of the RFP and improved grant management. In addition, the EMSRB management has expressed willingness to continue administering the EMS Grants. Keeping the EMS programs and systems unified under an effective and efficient EMSRB is the optimal solution. It is the MESB's belief that the hard work of the EMSRB Interim Executive Director and Staff, has led to the resolution of the past issues.

April 21, 2015
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The MESB has always believed the EMSRB should be fixed and with the appropriate leadership, the Board could re-gain its ability to administer the EMS Regional System Grants (MN Stat. 144E.50) and the EMS Relief Fund Grant (MN Stat. 169.686, Subd. 3). As such, the MESB has been reluctant and continues to be reluctant to support H.F. 189/S.F. 175. The MESB advocated for improvements within the EMSRB that have now been achieved. We respectfully request H.F. 189/S.F. 174 be laid over. This would allow the EMSRB to demonstrate its ability to once again effectively administer the grants.

A handwritten signature in black ink, appearing to read "Martin Moody". The signature is fluid and cursive, with a large loop at the end.

Martin Moody
Executive Director,
Metropolitan Emergency Services Board

c: Mark Griffith	c: Kevin Miller
Don Hague	Jim Newberger
Ann Jenson	Jim Rieber
Pat Lee	Tom Vanderwal
Mark McCabe	Nick Zerwas

Metropolitan Emergency Services Board

MEETING DATE: May 13, 2015	PRESENTED BY: Rohret	AGENDA NUMBER: Acceptance of 2014 SECB Grant
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RECOMMENDATION

The Radio TOC recommends the Board accept the 2014 Statewide Emergency Communications Board (SECB) Grant allocated among the following areas:

Training	\$21,500.00
Equipment	<u>\$325,815.92</u>
Total	\$347,315.92

BACKGROUND

In November 2014, the Statewide Emergency Communications Board (SECB) approved the creation of a biennial grant program of \$1 million, funded by the 911 fee. This grant will be a competitive grant, for all but the first grant process. For all but the first 2014 grant, the grants will have two-year contracts. At this time, these grant funds can be used for radio (ARMER) expenses and Integrated Public Alert and Warning System (IPAWS) expenses; in the future it is possible that 911 expenses could be considered. All projects must meet regional funding priorities.

For the 2014 grant, due to short timelines, the SECB made the grant non-competitive and allocated funds to each region using the following formula: half of the available grant funds were allocated evenly across each of the seven radio regions. The remaining half of the funds were allocated based on population in each region.

ISSUES & CONCERNS

These funds must be expended by June 30, 2016, though the MESB must notify Emergency Communication Networks (ECN) whether all of the funds will be expended by December 31, 2015; this later deadline is to ensure enough time for a reallocation of the funds, if necessary. The Radio TOC is recommending the above allocation. Training funds would be split between holding interoperability training for PSAP personnel (Dispatcher Scenario Training) and paying for a Motorola GTR 8000 class, which would instruct radio technicians on technical aspects of the new base radio stations. The remaining funds will be used to purchase equipment which must be replaced prior to the 7.19 upgrade, including base radio stations and IP simulcast software. It should be noted that equipment funds require a 50% local match, thus if an agency is to receive \$50,000 back from the grant, it must spend \$100,000.

Due to concerns with being able to fund the local match, the Radio TOC instructed the ARMER infrastructure owners to notify MESB staff by Friday, May 1, 2015 if they would be able to spend the funds. The Radio TOC representatives were told that if no response is received by the deadline the non-responding entities would not be included in the allocation. This was stated at the March and April Radio TOC meetings. The infrastructure owners in the metro region are each of the nine counties and the City of Minneapolis. The following infrastructure owners have responded that they could spend these funds: Chisago County, Dakota County, and Hennepin County*. Washington County has tentatively indicated that they could, but have not provided a definitive answer.

Metropolitan Emergency Services Board

The following entities responded that they could not expend funds during this time frame: Isanti County, Ramsey County and Scott County.

The remaining entities did not provide a response and thus will not receive an allocation.

Given the responses received, staff recommends the following allocation of the 2014 SECB grant funds for equipment:

Chisago County:	\$137,907.96
Dakota County:	\$137,907.96
Washington County**:	\$50,000.00

*Hennepin County's full funding request will be funded out of the 2014 SHSP grant, accepted by the MESB in March 2015.

**This is a placeholder for Washington County; they have not determined how much they will be able to spend from this grant.

FINANCIAL IMPACT

The primary impact to the MESB is staff time involved in processing bills and applying for reimbursements through the State. Local governments receiving equipment funds are required to provide a 50% match.

MOTION BY:	SECONDED BY:	MOTION APPROVED: ____ YES ____ NO
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MOTION:

Metropolitan Emergency Services Board

MEETING DATE: May 13, 2015	PRESENTED BY: Jackson/Eggimann	AGENDA NUMBER: 5.A.2 Approve: Interim Signature Authority
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RECOMMENDATION

Staff recommends the Board grant interim authority to Pete Eggimann, Director of 911 services to sign MESB invoices under \$10,000 until a permanent Executive Director is hired.

BACKGROUND

The MESB Executive Director has authority to sign invoices under \$10,000 for board expenses (rent, utilities, memberships, mileage reimbursements, credit card statement, contract services...). MESB prepares a weekly package to send to Washington County Financial Services for them to enter invoices and process on their system for payment.

ISSUES & CONCERNS

It takes time for Washington County to process MESB invoices, there is a concern that additional time to obtain approval signatures will add time to the process, which could cause late payments and possible late fees.

FINANCIAL IMPACT

Possible late fees if invoices are not paid by due dates.

MOTION BY:	SECONDED BY:	MOTION APPROVED: ____ YES ____ NO
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MOTION:



To: Metropolitan Emergency Services Board

From: Redpath and Company, Ltd. Peggy Moeller, Partner

Date: April 23, 2015

Re: Summary of Audit for the Year Ended December 31, 2014

GENERAL COMMENTS

Audit reports have been completed and dated April 23, 2015.

We have been invited to the MESB Board Meeting on May 13, 2015. In the meantime you can contact me, Peggy Moeller, with any questions or comments: 651-407-5832 or pmoeller@redpathcpas.com.

AUDIT OVERVIEW

Our opinion on the financial statements is unmodified, sometimes called "clean." (pp 3-5)

There are no reportable findings in internal control or compliance.

For 2014, a federal single audit (OMB Circular A-133) was not required because expenditures of federal funds (including pass through) were less than \$500,000.

The Management's Discussion and Analysis is prepared by MESB management and is intended to "tell the story behind the numbers." (pp 7-14)

The fund balance for all funds increased approximately \$62,700 in 2014. The General Fund had a decrease of \$67,489. The 911 Fund had an increase of \$62,739, the EMS Fund had an increase of \$25,516 and the Radio fund had an increase of \$41,916. The changes in the General Fund included the effect of \$45,000 transferred to the 911 Fund.

With our assistance, management estimated the OPEB liability and determined it was material to the 2014 financial statements. Because it was material, management decided to record the liability.

OPEB became material in 2014 due to management's determination that one former employees' benefits were lifetime benefits. These benefits had previously been calculated as ending at age 65.

Metropolitan Emergency Services Board

Summary of Audit for the Year Ended December 31, 2014

Page 2

Governmental Accounting Standards Board Statement No. 45 provides guidance on Accounting and Financial Reporting by Employers for Post-employment Benefits other than pensions. GASB 45 allows for an Alternative Measurement Method in lieu of an actuarial valuation for employers with fewer than one hundred plan members. We have worked with management to calculate the OPEB liability using the Alternative Measurement Method. The calculation will require annual updates.

A recap of December 31 balances is as follows:

2014	\$100,370
2013*	\$31,350
2012*	\$34,500
2011*	\$44,900
2010*	\$45,800

*calculated based on benefits ending at age 65

AUDIT MANAGEMENT LETTER

The Audit Management Letter includes required communications to “those charged with governance.” (generally, an audit committee or equivalent or the board of directors). For MESB we consider the communications to be of a routine nature.

