Management Letter

Dakota Communications Center

Rosemount, Minnesota

For the Year Ended
December 31, 2017

ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

People + Process. Going Beyond the Numbers

ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

March 19, 2018

Board of Directors
Dakota Communications Center
Rosemount, Minnesota

We have audited the financial statements of the governmental activities and each major fund information of the Dakota Communications Center (the Organization), Rosemount, Minnesota, for the year ended December 31, 2017. 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 November 7, 2017. Professional standards require that we provide you with 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 (internal control) 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.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of Minnesota statutes. However, providing an opinion on compliance with those provisions was not an objective of our audit. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the Organization's compliance with those requirements. The results of our tests disclosed no instances of noncompliance that are required to be reported in accordance with Minnesota statutes.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note 1 to the financial statements No new accounting policies were adopted and the application of existing policies were not changed during the year ended December 31, 2017. We noted no transactions entered into by the Organization 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 includes depreciation on capital assets, liability for the Organization's pensions, and other postemployment benefits payable.

- Management's estimate of depreciation is based on estimated useful lives of the assets. Depreciation is calculated using the straight-line method.

- Management's estimate of its pension liability is based on several factors including, but not limited to, anticipated investment return rate, retirement age for active employees, life expectancy, salary increases and form of annuity payment upon retirement.

- Management's estimate of its OPEB liability is based on several factors including, but not limited to, anticipated retirement age for active employees, life expectancy, turnover, and healthcare cost trend rate.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are 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. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

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 19, 2018.

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 Matters

We applied certain limited procedures to the required supplementary information (RSI) (Management's Discussion and Analysis, budgetary comparison for the General fund, the Schedule of Funding Progress, the Schedule of Employer's Share of the Net Pension Liability and the Schedule of Employer's Contributions), which is information that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the introductory section, which accompany the financial statements but is not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

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.

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Future Accounting Standard Changes

The following Governmental Accounting Standards Board (GASB) Statements have been issued and may have an impact on future Organization financial statements: [1]

GASB Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension*

Summary

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

Effective Date

This Statement is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

How the Changes in This Statement Will Improve Financial Reporting

The requirements of this Statement will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense. Decision-usefulness and accountability also will be enhanced through new note disclosures and required supplementary information, as follows:

- More robust disclosures of assumptions will allow for better informed assessments of the reasonableness of OPEB measurements.
- Explanations of how and why the OPEB liability changed from year to year will improve transparency.

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Future Accounting Standard Changes (Continued)

- The summary OPEB liability information, including ratios, will offer an indication of the extent to which the total OPEB liability is covered by resources held by the OPEB plan, if any.

- For employers that provide benefits through OPEB plans that are administered through trusts that meet the specified criteria, the contribution schedules will provide measures to evaluate decisions related to contributions.

The consistency, comparability, and transparency of the information reported by employers and governmental nonemployer contributing entities about OPEB transactions will be improved by requiring:

- The use of a discount rate that considers the availability of the OPEB plan's fiduciary net position associated with the OPEB of current active and inactive employees and the investment horizon of those resources, rather than utilizing only the long-term expected rate of return regardless of whether the OPEB plan's fiduciary net position is projected to be sufficient to make projected benefit payments and is expected to be invested using a strategy to achieve that return.

- A single method of attributing the actuarial present value of projected benefit payments to periods of employee service, rather than allowing a choice among six methods with additional variations.

- Immediate recognition in OPEB expense, rather than a choice of recognition periods, of the effects of changes of benefit terms.

- Recognition of OPEB expense that incorporates deferred outflows of resources and deferred inflows of resources related to OPEB over a defined, closed period, rather than a choice between an open or closed period.

GASB Statement No. 83 - *Certain Asset Retirement Obligations*

Summary

This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

This Statement requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. The best estimate should include probability weighting of all potential outcomes, when such information is available or can be obtained at reasonable cost. If probability weighting is not feasible at reasonable cost, the most likely amount should be used. This Statement requires that a deferred outflow of resources associated with an ARO be measured at the amount of the corresponding liability upon initial measurement.

This Statement requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually. In addition, it requires a government to evaluate all relevant factors at least annually to determine whether the effects of one or more of the factors are expected to significantly change the estimated asset retirement outlays. A government should remeasure an ARO only when the result of the evaluation indicates there is a significant change in the estimated outlays. The deferred outflows of resources should be reduced and recognized as outflows of resources (for example, as an expense) in a systematic and rational manner over the estimated useful life of the tangible capital asset.

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Future Accounting Standard Changes (Continued)

A government may have a minority share (less than 50 percent) of ownership interest in a jointly owned tangible capital asset in which a nongovernmental entity is the majority owner and reports its ARO in accordance with the guidance of another recognized accounting standards setter. Additionally, a government may have a minority share of ownership interest in a jointly owned tangible capital asset in which no joint owner has a majority ownership, and a nongovernmental joint owner that has operational responsibility for the jointly owned tangible capital asset reports the associated ARO in accordance with the guidance of another recognized accounting standards setter. In both situations, the government's minority share of an ARO should be reported using the measurement produced by the nongovernmental majority owner or the nongovernmental minority owner that has operational responsibility, without adjustment to conform to the liability measurement and recognition requirements of this Statement.

In some cases, governments are legally required to provide funding or other financial assurance for their performance of asset retirement activities. This Statement requires disclosure of how those funding and assurance requirements are being met by a government, as well as the amount of any assets restricted for payment of the government's AROs, if not separately displayed in the financial statements.

This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government's minority shares of AROs.

