

DAKOTA
COMMUNICATIONS
CENTER

DAKOTA COMMUNICATIONS CENTER

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I. INTRODUCTORY SECTION

**DAKOTA COMMUNICATIONS CENTER
APPOINTED OFFICIALS
DECEMBER 31, 2010**

| <u>Appointed by</u> | <u>Appointed Official</u> | <u>Board Position</u> | <u>Position with Appointee</u> | <u>Term Expires</u> |
|-----------------------------|---------------------------|-----------------------|--------------------------------|---------------------|
| City of Burnsville | Mary Sherry | Member | City Council Member | January 2012 |
| City of Apple Valley | John Bergman | Member | City Council Member | January 2012 |
| Dakota County | Liz Workman | Member | County Commissioner | January 2012 |
| City of Eagan | Gary Hansen | Member | City Council Member | January 2012 |
| City of Farmington | Todd Larson | Member | City Mayor | January 2011 |
| City of Hastings | Mike Slavik | Member | City Council Member | January 2011 |
| City of Inver Grove Heights | George Tourville | Chair | City Mayor | January 2011 |
| City of Lakeville | Laurie Rieb | Member | City Council Member | January 2012 |
| City of Mendota Heights | Ultan Duggan | Member | City Council Member | January 2011 |
| City of Rosemount | Bill Droste | Member | City Mayor | January 2011 |
| City of South Saint Paul | Micky Gutzmann | Member | City Council Member | January 2011 |
| City of West Saint Paul | Darlene Lewis | Member | City Council Member | January 2011 |

March 16, 2011

Dakota Communications Center Board of Directors,

The Dakota Communications Center (DCC) was established as a joint powers entity between 11 cities and Dakota County to build and operate a consolidated 9-1-1 and emergency dispatch center to serve all citizens and public safety agencies within Dakota County. The Center commenced operations in December 2007.

Profile of Governance

The **Board of Directors** consists of a 12 members who are elected officials from each of the member jurisdictions. The Board provides policy leadership and approval of the general policies of the DCC related to budget, finance and legal matter; approval of the annual operating and capital budgets of the DCC; and hire, discipline, terminate and set the compensation for the Executive Director;

The **Executive Committee** consists of an Administrator or Manager from each participating jurisdiction. The duties of the Executive Committee include execution to Board policies and make recommendations to the Board of Directors; review of all administrative decisions concerning personnel, development efforts, operations, cost sharing, and operational decisions made by the Executive Director; and review modify and approve the proposed annual operating and capital budgets prior to submittal to the Board.

The **Operations Committee** is comprised of 25 police, fire and EMS personnel from each DCC Member law enforcement agency and fire department as well as one representative from Dakota County EMS Council. The Committee provides personal contact for the Executive Director and a resource for researching special topics of interest.

Major Initiatives

The DCC focus in 2010 was on refinement of services. By year's end, police emergency calls were dispatched 32% faster than pre-consolidation and fire calls were dispatched 47% faster than pre-consolidation.

The 9-1-1 answering times were better than national standards, with an average answer time of 4.66 seconds compared to 6.81 seconds in 2008. Member service concerns dropped to 0.99 per 1,000 incidents by the end of 2010, compared to 2.79 in mid-2008.

This progress is the result of the commitment and dedication of DCC staff, the input and advice of our member agencies and the support of the Board of Directors and Executive Committee.

(continued)

2

MEMBERS:

APPLE VALLEY
BURNSVILLE
DAKOTA COUNTY

EAGAN
FARMINGTON
HASTINGS

INVER GROVE HEIGHTS
LAKEVILLE
MENDOTA HEIGHTS

ROSEMOUNT
SOUTH ST. PAUL
WEST ST. PAUL

Financial operations

While service level improvements were the primary reason for consolidation and operation, our Members are also achieving the financial benefits envisioned with the creation of the DCC. A combined summary of financial operations for the years ending December 31, 2010 and 2009 are as follows:

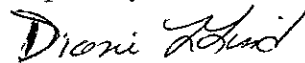
| | 2010 | 2009 | Change |
|----------------------------|-----------------------|-------------------|-----------------------|
| Revenues | | | |
| JPA membership support | \$ 6,490,384 | \$ 7,666,466 | \$ (1,176,082) |
| Intergovernmental grants | 562,587 | 562,587 | - |
| Other income | 29,753 | 7,270 | 22,483 |
| Investment income | 23,060 | 67,863 | (44,803) |
| Total revenues | <u>7,105,784</u> | <u>8,304,186</u> | <u>(1,198,402)</u> |
| Expenses | | | |
| Personnel | 4,884,225 | 4,927,290 | (43,065) |
| Commodities | 20,711 | 17,697 | 3,014 |
| Other charges and services | 2,095,988 | 1,982,328 | 113,660 |
| Capital outlay | 93,758 | 77,919 | 15,839 |
| Debt service | 1,211,650 | 1,197,487 | 14,163 |
| Total expenses | <u>8,306,332</u> | <u>8,202,721</u> | <u>103,611</u> |
| Net income (loss) | <u>\$ (1,200,548)</u> | <u>\$ 101,465</u> | <u>\$ (1,302,013)</u> |

Financial support for DCC operations is derived primarily from fees assessed to members of the Joint Powers Agreement, as well as two non-member agencies that receive dispatch services from the DCC. The State of Minnesota also provides \$562,587 annual from telephone tariffs. Operations were also financed in part from prior year member fees which exceeded operational expenses in prior years.

