Financial Statements
For the Year Ended December 31, 2013

DAKOTA
COMMUNICATIONS
CENTER

DCC 911

DAKOTA COMMUNICATIONS CENTER

Table of Contents

I. INTRODUCTORY SECTION

DAKOTA COMMUNICATIONS CENTER
APPOINTED OFFICIALS
DECEMBER 31, 2013

Appointed by	Appointed Official	Board Position	Position with Appointee
City of Apple Valley	John Bergman	Member	City Council Member
City of Burnsville	Bill Coughlin	Member	City Council Member
Dakota County	Mike Slavik	Member	County Commissioner
City of Eagan	Gary Hansen	Member	City Council Member
City of Farmington	Jason Bartholomay	Member	City Council Member
City of Hastings	Joe Balsanek	Member	City Council Member
City of Inver Grove Heights	George Tourville	Chair	City Mayor
City of Lakeville	Kerrin Swecker	Member	City Council Member
City of Mendota Heights	Ultan Duggan	Member	City Council Member
City of Rosemount	Jeff Weisensel	Member	City Council Member
City of South Saint Paul	Beth Baumann	Vice Chair	City Mayor
City of West Saint Paul	Dick Vitelli	Member	City Council Member

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DAKOTA COMMUNICATIONS CENTER DCC 911

April 1, 2014

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

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

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

Board of Directors

Executive Committee

Operations Committee

This is a unique partnership that excels in the quality services it provides to Dakota County citizens.

(continued)

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, 2013 and 2012 are as follows:

	2013	2012	Change
Revenues			
JPA membership support, net	$ 7,716,428	$ 8,217,139	$ (500,711)
Intergovernmental grants	581,696	597,538	(15,842)
Other income	224,925	39,593	185,332
Investment income	15,751	29,844	(14,093)
Total revenues	8,538,800	8,884,114	(345,314)
Expenses			
Personnel	5,218,880	5,122,434	96,446
Commodities	17,936	10,983	6,953
Other charges and services	2,297,680	2,250,044	47,636
Capital outlay	50,415	51,904	(1,489)
Debt service	1,200,400	1,214,400	(14,000)
Total expenses	8,785,311	8,649,765	135,546
Net income	$ (246,511)	$ 234,349	$ (480,860)

The primary revenue source for the DCC operations, debt obligations and capital projects are service charges 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,

Diane L Lind

Diane Lind
Executive Director

II. FINANCIAL SECTION

ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Dakota Communications Center
Rosemount, Minnesota

Report on 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, 2013, 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 financial statement presentation.

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

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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, 2013, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 6, the budgetary comparison for the general fund on page 29 and the Schedule of Funding Progress on page 33 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.

Abdo, Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
April 1, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

DAKOTA COMMUNICATIONS CENTER

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013

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, 2013. The letter of transmittal is presented on pages 2-4 of this report.

Financial Highlights

- The assets of the Organization exceeded its liabilities at the close of the most recent fiscal year by $4,945,684 (net position). Of this amount, $3,277,428 (unrestricted net position) may be used to meet the Organization's ongoing obligations.
- As of December 31, 2013, the Organization's governmental funds reported combined ending fund balances of $4,848,854. Of the total fund balance, $3,736,523 consists of the following: non-spendable for prepaid items ($70,252), restricted for debt service ($1,176,743), assigned for future capital acquisitions ($2,109,571) and assigned for compensated absences ($379,957); the remaining $1,112,331 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 and liabilities, with the difference between the two 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 Revenues, Expenses and Changes in Net Position 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 three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, Debt Service fund and Capital 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.

Financial Analysis

Total assets, as of December 31, 2013, were $7,053,118 comprised of cash and investments (73.3 percent); due from other governmental units, interest receivable and prepaid items (2.5 percent); and capital assets (24.2 percent).

As of the end of the current fiscal year, the Board's unrestricted net position was $3,277,428, or 39.2 percent of total expenditures of $8,343,651.

Total liabilities as of December 31, 2013, amounted to $2,107,434. Of this amount, $1,572,128 (74.6 percent) is for non-current liabilities due within one year. The non-current liabilities that are due in more than one year amounted to $14,726 (.7 percent). Accounts payable, wages payable, deposits payable and interest payable represent 24.7 percent.

The assets of the Board exceeded liabilities by $4,945,684 at the close of the most recent fiscal year. Of this amount, $3,277,428 (unrestricted net position) may be used to meet the ongoing operations and obligations.