UPCOMING STANDARDS CHANGE – GASB 68

Like all other affected governmental organizations, MESB will be required to implement GASB Statement No. 68 for calendar year 2015. This Statement will require recording a liability on the government-wide financial statements for PERA’s unfunded liability allocated to MESB. PERA will provide the information, but implementation of GASB No. 68 will require additional efforts by MESB. This will not affect the fund basis financial statements.

Thank you.



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Metropolitan Emergency Services Board
St. Paul, Minnesota

We have audited the accompanying financial statements of the governmental activities and each major fund of Metropolitan Emergency Services Board, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise Metropolitan Emergency Services Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Metropolitan Emergency Services Board, as of December 31, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Other Post Employment Benefits (OPEB)

As described in Notes 7 and 14 to the financial statements, in 2014 the Entity determined that OPEB was material and reported the liability for retroactivity. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Metropolitan Emergency Services Board's 2013 financial statements, and we expressed an unmodified audit opinion on the respective financial statements of the governmental activities and each major fund in our report dated May 5, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and OPEB Schedule of Funding Progress on pages 7 – 14 and 36 – 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2015, on our consideration of the Metropolitan Emergency Services Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purposes of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Metropolitan Emergency Services Board's internal control over financial reporting and compliance.

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

April 23, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of Metropolitan Emergency Services Board's (MESB) financial performance provides an overview of MESB's financial activities for the fiscal year ended December 31, 2014. Please consider it in conjunction with MESB's financial statements.

Effective January 1, 2012, the Joint Powers Agreement was renewed for a 5 year period by each of the governing bodies of the members and shall continue in force until December 31, 2016.

Financial Highlights

- The assets of MESB exceeded its liabilities at December 31, 2014 by \$3,174,728 (net position). Of this amount, \$2,398,840 (unrestricted net position) may be used to meet MESB's ongoing obligations.
- MESB's total net position decreased by \$110,461. The Board approved five year plan to move the MESB EMS Coordinator's salary into the MESB budget was initiated. The MESB continued to define the impacts and requirements for Next Generation 9-1-1 (NG9-1-1), increased the pace of the MSAG – GIS synchronization project, and moved more aggressively to define the long term regional GIS requirements to support NG9-1-1. Contract professionals were utilized where necessary to complement the MESB staff's skill set.
- As of December 31, 2014, MESB's governmental funds reported combined ending fund balances of \$2,821,402, which is a \$62,682 increase from the prior year. The increase relates to additional EMS 3E trainings in which management fees are collected to be used for continued growth of the program (supplies, support and infrastructure). Also, MESB had an open position that wasn't filled in 2014, so there was a savings on expenses that were allocated to the open position.

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (Statements 1 and 2) provide information about the activities of MESB as a whole and present a longer-term view of MESB's finances. Fund financial statements are presented on Statements 3 and 4. These statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report MESB's operations in more detail than the government-wide statements by providing information about MESB's most significant funds.

Management's Discussion and Analysis

Reporting MESB as a Whole

The Statement of Net Position and the Statement of Activities

One of the most important questions to be asked about MESB's finances is, "Is MESB as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about MESB as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report MESB's net position and changes in them. An analysis of MESB's net position – the difference between assets and liabilities – is one way to measure MESB's financial health, or financial position. Over time, increases or decreases in MESB's net position are one indicator of whether MESB's financial health is improving or deteriorating.

In the Statement of Net Position and the Statement of Activities, all Board activities are classified as governmental. MESB does not have any activities that are classified as business-type.

- Governmental activities – all of MESB's services are reported here. County assessments, intergovernmental revenues and user fees finance most of these activities.
- The EMS Fund is an independent fund and program separate from the General, 911 or Radio Fund and program whose revenues finance the EMS Program. The Metro Region EMS System programs are recommended by the EMS Technical Operations Committee and approved by MESB and submitted in grant form to the Emergency Services Regulatory Board (EMSRB). The EMS Fund revenues can only be used for the EMS Program in accordance with the grant parameters as approved by the EMSRB when the grant is awarded. EMS Grant funds are accounted for separately from MESB's General, 911 or Radio Fund. Interest accrued on EMS funds is applied to the EMS Fund.
- The EMS Grant reimburses MESB for the Metro Region EMS Program costs of proportional rent, office supplies, office indirect and insurance.
- MESB's reserve funds are invested with Hennepin County and grow through interest income. The interest income is applied on a quarterly basis and allocated back to the Reserve Fund.
- By contract and statute, MnDOT owns and operates the radio system. MESB does not own any infrastructure or equipment associated with the radio system except for a few subscriber units. MnDOT maintains all regional sites and equipment; locals are responsible for their own equipment and infrastructure. Operational costs such as rent and utilities at tower sites are allocated by the MESB to equipment owners based on the percentage of equipment at each site. The MESB pays these costs up-front, but is reimbursed by local entities. MnDOT pays MESB for its portion of the costs at the beginning of each quarter.

Management's Discussion and Analysis

Reporting MESB's Funds

The fund financial statements (Statements 3 and 4) provide detailed information by fund. MESB's five funds are considered to be governmental-type and use the following accounting approach:

- *Government funds* – focus on how money flows into and out of these funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of MESB'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 MESB's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation at the bottom of Statement 3 and also Statement 5.

Financial Analysis of MESB as a Whole

MESB's *combined* net position decreased from 2014 by \$110,461. Our analysis below focuses on the net position and changes in net position of MESB's governmental activities.

NET POSITION

	December 31,	
	2014	2013
Current and other assets	\$3,062,640	\$2,965,697
Capital assets	543,741	710,202
Total assets	<u>\$3,606,381</u>	<u>\$3,675,899</u>
Current liabilities	\$242,381	\$208,022
Long-term liabilities	189,272	86,224
Total liabilities	<u>\$431,653</u>	<u>\$294,246</u>
Net position:		
Net investment in capital assets	\$543,741	\$710,202
Restricted	232,147	270,660
Unrestricted	2,398,840	2,400,791
Total net position	<u>\$3,174,728</u>	<u>\$3,381,653</u>

Of the total net position at December 31, 2014, \$543,741 (17.1%) reflects MESB's net investment in capital assets. These assets are not available for future spending. An additional \$232,147 (7.31%) of MESB's net position represents resources that are subject to external restrictions (for EMS Relief) on how they might be used.

Management's Discussion and Analysis

CHANGES IN NET POSITION

	December 31,	
	2014	2013
Revenues:		
Program revenues:		
Charges for services	\$2,912,202	\$2,579,853
Operating grants and contributions	294,084	650,870
Capital grants and contributions	-	-
General revenues:		
Unrestricted investment earnings	27,597	26,213
Other	6,647	9,873
Total revenues	<u>3,240,530</u>	<u>3,266,809</u>
Expenses:		
General	389,805	327,654
911 telephone system	635,809	665,886
Emergency medical services system	491,643	527,552
Radio	1,833,734	1,767,887
Total expenses	<u>3,350,991</u>	<u>3,288,979</u>
Increase (decrease) in net position	<u>(110,461)</u>	<u>(22,170)</u>
Net position - January 1 as originally reported	3,381,653	3,403,823
Prior period adjustment	<u>(96,464)</u>	<u>-</u>
Net position January 1, as restated	<u>3,285,189</u>	<u>3,403,823</u>
Net position - December 31	<u>\$3,174,728</u>	<u>\$3,381,653</u>

- MESB's net position decreased by \$110,461 (3.35%). The Board approved five year plan to move the MESB EMS Coordinator's salary into the MESB budget was initiated. The MESB continued to define the impacts and requirements for Next Generation 9-1-1 (NG9-1-1), increased the pace of the MSAG – GIS synchronization project, and moved more aggressively to define the long term regional GIS requirements to support NG9-1-1. Contract professionals were utilized where necessary to complement the MESB staff's skill set.

MESB's Funds

General Fund

Beginning in 2011 to satisfy a new audit standard (GASB 54), MESB's Administrative Fund was renamed General Fund and the Hennepin County Investment Fund is now reported within the General Fund.

The General Fund functions of MESB are supported primarily through member assessment revenues.