Overall expenses increase by \$103,611 (1.3%); the favorable results of operations were due to lower than expected expenses for personnel services due to employee resignations, consulting services, business insurance and contract equipment maintenance.

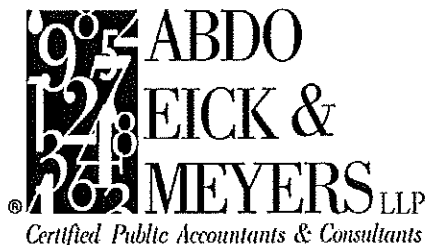
The Dakota Communications Center is achieving the vision of community leaders by providing efficient and cost effect emergency dispatch services to the public safety agencies and people we serve.

Respectfully submitted,



Diane Lind
Executive Director

II. FINANCIAL SECTION



5201 Eden Avenue
Suite 250
Edina, MN 55436

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Dakota Communications Center
Rosemount, Minnesota

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Dakota Communications Center (the Organization), Rosemount, Minnesota, as of and for the year ended December 31, 2010, which collectively comprise the Organization's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Organization's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Organization as of December 31, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 9 and the budgetary comparison for the General fund on page 26 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 assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Organization's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Aldo Eick & Meyers, LLP

March 21, 2011
Minneapolis, Minnesota

ABDO, EICK & MEYERS, LLP
Certified Public Accountants

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

DAKOTA COMMUNICATIONS CENTER

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2010

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, 2010. The letter of transmittal is presented on pages 1 and 2 of this report.

Financial Highlights

- The assets of the Organization exceeded its liabilities at the close of the most recent fiscal year by \$3,295,817 (net assets). Of this amount, \$1,852,272 (unrestricted net assets) may be used to meet the Organization's ongoing obligations.
- As of December 31, 2010, the Organization's governmental funds reported combined ending fund balances of \$4,564,716. The combined fund balance decreased by \$1.2 million primarily as a result of a \$1.7 million rebate to member organizations from the General Fund, a \$93,758 in investment in assets acquisitions and a \$605,637 increase in operating capital.

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 four 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, special revenue 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

Total assets as of December 31, 2010, were \$8,729,302 comprised of cash and investments (55.9 percent); accounts receivable and prepaid items (2.0 percent); unamortized bond issuance and discount cost (.7 percent) capital assets (41.4 percent).

As of the end of the current fiscal year, the Board's unrestricted net assets were \$1,852,272, or 23.5 percent of total operating expenditures of \$7,875,424.

Total liabilities as of December 31, 2010, amounted to \$5,433,485. Of this amount, \$3,444,183 (63.4 percent) are for non-current liabilities due in more than one year. The non-current liabilities that are due within one year amounted to \$1,410,742 (26.0 percent). Accounts payable, wages payable, deposits and interest payable represent 10.6 percent.

The assets of the Board exceeded liabilities by \$3,295,817 at the close of the most recent fiscal year. Of this amount, \$1,852,272 (unrestricted net assets) may be used to meet the ongoing obligations.

Organization as a Whole

Government-Wide Financial Statements

A condensed version of the statement of net assets at December 31, 2010 and 2009, follows:

| | <u>2010</u> | <u>2009</u> |
|---|---------------------|---------------------|
| NET ASSETS | | |
| Assets | | |
| Current and other assets | \$ 5,117,902 | \$ 6,187,877 |
| Capital assets | <u>3,611,400</u> | <u>4,186,706</u> |
| Total assets | <u>8,729,302</u> | <u>10,374,583</u> |
| Liabilities | | |
| Other liabilities | 578,560 | 445,239 |
| Non-current liabilities | <u>4,854,925</u> | <u>5,863,887</u> |
| Total liabilities | <u>5,433,485</u> | <u>6,309,126</u> |
| Net assets | | |
| Invested in capital assets, net of related debt | (212,866) | (552,161) |
| Restricted for debt service | 1,656,411 | 1,632,392 |
| Unrestricted | <u>1,852,272</u> | <u>2,985,226</u> |
| Net assets | <u>\$ 3,295,817</u> | <u>\$ 4,065,457</u> |

A condensed version of the statement of activities for the year ended December 31, 2010, is shown below.