Organization as a Whole

Government-Wide Financial Statements

A condensed version of the statement of Net Position at December 31, 2013 and 2012 follows:

NET POSITION

	2013	2012
Assets		
Current and other assets	$ 5,342,990	$ 5,541,660
Capital assets	1,710,128	2,390,798
Total assets	7,053,118	7,932,458
Liabilities		
Other liabilities	520,580	492,561
Non-current liablities	1,586,854	2,689,362
Total liabilities	2,107,434	3,181,923
Net position		
Net investment in capital assets	517,957	57,621
Restricted for debt service	1,150,299	1,750,757
Unrestricted	3,277,428	2,942,157
Total net position	$ 4,945,684	$ 4,750,535

(continued)

A condensed version of the statement of activities for the year ended December 31, 2013, is shown below.

Additions to Net Position

Support payments from the JPA Membership are the main source of revenues and amounted to $7,716,428 for 2013 compared to $8,217,139 in 2012.

Intergovernmental grants amounted to $581,696 for 2013 which is a decrease of $15,842 from 2012. Interest income for 2013 of $15,751 is a decrease of $14,093 compared with 2012; the decrease is primarily the result of market conditions.

Deductions from Net Position

Deductions from net position are primarily for personnel. Personnel ($5,257,378) accounted for 63.0 percent of the total deductions. Contractual services ($2,301,280) accounted for 27.6 percent of the total deductions.

CHANGES IN NET POSITION

	2013	2012
Revenues		
Program revenues		
Charges for services	$ 7,941,353	$ 8,256,732
Operating grants and contributions	581,696	597,538
General revenues		
Net investment income	15,751	29,844
Total revenues	8,538,800	8,884,114
Expenses		
Public safety	8,307,679	8,078,215
Interest on long-term debt	35,972	80,505
Total expenses	8,343,651	8,158,720
Increase in net position	195,149	725,394
Net position January 1,	4,750,535	4,025,141
Net position December 31,	$ 4,945,684	$ 4,750,535

Financial Analysis of the Organization's Funds

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

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

As of the end of the current fiscal year, the Organization's governmental funds reported combined ending fund balances of $4,848,854. Of this combined ending fund balance, $1,112,331 or 22.9 percent, constitutes an unassigned fund balance that is available for spending at the government's discretion. The remainder of fund balance is non-spendable, restricted or assigned to indicate that it is not available for new spending because it has already been allotted to (a) pay debt service ($1,176,743), (b) assigned for future capital acquisitions ($2,109,571), (c) assigned for compensated absences ($379,957) and (d) non-spendable prepaid items ($70,252).

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 $1,112,331.

The debt service fund balance of $1,176,743 is primarily due to membership support received throughout 2013 to fund the debt service payment due on February 1, 2014 ($1,190,000), and bond proceeds deposited into a reserve account as required by the bond resolution ($731,500).

The capital projects fund has an assigned fund balance of $2,109,571. This fund balance is assigned for future capital outlay acquisition.

General Fund Budgetary Highlights

- The Board of Directors adopted the 2013 budget in 2012. No amendments were made in 2013 to the originally adopted budget. The 2013 budget appropriations were spent at or below the adopted budget.
- 2013 Personnel costs are approximately 3.2% below budget estimates for the year.
- Commodities were $7,129 (28.4 percent) under budget appropriations.
- Contractual expenditures were $86,680 (3.6 percent) under budget appropriations.

(continued)

Capital Asset and Debt Administration

Capital Assets. The Organization's investment in capital assets for its governmental activities as of December 31, 2013 amounted to $1,710,128 net of accumulated depreciation. This investment in capital assets consists of furniture and communication equipment as of the end of the current fiscal year.

Debt Administration. At the end of the current fiscal year, the Organization had a total of $1,190,000 of debt outstanding. The debt financed the initial acquisition of the dispatch center furniture and communications equipment. The final maturity is February 1, 2014.

