



DAKOTA COMMUNICATIONS CENTER

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I. INTRODUCTORY SECTION

DAKOTA COMMUNICATIONS CENTER
APPOINTED OFFICIALS
DECEMBER 31, 2008

<u>Appointed by</u>	<u>Appointed Official</u>	<u>Board Position</u>	<u>Position with Appointee</u>	<u>Term Expires</u>
City of Burnsville	Elizabeth Kautz	Chair	City Mayor	January 2010
City of Apple Valley	John Bergmann	Vice-Chair	City Council Member	January 2010
Dakota County	Nancy Schouweiler	Member	County Commissioner	January 2010
City of Eagan	Mike Maguire	Member	City Mayor	January 2010
City of Farmington	Kevan Soderberg	Member	City Mayor	January 2009
City of Hastings	Mike Slavik	Member	City Council Member	January 2009
City of Inver Grove Heights	George Tourville	Member	City Mayor	January 2009
City of Lakeville	Laurie Rieb	Member	City Council Member	January 2010
City of Mendota Heights	Ultan Duggan	Member	City Council Member	January 2009
City of Rosemount	Mike Baxter	Member	City Mayor	January 2009
City of South Saint Paul	Beth Baumann	Member	City Mayor	January 2009
City of West Saint Paul	Darlene Lewis	Member	City Council Member	January 2009

March 2, 2009

Dakota Communications Center Board

The Dakota Communications Center (DCC) is a joint powers entity established in late 2005 as a partnership between 11 cities and Dakota County to provide centralized state-of-the-art Enhance 9-1-1 and emergency dispatch services for police, Sheriff, fire, and emergency medical services.

The DCC organization is guided by a complex governance structure with three distinct committees including the Board of Directors (elected officials), the Executive Committee (city/county chief administrators), and the Operations Committee (law enforcement, fire, and EMS personnel). In addition, multiple task forces, comprised of members from the three Committees and stakeholders (law enforcement, fire, EMS, dispatch personnel), have been formed to address start up issues. Nearly 120 persons have been a part of the DCC development process, involved in many aspects including creating policies, designing the facility, identifying personnel needs, and much more. The governance structure reflects the desire of our Members to retain local decision making in a centralized service.

The DCC administration staff consists of six employees: the Executive Director, the Director of Operations, the Executive Assistant, the Training Coordinator and two Technical Support Specialists. Dispatching staff consists of 52 Dispatchers and 6 Shift Supervisors. The dispatchers continued to work at the five current PSAPs (Public Safety Answering Points, or 9-1-1 centers) located throughout the county while the DCC facility is readied for operations in late 2007. In December 2007, the DCC Facility commenced dispatching services from the centralized dispatch center.

The Dakota Communications Center (DCC) facility was constructed by Dakota County for the DCC Members to house the countywide 911 and emergency dispatch services. Located in Empire Township, the DCC is centrally located to better serve Dakota County citizens. The facility construction, which began in June of 2006, is financed by Dakota County (approximately \$7.7 million) and will be re-paid by DCC Members through a cost-sharing formula. Construction was completed in mid-2007, at which point the DCC began the installation of the equipment and technology needed to prepare the facility for full service.

The DCC is equipped with a new 800 megahertz digital radio communications system to allow police, fire, EMS and sheriff's personnel in multiple jurisdictions to communicate with each other, enhancing the interoperability of radio systems among all first responders. The Dakota County system is part of a metropolitan wide network, which is being expanded to greater Minnesota.

Support for DCC operations is derived from contributions received from the members of the Joint Powers Agreement. The contribution funding formula is based on the number of incidents a jurisdiction responds to as a percentage of total incidents within Dakota County. Since inception, \$8,446,732 has been received from the members of the Joint Powers Agreement.

Financial operations

A summary of financial operations for the years ending December 31, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</u>	<u>Change</u>
Revenues			
JPA membership support	\$ 7,725,423	\$ 7,934,157	\$ 15,659,580
Intergovernmental grants	562,587	654,696	1,217,283
Bond issuance	-	7,490,553	7,490,553
Leave hours funding	-	312,352	312,352
Investment income	224,399	314,283	538,682
Total revenues	<u>8,512,409</u>	<u>16,706,041</u>	<u>25,218,450</u>
Expenses			
Personnel	4,824,418	4,805,756	9,630,174
Supplies	21,182	30,346	51,528
Contractual services	1,840,350	1,225,364	3,065,714
Capital outlay	1,248,683	4,147,267	5,395,950
Debt service	1,371,750	139,145	1,510,895
Total expenses	<u>9,306,383</u>	<u>10,347,878</u>	<u>19,654,261</u>
Net income (loss)	<u>\$ (793,974)</u>	<u>\$ 6,358,163</u>	<u>\$ 5,564,189</u>

It is the desire of the governing bodies in Dakota County to develop cooperative partnerships which will provide efficient and effective service to the people they serve. The monumental evolution and creation of the Dakota Communication Center has been accomplished as a result of the vision and contributions of our community leaders. The people we serve are the benefactors.