Additions to Net Assets

Support payments from the JPA Membership are the main source of revenues and amounted to \$6,490,384 for 2010 compared to \$7,666,466 in 2009.

Intergovernmental grants from the State of Minnesota amounted to \$562,587 for both 2010 and 2009. Interest income for 2010 of \$23,060 is a decrease of \$44,803 as compared with 2009; the decrease is primarily the result of market conditions.

Deductions from Net Assets

Deductions from net assets are primarily for personnel. Personnel (\$4,891,271) accounted for 62.1 percent of the total deductions. Contractual services (\$2,095,588) accounted for 26.6 percent of the total deductions.

CHANGES IN NET ASSETS

| | <u>2010</u> | <u>2009</u> |
|------------------------------------|---------------------|---------------------|
| Revenues | | |
| Program revenues | | |
| Charges for services | \$ 6,520,137 | \$ 7,673,736 |
| Operating grants and contributions | 562,587 | 562,587 |
| General revenues | | |
| Net investment income | <u>23,060</u> | <u>67,863</u> |
| Total revenues | <u>7,105,784</u> | <u>8,304,186</u> |
| Expenses | | |
| Public safety | 7,680,634 | 7,590,754 |
| Interest on long-term debt | <u>194,790</u> | <u>234,527</u> |
| Total expenses | <u>7,875,424</u> | <u>7,825,281</u> |
| Increase/(decrease) in net assets | (769,640) | 478,905 |
| Net assets January 1, | <u>4,065,457</u> | <u>3,586,552</u> |
| Net assets December 31, | <u>\$ 3,295,817</u> | <u>\$ 4,065,457</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 \$4,564,716. Of this combined ending fund balance, \$2,355,203 or 51.6 percent, constitutes an unreserved - undesignated fund balance that is available for spending at the government's discretion. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed to (a) pay debt service (\$1,744,522), (b) pay remaining contractual obligations (\$24,078), (c) for other restricted purposes (\$440,913).

The general fund is the chief operating fund of the Organization. At the end of the current fiscal year, unreserved-undesignated fund balance of the general fund was \$1,718,503, which is a \$569,011 increase primarily as a net result of expenditures that were substantially below budget appropriations.

The special revenue fund which was created in 2009 to account for revenues received by outside agencies for access to the Code Red notification system has a fund balance of \$24,078. These revenues are designated for future unanticipated service fees that may be incurred.

The debt service fund balance of \$1,744,522 is primarily due to membership support received throughout 2010 to fund the debt service payment due on February 1, 2011 (\$1,015,000), and bond proceeds deposited into a reserve account as required by the bond resolution (\$731,500).

The capital projects fund has a unreserved – undesignated fund balance of \$636,700.

General Fund Budgetary Highlights

- The Board of Directors adopted the 2010 budget in 2009. An amendment was made in 2010 to the originally adopted budget. The 2010 budget appropriations were spent at or below the adopted budget.
- The 2010 adopted budget was amended to provide a one-time rebate to members to reduce the current fund balance to a level that is consistent with the fund balance policy.
- 2010 Personnel costs and other charges and services are approximately 7.5% below budget estimates for the year.
- Commodities continue to be significantly below budget appropriations as the amount of supplies required are less than the amount anticipated during the budget process.

Capital Asset and Debt Administration

Capital Assets. The Organization's investment in capital assets for its governmental activities as of December 31, 2010 amounted to \$3,611,400 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 \$4,405,000 of debt outstanding. The debt financed the initial acquisition of the dispatch center furniture and communications equipment. The final maturity is February 1, 2014

Economic Factors and Next Year's Budget

- The adopted 2011 general fund budget is \$7.6 million for operations. Revenues include \$7.08 million from JPA Members, \$562,587 from the State of Minnesota Enhanced 911 tariff fees and \$15,000 from MTNS partnership. Investment earnings are projected to be \$10,500.
- The Organization's next debt service payment due on February 1, 2011, for principal and interest are \$1,015,000 and \$99,125, respectively. The January 1, 2011 debt service fund has adequate and sufficient cash balance to meet the February 1, 2011 debt service payment.

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 dlind@mn-dcc.org.

BASIC FINANCIAL STATEMENTS

DAKOTA COMMUNICATIONS CENTER
STATEMENT OF NET ASSETS
DECEMBER 31, 2010

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| ASSETS | |
| Cash and investments | \$ 3,062,083 |
| Interest receivable | 7,373 |
| Due from other governmental units | 94,515 |
| Prepaid items | 71,179 |
| Unamortized bond issuance and discount cost | 62,737 |
| Restricted assets: | |
| Cash and investments held by trustee | 1,820,015 |
| Capital assets, net of accumulated depreciation | <u>3,611,400</u> |
| Total assets | <u>8,729,302</u> |
| LIABILITIES AND NET ASSETS | |
| LIABILITIES | |
| Wages payable | 159,093 |
| Accounts payable | 135,290 |
| Deposits | 196,066 |
| Interest payable | 88,111 |
| Non-current liabilities | |
| Due within one year | 1,410,742 |
| Due in more than one year | <u>3,444,183</u> |
| Total Liabilities | <u>5,433,485</u> |
| NET ASSETS | |
| Invested in capital assets, net of related debt | (212,866) |
| Restricted for debt service | 1,656,411 |
| Unrestricted | <u>1,852,272</u> |
| Total net assets | <u><u>\$ 3,295,817</u></u> |