Effective Date

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

How the Changes in This Statement Will Improve Financial Reporting

This Statement will enhance comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain AROs, including obligations that may not have been previously reported. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring disclosures related to those AROs.

GASB Statement No. 84 - *Fiduciary Activities*

Summary

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

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Future Accounting Standard Changes (Continued)

A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds.

This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.

Effective Date

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

How the Changes in This Statement Will Improve Financial Reporting

The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship.

GASB Statement No. 85 - *Omnibus 2017*

Summary

The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
- Reporting amounts previously reported as goodwill and "negative" goodwill
- Classifying real estate held by insurance entities
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
- Classifying employer-paid member contributions for OPEB
- Simplifying certain aspects of the alternative measurement method for OPEB
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

Effective Date

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

Future Accounting Standard Changes (Continued)

How the Changes in This Statement Will Improve Financial Reporting

The requirements of this Statement will enhance consistency in the application of accounting and financial reporting requirements. Consistent reporting will improve the usefulness of information for users of state and local government financial statements.

GASB Statement No. 86 - *Certain Debt Extinguishment Issues*

Summary

The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

Effective Date

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

How the Changes in This Statement Will Improve Accounting and Financial Reporting

The requirements of this Statement will increase consistency in accounting and financial reporting for debt extinguishments by establishing uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irrevocable trust for the purpose of extinguishing that debt were acquired. The requirements of this Statement also will enhance consistency in financial reporting of prepaid insurance related to debt that has been extinguished. In addition, this Statement will enhance the decision-usefulness of information in notes to financial statements regarding debt that has been defeased in substance.

GASB Statement No. 87 - *Leases*

Summary

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

Effective Date and Transition

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

Leases should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation (or, if applied to earlier periods, the beginning of the earliest period restated). However, lessors should not restate the assets underlying their existing sales-type or direct financing leases. Any residual assets for those leases become the carrying values of the underlying assets.

Future Accounting Standard Changes (Continued)

How the Changes in This Statement Will Improve Accounting and Financial Reporting

This Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements.

(1) *Note*. From GASB Pronouncements Summaries. Copyright 2017 by the Financial Accounting Foundation, 401 Merritt 7, Norwalk, CT 06856, USA, and is reproduced with permission.

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Restriction on Use

This communication is intended solely for the information and use of the Board, management and the Minnesota Office of the State Auditor and is not intended and should not be used by anyone other than those 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 continued opportunity to be of service and for the courtesy and cooperation extended to us by your staff.

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
March 19, 2018

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Financial Statements
For the Year Ended December 31, 2017

DAKOTA
COMMUNICATIONS
CENTER

DCC 911

DAKOTA COMMUNICATIONS CENTER

Table of Contents

I. INTRODUCTORY SECTION

DAKOTA COMMUNICATIONS CENTER
APPOINTED OFFICIALS
DECEMBER 31, 2017

Appointed by	Appointed Official	Board Position	Position with Appointer	Term Expires
City of Apple Valley	John Bergman	Member	City Council Member	January 2018
City of Burnsville	Bill Coughlin	Member	City Council Member	January 2018
Dakota County	MaryLiz Holberg	Member	County Commissioner	January 2018
City of Eagan	Gary Hansen	Member	City Council Member	January 2018
City of Farmington	Jason Bartholomay	Member	City Council Member	January 2019
City of Hastings	Joe Balsanek	Member	City Council Member	January 2019
City of Inver Grove Heights	George Tourville	Chair	City Mayor	January 2019
City of Lakeville	Colleen LaBeau	Member	City Council Member	January 2018
City of Mendota Heights	Ultan Duggan	Member	City Council Member	January 2019
City of Rosemount	Jeff Weisensel	ViceChair	City Council Member	January 2019
City of South Saint Paul	Lori Hansen	Member	City Council Member	January 2019
City of West Saint Paul	Dick Vitelli	Member	City Council Member	January 2019

March 19, 2018

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.

Profile of Governance

The **Board of Directors** consists of 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 matters; approves the annual operating and capital budgets of the DCC; and hires, disciplines, terminates and sets the compensation for the Executive Director.

The **Executive Committee** consists of an Administrator or Manager from each participating jurisdiction. The Executive Committee executes the Board's policies and makes recommendations to the Board of Directors; reviews all administrative decisions concerning personnel, development efforts, operations, cost sharing, and operational decisions made by the Executive Director; and reviews, modifies and approves the proposed annual operating and capital budgets prior to submittal to the Board.

The **Joint Operations Committee** is comprised of 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.

Board of Directors

Executive Committee

Joint Operations Committee

This is a unique partnership that excels in the quality services it provides to Dakota County citizens. The Dakota Communications Center was established in late 2005 through a Joint Powers Agreement between Dakota County and eleven cities located within the County. The initial investment in equipment was financed in 2007 with a grant and $7.3 million debt issued by the Dakota Communications Center on behalf of its members. The final payment of the debt occurred in 2014.

(continued)

Major Initiatives

The initiatives in 2017 that required funding were negligible in 2017:

1) Replacement of Training Room Tables

    The training room tables used for most meetings at the DCC were in need of replacement. The costs came in under the $9,000 budget.

2) RAD Equipment (Used in fiber transmission)

    This equipment was replaced as it was at the end of its useful life.

Several planned items were delayed in 2017 including Emergency Fire Dispatch and Text to 911.