Economic Factors and Next Year's Budget

- The adopted 2014 general fund budget is $8.2 million for operations. Revenues include $7.6 million from JPA Members, $581,696 from the State of Minnesota Enhanced 911 tariff fees, $19,000 from MTNS partnership, $8,350 from miscellaneous grants and $2,950 in insurance rebates. Investment earnings are projected to be $15,000.
- The Organization's next debt service payment is due on February 1, 2014, for principal and interest of $1,190,000 and $29,750, respectively. The January 1, 2014 debt service fund has adequate and sufficient cash balance to meet the February 1, 2014 debt service payment.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

DAKOTA COMMUNICATIONS CENTER
STATEMENT OF NET POSITION
DECEMBER 31, 2013

	Governmental Activities
ASSETS	
Cash and investments	$ 3,968,950
Interest receivable	6,433
Due from other governmental units	98,272
Prepaid items	70,252
Restricted assets:	
Cash and investments held by trustee	1,199,083
Capital assets, net of accumulated depreciation	1,710,128
Total assets	7,053,118
LIABILITIES	
Wages payable	215,685
Accounts payable	141,647
Due to other governmental units	103,454
Deposits payable	33,350
Interest payable	26,444
Non-current liabilities	
Due within one year	1,572,128
Due in more than one year	14,726
Total Liabilities	2,107,434
NET POSITION	
Net investment in capital assets	517,957
Restricted for debt service	1,150,299
Unrestricted	3,277,428
Total net position	$ 4,945,684

DAKOTA COMMUNICATIONS CENTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

		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	$ 8,307,679	$ 7,941,353	$ 581,696	$ 215,370
Interest on long-term debt	35,972	-	-	(35,972)
Total governmental activities	$ 8,343,651	$ 7,941,353	$ 581,696	179,398
	General revenues:			
	Investment earnings			15,751
	Change in net position			195,149
	Net position - beginning			4,750,535
	Net position - ending			$ 4,945,684

DAKOTA COMMUNICATIONS CENTER
BALANCE SHEET –
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and investments	$ 1,830,734	$ -	$ 2,138,216	$ 3,968,950
Cash and investments held by trustee	-	1,199,083	-	1,199,083
Interest receivable	2,563	-	3,870	6,433
Due from other governmental units	97,049	1,223	-	98,272
Prepaid items	70,252	-	-	70,252
Total assets	$ 2,000,598	$ 1,200,306	$ 2,142,086	$ 5,342,990
LIABILITIES				
Wages payable	$ 215,685	$ -	$ -	$ 215,685
Accounts payable	109,132	-	32,515	141,647
Due to other governmental units	103,454	-	-	103,454
Deposits payable	9,787	23,563	-	33,350
Total liabilities	438,058	23,563	32,515	494,136
FUND BALANCES				
Non-spendable for prepaid items	70,252	-	-	70,252
Restricted for debt service	-	1,176,743	-	1,176,743
Assigned for future capital acquisitions	-	-	2,109,571	2,109,571
Assigned for compensated absences	379,957	-	-	379,957
Unassigned	1,112,331	-	-	1,112,331
Total fund balances	1,562,540	1,176,743	2,109,571	4,848,854
Total liabilities and fund balances	$ 2,000,598	$ 1,200,306	$ 2,142,086	$ 5,342,990

DAKOTA COMMUNICATIONS CENTER
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2013

Total fund balances - governmental funds		$ 4,848,854
Amounts reported for governmental activities in the statement of net position are different because:		
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Furniture and Equipment	5,627,632	
Less accumulated depreciation	(3,917,504)	1,710,128
2. Long term liabilities are not payable with current financial resources and therefore are not reported in the governmental funds.		
Accrued interest	(26,444)	
Bonds	(1,190,000)	
Unamortized bond premium	(2,171)	(1,218,615)
3. Accrued compensated absences are not payable with current financial resources and therefore are not reported in the governmental funds.		(379,957)
4. Other post employment benefits are not payable with current financial resources and therefore are not reported in the governmental funds.		(14,726)
Net position of governmental activities		$ 4,945,684

DAKOTA COMMUNICATIONS CENTER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
REVENUES				
JPA membership support	$ 6,754,461	$ 579,967	$ 382,000	$ 7,716,428
Intergovernmental grants	581,696	-	-	581,696
Other income	48,065	-	176,860	224,925
Interest income	8,803	153	6,795	15,751
Total revenues	7,393,025	580,120	565,655	8,538,800
EXPENDITURES - CURRENT				
Public safety				
Personnel	5,218,880	-	-	5,218,880
Commodities	17,936	-	-	17,936
Other charges and services	2,297,680	-	-	2,297,680
Capital outlay	-	-	50,415	50,415
Total expenditures - current	7,534,496	-	50,415	7,584,911
EXPENDITURES - DEBT SERVICE				
Principal maturities	-	1,115,000	-	1,115,000
Interest on debt	-	81,800	-	81,800
Fiscal charges	-	3,600	-	3,600
Total expenditures - debt service	-	1,200,400	-	1,200,400
Total expenditures	7,534,496	1,200,400	50,415	8,785,311
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDITURES	(141,471)	(620,280)	515,240	(246,511)
FUND BALANCES, BEGINNING OF YEAR	1,704,011	1,797,023	1,594,331	5,095,365
FUND BALANCES, END OF YEAR	$ 1,562,540	$ 1,176,743	$ 2,109,571	$ 4,848,854