DAKOTA COMMUNICATIONS CENTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

| <u>Functions/Programs</u> | <u>Expenses</u> | Program Revenues | | <u>Net (Expense) Revenue and Changes in Net Assets</u> |
|----------------------------|---------------------|---------------------------------|---|--|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Governmental Activities</u> |
| Governmental activities | | | | |
| Public safety | \$ 7,680,634 | \$ 6,520,137 | \$ 562,587 | \$ (597,910) |
| Interest on long-term debt | 194,790 | - | - | (194,790) |
| | <u>\$ 7,875,424</u> | <u>\$ 6,520,137</u> | <u>\$ 562,587</u> | (792,700) |
| General revenues: | | | | |
| Investment earnings | | | | 23,060 |
| Change in net assets | | | | (769,640) |
| Net assets - beginning | | | | 4,065,457 |
| Net assets - ending | | | | \$ 3,295,817 |

DAKOTA COMMUNICATIONS CENTER
BALANCE SHEET –
GOVERNMENTAL FUNDS
DECEMBER 31, 2010

| | General Fund | Debt Service Fund | Capital Projects Fund | Nonmajor Special Revenue Fund | Total Governmental Funds |
|--|---------------------|-------------------------|-----------------------------|--|--------------------------------|
| ASSETS | | | | | |
| Cash and investments | \$ 2,391,268 | \$ - | \$ 646,795 | \$ 24,020 | \$ 3,062,083 |
| Cash and investments held by trustee | - | 1,820,015 | - | - | 1,820,015 |
| Interest receivable | 5,773 | - | 1,542 | 58 | 7,373 |
| Due from other governmental units | 93,765 | 750 | - | - | 94,515 |
| Prepaid expense | 71,179 | - | - | - | 71,179 |
| Total assets | \$ 2,561,985 | \$ 1,820,765 | \$ 648,337 | \$ 24,078 | \$ 5,055,165 |
| LIABILITIES AND FUND BALANCE | | | | | |
| LIABILITIES | | | | | |
| Wages payable | \$ 159,093 | \$ - | \$ - | \$ - | \$ 159,093 |
| Accounts payable | 123,653 | - | 11,637 | - | 135,290 |
| Deposits | 119,823 | 76,243 | - | - | 196,066 |
| Total liabilities | 402,569 | 76,243 | 11,637 | - | 490,449 |
| FUND BALANCES | | | | | |
| Reserved for | | | | | |
| Prepaid items | 71,179 | - | - | - | 71,179 |
| Accrued compensated absences | 369,734 | - | - | - | 369,734 |
| Debt service | - | 1,744,522 | - | - | 1,744,522 |
| Unreserved | | | | | |
| Designated | - | - | - | 24,078 | 24,078 |
| Undesignated | 1,718,503 | - | 636,700 | - | 2,355,203 |
| Total fund balances | 2,159,416 | 1,744,522 | 636,700 | 24,078 | 4,564,716 |
| Total liabilities and fund balances | \$ 2,561,985 | \$ 1,820,765 | \$ 648,337 | \$ 24,078 | \$ 5,055,165 |

DAKOTA COMMUNICATIONS CENTER
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2010

| | | |
|--|--------------------|----------------------------|
| Total fund balances - governmental funds | | \$ 4,564,716 |
| 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 | 5,505,407 | |
| Less accumulated depreciation | <u>(1,894,007)</u> | 3,611,400 |
| 2. Long term liabilities are not payable with current financial resources and therefore are not reported in the governmental funds. | | |
| Accrued interest | (88,111) | |
| Bonds | (4,405,000) | |
| Unamortized debt issuance costs | 38,512 | |
| Unamortized bond discount | 24,225 | |
| Unamortized bond premium | <u>(80,191)</u> | (4,510,565) |
| 3. Accrued compensated absences are not payable with current financial resources and therefore are not reported in the governmental funds. | | |
| | | <u>(369,734)</u> |
| Net assets of governmental activities | | <u><u>\$ 3,295,817</u></u> |