Respectfully submitted

Kent Therkelsen
Executive Director

II. FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

DAKOTA COMMUNICATIONS CENTER

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2008

This discussion and analysis presents an overview of the financial activities and financial position for Dakota Communications Center (Organization) for the year ended December 31, 2008. The letter of transmittal is presented on pages 1 through 3 of this report.

Financial Highlights

- The assets of the Organization exceeded its liabilities at the close of the most recent fiscal year by \$3,525,968 (net assets). Of this amount, \$1,839,889 (unrestricted net assets) may be used to meet the Organization's ongoing obligations to the citizens of the primary service area.
- As of December 31, 2008, the Organization's governmental funds reported combined ending fund balances of \$5,603,214. An decrease of \$793,975 in comparison with the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Organization's basic financial statements. The Organization's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the Organization's finances, in a manner similar to the private-sector business.

The Statement of Net Assets presents information on all of the Organization's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets serve as a useful indicator of whether the Organization's financial position is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Assets presents information showing how the Organization's net assets changed during the most recent fiscal year.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

The Organization maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, debt service fund and capital project funds.

Notes to the Financial Statements. The Notes to the Financial Statements provide additional information that is essential to the full understanding of the data provided in the Organization's other basic financial statements.

Financial Analysis

The assets of the Board exceeded liabilities by \$3,525,968 at the close of the most recent fiscal year. Of this amount, \$1,839,889 (unrestricted net assets) may be used to meet the ongoing obligations to the citizens of the primary service area.

As of the end of the current fiscal year, the Board's unrestricted net assets were \$1,839,889, or 24.4 percent of total operating expenditures of \$7,535,622.

Total assets as of December 31, 2008, were \$10,948,633 comprised of cash and investments (54.3 percent); accounts receivable and prepaid items (1.7 percent). Capital assets consisted of work in process (44.0 percent).

Total liabilities as of December 31, 2008, amounted to \$7,422,665. \$5,481,400 (73.8%) are for non-current liabilities due in more than one year. The non-current liabilities that are due within one year amounted to \$1,283,423 (17.3%) Accounts payable, wages payable, deposits and interest payable represent 8.9 percent.

Organization as a whole

Government-Wide Financial Statements

A condensed version of the statement of net assets at December 31, 2008 and 2007, follows:

	<u>2008</u>	<u>2007</u>
NET ASSETS		
Assets		
Current and other assets	\$ 6,136,645	\$8,343,180
Capital assets	4,811,988	4,147,267
Total assets	<u>10,948,633</u>	<u>12,490,447</u>
Liabilities		
Other liabilities	657,842	2,162,158
Non-current liabilities	6,764,823	7,779,107
Total liabilities	<u>7,422,665</u>	<u>9,941,265</u>
Net assets	<u>\$ 3,525,968</u>	<u>\$2,549,182</u>

A condensed version of the statement of activities for the year ended December 31, 2008, is shown below.

Additions to Net Assets

Monthly support payments from the JPA Membership are the main source of revenues and amounted to \$7,725,423 for 2008 compared to \$7,934,157 in 2007.

Intergovernmental grants amounted to \$562,587 for 2008. Interest income for 2008 of \$224,398 is an decrease of \$89,885 as compared with 2007.

Deductions from Net Assets

Deductions from net assets are primarily for personnel. Personnel (\$4,824,418) accounted for 64.0 percent of the total deductions. Contractual services (\$1,840,350) accounted for 24.4 percent of the total deductions.

CHANGES IN NET ASSETS

	<u>2008</u>	<u>2007</u>
Additions		
Charges for services	\$ 7,725,423	\$ 7,934,157
Operating grants and contributions	562,587	562,618
Capital grants and contributions	-	92,078
Net investment income	224,398	314,283
Total additions	<u>8,512,408</u>	<u>8,903,136</u>
Deductions		
General government - public safety	7,249,888	6,180,587
Interest on long-term debt	285,734	212,393
Total deductions	<u>7,535,622</u>	<u>6,392,980</u>
Increase/(decrease) in net assets	976,786	2,510,156
Net assets January 1,	<u>2,549,182</u>	<u>39,026</u>
Net assets December 31,	<u>\$ 3,525,968</u>	<u>\$ 2,549,182</u>

Financial Analysis of the Organization's Funds

As noted earlier, the Organization uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some funds are required statutorily while others are established internally to assist management in accounting for certain activities.