Management's Discussion and Analysis

The General Fund includes expenditures for operations of MESB which do not fall into any specific other fund but are for the general activities of the administration of MESB itself. Salaries and related benefits for staff whose time is spent strictly on administration of the whole organization, telephone, office supplies, postage, etc. are typical line items from this Fund. Any activity of MESB that is overarching to its total mission is considered to be General.

With the 2009 budget MESB eliminated the Service Manager position allocating salary/benefits budgeted funds for this position to the contract services line item. This move helped MESB to move forward with Next Generation planning using contractors in different fields for assistance. In the future this may need to be re-evaluated and funds may need to shift back once it is clear where the needs of MESB are.

911 Fund

The 911 Fund, which supports the 911, data management, and GIS functions of MESB, authorized in the Joint Powers Agreement, is supported primarily by assessments made to JPA members. Currently, MESB has the data management position on hold for re-evaluation. In the future this position will need a GIS focus. MESB is researching the future needs of this position and once it is agreed what responsibilities this position will need, a new job description will be put together and the search for a new staff person will follow. In the meantime the funding for this position is being used to accelerate the implementation of NG 9-1-1.

Article VI: Funding; Section 3 of Metropolitan Emergency Services Board Joint Powers Agreement provides an Assessment Formula:

Section 3: Assessment Formula. All assessments authorized to be made by this Agreement shall be made in the same proportion as the ratio of the population the county bears to the population of the metropolitan area as defined in Article II, Section 2.E, as measured by the most recent and available population figures of the State Demographic Center. If MESB incurs any liability for damages arising from any of its activities under this Agreement, the amount of damages shall be assessed against each county in the same manner as in the assessment formula described in this section; provided that any assessment against Hennepin County shall be reduced by the amount attributable to the population of the City of Minneapolis and shall be assessed against the City of Minneapolis. Nothing herein shall be construed as a waiver or modification of the limitations, defenses and immunities of liability contained in Minnesota Statutes, Chapter 466, or other applicable law.

Annual budget calculations are prepared and sources of funds gathered. Assessments are determined in accordance with the formula adopted in the Joint Powers Agreement.

MESB does not receive the direct appropriation of state 911 fees.

Radio Fund

The Radio Fund was established to identify and fund those activities which were specific to the roles, responsibilities, duties and functions of MESB related to the regional 800 MHz radio system.

Management's Discussion and Analysis

Radio. When acting in its capacity as a regional radio board and as the successor to the Metropolitan Radio Board, MESB has the powers necessary and convenient to discharge the duties imposed on it by law, including the duty to implement, maintain, and operate regional and local improvements to the statewide, shared, trunked radio and communication system provided for in Minnesota Statutes, Section 403.36. MESB shall also have the powers of a regional radio board provided by Minnesota Statutes, Section 403.39.

By contract and statute, MnDOT owns and operates the radio system. MESB does not own any infrastructure or equipment associated with the radio system except for a few subscriber units. MnDOT maintains all regional sites and equipment; locals are responsible for their own equipment and infrastructure. Operational costs such as rent and utilities at tower sites are allocated by the MESB to equipment owners based on the percentage of equipment at each site. The MESB pays these costs up-front, but is reimbursed by local entities. MnDOT pays MESB for its portion of the costs at the beginning of each quarter.

In addition to the radio system expenses, the MESB currently pays utility charges at six tower sites associated with the region-wide mobile data system, as well as a general liability insurance premium for this system. The original intent was to charge a per modem user fee to cover these expenses; however, due to technical changes beyond MESB's control, the system has not been able to be used as a primary data system; thus MESB decided to not charge the fee until the system was used as a primary data system. Starting January 1, 2016, the MESB will begin to charge a per modem user fee to recover these costs.

EMS Fund

The EMS Fund is an independent fund separate from the 911, General or Radio funds whose revenues finance the Metro Region EMS Systems Program as recommended by the EMS Technical Operations Committee and approved by MESB. The source of the EMS Fund is primarily through a regional grant for EMS programming awarded through the EMSRB. The metro region grant is governed by Minnesota Statute 144E Sections 50 and 52. The EMSRB manages the state funding of the regional programs by providing grant dollars and disbursing the funds from seatbelt fines which also funds the eight regional programs.

Another source of funds known as EMS Relief funds which represent seat belt fine revenues are also awarded to the metro region program by the EMSRB. The EMS Fund revenues (both grant and seat belt revenues) can only be used for metro region EMS Program in accordance with the grant parameters as approved by the EMSRB when the grant is awarded. In FY2013 beginning July 1, 2013 seatbelt grant went from a direct allocation to a reimbursement basis grant. For the 2013 – 2015 grant cycle ending June 30, 2015, the approved program budget is \$146,250.

The EMS position will become a MESB staff position fully funded by assessment funds in 2018. The EMS salary and benefits expense started to slowly migrate over to MESB with being partially funded by grants, investment and assessment funds beginning in 2013.

Management's Discussion and Analysis

Financial Analysis of MESB's Funds

As of the end of the current fiscal year, MESB's governmental funds reported combined ending fund balances of \$2,821,402, an increase of \$62,682 in comparison with the prior year. The increase in fund balance relates to increased activity in EMS 3ECHO training. All management fees collected are reinvested into the 3ECHO program for supplies, support and infrastructure. Also, portions of the increase will relate to unexpended funds for the open staff position.

Budgetary Highlights

The General Fund did not have any budget amendments throughout the year. A \$67,489 fund decrease was the final result of a Board approved transfer from the General Fund to the 911.

Capital Asset and Debt Administration

Capital Assets

At the end of 2014, MESB had \$543,741 net investment in capital assets, which consists of equipment as detailed below. 2014 additions include seven computers/monitors, software upgrades & installation services.

CAPITAL ASSETS AT YEAR END

	December 31,	
	2014	2013
Equipment	\$1,324,251	\$1,306,448
Accumulated depreciation	(780,510)	(596,246)
Net capital assets	<u>\$543,741</u>	<u>\$710,202</u>

MESB has not incurred any long-term debt to acquire these capital assets.

Noncurrent Liabilities

MESB does not have any long-term debt issues; however, it does record long-term compensated absences as follows:

Management's Discussion and Analysis

NONCURRENT LIABILITIES AT YEAR END

	Compensated Absences	OPEB
December 31, 2014	\$90,045	\$100,370
December 31, 2013	87,269	96,464 *
Increase (decrease)	<u>\$2,776</u>	<u>\$3,906</u>

* as restated - see note 14

Economic Factors and Next Year's Budget

Total expenditures budgeted for all funds in 2015 total \$2,825,844 compared to budgeted expenditures of \$2,761,451 for 2014. The increase in budgeted expenditures from 2014 to 2015 relates to the addition of the EMS position and the increase in Radio system utility expenses due to increased site activity and weather variations.

Contacting MESB's Financial Management

This financial report is designed to provide our constituents and members with a general overview of MESB's finances and to show MESB's accountability for the money it receives. If you have questions about this report or need additional information, contact Martin Moody, MESB Executive Director, or Kelli Jackson, MESB Financial Services Specialist.

METROPOLITAN EMERGENCY SERVICES BOARD**STATEMENT OF NET POSITION****Statement 1**

December 31, 2014

With Comparative Amounts For December 31, 2013

	Governmental Activities	
	2014	2013
Assets:		
Cash and investments	\$2,767,375	\$2,678,172
Accounts receivable	46,841	51,171
Due from other governments	138,006	139,893
Prepaid items	110,418	96,461
Capital assets (net of accumulated depreciation)	543,741	710,202
Total assets	<u>3,606,381</u>	<u>3,675,899</u>
Liabilities:		
Accounts payable	127,059	93,672
Due to other governments	89,378	90,693
Unearned revenue	24,801	22,612
Compensated absences:		
Due within one year	1,143	1,045
Due in more than one year	88,902	86,224
OPEB - Due in more than one year	100,370	-
Total liabilities	<u>431,653</u>	<u>294,246</u>
Net position:		
Net investment in capital assets	543,741	710,202
Restricted for EMS relief	232,147	270,660
Unrestricted	2,398,840	2,400,791
Total net position	<u>\$3,174,728</u>	<u>\$3,381,653</u>

The accompanying notes are an integral part of these financial statements.