DAKOTA COMMUNICATIONS CENTER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

| | General Fund | Debt Service Fund | Capital Projects Fund | Nonmajor Special Revenue Fund | Total Governmental Funds |
|------------------------------------|---------------------|-------------------------|-----------------------------|--|--------------------------------|
| REVENUES | | | | | |
| JPA membership support | \$ 5,272,321 | \$ 1,218,063 | \$ - | \$ - | \$ 6,490,384 |
| Intergovernmental grants | 562,587 | - | - | - | 562,587 |
| Other income | 10,275 | - | - | 19,478 | 29,753 |
| Interest income | 17,869 | 6 | 5,089 | 96 | 23,060 |
| Total revenues | <u>5,863,052</u> | <u>1,218,069</u> | <u>5,089</u> | <u>19,574</u> | <u>7,105,784</u> |
| EXPENDITURES - CURRENT | | | | | |
| Public safety | | | | | |
| Personnel | 4,884,225 | - | - | - | 4,884,225 |
| Commodities | 19,880 | - | 831 | - | 20,711 |
| Other charges and services | 2,091,938 | - | 4,050 | - | 2,095,988 |
| Capital outlay | - | - | 93,758 | - | 93,758 |
| Total expenditures - current | <u>6,996,043</u> | <u>-</u> | <u>98,639</u> | <u>-</u> | <u>7,094,682</u> |
| EXPENDITURES - DEBT SERVICE | | | | | |
| Principal maturities | - | 990,000 | - | - | 990,000 |
| Interest on debt | - | 218,050 | - | - | 218,050 |
| Fiscal charges | - | 3,600 | - | - | 3,600 |
| Total expenditures - debt service | <u>-</u> | <u>1,211,650</u> | <u>-</u> | <u>-</u> | <u>1,211,650</u> |
| Total expenditures | <u>6,996,043</u> | <u>1,211,650</u> | <u>98,639</u> | <u>-</u> | <u>8,306,332</u> |
| NET CHANGE IN FUND BALANCES | (1,132,991) | 6,419 | (93,550) | 19,574 | (1,200,548) |
| FUND BALANCES, | | | | | |
| BEGINNING OF YEAR | <u>3,292,407</u> | <u>1,738,103</u> | <u>730,250</u> | <u>4,504</u> | <u>5,765,264</u> |
| FUND BALANCES, END OF YEAR | <u>\$ 2,159,416</u> | <u>\$ 1,744,522</u> | <u>\$ 636,700</u> | <u>\$ 24,078</u> | <u>\$ 4,564,716</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, 2010

| | | |
|--|------------------|---------------------|
| Net change in fund balances - total governmental funds | | \$ (1,200,548) |
| 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 | 82,195 | |
| Depreciation expense | <u>(657,501)</u> | (575,306) |
| 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 | | 990,000 |
| 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 | 17,600 | |
| 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> | 23,260 |
| 4. Accrued compensated absences are not payable with current financial resources and therefore are not reported in the governmental funds. | | |
| Accrued compensated absences | | <u>(7,046)</u> |
| Change in net assets of governmental activities | | <u>\$ (769,640)</u> |

NOTES TO FINANCIAL STATEMENTS

DAKOTA COMMUNICATIONS CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

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.

The Organization has four governmental funds. Three funds are major individual governmental funds and are reported as separate columns in the fund financial statements. The fourth governmental fund is a nonmajor fund, however it is also listed individually on the fund financial statements.

DAKOTA COMMUNICATIONS CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Major governmental funds – The 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.

Other funds – The Dakota Communications Center reports the following other governmental funds:

- Special revenue fund – The special revenue fund is used to account for revenues related to the Code Red emergency notification system.

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.

DAKOTA COMMUNICATIONS CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 transactions must also be available before it can be recognized.

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 Communication Center's 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. The budget was amended once 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 investments 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.

DAKOTA COMMUNICATIONS CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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. The General fund is typically used to liquidate governmental compensated absences.

I. NET OTHER POST EMPLOYMENT BENEFITS (OPEB) OBLIGATION

In accordance with the provisions of GASB Statement No. 45, *Accounting and financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, an actuarial valuation is not required to be computed when an organization has fewer than 100 participating members. The organization has fewer than 100 members participating in the plan. As such, the "Alternative Measurement Method" is used to estimate the actuarial accrued liability and the annual required contributions. As of December 31, 2010, the liability was determined to be zero.

J. 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 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 premiums are recognized as revenues in the current period.

K. 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.

The special revenue fund balance has been designated for future Code Red mass telephone notification costs.

DAKOTA COMMUNICATIONS CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. 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 - Consists 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”.

M. 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.

N. INTERFUND ELIMINATIONS

Interfund eliminations have been made in the governmental type activities of the government-wide statement columns in accordance with generally accepted accounting principles for governmental units.

NOTE 2 - DEPOSITS AND INVESTMENTS

Cash and investments for the Organization as of December 31, 2010 consisted of the following:

| | |
|--------------|---------------------|
| Cash in bank | \$ 123,858 |
| Investments | 4,758,240 |
| | <u>\$ 4,882,098</u> |

Cash and investments as reported on the balance sheet:

| | |
|--------------------------------------|---------------------|
| Cash and investments | \$ 3,062,083 |
| Cash and investments held by trustee | 1,820,015 |
| | <u>\$ 4,882,098</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.