Governmental funds. The focus of the Organization's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Organization's financing requirements. In particular, unreserved fund balance may serve as a useful measure of an organization's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Organization's governmental funds reported combined ending fund balances of \$5,603,214. \$2,791,096 or 49.8% of this combined ending fund balance constitutes unreserved fund balance that is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to (a) pay debt service (\$1,664,591), (b) pay remaining contractual obligations (\$700,000), and (c) for other restricted purposes (\$447,527).

The General fund is the chief operating fund of the Organization. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$1,922,822, which is a \$642,171 increase primarily as a result of expenditures that were substantially below budget appropriations.

The Debt Service fund balance of \$1,664,591 is primarily due to membership support received through out 2007 to fund the first debt service payment due on February 1, 2009, and bond proceeds deposited into a reserve account as required by the bond resolution.

The Capital Projects fund balance of \$1,568,274 represents the portion of the bond proceeds to be expended for the acquisition of the furniture and communication equipment within the Dakota Communication Center facility. The 2009 adopted budget allows the transfer of \$700,000 to the Debt Service fund for the payment of the 2009 debt service obligation.

General Fund Budgetary Highlights

- The Board of Directors adopted the 2008 budget in 2007. There were no amendments to the originally adopted budget. The 2008 budget appropriations were spent at or below the adopted budget.

Capital Asset and Debt Administration

Capital Assets. The Organization's investment in capital assets for its governmental activities as of December 31, 2008 amounted to \$4,811,988 net of accumulated depreciation. This investment in capital assets consists of furniture and communication equipment as of the end of the current fiscal year.

Debt Administration. At the end of the current fiscal year, the Organization had a total of \$6,330,000 of debt outstanding. The organization issued this debt in May 2007 to fund the initial acquisition of the dispatch center furniture and communications equipment.

Economic Factors and Next Year's Budget

- The adopted 2009 General fund budget is \$7.07 million for operations. Revenues include \$6.91 million from JPA Members, \$250,000 from Dakota County and \$568,200 from the State of Minnesota Enhanced 911 tariff fees. Investment earnings are projected to be \$32,000.
- The Organization's next debt service payment comes due on February 1, 2009. Principal and interest due are \$935,000 and \$139,963, respectively.
- The 2005 Legislature passed a pension bill that includes needed employee/employer contribution increases to the Public Employees Retirement Association (PERA) Coordinated Plan. Under the Coordinated Plan increase, both employee and employers will share a phased-in contribution rate increase. The employee contribution rate reached the top of the phased-in rate increase and will remain at 6.00 percent of salary between January 2009 and January 2010. Employer contribution rates will increase from 6.50 percent in 2008 to 6.75 percent of salary in 2009 and 7.00 percent in 2010.

Requests for Information

This financial report is designed to provide a general overview of the Dakota Communications Center's finances for all those with an interest in the entity's finances. Questions concerning any information provided in this report or requests for additional financial information should be directed to the Dakota Communications Center Administration at 2860 160th Street West, Rosemount, Minnesota 55068, (651) 322-1901, or ktherkelsen@mn-dcc.org.

BASIC FINANCIAL STATEMENTS

DAKOTA COMMUNICATIONS CENTER
STATEMENT OF NET ASSETS
DECEMBER 31, 2008

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 4,250,308
Interest receivable	32,103
Accounts receivable	-
Due from other governmental units	113,917
Prepaid items	41,478
Restricted assets:	
Cash and investments held by trustee	1,698,840
Capital assets, net of accumulated depreciation	<u>4,811,987</u>
Total assets	<u>10,948,633</u>
 LIABILITIES AND NET ASSETS	
LIABILITIES	
Wages payable	253,966
Accounts payable	124,329
Deposits	155,136
Interest payable	124,411
Non-current liabilities	
Due within one year	1,283,423
Due in more than one year	<u>5,481,400</u>
Total Liabilities	<u>7,422,665</u>
 NET ASSETS	
Invested in capital assets, net of related debt	21,488
Restricted for debt service	1,664,591
Unrestricted	<u>1,839,889</u>
Total net assets	<u><u>\$ 3,525,968</u></u>

DAKOTA COMMUNICATIONS CENTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities				
Public safety	\$ 7,249,888	\$ 7,725,423	\$ 562,587	\$ 1,038,122
Interest on long-term debt	285,734	-	-	(285,734)
	<u>\$ 7,535,622</u>	<u>\$ 7,725,423</u>	<u>\$ 562,587</u>	752,388
General revenues:				
Investment earnings				224,398
Change in net assets				976,786
Net assets - beginning				2,549,182
Net assets - ending				\$ 3,525,968