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, 2013

Net change in fund balances - total governmental funds		$ (246,511)
Amounts reported for governmental activities in the statement of net position are different because:		
1. Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities the cost of capital assets is allocated over their useful lives as depreciation expense. In the current period these amount are:		
Depreciation expense	(680,670)	(680,670)
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		1,115,000
3. Interest expense and debt premium revenue in the government-wide statement of activities differs from the amounts reported in governmental funds because accrued interest was calculated for long-term debt payable in addition to the amortization of debt premium revenue which are recognized respectively as espenditures and revenue in the governmental fund statements.		
Accrued interest payable	19,822	
Amortization of original debt issuance premium	26,006	45,828
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 increase	(23,772)	
Net OPEB obligation increase	(14,726)	(38,498)
Change in net position of governmental activities		$ 195,149

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

(continued on next page)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Major governmental funds – The Dakota Communications Center reports the following major governmental funds:

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

- Debt service fund – The debt service fund is used to account for the bonds issued to finance the acquisition of furniture and equipment.

- Capital projects fund – The capital projects fund accounts for capital acquisitions that involve financing resources from the members or debt issuance.

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.

(continued on next page)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

D. BUDGETS AND BUDGETARY ACCOUNTING

The Dakota Communication Center’s Board has full authority over the financial affairs of the Organization. The Organization adopts an annual budget for the general fund, debt service fund and capital projects fund. During the budget year, supplemental appropriations and deletions may be authorized by the Organization. The amounts shown in the financial statements as ‘Budget’ represent the original and final budgeted amounts. The Organization prepares its budget on a basis consistent with accounting principles generally accepted in the United States of America.

The legal level of budgetary control is at the fund level for the general fund. The Executive Director has the authorization to expend funds in excess of the appropriations for individual line items. 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 2013.

E. DEPOSITS AND INVESTMENTS

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

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

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

F. PREPAID ITEMS

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

(continued on next page)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. CAPITAL ASSETS

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

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

H. COMPENSATED ABSENCES

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

I. NET OTHER POST EMPLOYMENT BENEFITS (OPEB) OBLIGATION

In accordance with the provisions of GASB Statement No. 45, *Accounting and financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, an actuarial valuation is 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.

J. 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 City'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 City's government-wide statement of Net Position. In governmental fund types, bond premiums are recognized as revenues in the current period.

K. 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.

(continued on next page)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. NET POSITION

Net position represents the difference between assets and liabilities. 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”.

M. FUND EQUITY

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 are 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 unrestricted fund balance in the General fund equivalent to a minimum of one month operating expenses 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.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. INTERFUND ELIMINATIONS

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Cash and investments for the Organization as of December 31, 2013 consisted of the following:

Cash in bank	$ 83,110
Investments	5,084,923
	$ 5,168,033

Cash and investments as reported on the balance sheet:

Cash and investments	$ 3,968,950
Cash and investments held by trustee	1,199,083
	$ 5,168,033

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 are fully protected by insurance and/or collateral as required by the Minnesota Statues and authorized by the Organization’s investment policy. As of December 31, 2013, the Organization’s bank balances of $83,110 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.

(continued on next page)

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Minnesota Statutes authorize the Organization to invest in the following:

1) Direct obligations or obligations guaranteed by the United States or its agencies.

2) Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.

3) General obligations of a state or local government with taxing powers rated “A” or better; revenue obligations rated “AA” or better.

4) General obligations of the Minnesota Housing Finance Agency rated “A” or better.

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

6) Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.

7) Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

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

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

As of December 31, 2013, the Organization’s investment portfolio did not include any securities of single issuers exceeding 5 percent.