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, 2017 and 2016 is as follows:

	2017	2016	Change
Revenues			
JPA membership support, net	$ 8,539,290	$ 8,353,201	$ 186,089
Intergovernmental grants	597,275	597,401	(126)
Other income	24,556	61,231	(36,675)
Sale of assets	-	25,000	(25,000)
Investment income	32,066	50,793	(18,727)
Total revenues and other financing sources	9,193,187	9,087,626	105,561
Expenditures			
Personnel	6,026,331	6,037,022	(10,691)
Commodities	15,334	14,091	1,243
Other charges and services	2,415,861	2,305,911	109,950
Capital outlay	38,160	62,477	(24,317)
Debt service	267,765	267,765	-
Total expenditures	8,763,451	8,687,266	76,185
Net	$ 429,736	$ 400,360	$ 29,376

(continued)

The primary revenue source for the DCC operations, debt obligations and capital projects is a service charge assessed to member agencies.

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.

A special thanks to the Board of Directors, Executive Committee, Joint Operations Committee and the numerous work groups who support and guide us throughout the year.

Respectfully submitted,

Tom Folie
Executive Director

II. FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Dakota Communications Center
Rosemount, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Dakota Communications Center (the Organization), Rosemount, Minnesota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Organization as of December 31, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 7 the budgetary comparison for the General fund on page 36, and the Schedule of Funding Progress, the Schedule of Employer's Share of the Net Pension Liability and the Schedule of Employer's Contributions starting on page 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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.

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
March 19, 2018

MANAGEMENT'S DISCUSSION
AND ANALYSIS

DAKOTA COMMUNICATIONS CENTER

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017

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, 2017. The letter of transmittal is presented on pages 2-4 of this report.

Financial Highlights

- The Organization's liabilities and deferred inflows of resources exceeded the assets and deferred outflows of resources at the close of the most recent fiscal year by $389,178 (net position deficit). The Organization's total net position increased $172,435 during the fiscal year ended December 31, 2017.
- Government-wide revenues totaled $9,194,860 and were $172,435 more than expenses of $9,022,425.
- As of December 31, 2017, the Organization's governmental funds reported combined ending fund balances of $3,429,587. Of the total fund balance, $2,432,707 consists of the following: non-spendable for prepaid items ($351,343), assigned for future capital acquisitions ($1,685,018) and assigned for compensated absences ($396,346); the remaining $996,880 is unassigned.

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 Position presents information on all of the Organization's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases and decreases in net position serve as a useful indicator of whether the Organization's financial position is improving or deteriorating.

The Statement of Activities presents information showing how the Organization's net position 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 two 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 and Capital Projects fund.

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.

Government Wide Financial Analysis

Total assets, as of December 31, 2017, were $5,216,534 comprised of cash and investments (65.2 percent); due from other governmental units, interest receivable and prepaid items (7.8 percent); and capital assets (27.0 percent).

Deferred outflows of resources for deferred pension resources was $1,186,300.

Total liabilities as of December 31, 2017, amounted to $5,733,205. Of this amount, $659,809 (11.5 percent) is for non-current liabilities due within one year. The non-current liabilities that are due in more than one year amounted to $4,689,737 (81.8 percent). Accounts payable, wages payable, deposits payable and interest payable represent 6.7 percent.

Deferred inflows of resources for deferred pension resources was $1,058,807.

As of the end of the current fiscal year, the Board's net investment in capital assets was $1,407,231 and the unrestricted net position was ($1,796,409) (deficit).

The Organization's liabilities and deferred inflows of resources exceeded the assets and deferred outflows of resources at the close of the most recent fiscal year by $389,178 (net position deficit).

Organization as a Whole

Government-Wide Financial Statements

A condensed version of the Statement of Net Position at December 31, 2017 and 2016 follows:

NET POSITION

	2017	2016
Assets		
Current and other assets	$ 3,809,303	$ 3,725,100
Capital assets	1,407,231	1,766,044
Total assets	5,216,534	5,491,144
Deferred outflows of resources	1,186,300	2,062,397
Liabilities		
Other liabilities	383,659	733,069
Non-current liablities	5,349,546	6,738,696
Total liabilities	5,733,205	7,471,765
Deferred inflows of resources	1,058,807	643,389
Net position		
Investment in capital assets	1,407,231	1,766,044
Unrestricted	(1,796,409)	(2,327,657)
Total net position	$ (389,178)	$ (561,613)

Additions to Net Position

Support payments from the JPA Membership are the main source of revenues and amounted to $8,539,290 for 2017 compared to $8,353,201 in 2016.

Intergovernmental grants amounted to $597,275 for 2017 which is a decrease of $126 from 2016. Investment earnings for 2017 of $47,778 and the net change in fair value of investments amounted to ($15,712) which is a decrease of $18,727 compared to 2016; the decrease is primarily the result of market conditions.

Deductions from Net Position

Deductions from net position are primarily for personnel. Personnel ($6,189,604) accounted for 68.6 percent of the total deductions. Other charges and services ($2,415,861) accounted for 26.8 percent of the total deductions. The Organization is a member of a consortium of local governmental units that utilize the services of the Local Government Information Systems Association (LOGIS). In 2014, LOGIS began the process of replacing the Public Safety Application Suite currently used by the consortium and the Organization. The project will be funded by assessments to benefiting members of which the Organization's share is $1,535,935.