DAKOTA COMMUNICATIONS CENTER
BALANCE SHEET –
GOVERNMENTAL FUNDS
DECEMBER 31, 2008

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and investments	\$ 2,691,871	\$ -	\$ 1,558,437	\$ 4,250,308
Cash and investments held by trustee	-	1,698,840	-	1,698,840
Interest receivable	20,302	464	11,337	32,103
Due from other governmental units	97,798	16,119	-	113,917
Prepaid expense	41,478	-	-	41,478
Total assets	<u>\$ 2,851,449</u>	<u>\$ 1,715,423</u>	<u>\$ 1,569,774</u>	<u>\$ 6,136,646</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Wages payable	\$ 253,966	\$ -	\$ -	\$ 253,966
Accounts payable	122,829	-	1,500	124,329
Deposits	104,304	50,832	-	155,136
Total liabilities	<u>481,099</u>	<u>50,832</u>	<u>1,500</u>	<u>533,431</u>
FUND BALANCES				
Reserved for				
Prepaid items	41,478	-	-	41,478
Accrued compensated absences	406,049	-	-	406,049
Debt service	-	1,664,591	-	1,664,591
Encumbrances	-	-	700,000	700,000
Unreserved				
Undesignated	1,922,823	-	868,274	2,791,097
Total fund balances	<u>2,370,350</u>	<u>1,664,591</u>	<u>1,568,274</u>	<u>5,603,215</u>
Total liabilities and fund balances	<u>\$ 2,851,449</u>	<u>\$ 1,715,423</u>	<u>\$ 1,569,774</u>	<u>\$ 6,136,646</u>

DAKOTA COMMUNICATIONS CENTER
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2008

Total fund balances - governmental funds		\$ 5,603,215
Amounts reported for governmental activities in the statement of net assets are different because:		
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Furniture and Equipment	5,395,949	
Less accumulated depreciation	<u>(583,962)</u>	4,811,987
2. Long term liabilities are not payable with current financial resources and therefore are not reported in the governmental funds.		
Accrued interest	(124,411)	
Bonds	(6,330,000)	
Unamortized debt issuance costs	63,494	
Unamortized bond discount	39,939	
Unamortized bond premium	<u>(132,207)</u>	(6,483,185)
3. Accrued compensated absences are not payable with current financial resources and therefore are not reported in the governmental funds.		
		<u>(406,049)</u>
Net assets of governmental activities		<u><u>\$ 3,525,968</u></u>

DAKOTA COMMUNICATIONS CENTER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
REVENUES				
JPA membership support	\$ 6,630,794	\$ 1,094,629	\$ -	\$ 7,725,423
Intergovernmental grants	562,587	-	-	562,587
Interest income	113,610	25,150	85,639	224,399
Total revenues	<u>7,306,991</u>	<u>1,119,779</u>	<u>85,639</u>	<u>8,512,409</u>
EXPENDITURES - CURRENT				
Public safety				
Personnel	4,824,418	-	-	4,824,418
Commodities	21,182	-	-	21,182
Contractual	1,840,350	-	-	1,840,350
Capital outlay	-	-	1,248,683	1,248,683
Total expenditures - current	<u>6,685,950</u>	<u>-</u>	<u>1,248,683</u>	<u>7,934,633</u>
EXPENDITURES - DEBT SERVICE				
Principal maturities	-	985,000	-	985,000
Interest on debt	-	383,150	-	383,150
Fiscal charges	-	3,600	-	3,600
Total expenditures - debt service	<u>-</u>	<u>1,371,750</u>	<u>-</u>	<u>1,371,750</u>
Total expenditures	<u>6,685,950</u>	<u>1,371,750</u>	<u>1,248,683</u>	<u>9,306,383</u>
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDTURES	<u>621,041</u>	<u>(251,971)</u>	<u>(1,163,044)</u>	<u>(793,974)</u>
FUND BALANCES, BEGINNING OF YEAR	<u>1,749,309</u>	<u>1,916,562</u>	<u>2,731,318</u>	<u>6,397,189</u>
FUND BALANCES, END OF YEAR	<u>\$ 2,370,350</u>	<u>\$ 1,664,591</u>	<u>\$ 1,568,274</u>	<u>\$ 5,603,215</u>

DAKOTA COMMUNICATIONS CENTER
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