METROPOLITAN EMERGENCY SERVICES BOARD**STATEMENT OF ACTIVITIES****Statement 2**

For The Year Ended December 31, 2014

With Comparative Totals For The Year Ended December 31, 2013

<u>Functions/Programs:</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
					<u>2014</u> <u>2013</u>
Governmental activities:					
General	\$389,805	\$357,192	\$ -	\$ -	(\$32,613) \$5,072
911 telephone system	635,809	647,179	-	-	11,370 (78,210)
Emergency medical services program	491,643	163,158	243,058	-	(85,427) (23,578)
Radio	1,833,734	1,744,673	51,026	-	(38,035) 38,460
Total governmental activities	<u>\$3,350,991</u>	<u>\$2,912,202</u>	<u>\$294,084</u>	<u>\$0</u>	<u>(144,705)</u> <u>(58,256)</u>
General revenues:					
Unrestricted investment earnings					27,597 26,213
Other					<u>6,647</u> <u>9,873</u>
Total general revenues					<u>34,244</u> <u>36,086</u>
Change in net position					<u>(110,461)</u> <u>(22,170)</u>
Net position - January 1, as originally reported					3,381,653 3,403,823
Prior period adjustment					<u>(96,464)</u> <u>-</u>
Net position - January 1, as restated					<u>3,285,189</u> <u>3,403,823</u>
Net position - December 31					<u>\$3,174,728</u> <u>\$3,381,653</u>

The accompanying notes are an integral part of these financial statements.

METROPOLITAN EMERGENCY SERVICES BOARD
BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2014

With Comparative Totals For December 31, 2013

Statement 3

Assets	General	911	EMS	Radio	Total	
	Fund	Fund	Fund	Fund	2014	2013
Cash and investments	\$1,743,886	\$298,772	\$249,278	\$475,439	\$2,767,375	\$2,678,172
Accounts receivable	-	-	-	46,841	46,841	51,171
Due from other governments	-	1,667	109,998	26,341	138,006	139,893
Prepaid items	10,659	-	-	99,759	110,418	96,461
Total assets	<u>\$1,754,545</u>	<u>\$300,439</u>	<u>\$359,276</u>	<u>\$648,380</u>	<u>\$3,062,640</u>	<u>\$2,965,697</u>
Liabilities and Fund Balance						
Liabilities:						
Accounts payable	\$34,017	\$64,580	\$3,585	\$24,877	\$127,059	\$93,672
Due to other governments	37,877	3,472	16,933	31,096	89,378	90,693
Unearned revenue	-	-	-	24,801	24,801	22,612
Total liabilities	<u>71,894</u>	<u>68,052</u>	<u>20,518</u>	<u>80,774</u>	<u>241,238</u>	<u>206,977</u>
Fund balance:						
Nonspendable	10,659	-	-	99,759	110,418	96,461
Restricted	-	-	335,695	-	335,695	311,306
Committed	-	232,387	3,063	467,847	703,297	600,813
Assigned	1,484,870	-	-	-	1,484,870	1,542,345
Unassigned	187,122	-	-	-	187,122	207,795
Total fund balance	<u>1,682,651</u>	<u>232,387</u>	<u>338,758</u>	<u>567,606</u>	<u>2,821,402</u>	<u>2,758,720</u>
Total liabilities and fund balance	<u>\$1,754,545</u>	<u>\$300,439</u>	<u>\$359,276</u>	<u>\$648,380</u>	<u>\$3,062,640</u>	<u>\$2,965,697</u>
Fund balance reported above					\$2,821,402	\$2,758,720
Amounts reported for governmental activities in the statement of net position are different because:						
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.					543,741	710,202
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:						
Compensated absences payable					(90,045)	(87,269)
OPEB					(100,370)	-
Net position of governmental activities					<u>\$3,174,728</u>	<u>\$3,381,653</u>

The accompanying notes are an integral part of these financial statements.

METROPOLITAN EMERGENCY SERVICES BOARD**STATEMENT OF REVENUES, EXPENDITURES AND****CHANGES IN FUND BALANCE****GOVERNMENTAL FUNDS**

For The Year Ended December 31, 2014

With Comparative Totals For The Year Ended December 31, 2013

Statement 4

	General Fund	911 Fund	EMS Fund	Radio Fund	Total	
					2014	2013
Revenue:						
Member assessments	\$355,140	\$556,402	\$ -	\$231,850	\$1,143,392	\$1,101,342
User fees	-	-	-	400,919	400,919	389,424
Reimbursement revenue	2,052	90,777	163,158	1,111,904	1,367,891	1,089,087
Intergovernmental:						
State	-	-	141,927	18,220	160,147	258,389
Federal	-	-	101,131	32,806	133,937	392,481
Interest	19,726	2,875	1,127	3,869	27,597	26,213
Other	3,096	-	-	3,551	6,647	9,873
Total revenue	<u>380,014</u>	<u>650,054</u>	<u>407,343</u>	<u>1,803,119</u>	<u>3,240,530</u>	<u>3,266,809</u>
Expenditures:						
Current:						
Personal services	319,178	276,263	41,822	117,717	754,980	763,633
Rent and site leases	8,832	6,624	3,312	388,976	407,744	396,728
Equipment and maintenance upgrades	5,519	12,300	-	885,574	903,393	706,508
Other grant expenditures	-	-	314,915	51,022	365,937	513,724
Other services and charges	57,046	333,923	21,778	315,244	727,991	732,102
Capital outlay	11,928	3,205	-	2,670	17,803	168,615
Total expenditures	<u>402,503</u>	<u>632,315</u>	<u>381,827</u>	<u>1,761,203</u>	<u>3,177,848</u>	<u>3,281,310</u>
Revenue (under) over expenditures	(22,489)	17,739	25,516	41,916	62,682	(14,501)
Other financing sources (uses):						
Transfer in	-	45,000	-	-	45,000	100,000
Transfer out	(45,000)	-	-	-	(45,000)	(100,000)
Total other financing sources (uses)	<u>(45,000)</u>	<u>45,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balance	(67,489)	62,739	25,516	41,916	62,682	(14,501)
Fund balance - January 1	<u>1,750,140</u>	<u>169,648</u>	<u>313,242</u>	<u>525,690</u>	<u>2,758,720</u>	<u>2,773,221</u>
Fund balance - December 31	<u>\$1,682,651</u>	<u>\$232,387</u>	<u>\$338,758</u>	<u>\$567,606</u>	<u>\$2,821,402</u>	<u>\$2,758,720</u>

The accompanying notes are an integral part of these financial statements.

METROPOLITAN EMERGENCY SERVICES BOARD
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS

Statement 5

For The Year Ended December 31, 2014

With Comparative Amounts For The Year Ended December 31, 2013

	<u>2014</u>	<u>2013</u>
Amounts reported for governmental activities in the Statement of Activities are different because:		
Net changes in fund balance - total governmental funds (Statement 4)	\$62,682	(\$14,501)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Depreciation	(184,264)	(185,228)
Capital outlay	17,803	168,615
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. Expenses reported in the Statement of Activities include the effects of the changes in these expense accruals as follows:		
Change in compensated absences payable	(2,776)	8,944
Change in OPEB payable	<u>(3,906)</u>	<u>-</u>
Change in net position of governmental activities (Statement 2)	<u><u>(\$110,461)</u></u>	<u><u>(\$22,170)</u></u>

The accompanying notes are an integral part of these financial statements.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FINANCIAL REPORTING ENTITY

The Metropolitan Emergency Services Board (MESB) is a joint powers organization founded by the seven Minneapolis-St. Paul metropolitan counties to implement and administer a regional 911 telephone system, regional Emergency Medical Services (EMS) programs, and, beginning in 2005, regional radio services in the metropolitan area. As required by generally accepted accounting principles in the United States of America, the financial statements of the reporting entity include those of the MESB (the primary government) and its component units. MESB does not have any component units.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or business-type activity. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or business-type activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements 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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements 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. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, MESB considers all revenues, except reimbursement grants, to be available if they are collected within 60 days of the end of the current fiscal period. Reimbursement grants are considered available if they are collected within one year of the end of the current fiscal period.

METROPOLITAN EMERGENCY SERVICES BOARD
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Intergovernmental revenues, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by MESB.