A condensed version of the statement of activities for the year ended December 31, 2017 and 2016 follows:

CHANGES IN NET POSITION

	2017	2016
Revenues		
Program revenues		
Charges for services	$ 8,563,846	$ 8,414,432
Operating grants and contributions	597,275	597,401
General revenues		
Investment earnings	32,066	50,793
Sale of assets	-	25,000
Other revenues	1,673	22,160
Total revenues	9,194,860	9,109,786
Expenses		
Public safety	9,017,772	9,235,657
Interest on long-term debt	4,653	8,878
Total expenses	9,022,425	9,244,535
Increase/(decrease) in net position	172,435	(134,749)
Net position January 1,	(561,613)	(426,864)
Net position December 31,	$ (389,178)	$ (561,613)

(continued)

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 $3,429,587. Of this combined ending fund balance, $996,880 or 29.1 percent, constitutes an unassigned fund balance that is available for spending at the government’s discretion. The remainder of fund balance is non-spendable or assigned to indicate that it is not available for new spending because it has already been allotted to (a) assigned for future capital acquisitions ($1,685,018), (b) assigned for compensated absences ($396,346) and (c) non-spendable prepaid items ($351,343).

The General fund is the chief operating fund of the Organization. At the end of the current fiscal year, unassigned fund balance of the general fund was $996,880.

The Capital Projects fund has an assigned fund balance of $1,685,018. This fund balance is assigned for future capital acquisition.

General Fund Budgetary Highlights

- The Board of Directors adopted the 2017 budget in 2016. No amendments were made in 2017 to the originally adopted budget.
- Total Revenues were under budget expectations by $42,303 due in part to postponing a capital improvement project in which grant funding was anticipated.
- The 2017 budget appropriations were spent below the adopted budget.
- 2017 Personnel costs are approximately 1.9 percent under budget estimates for the year. This was due to lower health insurance premiums than previously anticipated.
- Commodities were $3,071 (16.7 percent) under budget appropriations.
- Contractual expenditures were $164,510 (6.4 percent) under budget appropriations as a result of using less technical consultant services; lower facility maintenance payments to Dakota County; lower LOGIS cost from what was anticipated; and no training costs that were anticipated for the Emergency Fire Dispatch training program that was postponed to a future date.

Capital Asset and Debt Administration

Capital Assets. The Organization’s investment in capital assets for its governmental activities as of December 31, 2017 amounted to $1,407,231 net of accumulated depreciation. This investment in capital assets consists of furniture and communication equipment.

(continued)

Debt Administration. At the end of the current fiscal year, the Organization had a total of $263,465 of debt outstanding. The debt financed the Organization's share of the Public Safety Suite of software applications. The final maturity is February 1, 2018.

Economic Factors and Next Year's Budget

- The adopted 2018 General fund budget is $9.2 million for operations. Revenues include $8.4 million from JPA Members, $581,696 from the State of Minnesota Enhanced 911 tariff fees, $18,000 from MTNS partnership, $21,000 from miscellaneous grants and $5,000 in insurance rebates. Investment earnings are projected to be $18,000.
- The Organization's next debt payment is due on February 1, 2018, for principal and interest of $263,466 and $4,299, respectively. The January 1, 2018 General fund has adequate and sufficient cash balance to meet the February 1, 2018 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 tfolie@mn-dcc.org.

BASIC FINANCIAL STATEMENTS

DAKOTA COMMUNICATIONS CENTER
STATEMENT OF NET POSITION
DECEMBER 31, 2017

	Governmental Activities
ASSETS	
Cash and investments	$ 3,400,859
Interest receivable	8,627
Due from other governmental units	48,474
Prepaid items	351,343
Capital assets, net of accumulated depreciation	1,407,231
Total assets	5,216,534
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension resources	1,186,300
LIABILITIES	
Wages payable	130,234
Accounts payable	71,760
Deposits payable	177,722
Interest payable	3,943
Non-current liabilities	
Due within one year	659,809
Due in more than one year	4,689,737
Total Liabilities	5,733,205
DEFERRED INFLOWS OF RESOURCES	
Deferred pension resources	1,058,807
NET POSITION	
Investment in capital assets	1,407,231
Unrestricted	(1,796,409)
Total net position	$ (389,178)

DAKOTA COMMUNICATIONS CENTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities				
Public safety	$ 9,017,772	$ 8,563,846	$ 597,275	$ 143,349
Interest on long-term debt	4,653	-	-	(4,653)
Total governmental activities	$ 9,022,425	$ 8,563,846	$ 597,275	138,696
General revenues:				
Investment income				32,066
Other revenues				1,673
Total general revenues				33,739
Change in net position				172,435
Net position - beginning				(561,613)
Net position - ending				$ (389,178)

DAKOTA COMMUNICATIONS CENTER
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash and investments	$ 1,712,332	$ 1,688,527	$ 3,400,859
Interest receivable	4,388	4,239	8,627
Due from other governmental units	48,474	-	48,474
Prepaid items	351,343	-	351,343
Total assets	$ 2,116,537	$ 1,692,766	$ 3,809,303
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Wages payable	$ 130,234	$ -	$ 130,234
Accounts payable	71,760	-	71,760
Deposits payable	169,974	7,748	177,722
Total liabilities	371,968	7,748	379,716
FUND BALANCES			
Non-spendable for prepaid items	351,343	-	351,343
Assigned for future capital acquisitions	-	1,685,018	1,685,018
Assigned for compensated absences	396,346	-	396,346
Unassigned	996,880	-	996,880
Total fund balances	1,744,569	1,685,018	3,429,587
Total liabilities and fund balances	$ 2,116,537	$ 1,692,766	$ 3,809,303

DAKOTA COMMUNICATIONS CENTER
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2017