Net change in fund balances - total governmental funds		\$ (793,975)
Amounts reported for governmental activities in the statement of net assets are different because:		
1. Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities the cost of capital assets is allocated over their useful lives as depreciation expense. In the current period these amount are:		
Capital outlay	1,248,683	
Depreciation expense	<u>(583,962)</u>	664,721
2. Bond proceeds are reported as other financing sources in governmental funds and thus contribute to the increase in fund balance. Bond maturities are reported as expenditures in governmental funds thus reducing fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities while debt repayment reduces long-term liabilities thus affecting the statement of net assets.		
Bond maturities		985,000
3. Interest expense, debt issuance costs and debt premium revenue in the government-wide statement of activities differs from the amounts reported in governmental funds because accrued interest was calculated for long-term debt payable in addition to the amortizations of debt issuance costs and debt premium revenue which are recognized respectively as expenditures and revenue in the governmental fund statements		
Accrued interest payable	91,756	
Amortization of original debt issuance costs	(12,491)	
Amortization of original bond discount costs	(7,857)	
Amortization of original debt issuance premium	<u>26,008</u>	97,416
4. Accrued compensated absences are not payable with current financial resources and therefore are not reported in the governmental funds.		
Accrued compensated absences December 31, 2008		<u>23,624</u>
Change in net assets of governmental activities		<u><u>\$ 976,786</u></u>

NOTES TO FINANCIAL STATEMENTS

DAKOTA COMMUNICATIONS CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Dakota Communications Center (the Organization) conform to generally accepted accounting principles applicable to governmental units as promulgated by the American Institute of Certified Public Accountants (AICPA) and the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies.

A. REPORTING ENTITY

Dakota Communications Center was established under a joint powers agreement between the cities of Apple Valley, Burnsville, Eagan, Farmington, Hastings, Inver Grove Heights, Lakeville, Mendota Heights, Rosemount, South Saint Paul, West Saint Paul and Dakota County, pursuant to Minnesota Statutes §471.59 for the purpose of establishing a county-wide public safety answering point and communication center for local law enforcement, fire, emergency medical services and other public safety services for the mutual benefit of all entities. Entities established by joint powers agreements are considered governmental units and as such are exempt from federal and state income taxes.

Dakota Communications Center has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Organization are such that exclusion would cause the Organization's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The Organization has no component units.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The goal of government-wide financial statements is to present a broad overview of government's finances. The basic statements that form the government-wide financial statements are the statement of net assets and the statement of activities. The two statements report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally financed through taxes and intergovernmental revenues, are reported separately from business-type activities, which are normally financed through user fees and charges for goods or services.

The statement of activities reports gross direct expenses by function reduced by program revenues. This results in a measurement of net revenue or expense for each of the government's activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues are directly associated with the function and include 1) charges for services and 2) operating or capital grants and contributions that are restricted to a particular function. Other items not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported as separate columns in the fund financial statements. The three governmental funds of the Organization are considered to be major funds.

Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Funds*, provides proprietary activities

DAKOTA COMMUNICATIONS CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

with a choice of authoritative guidance issued after November 30, 1989. Dakota Communications Center has elected to follow GASB pronouncements exclusively after that date.

Dakota Communications Center reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the Dakota Communications Center. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – The Debt Service Fund is used to account for the bonds issued to finance the acquisition of furniture and equipment.

Capital Projects Fund – The Capital Projects Fund accounts for capital acquisitions that involve financing resources from the members or debt issuance.

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.

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, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Amounts reported as program revenues include the following: amounts received from those who purchase, use or directly benefit from a program; amounts received from parties outside Dakota Communications Center that are restricted to one or more specific programs; and earnings on investments that are legally restricted for a specific program. Revenues that do not meet the previous criteria are reported as general revenues.

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

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the Organization receives value without directly giving equal value in return, include grants, entitlements and donations. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Organization must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Organization on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transaction must also be available before it can be recognized.

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NOTES TO FINANCIAL STATEMENTS
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Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue in the fund financial statements.

D. BUDGETS AND BUDGETARY ACCOUNTING

The Dakota Communications Board has full authority over the financial affairs of the Organization. The Organization adopts an annual budget for the General Fund, Debt Service Fund and Capital Projects Fund. During the budget year, supplemental appropriations and deletions may be authorized by the Organization. The amounts shown in the financial statements as 'Budget' represent the original and final budgeted amounts. The Organization prepares its budget on a 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 the General fund. The Executive Director has the authorization to expend funds in excess of the appropriations for individual line items.

Any changes in the budget must be approved by a majority vote of the Board. There were no amendments to the budget during the year. Budget appropriations lapse at year-end to the extent they were not encumbered. Encumbrances are re-appropriated in the following year's budget.

E. DEPOSITS AND INVESTMENTS

The Organization's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Cash and investment balances from the General and Capital Projects funds are combined and invested to the extent available in certificates of deposit, commercial paper, U.S. Government securities, and other securities authorized by State Statutes. Earnings from such investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

Cash and investment held by trustee within the Debt Service Fund represent the fair value of deposits that are required to be held in trust for future debt service obligations. These established escrow accounts will remain in effect until the terms and conditions of the obligations have been fulfilled.

F. PREPAID ITEMS

Payments to vendors that reflect costs applicable to future periods are recorded as prepaid items in both the government-wide and fund financial statements.