DAKOTA COMMUNICATIONS CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

The Organization does not have any custodial credit risk for its deposits since all of the Organization's deposits are held in safekeeping by the Organization's banks are fully protected by insurance and/or collateral as required by the Minnesota Statutes and authorized by the Organization's investment policy. As of December 31, 2010, the Organization's bank balances of \$123,858 were covered by insurance or collateral pledged and held in the Organization's name.

Credit Risk - Investments

The credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit ratings agencies and where applicable, indicate associated credit risk. Minnesota statutes limit the investments of the Organization.

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, (typically a broker-dealer) 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.

To minimize this risk, the investment policy requires that all of the Organization's investments are insured and registered in its name.

Minnesota Statutes authorize the Organization to invest in the following:

- 1) Direct obligations or obligations guaranteed by the United States or its agencies.
- 2) Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
- 3) General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
- 4) General obligations of the Minnesota Housing Finance Agency rated "A" or better.
- 5) Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
- 6) Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
- 7) Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

DAKOTA COMMUNICATIONS CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

- 8) Guaranteed investment contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

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, 2010, the Organization's investment portfolio did not include any securities of single issuers exceeding 5 percent.

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 | \$ 337 | \$ 337 | \$ - |
| First American Treasury | | | | | |
| Obligation | Aaa | Moody's | 1,820,015 | 1,820,015 | - |
| Non-pooled investments: | | | | | |
| Certificates of deposit | N/A | N/A | 2,937,888 | 1,641,660 | 1,296,228 |
| Total investments | | | <u>\$ 4,758,240</u> | <u>\$ 3,462,012</u> | <u>\$ 1,296,228</u> |

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, 2010, 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 | \$ 5,423,212 | \$ 82,195 | \$ - | \$ 5,505,407 |
| Total depreciable at cost | <u>5,423,212</u> | <u>82,195</u> | <u>-</u> | <u>5,505,407</u> |
| Less accumulated depreciation: | | | | |
| Furniture and equipment | 1,236,506 | 657,501 | - | 1,894,007 |
| Total accumulated depreciation | <u>1,236,506</u> | <u>657,501</u> | <u>-</u> | <u>1,894,007</u> |
| Total capital assets, net | <u>\$ 4,186,706</u> | <u>\$ (575,306)</u> | <u>\$ -</u> | <u>\$ 3,611,400</u> |

DAKOTA COMMUNICATIONS CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 3 – CAPITAL ASSETS (continued)

Depreciation expense was charged to the governmental functions as follows:

| | |
|---------------|------------|
| Public safety | \$ 657,501 |
|---------------|------------|

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 General Employees Retirement Fund (GERF), which is a cost-sharing, multiple-employer retirement plan. These plans are established and administered in accordance with *Minnesota Statutes*, 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 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 GERF. 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.

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. GERF Coordinated Plan members were required to contribute 6.00% of their annual covered salary in 2010. Contribution rates in the Coordinated Plan will increase to 6.25% effective January 1, 2011. The Organization is required to contribute 7.00% of annual covered payroll for Coordinated Plan (GERF) members. Employer contribution rates for the Coordinated Plan will increase to 7.25% effective January 1, 2011.

The Organization's contributions to the Public Employees Retirement Fund for the years ended December 31, 2010, 2009 and 2008 were \$257,706, \$250,768 and \$236,259, respectively. The Organization's contributions were equal to the contractually required contributions for each year as set by state statute.

DAKOTA COMMUNICATIONS CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

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.

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, 2010 was \$369,734. This amount is included in the non-current liabilities of the government-wide statement of net assets as follows:

| | |
|---------------------------|-------------------|
| Due within one year | \$ 369,734 |
| Due in more than one year | - |
| | <u>\$ 369,734</u> |

DAKOTA COMMUNICATIONS CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

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 4.00%-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, 2010 including interest payments of \$509,350 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, 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 | | <u>\$ 4,405,000</u> | <u>\$ 509,350</u> | <u>\$ 4,914,350</u> |

| | <u>Balance January 1</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance December 31</u> | <u>Due Within One Year</u> |
|--|--------------------------|-------------------|-----------------------|----------------------------|----------------------------|
| <u>Governmental activities:</u> | | | | | |
| Public safety revenue bonds | \$ 5,395,000 | \$ - | \$ (990,000) | \$ 4,405,000 | \$ 1,015,000 |
| Total long-term debt | 5,395,000 | - | (990,000) | 4,405,000 | 1,015,000 |
| Accrued compensated absences | 362,688 | 382,957 | (375,911) | 369,734 | 369,734 |
| Deferred bond premium | 106,199 | - | (26,008) | 80,191 | 26,008 |
| Total governmental activities | <u>\$ 5,863,887</u> | <u>\$ 382,957</u> | <u>\$ (1,391,919)</u> | <u>\$ 4,854,925</u> | <u>\$ 1,410,742</u> |