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances - governmental funds		$ 3,429,587
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Furniture and equipment	4,106,102	
Less accumulated depreciation	(2,698,871)	1,407,231
2. Long term liabilities are not payable with current financial resources and therefore are not reported in the governmental funds.		
Debt	(263,465)	
Pension liability	(4,609,200)	(4,872,665)
3. Accrued compensated absences are not payable with current financial resources and therefore are not reported in the governmental funds.		(396,344)
4. Other post employment benefits are not payable with current financial resources and therefore are not reported in the governmental funds.		(80,537)
5. Governmental funds do not report long-term amounts related to pensions.		
Deferred outflows of pension resources		1,186,300
Deferred inflows of pension resources		(1,058,807)
6. Governmental funds do not report interest until due and payable.		
Interest payable		(3,943)
Net position of governmental activities		$ (389,178)

DAKOTA COMMUNICATIONS CENTER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES- GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	General Fund	Capital Projects Fund	Total Governmental Funds
REVENUES			
JPA membership support	$ 8,144,590	$ 394,700	$ 8,539,290
Intergovernmental grants	597,275	-	597,275
Other income	24,556	-	24,556
Investment income	12,052	20,014	32,066
Total revenues	8,778,473	414,714	9,193,187
EXPENDITURES			
Public safety			
Personnel	6,026,331	-	6,026,331
Commodities	15,334	-	15,334
Other charges and services	2,415,861	-	2,415,861
Capital outlay	-	38,160	38,160
Total expenditures	8,457,526	38,160	8,495,686
EXPENDITURES - DEBT SERVICE			
Principal maturities	259,235	-	259,235
Interest on debt	8,530	-	8,530
Total expenditures - debt service	267,765	-	267,765
Total expenditures	8,725,291	38,160	8,763,451
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDITURES	53,182	376,554	429,736
FUND BALANCES, BEGINNING OF YEAR	1,691,387	1,308,464	2,999,851
FUND BALANCES, END OF YEAR	$ 1,744,569	$ 1,685,018	$ 3,429,587

The notes to financial statements are an integral part of this statement

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, 2017

Amounts reported for governmental activities in the statement of net position are different because:		
Net change in fund balances - total governmental funds		$ 429,736
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	11,764	
Depreciation expense	(370,577)	(358,813)
2. Loan 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 position.		
Bond maturities		259,235
3. Interest expense 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 which is recognized as an expenditure in the governmental fund statements.		
Accrued interest payable		3,877
4. Accrued compensated absences and net OPEB obligations are not payable with current financial resources and therefore are not reported in the governmental funds.		
Accrued compensated absences decrease	51,438	
Net OPEB obligation increase	(4,095)	47,343
5. Long-term pension activity is not reported in governmental funds.		
Pension revenue		1,673
Pension expense		(210,616)
Change in net position of governmental activities		$ 172,435

NOTES TO FINANCIAL STATEMENTS

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 position 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 two governmental funds. The funds are major individual governmental funds and are reported as separate columns in the fund financial statements.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Major governmental funds – The Organization reports the following major governmental funds:

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

- 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 transactions must also be available before it can be recognized.

Unearned 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 unearned revenue.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BUDGETS AND BUDGETARY ACCOUNTING

The Dakota Communications Center's Board has full authority over the financial affairs of the Organization. The Organization adopts an annual budget for the General 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. Budget appropriations lapse at year-end to the extent they were not encumbered. Encumbrances are re-appropriated in the following year's budget.

Any changes in the budget must be approved by a majority vote of the Board. The budget was not amended in 2017.

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

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 acquisition 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.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. DEFERRED OUTFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Organization has only one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statements of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

I. 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 100 hours of PTO each year. The General fund is typically used to liquidate governmental compensated absences.

J. PENSIONS

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The General Fund is typically used to liquidate the governmental net pension liability.

K. 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 required to be computed and reported for the Organization's post-employment health insurance benefits provided to eligible employees through the Organization's Other Post-Employment Benefits Plan. OPEB is reported as an expense on a pay-as-you-go basis and is accrued as it is earned. The net OPEB obligation liability and corresponding expense for governmental activities is reported within the government-wide financial statements. The General Fund is typically used to liquidate the governmental OPEB obligation.

L. DEFERRED INFLOWS OF RESOURCES

In addition to liabilities, the statement of net position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Organization has only one type of item that qualifies as needing to be reported in this category. Accordingly, the item, deferred pension resources, is reported only in the statements of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. LONG-TERM OBLIGATIONS

Long-term obligations are recorded in the Organization's government-wide statement of net position 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 Organization's government-wide activities are 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 Organization's government-wide statement of Net Position. In governmental fund types, bond premiums are recognized as revenues in the current period.

N. 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.

O. NET POSITION

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is displayed in three components:

a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.

b. Restricted Net Position - Consists of Net Position 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 Position - All other Net Position that do not meet the definition of "restricted" or "net investment in capital assets".

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. FUND BALANCES

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

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

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

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

Assigned – consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the Organization's intended use. These constraints are established by the Board. Pursuant to

Board Resolution, the Organization's Executive Committee or Fiscal Agent is authorized to establish assignments of fund balance.

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

The Organization will endeavor to maintain an unassigned fund balance in the General fund equivalent to a minimum of one month operating expenditures which range between 8.3 and 10 percent of total annual operating expenses. This will assist in maintaining an adequate level of fund balance to provide working capital for operations and reserves for unanticipated events in order to avoid short term borrowing.

When both restricted and unrestricted (committed, assigned or unassigned) resources are available for use, it is the Organization's policy to first use restricted resources, and then use unrestricted resources as they are needed.

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

A negative residual amount may not be reported for restricted, committed, or assigned fund balances in the General fund.

Q. 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.

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NOTE 2 - DEPOSITS AND INVESTMENTS

Cash and investments for the Organization as of December 31, 2017 consisted of the following:

Deposits	$ 103,656
Investments	3,311,943
Market value adjustment	(14,740)
	$ 3,400,859

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.