G. CAPITAL ASSETS

Capital assets which include communications equipment and office furniture are recorded at historical cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. A capitalization threshold for financial reporting purposes has been established for assets that exceed \$5,000.

Depreciation has been provided using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are 3 to 8 years for communications equipment and 5 to 20 years for office furniture.

DAKOTA COMMUNICATIONS CENTER
NOTES TO FINANCIAL STATEMENTS
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H. COMPENSATED ABSENCES

Compensated absences consist of unused paid time off (PTO). PTO is accrued bi-weekly on an hourly basis and the maximum amount of PTO that can be accrued and carried over to the next year by each employee is limited to 576 hours. Employees are allowed to cash-out up to 80 hours of PTO each year.

I. LONG-TERM OBLIGATIONS

Long-term obligations are recorded in the Organization's government-wide statement of net assets when they become a liability of the Organization. Long-term obligations are recognized as a liability of a governmental fund only when due or when payment is made to the paying agent.

Bond discounts, issuance costs and bond premiums for the City's government-wide activities are deferred and amortized over the term of the bonds using the straight-line method and are included within the non-current liabilities due in more than one year of the City's government-wide statement of net assets. In governmental fund types, bond discounts and issuance costs are recognized as expenditures in the current period. Conversely, bond premiums are recognized as revenues in the current period.

J. FUND EQUITY

In the fund financial statements, governmental fund types report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for specific purposes. Designations of fund balance represent tentative management plans for future use of financial resources that are subject to change.

K. NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets are displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net assets - Consist of net assets restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

L. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

DAKOTA COMMUNICATIONS CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 2 - DEPOSITS AND INVESTMENTS

Cash and investments for the Organization as of December 31, 2008 consisted of the following:

Cash in bank	\$ 8,209
Money market account	1,708,118
Investments	<u>4,232,821</u>
	<u>\$ 5,949,148</u>

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Organization would not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require that insurance, surety bonds or collateral protect all of the Organization's deposits. The market value of the collateral pledged must at least equal 110% of the deposits not covered by insurance or bonds. As of December 31, 2008, the Organization's bank balances of \$8,209 were covered by insurance or collateral pledged and held in the Organization's name.

Custodial Credit Risk - Investments

For investments, custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the Organization will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the Organization's investments are insured and registered in its name. Minnesota Statutes authorize the Organization to invest in the following:

- a) Direct obligations or obligations guaranteed by the United States or its agencies, its instrumentalities, or organizations created by an act of Congress, excluding mortgage-backed securities defined as high-risk.
- b) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in: a) above, general obligation tax exempt securities, or repurchase or reverse repurchase agreements.
- c) General obligations of the State of Minnesota or any of its municipalities.
- d) Bankers' acceptance of United States banks eligible for purchase by the Federal Reserve System.
- e) Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality and maturing in 270 days or less.
- f) Repurchase or reverse repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000; a primary reporting dealer in United States government securities to the Federal Reserve Bank of New York; certain Minnesota securities broker-dealers; or, a bank qualified as a depositor.

DAKOTA COMMUNICATIONS CENTER
NOTES TO FINANCIAL STATEMENTS
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Concentration risk is the risk associated with investing a significant portion of the Organization's investments (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds.

As of December 31, 2008, the Organization's investment portfolio includes the following securities of single issuers exceeding 5 percent:

Federal Home Loan Bank	26%
Federal Home Loan Mortgage Corporation	7%

Investments are carried at fair value. Investment and dividend income are recognized as revenue when earned.

<u>Investment Type</u>	<u>Credit Risk</u>		<u>Interest Risk - Maturity Duration in Years</u>		
	<u>Rating</u>	<u>Agency</u>	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 - 5</u>
Pooled investments:					
Money market funds					
Wells Fargo Advantage	Aaa	Moody's	\$ 10,913	\$ 10,913	\$ -
First American Treasury					
Obligation	Aaa	Moody's	1,697,205	1,697,205	-
Non-pooled investments:					
Certificates of deposit	N/A	N/A	2,266,402	1,970,724	295,678
U.S. Government Agency	P-1	Moody's	619,404	308,523	310,881
U.S. Government Agency	Aaa	Moody's	<u>1,347,015</u>	<u>1,347,015</u>	<u>-</u>
Total investments			<u>\$ 5,940,939</u>	<u>\$ 5,334,380</u>	<u>\$ 606,559</u>

DAKOTA COMMUNICATIONS CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 3 - CAPITAL ASSETS

Capital assets are defined as assets with a useful life greater than one year and exceeds the capitalization threshold of \$5,000 established by the Board. A summary of changes in governmental capital assets during the year ended December 31, 2008, are as follows:

<u>Governmental activities:</u>	<u>Balance January 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31</u>
Depreciable:				
Furniture and equipment	\$ -	\$ 5,395,949	\$ -	\$ 5,395,949
Total depreciable at cost	<u>-</u>	<u>5,395,949</u>	<u>-</u>	<u>5,395,949</u>
Less accumulated depreciation:				
Furniture and equipment	-	583,962	-	583,962
Total accumulated depreciation	<u>-</u>	<u>583,962</u>	<u>-</u>	<u>583,962</u>
Total depreciable, net	<u>\$ -</u>	<u>\$ 4,811,987</u>	<u>\$ -</u>	<u>\$ 4,811,987</u>
Non-depreciable				
Construction in process	\$ 4,147,267	\$ -	\$(4,147,267)	\$ -
Total non-depreciable	<u>4,147,267</u>	<u>-</u>	<u>(4,147,267)</u>	<u>-</u>
Total capital assets, net	<u>\$ 4,147,267</u>	<u>\$ 4,811,987</u>	<u>\$(4,147,267)</u>	<u>\$ 4,811,987</u>

NOTE 4 - DEFINED BENEFIT PENSION PLANS – STATEWIDE

Plan Description

All full-time and certain part-time employees of the Organization are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund (PERF), which is a cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356.

PERF 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 three 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.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF. That report may be obtained on the web 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.

DAKOTA COMMUNICATIONS CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The Organization makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Coordinated Plan members were required to contribute 6.00% of their annual covered salary in 2008. Contribution rates in the Coordinated Plan remain at 6.00% in 2009. The Organization is required to contribute 6.50% of annual covered payroll for Coordinated Plan (PERF) members. Employer contribution rates for the Coordinated Plan will increase to 6.75% effective January 1, 2009.

The Organization's contributions to the Public Employees Retirement Fund for the years ended December 31, 2008 and 2007 were \$236,259 and \$228,938, respectively. The Organization's contributions were equal to the contractually required contributions for each year as set by state statute.

NOTE 5 - RISK MANAGEMENT

The Organization is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters.

Workers' compensation coverage is provided through a pooled self-insurance program through the League of Minnesota Cities Insurance Trust (LMCIT). The Organization pays an annual premium to LMCIT. The Organization is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through Workers' Compensation Reinsurance Association (WCRA) as required by law. For workers' compensation, the Organization is not subject to a deductible. The Organization's workers' compensation coverage is retrospectively rated. With this type of coverage, final premiums are determined after loss experience is known. The amount of premium adjustment, if any, is considered immaterial and not recorded until received or paid.

Property and casualty insurance coverage is provided through a pooled self-insurance program through the LMCIT. The Organization pays an annual premium to the LMCIT. The Organization is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through commercial companies for claims in excess various amounts.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported. The Organization's management is not aware of any incurred but not reported claims.

The Organization continues to carry commercial insurance for all other risks of loss, including employee health and disability insurance.

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

DAKOTA COMMUNICATIONS CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 6 - COMPENSATED ABSENCES

The vested or accumulated liability for accrued personal time off for governmental funds (including applicable salary-related payments) as of December 31, 2008 was \$429,673. This amount is included in the non-current liabilities of the government-wide statement of net assets as follows:

Due within one year	\$ 342,763
Due in more than one year	63,286
	\$ 406,049

NOTE 7 - LONG-TERM DEBT

On May 1, 2007 the Organization issued \$7,315,000 in Public Safety Revenue Bonds, Series 2007 to provide financing for the acquisition of equipment and reimbursement for conversion costs.

The bonds are special obligations of the Dakota Communications Center, payable from revenues to be received from Dakota County, the cities of Apple Valley, Burnsville, Eagan, Farmington, Hastings, Inver Grove Heights, Lakeville, Mendota Heights, Rosemount, South Saint Paul and West Saint Paul. Pursuant to the Joint Powers Agreement, dated August 25, 2005 the members will levy taxes for the payment of their pro rata share of the principal and interest payments due on the bonds.

The bonds mature February 1, 2014, and bear interest rates ranging from 4.50%-5.00%. The debt will be re-paid with JPA Member assessments over a seven year amortization. The annual requirements to amortize all outstanding debt as of December 31, 2008 including interest payments of \$1,027,125 are as follows:

Public Safety Revenue Bonds Series 2007A

<u>Maturities</u>	<u>Interest Rates</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total</u>
February 1, 2009	4.50	\$ 935,000	\$ 279,925	\$ 1,214,925
February 1, 2010	4.00	990,000	237,850	1,227,850
February 1, 2011	5.00	1,015,000	198,250	1,213,250
February 1, 2012	4.00	1,085,000	147,500	1,232,500
February 1, 2013	4.00	1,115,000	104,100	1,219,100
February 1, 2014	5.00	1,190,000	59,500	1,249,500
Total		\$ 6,330,000	\$ 1,027,125	\$ 7,357,125