MESB reports the following major governmental funds:

The *General Fund* is used to account for the administrative functions of MESB and investments held by Hennepin County. These funds are available for MESB as a whole.

The *911 Fund* is used to account for revenue and expenditures in connection with 911 and GIS operations.

The *EMS Fund* accounts for revenues and expenditures of the Emergency Medical Services Grant and the EMS Relief Account, administered by the Board of the Minneapolis-St. Paul metropolitan area.

The *Radio Fund* accounts for revenues and expenditures of the regional 800 MHz radio system for the metropolitan area.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transactions that would be treated as revenues, expenditures or expenses if they involved external organizations, such as buying goods and services or payments in lieu of taxes, are similarly treated when they involve other funds of MESB. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues.

D. BUDGETS

MESB adopts annual budgets on a basis consistent with generally accepted accounting principles (GAAP) for the General and 911 Funds. Budgeted expenditure appropriations lapse at year end. The Radio and EMS Funds do not have complete annual GAAP-basis budgets. Grant-specific budgets and other data are used for internal monitoring of these funds.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is not employed by MESB because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash management.

METROPOLITAN EMERGENCY SERVICES BOARD
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

Expenditures exceeded budget appropriations by \$38,163 in the General Fund and \$55,915 in the 911 Fund.

E. CASH AND INVESTMENTS

In accordance with applicable Minnesota Statutes, MESB maintains deposits at depository banks and governmental authorities authorized by the Board of Directors.

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. If collateral is pledged as protection for the deposits, the market value of the collateral must, at a minimum, be 110% of the deposits not covered by insurance or bonds.

F. RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Temporary interfund loans, if any, are classified as "due to/from other funds" and are planned to be eliminated in the upcoming year.

MESB considers all receivables to be fully collectible and thus no allowance is recorded.

G. PREPAID ITEMS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are reported using the consumption method and recorded as expenditures/expenses at the time of consumption.

H. CAPITAL ASSETS

Capital assets, which include property, plant, equipment and intangibles, are reported in the government-wide financial statements. Capital assets are defined by MESB as those assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Equipment of MESB is depreciated using the straight-line method over estimated useful lives ranging from 3 to 20 years.

I. COMPENSATED ABSENCES

A liability is recognized for vacation and sick leave earned by employees at the balance sheet date if it is probable the benefit will be paid as time off or at separation of service.

METROPOLITAN EMERGENCY SERVICES BOARD
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

J. REIMBURSEMENT REVENUE

Reimbursement revenue includes billings to participating regions that MESB in-turn remits to the provider. This activity has some attributes of pass through/agency transactions; however, management believes it has more attributes of an exchange transaction and accordingly records the activity as revenue and expenditures.

K. FUND BALANCE CLASSIFICATIONS

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

Nonspendable - consists of amounts that are not in spendable form, such as prepaid items.

Restricted - consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - consists of internally imposed constraints. These constraints are established by Resolution of the Board.

Assigned - consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the Board's intended use. These constraints are established by the Board and/or management.

Unassigned - is the residual classification for the general fund and also reflects negative residual amounts in other funds.

When both restricted and unrestricted resources are available for use, it is MESB's policy to first use restricted resources, and then use unrestricted resources as they are needed.

When committed, assigned or unassigned resources are available for use, it is MESB's policy to use resources in the following order; 1) committed 2) assigned and 3) unassigned.

L. INTERFUND TRANSACTIONS

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Interfund loans are reported as an interfund loan receivable or payable which offsets the movement of cash between funds. All other interfund transactions are reported as transfers.

M. USE OF ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

N. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. MESB has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. MESB has no item that qualifies for reporting in this category.

O. COMPARATIVE TOTALS

The basic financial statements and required supplementary information include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Entity's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

P. RECLASSIFICATIONS

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Note 2 DEPOSITS AND INVESTMENTS

A. INVESTMENTS

MESB invests all funds with Hennepin County and Washington County. These funds are pooled with the Counties' other deposits and investments.

METROPOLITAN EMERGENCY SERVICES BOARD
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

The carrying amount of MESB's cash and investments at December 31, 2014 is as follows:

Cash and investments pooled with Washington County at fair value	\$1,127,152
Cash and investments pooled with Hennepin County at fair value	<u>1,640,223</u>
Total	<u><u>\$2,767,375</u></u>

B. INVESTMENT RISKS

Investments are subject to risks such as interest rate risk, credit risk and concentration of credit risk. MESB invests all funds with Hennepin and Washington Counties' investment pools, which basically function as fully-liquid investments. The Counties' pools are subject to State Statutes that help mitigate investment risks. MESB does not have any specific investment policy that further limits investment risks.

Note 3 RECEIVABLES

All receivables at December 31, 2014 are expected to be collected within one year.

Governmental funds report deferred inflow of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period ("unavailable"). Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned ("unearned").

Note 4 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Equipment	\$1,306,448	\$17,803	\$ -	\$1,324,251
Less accumulated depreciation for:				
Equipment	<u>596,246</u>	<u>184,264</u>	<u>-</u>	<u>780,510</u>
Capital assets - net	<u><u>\$710,202</u></u>	<u><u>(\$166,461)</u></u>	<u><u>\$0</u></u>	<u><u>\$543,741</u></u>

METROPOLITAN EMERGENCY SERVICES BOARD
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

Depreciation expense was charged to programs as follows:

General	\$2,571
911 telephone system	4,671
EMS system	105,924
Radio Board	71,098
Total depreciation expense	<u>\$184,264</u>

Note 5 NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended December 31, 2014, is as follows:

	Balance 01/01/14	Additions	Deletions	Balance 12/31/14	Estimated Amount Due Within One Year
Compensated absences	<u>\$87,269</u>	<u>\$11,115</u>	<u>(\$8,339)</u>	<u>\$90,045</u>	<u>\$1,143</u>

Compensated absences are liquidated by each of the four funds.

Note 6 DEFINED BENEFIT PENSION PLANS - STATEWIDE

A. PLAN DESCRIPTION

All of MESB's employees are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) which is a cost-sharing, multiple-employer retirement plan. These plans are established and administered in accordance with Minnesota Statute, Chapters 353 and 356.

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan.

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by State Statute and vest after five years of credited service. The defined 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.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF. That report may be obtained on the internet at www.mnpera.org, by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651)296-7460 or 1-800-652-9026.

B. FUNDING POLICY

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. MESB makes annual contributions to the pension plans equal to the amount required by state statutes. GERS Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.25%, respectively, of their annual covered salary in 2014. MESB was required to contribute the following percentages of annual covered payroll in 2014: 11.78% for Basic Plan GERS members and 7.25% for Coordinated Plan GERS members. MESB's contributions to the Public Employees Retirement Fund for the years ending December 31, 2014, 2013 and 2012 were \$44,112, \$43,642, and \$46,424, respectively, equal to the contractually required contributions for each year as set by state statute. Contribution rates will increase on January 1, 2015 in the Coordinated Plan (6.5% for members and 7.5% for employers).

Note 7 OTHER POSTEMPLOYMENT BENEFITS (OPEB)

In 2014, MESB retroactively (calculation period started January 1, 2000) implemented the requirement of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. Prior to 2014, the liability was determined to be immaterial and was not reported.

A. PLAN DESCRIPTION

In addition to providing the pension benefits described in Note 6, MESB provides post-employment health care benefits (as defined in paragraph B) for retired employees, through a single-employer defined benefit plan. The OPEB plan is administered by MESB. The authority to provide these benefits is established in Minnesota Statutes Sections 471.61. The benefits, benefit levels, employee contributions and employer contributions are governed by MESB and can be amended by MESB through its personnel manual and collective bargaining agreements with employee groups. The Plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The Plan does not issue a separate report.

B. BENEFITS PROVIDED

MESB provides OPEB benefits that mirror the policies of Anoka County (for retired employees) and Dakota County (for all other employees). After meeting certain eligibility requirements, employees hired prior to January 6, 2007 may be eligible to receive certain post employment medical insurance payments. Currently, MESB has one former employee who meets the eligibility requirements and is receiving benefits, and three current employees who could potentially receive benefits in the future if all requirements are met. Benefits are being funded on a pay-as-you-go basis.