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 which 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, 2017, the Organization's bank balances of $103,656 were covered by federal depository insurance.

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.

(continued on next page)

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

4) Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.

5) General obligations of the Minnesota Housing Finance Agency rated "A" or better.

6) Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.

7) 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.

8) 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.

9) 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, 2017, the Organization's investment portfolio includes the following securities of single issuers exceeding 5 percent:

Wells Fargo DCC MM	15.7%
BMW Bank	7.5%
Ally Bank UT	7.4%
JPMorgan Chase	7.4%
Synchrony Bank	6.1%
CIT Bank UT	6.1%
American Express Centurion	6.0%
American Express FSB	6.0%
Capital One Bank	6.0%
Capital One VA	5.9%

The Organization categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Organization's recurring fair value measurements are listed in detail on page 24 and are valued using quoted market prices (Level 1 inputs.)

(continued on next page)

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Types of Investments	Credit Quality/ Ratings	Segmented Time Distribution	12/31/2017	Fair Value Measurement Using Level 1	Level 2	Level 3
Pooled investments at amortized costs						
Broker Money Market Funds	N/A	less than 6 months	$ 518,943	$ -	$ -	$ -
Non-pooled investments at fair value						
Brokered Certificates of Deposit	N/A	less than 6 months	597,932	-	597,932	-
Brokered Certificates of Deposit	N/A	6 months to 1 year	400,104	-	400,104	-
Brokered Certificates of Deposit	N/A	1 to 3 years	1,580,616	-	1,580,616	-
Brokered Certificates of Deposit	N/A	more than 3 years	199,608	-	199,608	-
Total investments			$ 3,297,203	$ -	$ 2,778,260	$ -

The Organization has the following recurring fair value measurements as of December 31, 2017:

- Brokered certificates of deposit of $2,778,260 are valued using quoted market prices (Level 2 inputs).

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, 2017, are as follows:

Governmental activities:	Balance January 1	Additions	Deletions	Balance December 31
Depreciable:				
Furniture and equipment	$ 6,149,344	$ 11,764	$ (2,055,006)	$ 4,106,102
Less accumulated depreciation:				
Furniture and equipment	4,383,300	370,577	(2,055,006)	2,698,871
Total capital assets, net	$ 2,971,953	$ (358,813)	$ -	$ 1,407,231

Depreciation expense was charged to the governmental functions as follows:

Public safety	$ 370,577

(continued on next page)

NOTE 4 - DEFINED BENEFIT PENSION PLANS – STATEWIDE

Plan Description

The Organization participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA’s defined benefit pension plans are established and administered in accordance with Minnesota statutes, chapters 353 and 356. PERA’s defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Fund (GERF)

All full-time and certain part-time employees of the Organization, other than teachers, are covered by the General Employees Retirement Fund (GERF). 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. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

Benefits Provided

PERA provides retirement, disability and death benefits. Benefit provisions are established by Minnesota statute and can only be modified by the state legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90 percent funded, or have fallen below 80 percent, are given 1 percent increases.

The benefit provisions stated in the following 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.

GERF Benefits

Benefits are based on a member’s highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Contributions

Minnesota statutes, chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

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NOTE 4 – DEFINED BENEFIT PENSION PLANS - STATEWIDE (continued)

GERF contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in calendar year 2017. The Organization was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for Coordinated Plan members in calendar year 2017. The Organization's contributions to the GERF for the years ending December 31, 2017, 2016 and 2015 were $333,684, $337,105 and $328,208, respectively. The Organization's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

GERF pension costs

At December 31, 2017, the Organization reported a liability of $4,609,200 for its proportionate share of the GERF's net pension liability. The Organization's net pension liability reflected a reduction due to the State of Minnesota's contribution of $6 million to the fund in 2017. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the Organization totaled $57,931. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Organization's proportion of the net pension liability was based on the Organization's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016 through June 30, 2017 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the Organization's proportion was 0.0722 percent which was a .0021 percent increase from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the Organization recognized pension expense of $206,284 for its proportionate share of GERF's pension expense. In addition, the Organization recognized an additional $1,673 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $6 million to the GERF

At December 31, 2017, the Organization reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

(continued on next page)

NOTE 4 – DEFINED BENEFIT PENSION PLANS - STATEWIDE (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 152,115	$ 294,940
Changes in actuarial assumptions	766,626	462,073
Difference between projected and actual investment earnings	-	203,910
Changes in proportion	96,034	97,884
Subtotal	1,014,775	1,058,807
Contributions paid to GERF subsequent to the measurement date	171,525	-
Total	$ 1,186,300	$ 1,058,807

Deferred outflows of resources totaling $171,525 related to pensions resulting from the Organization's contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount
2018	$ (76,249)
2019	284,676
2020	(56,805)
2021	(195,654)

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Active Member Payroll Growth	3.50% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for all plans for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be: 1 percent per year for the GERF through 2044 and PEPFF through 2064 and then 2.5 percent thereafter for both plans.

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the GERF was completed in 2015. The most recent five-year experience study for PEPFF was completed in 2016.

(continued on next page)

NOTE 4 – DEFINED BENEFIT PENSION PLANS - STATEWIDE (continued)

The following changes in actuarial assumptions occurred in 2017:

GERF

- The Combined Service Annuity (CSA) loads were changed from .08 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability.

- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent through 2044 and 2.5 percent per year thereafter.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	35%	5.10%
International Stocks	15%	5.30%
Bonds	45%	0.75%
Cash	5%	0.00%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability in 2017 was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the GERF was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Liability Sensitivity

The following presents the Organization's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Organization's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

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NOTE 4 – DEFINED BENEFIT PENSION PLANS - STATEWIDE (continued)

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
Organization's proportionate share of the GERF net Liability:	$ 7,149,212	$ 4,609,200	$ 2,529,739

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

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.

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NOTE 7 - COMPENSATED ABSENCES

The vested or accumulated liability for accrued personal time off for governmental funds (including applicable salary-related payments) as of December 31, 2017 was $396,344. This amount is included in the non-current liabilities of the government-wide statement of net position as follows:

Due within one year	$ 396,344

NOTE 8 - LONG-TERM DEBT

The Organization is a member of a consortium of local governmental units that utilize the services of the Local Government Information Systems Association (LOGIS). In 2014, LOGIS began the process of replacing the Public Safety Application Suite currently used by the consortium and the Organization. The project is funded by assessments to benefiting members of which the Organization's share is $1,535,935. The Organization made two payments in 2014 of $250,000 and $257,187 towards the project thus reducing the amount required to be financed. LOGIS issued bonds dated February 14, 2014 with an interest rate of 1.632 percent to finance the remaining $1,028,748 assessment. The Organization's future payment obligations to LOGIS are shown below:

Year	Principal	Interest	Principal & Interest
2018	$ 263,465	$ 4,300	$ 267,765

	Balance January 1	Additions	Deletions	Balance December 31	Due Within One Year
Governmental activities:					
Loan payable	$ 522,700	$ -	$ (259,235)	$ 263,465	$ 263,465
Accrued compensated absences	447,782	472,001	(523,439)	396,344	396,344
Pension payable	5,691,772	-	(1,082,572)	4,609,200	-
Net OPEB obligation	76,442	22,302	(18,207)	80,537	-
Total governmental activities	$ 6,738,696	$ 494,303	$ (1,883,453)	$ 5,349,546	$ 659,809

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

Plan Description

The Organization provides post-employment insurance benefits to certain eligible employees through the Organization's Other Post-Employment Benefits Plan, a single-employer defined benefit plan administered by the Organization. All post-employment benefits are based on contractual agreements with employee groups. These contractual agreements do not include any specific contribution or funding requirements. These benefits are summarized as follows:

(continued on next page)

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (continued)

Post-Employment Insurance Benefits - All retirees of the Organization have the option under state law to continue their medical insurance coverage through the Organization from the time of retirement until the employee reaches the age of eligibility for Medicare. For members of all employee groups, the retiree must pay the full premium to continue coverage for medical and dental insurance.

The Organization is legally required to include any retirees for whom it provides health insurance coverage in the same insurance pool as its active employees, whether the premiums are paid by the Organization or the retiree. Consequently, participating retirees are considered to receive a secondary benefit known as an "implicit rate subsidy."

This benefit relates to the assumption that the retiree is receiving a more favorable premium rate than they would otherwise be able to obtain if purchasing insurance on their own, due to being included in the same pool with the Organization's younger and statistically healthier active employees.

Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to pre-fund benefits as determined annually by the Organization.

Annual OPEB Cost and Net OPEB Obligation

The Organization's annual OPEB cost (expense) is calculated based on annual required contributions (ARC) of the Organization, an amount determined on an actuarially determined basis in accordance with the parameters of GASB Statement No. 45. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Organization's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the Organization's net OPEB obligation to the plan.

Annual required contribution	$ 21,846
Interest on net OPEB obligation	3,440
Adjustment to annual required contribution	(2,984)
Annual OPEB cost (expense)	22,302
Contributions made	(18,207)
Increase in net OPEB obligation	4,095
Net OPEB obligation - beginning of year	76,442
Net OPEB obligation - end of year	$ 80,537

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NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (continued)

The Organization's annual OPEB cost; the percentage of annual OPEB cost contributed to the plan; and the net OPEB obligation for the year are as follows:

Fiscal Year End	Annual OPEB Cost	Employer Contribution	Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2013	$ 39,019	$ 24,293	62.3%	$ 14,726
December 31, 2014	$ 31,884	$ 6,380	20.0%	$ 40,230
December 31, 2015	$ 33,094	$ 9,911	29.9%	$ 63,413
December 31, 2016	$ 21,682	$ 8,653	39.9%	$ 76,442
December 31, 2017	$ 22,302	$ 18,207	81.6%	$ 80,537

Funded Status and Funding Progress

As of January 1, 2017, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was $200,825, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $200,825.

The covered payroll (annual payroll of active employees covered by the plan) was $4,102,000 and the ratio of the UAAL to the covered payroll was 4.9 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and ARCs of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress immediately following the notes to the basic financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the January 1, 2016 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included: a 4.5 percent investment rate of return (net of administrative expenses) based on the Organization's own investments; a 2017 annual healthcare cost trend rate of 8.7 percent, and reduced by decrements of .34 percent to an ultimate rate of 7.0 percent after five years for medical insurance. Both rates included a 3.5% inflation assumption. The UAAL is being amortized on a level dollar basis over a closed period. The remaining amortization periods at January 1, 2017 for the various amortization layers are 30 years.