DAKOTA COMMUNICATIONS CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

	<u>Balance</u> <u>January 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December 31</u>	<u>Due Within</u> <u>One Year</u>
<u>Governmental activities:</u>					
Public safety revenue bonds	\$7,315,000	\$ -	\$ (985,000)	\$ 6,330,000	\$ 935,000
Total long-term debt	7,315,000	-	(985,000)	6,330,000	935,000
Accrued compensated absences	429,673	319,139	(342,763)	406,049	342,763
Deferred bond premium	34,434	-	(5,660)	28,774	5,660
Total governmental activities	<u>\$7,779,107</u>	<u>\$ 319,139</u>	<u>\$(1,333,423)</u>	<u>\$ 6,764,823</u>	<u>\$ 1,283,423</u>

NOTE 8 - INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT

Invested in capital assets, net of related debt is computed as follows:

	Governmental
Capital assets, net of depreciation	\$ 4,811,988
Less applicable: Bonds payable	(6,330,000)
Unspent bond proceeds	1,568,274
Unamortized bond issuance and discount costs	103,433
Unamortized bond premium	(132,207)
	<u>\$ 21,488</u>

NOTE 9 - LEASE COMMITMENT

The Organization entered into a lease agreement (as Tenant) with the County of Dakota (as Landlord). The lease, consisting of land and building, requires the Organization to pay a monthly lease cost of \$60,425. The lease has a term of fifteen years with an automatic ten year extension.

The commencement of the lease occurred on September 1, 2007. Future rent payments are as follows:

<u>Year</u>	<u>Amount</u>
2009	\$ 725,100
2010	725,100
2011	725,100
2012	725,100
2013	725,100
2013-2022	<u>7,009,300</u>
	<u>\$ 9,909,700</u>

III. SUPPLEMENTARY INFORMATION

DAKOTA COMMUNICATIONS CENTER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GENERAL FUND - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

	Budget As Originally Adopted	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
JPA membership support	\$ 5,229,799	\$ 5,229,799	\$ 5,230,794	\$ 995
Dakota County subsidy	1,400,000	1,400,000	1,400,000	-
Enhanced E-911	579,474	579,474	562,587	(16,887)
Interest income	32,000	32,000	113,610	81,610
Total revenues	<u>7,241,273</u>	<u>7,241,273</u>	<u>7,306,991</u>	<u>65,718</u>
EXPENDITURES				
Personnel services				
Salaries	3,941,037	3,941,037	3,812,032	129,005
PERA	243,708	243,708	236,259	7,449
FICA	294,631	294,631	282,378	12,253
Benefits	585,142	585,142	493,749	91,393
Total personnel services	<u>5,064,518</u>	<u>5,064,518</u>	<u>4,824,418</u>	<u>240,100</u>
Supplies				
Operating supplies	15,605	15,605	18,417	(2,812)
Clothing	9,000	9,000	728	8,272
Computer supplies	15,000	15,000	2,037	12,963
Total supplies	<u>39,605</u>	<u>39,605</u>	<u>21,182</u>	<u>18,423</u>

DAKOTA COMMUNICATIONS CENTER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GENERAL FUND - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008

	Budget As Originally Adopted	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Contractual services				
Professional services	\$ 243,331	\$ 243,331	\$ 233,075	\$ 10,256
Use of personal auto	6,900	6,900	7,148	(248)
Print public information	6,130	6,130	9,248	(3,118)
Insurance	6,603	6,603	50,791	(44,188)
Telephone	112,133	112,133	55,334	56,799
Postage	-	-	1,670	(1,670)
Other contractual	72,260	72,260	31,943	40,317
Contract equipment repair	76,000	76,000	4,994	71,006
Contract building repair	160,800	160,800	150,895	9,905
Contract data processing	542,174	542,174	541,288	886
Rents	8,726	8,726	7,722	1,004
Building rent	725,100	725,100	725,100	-
Tuition reimbursements	20,173	20,173	-	20,173
Schools and conferences	45,000	45,000	18,740	26,260
Business meetings and expense	500	500	753	(253)
Dues and subscriptions	3,820	3,820	885	2,935
Miscellaneous	107,500	107,500	764	106,736
Total contractual	<u>2,137,150</u>	<u>2,137,150</u>	<u>1,840,350</u>	<u>296,800</u>
Total expenditures	<u>7,241,273</u>	<u>7,241,273</u>	<u>6,685,950</u>	<u>555,323</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	621,041	<u>\$ (489,605)</u>
Fund balances, beginning of year			<u>1,749,309</u>	
Fund balances, end of year			<u>\$ 2,370,350</u>	

IV. OTHER REPORT

AUDITOR'S REPORT ON LEGAL COMPLIANCE