For the one former employee receiving benefits, MESB is obligated to pay one-half of this person's monthly single contribution for active employees' health insurance until the person becomes eligible for Medicare. Once eligible for Medicare, MESB is obligated to pay the amount Anoka County pays for Medicare supplement plan. The monthly benefit amount is adjusted annually. Total benefits paid in 2014 were \$3,126.

METROPOLITAN EMERGENCY SERVICES BOARD
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

C. PARTICIPANTS

The GASB 45 *Alternative Measurement Method* was used to value the OPEB for the years ended December 31, 2014:

Retirees and beneficiaries currently receiving health insurance benefits through MESB	1
Active employees	<u>3</u>
Total	<u><u>4</u></u>
Participating employers	<u><u>1</u></u>

D. FUNDING POLICY

OPEB is currently funded on a pay-as-you-go basis. The MESB Board may change the funding policy at any time.

E. ANNUAL OPEB COSTS AND NET OPEB OBLIGATION

MESB's annual other post employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The net OPEB obligation as of December 31, 2014, was calculated as follows:

Annual required contribution (ARC)	\$6,786
Interest on net OPEB obligation	246
Adjustment to ARC	<u>-</u>
Annual OPEB cost	7,032
Contributions made during the year	<u>(3,126)</u>
Increase (decrease) in net OPEB obligation	3,906
Net OPEB obligation - beginning of year as restated	<u><u>96,464</u></u>
Net OPEB obligation - end of year	<u><u>\$100,370</u></u>

METROPOLITAN EMERGENCY SERVICES BOARD
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

Other post employment benefits are generally liquidated through the General Fund, 911 Fund and the Radio Fund.

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2014	<u>\$7,032</u>	<u>\$3,126</u>	<u>44.5%</u>	<u>\$100,370</u>

F. FUNDED STATUS AND FUNDING PROGRESS

MESB currently has no assets that have been irrevocably deposited in a trust for future health benefits; therefore, the actuarial value of assets is zero. The funded status of the plan was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)* (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
January 1, 2014	<u>\$ -</u>	<u>\$100,370</u>	<u>\$100,370</u>	<u>0.0%</u>	<u>\$266,283</u>	<u>37.7%</u>

*Using the entry age actuarial cost method.

G. ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions (ARC) of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

METROPOLITAN EMERGENCY SERVICES BOARD
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

In the January 1, 2014 actuarial valuation, the entity age cost method (alternative measurement method) was used. The actuarial assumptions included a 5.5% investment rate of return (net of administrative expenses) and an initial annual health care cost trend rate of 3% for 2015 through 2020 and 5.6% for 2021 and later. The actuarial value of assets was \$0. The plan's unfunded actuarial accrued liability is being amortized using the level percentage of payroll method over 30 years on a closed basis. The remaining amortization period at December 31, 2014, was 24 years.

Note 8 COMMITMENTS

LEASES

MESB leases its office premises including use of phone system under an agreement which expires in December 2014 with monthly payments of \$1,840. On November 20, 2014 MESB renewed the agreement through December 31, 2016 with monthly payments of \$1,995. MESB has the option to renew this lease under the same terms and conditions, or modified terms and conditions as the Lessee and Lessor may mutually agree to, for additional periods agreed to. Rent expense under this lease totaled \$22,080 for 2014.

Future minimum lease payments are as follows:

2015	\$23,940
2016	<u>23,940</u>
	<u>\$47,880</u>

MESB has multiple leases for radio towers it assumed from the former Metropolitan Radio Board. The lease terms expire at various times through 2036. Minimum annual rentals are estimated as follows:

<u>Year Ended</u>	
2015	\$348,481
2016	350,096
2017	331,318
2018	322,616
2019	184,401
2020-2024	73,025
2025-2029	17,500
2030-2034	17,500
2035-2036	<u>7,000</u>
Total	<u>\$1,651,937</u>

Rent expense under these leases for the year ended December 31, 2014 totaled \$385,664.

METROPOLITAN EMERGENCY SERVICES BOARD
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

CONTRACTS

MESB entered into various contractual commitments for system upgrades and other matters. Such contracts are expensed when the liability is incurred. Contractual commitments at December 31, 2014 were as follows:

General Fund	\$130,000
911 Fund	<u>38,165</u>
Total	<u><u>\$168,165</u></u>

Note 9 FUND BALANCE

CLASSIFICATIONS

At December 31, 2014, a summary of the governmental fund balance classifications are listed below. Definitions for the classifications are included in Note 1.

	<u>General</u>	<u>911 Fund</u>	<u>EMS Fund</u>	<u>Radio Fund</u>	<u>Total</u>
Nonspendable:					
Prepaid items	\$10,659	\$ -	\$ -	\$99,759	\$110,418
Restricted	-	-	335,695	-	335,695
Committed to:					
Emergency services	-	232,387	3,063	467,847	703,297
Assigned to:					
Future projects	1,484,870	-	-	-	1,484,870
Unassigned	<u>187,122</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>187,122</u>
Total	<u><u>\$1,682,651</u></u>	<u><u>\$232,387</u></u>	<u><u>\$338,758</u></u>	<u><u>\$567,606</u></u>	<u><u>\$2,821,402</u></u>

Note 10 FEDERAL AND STATE FUNDS

Amounts received or receivable from federal and state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time although MESB management expects such amounts, if any, to be immaterial.

Note 11 RISK MANAGEMENT

MESB is exposed to various risks of loss related to torts, theft of, damage to or destruction of assets, errors and omissions, injuries to employees, and natural disasters. MESB manages these various risks through membership in a joint powers agreement forming the Minnesota Counties Insurance Trust for the purpose of developing and administering a risk management service program. Insurance coverage obtained through the

METROPOLITAN EMERGENCY SERVICES BOARD
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

Trust includes workers' compensation, property, commercial general liability and public official's liability. According to the Trust's joint powers agreement, any liabilities of the Trust in excess of assets shall be assessed to the appropriate members of the Trust in a manner determined by the Trust's Board. Alternatively, if the Trust's assets are determined to be more than sufficient to meet liabilities and maintain reserves, such surplus assets may be returned to members in a manner to be determined by the Trust Board.

There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three years.

Note 12 EMERGENCY MEDICAL SERVICES FUNDS

EMS funds consist of both grants and EMS Relief Funds. Relief Funds are based on seat belt fines collected by the State. Relief Fund revenue is recognized in the period in which the related expenditures are incurred. Grant revenue is also recognized in the period in which the related expenditures are incurred.

EMS Grant funds received, expended and recognized as revenue are as follows:

<u>Grant Period</u>	<u>Budget</u>	<u>Prior Years</u>	<u>2014</u>	<u>Balance</u>
Receipts (cash basis):				
7/1/13 - 6/30/15	\$146,250	\$18,582	\$67,243	\$60,425
Total receipts	<u>\$146,250</u>	<u>\$18,582</u>	<u>\$67,243</u>	<u>\$60,425</u>
Grant revenue/expenditures (accrual basis):				
7/1/13 - 6/30/15	\$146,250	\$54,866	\$58,118	\$33,266
Total grant revenues/expenses	<u>\$146,250</u>	<u>\$54,866</u>	<u>\$58,118</u>	<u>\$33,266</u>

Differences between receipts and revenue/expenditures are recorded as grant receivable and/or unearned revenue, as appropriate.

Note 13 INTERFUND TRANSFERS

	<u>Transfers In</u>
	911
	<u>Fund</u>
Transfers out:	
General Fund	<u>\$45,000</u>

Transfers out of the General Fund were for Board approved projects.

METROPOLITAN EMERGENCY SERVICES BOARD
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

Note 14 CORRECTION OF AN ERROR

During 2014, corrections to the prior year financial statements were made for OPEB costs which were not previously recorded.

A summary of this change is as follows:

	<u>Governmental Activities</u>
Net position January 1, 2014 - as previously reported	\$3,381,653
Prior period adjustments:	
OPEB Costs	<u>(96,464)</u>
Net position January 1, 2014 - as restated	<u><u>\$3,285,189</u></u>

Note 15 RECENTLY ISSUED ACCOUNTING STANDARDS

The Governmental Accounting Standards Boards (GASB) recently approved the following statements which were not implemented for these financial statements:

Statement No. 68 *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27.* The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time.

Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB No. 68.* The provisions of this Statement should be applied simultaneously with the provisions of Statement 68.

Statement No. 72 *Fair Value Measurement and Application.* The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015.

The effect these standards may have on future financial statements is not determinable at this time, but it is expected that Statements 68 and 71 will have a material impact.

METROPOLITAN EMERGENCY SERVICES BOARD
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Statement 6

For The Year Ended December 31, 2014

With Comparative Actual Amounts For The Year Ended December 31, 2013

	Budgeted Amounts		2014 Actual	Variance with	2013 Actual
	Original	Final	Amounts	Final Budget - Over (Under)	Amounts
Revenues:					
Member assessments	\$355,140	\$355,140	\$355,140	\$ -	\$329,866
Reimbursement revenue	-	-	2,052	2,052	2,860
Interest	6,000	6,000	19,726	13,726	19,495
Other	3,200	3,200	3,096	(104)	5,521
Total revenues	364,340	364,340	380,014	15,674	357,742
Expenditures:					
Current:					
Personal services	284,250	284,250	319,178	34,928	267,564
Rent and site leases	10,000	10,000	8,832	(1,168)	8,832
Equipment and maintenance upgrades	8,300	8,300	5,519	(2,781)	5,742
Other services and charges	61,790	61,790	57,046	(4,744)	49,510
Capital outlay	-	-	11,928	11,928	-
Total expenditures	364,340	364,340	402,503	38,163	331,648
Revenues over (under) expenditures	0	0	(22,489)	(22,489)	26,094
Other financing sources (uses):					
Transfer out	-	-	(45,000)	(45,000)	(100,000)
Total other financing sources (uses)	0	0	(45,000)	(45,000)	(100,000)
Net change in fund balance	\$0	\$0	(67,489)	(\$67,489)	(73,906)
Fund balance - January 1			1,750,140		1,824,046
Fund balance - December 31			\$1,682,651		\$1,750,140

METROPOLITAN EMERGENCY SERVICES BOARD**REQUIRED SUPPLEMENTARY INFORMATION****Statement 7****BUDGETARY COMPARISON SCHEDULE - 911 FUND**

For The Year Ended December 31, 2014

With Comparative Actual Amounts For The Year Ended December 31, 2013

	Budgeted Amounts		2014 Actual	Variance with	2013 Actual
	Original	Final	Amounts	Final Budget - Over (Under)	Amounts
Revenues:					
Member assessments	\$556,400	\$556,400	\$556,402	\$2	\$547,488
Reimbursement revenue	-	-	90,777	90,777	40,188
Interest	20,000	20,000	2,875	(17,125)	3,016
Total revenues	<u>576,400</u>	<u>576,400</u>	<u>650,054</u>	<u>73,654</u>	<u>590,692</u>
Expenditures:					
Current:					
Personal services	403,925	403,925	276,263	(127,662)	307,722
Rent and site leases	7,000	7,000	6,624	(376)	6,624
Equipment and maintenance upgrades	19,100	19,100	12,300	(6,800)	10,898
Other services and charges	146,375	146,375	333,923	187,548	333,597
Capital outlay	-	-	3,205	3,205	-
Total expenditures	<u>576,400</u>	<u>576,400</u>	<u>632,315</u>	<u>55,915</u>	<u>658,841</u>
Revenues over (under) expenditures	<u>0</u>	<u>0</u>	<u>17,739</u>	<u>17,739</u>	<u>(68,149)</u>
Other financing sources (uses):					
Transfer in	-	-	45,000	45,000	100,000
Total other financing sources (uses)	<u>0</u>	<u>0</u>	<u>45,000</u>	<u>45,000</u>	<u>100,000</u>
Net change in fund balance	<u>\$0</u>	<u>\$0</u>	<u>62,739</u>	<u>\$62,739</u>	<u>31,851</u>
Fund balance - January 1			<u>169,648</u>		<u>137,797</u>
Fund balance - December 31			<u>\$232,387</u>		<u>\$169,648</u>

METROPOLITAN EMERGENCY SERVICES BOARD
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
December 31, 2014

Note A BUDGETS

The General and 911 Funds budgets are legally adopted on an annual basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control is at the fund level for these funds.

METROPOLITAN EMERGENCY SERVICES BOARD
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFIT PLAN
For The Year Ended December 31, 2014

Statement 8

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio (1) / (2)	Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	Active Members Covered Payroll	UAAL As A Percentage of Covered Payroll (4) / (5)
January 1, 2014	\$ -	\$100,370	0.00%	\$100,370	\$266,283	37.7%

Note: the first OPEB actuarial valuation was conducted as of January 1, 2014. There is no data available prior to the first valuation.



REPORT ON INTERNAL CONTROL

To the Board of Directors and Management
Metropolitan Emergency Services Board
St. Paul, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, and each major fund of the Metropolitan Emergency Services Board's as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Metropolitan Emergency Services Board's basic financial statements, and have issued our report thereon dated April 23, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Metropolitan Emergency Services Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Metropolitan Emergency Services Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Metropolitan Emergency Services Board's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Metropolitan Emergency Services Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination on financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

April 23, 2015



MINNESOTA LEGAL COMPLIANCE REPORT

To the Board of Directors
Metropolitan Emergency Services Board
St. Paul, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of Metropolitan Emergency Services Board, as of and for the year ended December 31, 2014, and the related notes to the financial statements, have issued our report thereon dated April 23, 2015.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. section 6.65, contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for public indebtedness because Metropolitan Emergency Services Board has no applicable debt.

In connection with our audit, nothing came to our attention that caused us to believe that Metropolitan Emergency Services Board failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding Metropolitan Emergency Services Board's noncompliance with the above referenced provisions.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

April 23, 2015

FIRST RESPONDER NETWORK AUTHORITY

*Further Proposed
Interpretations of Parts of the
Middle Class Tax Relief and Job
Creation Act of 2012*

Dkt. No. 150306226–5226–01

COMMENTS OF THE STATE OF MINNESOTA

The State of Minnesota provides these comments in response to FirstNet’s *Further Proposed Interpretations of Parts of the Middle Class Tax Relief and Job Creation Act of 2012* (“Second Notice”).¹

I. Introduction

Minnesota is a strong supporter of FirstNet’s efforts to deploy the nationwide public safety wireless broadband network, and it desires to be a close partner with FirstNet in that effort. The State ascribes only the best of intentions to FirstNet in issuing the Second Notice and proposing the statutory interpretations it describes. The wording and presentation of those interpretations in the Second Notice, however, suggest an aggression and antagonism toward states that FirstNet neither intends nor possesses. FirstNet and the public safety community would have been better served by a Notice of Inquiry asking for help in solving some of difficult problems posed by FirstNet’s authorizing legislation, rather than the Second Notice as published. While Minnesota has endeavored in these comments to communicate its support for FirstNet and positive view of its efforts, the State does address FirstNet’s legal interpretations head-on. Our directness is intended to help FirstNet interpret its statutory authority in a way that will strengthen its footing for the challenges ahead.

Through the consultation process, FirstNet will learn the features, performance, and pricing Minnesota’s public safety community requires of a wireless broadband service. The State’s desired outcome is a successful consultation where FirstNet’s proposal details and commits to a sustainable balance of investment, costs, and revenue while meeting responder needs sufficiently to encourage a very high level of adoption. Minnesota would consider a scenario where it is compelled to opt out to be a failure of that consultation process.

Though we do not believe that FirstNet intends to undermine the consultation process, Minnesota’s program leaders and stakeholders are concerned that FirstNet’s interpretation of the Act as expressed in

¹ *First Responder Network Authority Further Proposed Interpretations of Parts of the Middle Class Tax Relief and Job Creation Act of 2012*, Notice and Request for Comments, National Telecommunications and Information Administration, 80 FR 13336 (March 13, 2015) (“Second Notice”). Citations to the Second Notice hereafter refer to page numbers in the document posted on FirstNet’s website following the Special Meeting of the FirstNet Board on March 9, 2015 (available at http://www.firstnet.gov/sites/default/files/FirstNet_Second_Public_Notice_0.pdf).



the Second Public Notice relieves FirstNet of the responsibility to make firm commitments to each state to justify an opt-in recommendation. Furthermore, our program leaders are concerned that publishing this interpretation in the Second Notice communicates—*incorrectly*—that FirstNet may not seriously consider the needs of the public safety community in developing its plan in the State.