DAKOTA COMMUNICATIONS CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

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 | \$ 3,611,400 |
| Less applicable: Bonds payable | (4,405,000) |
| Unspent bond proceeds | 636,700 |
| Unamortized bond discount costs | 24,225 |
| Unamortized bond premium | (80,191) |
| | \$ (212,866) |

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> |
|-------------|---------------|
| 2011 | \$ 725,100 |
| 2012 | 725,100 |
| 2013 | 725,100 |
| 2014 | 725,100 |
| 2015 | 725,100 |
| 2016-2022 | 4,834,000 |
| | \$ 8,459,500 |

In addition to the lease commitment noted above, an additional commitment as noted in section 3.3 of the lease agreement: *“Beginning with the sixty first month after the commencement date, tenant shall pay repair and maintenance rent in an amount equal to 0.1667% (2% annually) of the cost to construct the premises to fund a reserve account for future building repairs and replacement of building components, equipment and fixtures”*. This commitment will take affect September 1, 2012 and will be adjusted by the annualized rate of inflation using the January Minnesota Consumer Price Index for Urban consumers for the previous calendar year.

III. SUPPLEMENTARY INFORMATION

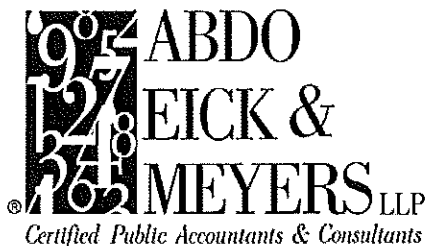
DAKOTA COMMUNICATIONS CENTER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GENERAL FUND - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

| | Budget As Originally Adopted | Final Budget | Actual | Variance With Final Budget |
|--------------------------------|------------------------------------|------------------|------------------|----------------------------------|
| REVENUES | | | | |
| JPA membership support | \$ 6,221,053 | \$ 6,821,494 | \$ 6,821,498 | \$ 4 |
| JPA membership support-rebated | - | (1,712,427) | (1,712,427) | - |
| Dakota County subsidy | 163,250 | 163,250 | 163,250 | - |
| Enhanced E-911 | 562,587 | 562,587 | 562,587 | - |
| Miscellaneous income | 25,000 | 25,000 | 10,275 | (14,725) |
| Interest income | 23,703 | 23,703 | 17,869 | (5,834) |
| Total revenues | <u>6,995,593</u> | <u>5,883,607</u> | <u>5,863,052</u> | <u>(20,555)</u> |
| EXPENDITURES | | | | |
| Personnel | | | | |
| Salaries | 3,992,597 | 3,992,597 | 3,788,539 | 204,058 |
| PERA | 268,866 | 268,866 | 257,706 | 11,160 |
| FICA | 302,291 | 302,291 | 278,521 | 23,770 |
| Benefits | 725,852 | 725,852 | 559,459 | 166,393 |
| Total personnel | <u>5,289,606</u> | <u>5,289,606</u> | <u>4,884,225</u> | <u>405,381</u> |
| Commodities | | | | |
| Operating supplies | 20,600 | 20,600 | 8,248 | 12,352 |
| Clothing | 8,500 | 8,500 | 3,652 | 4,848 |
| Computer supplies | 15,000 | 15,000 | 7,980 | 7,020 |
| Total commodities | <u>44,100</u> | <u>44,100</u> | <u>19,880</u> | <u>24,220</u> |

DAKOTA COMMUNICATIONS CENTER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GENERAL FUND - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010

| | Budget As Originally Adopted | Final Budget | Actual | Variance With Final Budget |
|----------------------------------|------------------------------------|-----------------------|---------------------|----------------------------------|
| Other charges and services | | | | |
| Professional services | \$ 155,825 | \$ 155,825 | \$ 141,554 | \$ 14,271 |
| Use of personal auto | 7,400 | 7,400 | 5,824 | 1,576 |
| Print public information | 4,000 | 4,000 | 3,821 | 179 |
| Insurance | 54,673 | 54,673 | 53,557 | 1,116 |
| Telephone | 78,101 | 78,101 | 55,519 | 22,582 |
| Postage | 1,772 | 1,772 | 921 | 851 |
| Contract equipment repair/other | 298,247 | 298,247 | 292,078 | 6,169 |
| Contract building repair | 206,134 | 206,134 | 185,032 | 21,102 |
| Contract data processing | 577,654 | 577,654 | 588,381 | (10,727) |
| Rents | 9,250 | 9,250 | 8,401 | 849 |
| Building rent | 725,100 | 725,100 | 725,100 | - |
| Tuition reimbursements | 20,000 | 20,000 | - | 20,000 |
| Schools and conferences | 45,000 | 45,000 | 28,031 | 16,969 |
| Business meetings and expense | 2,000 | 2,000 | 346 | 1,654 |
| Dues and subscriptions | 2,848 | 2,848 | 1,213 | 1,635 |
| Miscellaneous | 74,324 | 74,324 | 2,160 | 72,164 |
| Total other charges and services | <u>2,262,328</u> | <u>2,262,328</u> | <u>2,091,938</u> | <u>170,390</u> |
| Total expenditures | <u>7,596,034</u> | <u>7,596,034</u> | <u>6,996,043</u> | <u>599,991</u> |
| Net change in fund balances | <u>\$ (600,441)</u> | <u>\$ (1,712,427)</u> | <u>(1,132,991)</u> | <u>\$ 579,436</u> |
| Fund balances, beginning of year | | | <u>3,292,407</u> | |
| Fund balances, end of year | | | <u>\$ 2,159,416</u> | |