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NOTE 10 - INVESTMENT IN CAPITAL ASSETS

Investment in capital assets is computed as follows:

	Governmental
Capital assets, net of depreciation	$ 1,407,231

NOTE 11 - 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:

Year	Amount
2018	$ 725,100
2019	725,100
2020	725,100
2021	725,100
2022	483,410
	$ 3,383,810

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 took 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. REQUIRED 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, 2017

	Budget As Originally Adopted	Final Budget	Actual	Variance With Final Budget
REVENUES				
JPA membership support	$ 8,144,590	$ 8,144,590	$ 8,144,590	$ -
Mass notification system fees	19,000	19,000	18,000	(1,000)
Enhanced E-911	581,696	581,696	581,696	-
Traffic safety grants	54,377	54,377	15,579	(38,798)
Other income	8,113	8,113	6,556	(1,557)
Investment income	13,000	13,000	12,052	(948)
Total revenues	8,820,776	8,820,776	8,778,473	(42,303)
EXPENDITURES				
Personnel				
Salaries	4,657,863	4,657,863	4,676,684	(18,821)
PERA	349,340	349,340	333,677	15,663
FICA	356,326	356,326	344,328	11,998
Benefits	779,641	779,641	671,642	107,999
Total personnel	6,143,170	6,143,170	6,026,331	116,839
Commodities				
Operating supplies	9,405	9,405	7,706	1,699
Clothing	3,250	3,250	2,834	416
Computer supplies	5,750	5,750	4,794	956
Total commodities	18,405	18,405	15,334	3,071

(continued)

DAKOTA COMMUNICATIONS CENTER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GENERAL FUND - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budget As Originally Adopted	Final Budget	Actual	Variance With Final Budget
Contractual services				
Professional services	$ 133,457	$ 133,457	$ 117,903	$ 15,554
Use of personal auto	4,200	4,200	3,263	937
Print public information	2,575	2,575	2,870	(295)
Insurance	38,709	38,709	31,644	7,065
Telephone	34,760	34,760	39,715	(4,955)
Postage	450	450	387	63
Contract equipment repair/other	257,346	257,346	265,375	(8,029)
Contract building repair	427,056	427,056	372,866	54,190
Contract data processing	873,676	873,676	838,669	35,007
Rents	6,600	6,600	5,136	1,464
Building rent	715,500	715,500	715,500	-
Schools and conferences	79,732	79,732	18,712	61,020
Business meetings and expense	250	250	287	(37)
Dues and subscriptions	1,860	1,860	1,209	651
Miscellaneous	4,200	4,200	2,325	1,875
Total contractual services	2,580,371	2,580,371	2,415,861	164,510
Debt service				
Principal maturities	259,234	259,234	259,234	-
Interest on debt	8,531	8,531	8,531	-
Total debt service	267,765	267,765	267,765	-
Total expenditures	9,009,711	9,009,711	8,725,291	284,420
Net change in fund balances	$ (188,935)	$ (188,935)	53,182	$ 242,117
Fund balances, beginning of year			1,691,387	
Fund balances, end of year			$ 1,744,569	

DAKOTA COMMUNICATIONS CENTER
OTHER POST-EMPLOYMENT BENEFITS PLAN – SCHEDULE OF FUNDING PROGRESS
DECEMBER 31, 2017

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Plan Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Payroll
January 1, 2013	$ 370,043	$ -	$ 370,043	0.0%	$ 3,771,186	9.8%
January 1, 2014	191,195	-	191,195	0.0%	3,590,954	5.3%
January 1, 2015	218,383	-	218,383	0.0%	3,725,615	5.9%
January 1, 2016	186,941	-	186,941	0.0%	3,963,000	4.7%
January 1, 2017	200,825	-	200,825	0.0%	4,102,000	4.9%

DAKOTA COMMUNICATIONS CENTER

SCHEDULE OF EMPLOYER'S SHARE OF PUBLIC EMPLOYEES RETIREMENT ASSOCIATION NET PENSION LIABILITY – GENERAL EMPLOYEES RETIREMENT FUND FOR THE YEAR ENDED DECEMBER 31, 2017

Fiscal Year Ending	Organization's Proportion of the Net Pension Liability	Organization's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the Organization (b)	Total (a+b)	Organization's Covered Payroll (c)	Organization's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability
June 30, 2017	0.0722%	$ 4,609,200	$ 57,391	$ 4,667,131	$ 4,649,192	99.1%	75.9%
June 30, 2016	0.0701%	5,691,772	74,320	5,766,090	4,193,077	135.7%	68.9%
June 30, 2015	0.0709%	3,674,406	-	3,674,406	4,324,422	85.0%	78.2%

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

DAKOTA COMMUNICATIONS CENTER
SCHEDULE OF EMPLOYER'S PUBLIC EMPLOYEES RETIREMENT ASSOCIATION CONTRIBUTIONS – GENERAL EMPLOYEES RETIREMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered-Employee Payroll (d)	Contributions as a Percentage of Covered-Employee Payroll (b/d)
December 31, 2017	$ 333,684	$ 333,684	$ -	$ 4,449,119	7.50%
December 31, 2016	337,105	337,105	-	4,494,733	7.50%
December 31, 2015	328,208	328,208	-	4,376,104	7.50%

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
GENERAL EMPLOYEE RETIREMENT FUND

CHANGES IN ACTUARIAL ASSUMPTIONS

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

CHANGES IN PLAN PROVISIONS

2015 - On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892 million. Upon consolidation, state and employer contributions were revised.

OTHER REPORT

ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE

Board of Directors
Dakota Communications Center
Rosemount, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities and each major fund of the Dakota Communications Center (the Organization), Rosemount, Minnesota, as of and for the year ended December 31, 2017, and the related notes to the financial statements which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated March 19, 2018.

The *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minnesota Statute § 6.65, contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with provisions for tax increment financing because the Organization has not established a tax increment financing district.

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

This report is intended solely for the information and use those charged with governance and management of the Organization and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
March 19, 2018