Minnesota anticipates that the best possible scenario is one where all states opt-in to a single, nationwide program with a unified vision that leverages broad economies of scale. However, Minnesota takes the opt-in/out decision very seriously and will weigh carefully both alternatives based on the FirstNet State plan and the commitment it reflects to the objectives of the Act.

The Second Notice states: “FirstNet ... has a duty to protect the meaningful right of States to opt-out under the Act.”² It is in the spirit of helping FirstNet protect the value and meaning of that statutory right, the State of Minnesota submits these comments.

II. Summary of Key Points

Key Point 1: Congress Intentionally Created a Meaningful Choice between Two Alternatives to Best Serve Each State’s Emergency Responders.

Congress explicitly gave each State the statutory right to opt-out and thereby select an alternative option rather than “participate” in FirstNet’s nationwide deployment.³ A Governor will elect to opt-out only if an unsuccessful consultation leads to a state determining it can, within parameters required for nationwide interoperability, provide a better service for its public safety stakeholders. Congress could have omitted the opt-out alternative because of its potential to complicate FirstNet’s ability to meet the Act’s interoperability and self-sustainability goals, but it did not; for better or worse, Congress accepted that trade-off. Indeed, inclusion of the opt-out provision was a central element of the legislative compromise that enabled passage of the Act. In these comments, the State of Minnesota explains that the Act does not permit FirstNet to infringe upon the statutory right to “opt-out”, and that the best way to ensure that States do not exercise that right is to promise and provide public safety broadband service of sufficient quality and affordability that all States will opt-in. However, if a State does elect to opt out, it must allow open usage of its RAN to subscribers and partners nationwide.

Key Point 2: To Give Meaning to the Governor’s Decision, FirstNet Must Provide States Enough Detail and Certainty in the State Plan to Enable Governors to Weigh the Alternatives.

Under the Act, the Governor has a limited period of time to decide whether to opt-in or opt-out, a timeframe triggered by FirstNet’s presentation of the State plan. In order for the Governor to make a meaningful decision (*i.e.*, an informed one), FirstNet must in the State plan or some other document

² Second Notice at 51-52.

³ Middle Class Tax Relief and Job Creation Act of 2012 (Pub. L. No. 112-96, Title VI, 126 Stat. 256 (codified at 47 U.S.C. 1401 *et seq.*)) (“Act”), Sec. 6302(e)(2).

then available provide detailed commitments as to the features, performance, and terms of service that FirstNet will provide public safety subscribers in the State if the Governor opts in.

Key Point 3: The State’s “Meaningful Right” to Opt Out Includes the Right to Retain the Fruits of Its Successful Opt-out Implementation.

In the Second Notice, FirstNet expresses its concern that an opt-out State may generate revenues that would otherwise accrue to FirstNet if the State opted in, thus complicating FirstNet’s task in meeting the Act’s requirement that FirstNet be “self-funding.” Minnesota recognizes the possibility that a State’s decision to opt out may pose difficulties for FirstNet, but that possibility was clear at the time Congress provided States the ability to opt-out. The State and FirstNet are free, in fair and voluntary negotiations, to discuss and agree to provisions on revenue sharing, reinvestment of revenue, and other matters. FirstNet should establish the framework of the key negotiation topics, terms and conditions well in advance of the delivery of the State plan to provide greater clarity to States regarding the opt out obligations of both parties.

Key Point 4: FirstNet Is Not Authorized to Leverage Its Control of the Spectrum to Hinder Opt-out States’ Efforts to Provide Better Service at Better Prices than FirstNet.

In order to avoid the potential loss of revenue that may result from a State’s decision to opt out, FirstNet proposes statutory interpretations that would allow it to require an opt-out State to relinquish revenue to FirstNet. Because the State must obtain spectrum access to implement an opt-out deployment, however, requirements of this sort in a spectrum lease, if imposed over State objections, may be unenforceable. FirstNet and the opt-out State should instead address such provisions in a fair and equitable negotiation separate from the spectrum lease agreement.

Key Point 5: The Act Also Does Not Permit FirstNet to Leverage “Network Policies” or NTIA’s “Cost-Effectiveness” Inquiry to Force States to Relinquish Opt-out Benefits.

In considering the “cost-effectiveness” of the opt-out State’s plan, NTIA cannot require that the plan be cost-effective for FirstNet or the nation as a whole; the inquiry is intended to ensure that the plan is cost-effective (*i.e.* sustainable) for the opt-out State. Many “network policies” FirstNet must develop under the Act will surely apply to all deployments, especially those related to technical and operational standards. Others, however—such as revenue sharing and “terms of service” that may include subscriber pricing—cannot apply to opt-out States because they would run counter to the Governor’s statutory right to opt-out

Key Point 6: FirstNet Must Deploy the Network Nationwide, Even in Failed Opt-out States.

In the Second Notice, FirstNet suggests that where a State opts out but fails to deploy its network, FirstNet possesses discretion whether to deploy in that State. However, FirstNet’s central obligation under the Act is to ensure the deployment of the network nationwide in every State. Even if a State elects to opt-out and gains the necessary FCC approvals, but ultimately fails to deploy the opt-out network, FirstNet must ensure deployment of the nationwide network in that State.

Key Point 7: Interpretations Presented in the Second Notice are Damaging to the FirstNet Brand and May Ultimately Reduce Adoption.

The Second Notice does an injustice to FirstNet’s sincere intent to build a network that meets public safety’s requirements and give meaning to the Governor’s right to opt out. The Second Notice has given many stakeholders the impression that FirstNet intends to force States to make an opt-in/out decision without first providing firm commitments to meet public safety needs in the State. The Second Notice feeds the mistaken perception that FirstNet is not listening to the stakeholder community and does not plan to make any guarantees. These perceptions may negatively affect FirstNet’s brand and may threaten FirstNet’s future sustainability.

III. Congress Intentionally Created a Meaningful Choice between Two Alternatives to Best Serve Each State’s Emergency Responders.

In the Second Notice, FirstNet adopts preliminary conclusions that define the meaning of a State decision to opt-out of the FirstNet-deployed RAN. As described further below, the overarching effect of those preliminary conclusions is to devalue the State decision to the point that FirstNet effectively interprets it out of the Act. The ability for a State to deploy, control, and benefit from its own RAN, however, is a key feature of the Act that was critical to passage of the legislation.

During development and consideration of legislation to provide additional spectrum and funding for public safety wireless broadband communications, key leaders in the House of Representatives and in the Senate advocated two major—and very different—approaches. The legislation the President signed into law is a compromise between those two clear and distinct visions for nationwide interoperability.

Sen. Rockefeller (D-WV), Chairman of the Senate Commerce Committee, led the Senate majority’s work on wireless broadband for public safety. He advocated the approach reflected in S. 911, the Public Safety Spectrum and Wireless Innovation Act, which proposed a single nationwide network constructed by a centralized entity. Under S. 911, states would help plan the nationwide network via a state and local implementation grant program, but S. 911 had no provision for individual states to deploy their own networks; it contained no opt-out alternative at all. On June 8, 2011, the Senate Commerce Committee considered, amended and approved S. 911, adopting this centralized approach.

The House majority approach was reflected in the Jumpstarting Opportunity with Broadband Spectrum (“JOBS”) Act of 2011 championed by Rep. Walden (R-OR), Chairman of the House Energy and Commerce subcommittee on communications and technology. Under this approach, each state, subject to nationwide interoperability requirements, would procure and deploy its own network. It did not provide for a single nationwide network with a central core; it envisioned disparate state or local networks interoperating to provide nationwide coverage. The House approach was contained in H.R. 3630, the Middle Class Tax Relief and Job Creation Act of 2011, that passed by the House on Dec. 13, 2011.