IV. OTHER REPORT



5201 Eden Avenue
Suite 250
Edina, MN 55436

REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Directors
Dakota Communications Center
Rosemount, Minnesota

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Dakota Communications Center (the Organization), Rosemount, Minnesota, as of and for the year ended December 31, 2010 which collectively comprise the Organization's basic financial statements and have issued our report thereon dated March 21, 2011.

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

The *Minnesota Legal Compliance Audit Guide for Local Government* covers six main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories.

The results of our tests indicate that for the items tested, the Organization complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of the Board, management, others within the Organization and the Minnesota Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

March 21, 2011
Minneapolis, Minnesota

ABDO, EICK & MEYERS, LLP
Certified Public Accountants

5201 Eden Avenue
Suite 250
Edina, MN 55436

Board of Directors
Dakota Communications Center
Rosemount, Minnesota

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Dakota Communications Center (the Organization), Rosemount, Minnesota, for the year ended December 31, 2010. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 26, 2010. Professional standard also require that we communicate to you the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control over financial reporting of the Organization. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Significant Audit Findings

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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect of the determination of financial statement amounts. However, providing an opinion on the 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 non-compliance with Minnesota statutes.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Organization are described in Note 1 to the financial statements. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was capital asset basis and depreciation.

Management's estimate of these accounting estimates is based on estimated or actual historical cost and the estimated useful lives of capital assets. We evaluated the key factors and assumptions used to develop these accounting estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.



Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 21, 2011.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Current and Future Statute and Accounting Standard Changes

The following Governmental Accounting Standards Board (GASB) Statements have been issued and may have an impact on future Organization financial statements:

GASB Statement No. 54 - Fund Balance

This statement was issued in March of 2009 and is effective for periods beginning after June 15, 2010. This new standard is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications, and clarifying the definitions of existing governmental fund types.

GASB No. 54 distinguishes fund balance between amounts that are considered non-spendable, such as fund balance associated with inventories, and other amounts that are classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. The following classifications and definitions will be used:

- *Restricted* - amounts constrained by external parties, constitutional provision, or enabling legislation
- *Committed* - amounts constrained by a government using its highest level of decision-making authority
- *Assigned* - amounts a government *intends* to use for a particular purpose
- *Unassigned* - amounts that are not constrained at all will be reported in the general fund.

In addition to the classifications of fund balance, the standard clarified the definitions of individual governmental fund types, for example, special revenue funds, debt service funds, and capital project funds.



GASB Statement No. 59 – Financial Instruments Omnibus

Summary

The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. This Statement provides for the following amendments:

- Statement 31 is clarified to indicate that a 2a7-like pool, as described in Statement 31, is an external investment pool that operates in conformity with the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended.
- Statement No. 40, Deposit and Investment Risk Disclosures, is amended to indicate that interest rate risk information should be disclosed only for debt investment pools—such as bond mutual funds and external bond investment pools—that do not meet the requirements to be reported as a 2a7-like pool.

The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2010. Earlier application is encouraged.

How the Changes in This Statement Will Improve Financial Reporting

The requirements of this Statement will improve financial reporting by providing more complete information, by improving consistency of measurements, and by providing clarifications of existing standards. Emphasizing the applicability of SEC requirements to 2a7-like external investment pools provides practitioners with improved guidance. Finally, limiting interest rate risk disclosures for investments in mutual funds, external investment pools, and other pooled investments to debt investment pools provides better guidance regarding the applicability of interest rate risk disclosures.

* * * * *

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

Our audit would not necessarily disclose all weaknesses in the system because it was based on selected tests of the accounting records and related data. The comments and recommendations in the report are purely constructive in nature, and should be read in this context.

If you have any questions or wish to discuss any of the items contained in this letter, please feel free to contact us at your convenience. We wish to thank you for the opportunity to be of service and for the courtesy and cooperation extended to us by your staff.

March 21, 2011
Minneapolis, Minnesota

ABDO, EICK & MEYERS, LLP
Certified Public Accountants