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

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NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

	Credit Risk		Interest Risk - Maturity Duration in Years		
Investment Type	Rating	Agency	Fair Value	Less Than 1	1 - 5
Pooled investments:					
Money market funds					
Wells Fargo Advantage	Aaa	Moody's	$ 353,587	$ 353,587	$ -
First American Treasury Obligation	Aaa	Moody's	1,199,083	1,199,083	-
Non-pooled investments:					
Federal Farm Credit Bank	Aaa	Moody's	100,003	-	100,003
Certificates of deposit	N/A	N/A	3,432,250	1,047,637	2,384,613
Total investments			$ 5,084,923	$ 2,600,307	$ 2,484,616

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, 2012, are as follows:

Governmental activities:	Balance January 1	Additions	Deletions	Balance December 31
Depreciable:				
Furniture and equipment	$ 5,627,632	$ -	$ -	$ 5,627,632
Less accumulated depreciation:				
Furniture and equipment	3,236,834	680,670	-	3,917,504
Total capital assets, net	$ 2,390,798	$ (680,670)	$ -	$ 1,710,128

Depreciation expense was charged to the governmental functions as follows:

Public safety	$ 680,670

NOTE 4 - DEFINED BENEFIT PENSION PLANS – STATEWIDE

Plan Description

All full-time and certain part time employees of the Dakota Communications Center are covered by defined benefit plans administered by the General Employees Retirement Fund (GERF). PERA administers the General Employees Retirement Fund (GERF) which are cost-sharing, multiple-employer retirement plans. This plan is established and administered in accordance with Minnesota statutes, chapters 353 and 356.

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

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

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by Minnesota statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of 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 10 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 10 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 the annuity accrual rate is 3.0 percent for each year of service. GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon death of the retiree--no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service, in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

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

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

Funding Policy

Minnesota statutes, chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The Organization makes annual contributions to the pension plans equal to the amount required by Minnesota statutes. GERF Basic Plan members and Coordinated Plan members are required to contribute 9.10 percent and 6.25 percent, respectively, of their annual covered salary in 2013. In 2013, the Organization was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan GERF members and 7.25 percent for Coordinated Plan GERF members. The Organization's contributions to the General Employees Retirement Fund for the years ending December 31, 2013, 2012 and 2011 were $289,279, $285,897, and $283,067, respectively. The Organization's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

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NOTE 5 - RISK MANAGEMENT

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

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

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

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported. The Organization's management is not aware of any incurred but not reported claims.
The Organization continues to carry commercial insurance for all other risks of loss, including employee health and disability insurance.

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

NOTE 6 - COMPENSATED ABSENCES

The vested or accumulated liability for accrued personal time off for governmental funds (including applicable salary-related payments) as of December 31, 2013 was $379,957. This amount is included in the non-current liabilities of the government-wide statement of net position as follows:

Due within one year	$ 379,957

NOTE 7 - LONG-TERM DEBT

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

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

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NOTE 7 – LONG-TERM DEBT (continued)

The bonds mature February 1, 2014, and bear interest rates ranging from 4.00%-5.00%. The debt will be re-paid with JPA Member assessments over a seven year amortization. The annual requirements to amortize all outstanding debt as of December 31, 2013 including interest payments of $29,750 are as follows:

Public Safety Revenue Bonds Series 2007A

Maturities	Interest Rates	Principal Amount	Interest Amount	Total
February 1, 2014	5%	$ 1,190,000	$ 29,750	$ 1,219,750

	Balance January 1	Additions	Deletions	Balance December 31	Due Within One Year
Governmental activities:					
Public safety revenue bonds	$ 2,305,000	$ -	$ (1,115,000)	$ 1,190,000	$ 1,190,000
Accrued compensated absences	356,185	408,598	(384,826)	379,957	379,957
Unamortized bond premium	28,177		(26,006)	2,171	2,171
Net OPEB obligation	-	39,019	(24,293)	14,726	-
Total governmental activities	$ 2,689,362	$ 447,617	$ (1,550,125)	$ 1,586,854	$ 1,572,128

NOTE 8 - 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:

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.

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NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (continued)

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	$ 39,019
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	39,019
Contributions made	(24,293)
Increase in net OPEB obligation	14,726
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	$ 14,726

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	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2012	$ 39,019	$ 24,293	62.3%	$ 14,726

Funded Status and Funding Progress

As of January 1, 2013, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was $370,043, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $370,043.

The covered payroll (annual payroll of active employees covered by the plan) was $3,771,186, and the ratio of the UAAL to the covered payroll was 9.8 percent.

(continued on next page)

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (continued)

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 ARC's 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, 2013 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included: a 4.0 percent investment rate of return (net of administrative expenses) based on the Organization's own investments; a 2013 annual healthcare cost trend rate of 7.5 percent, and reduced by decrements of .5 percent to an ultimate rate of 5.0 percent after five years for medical insurance. Both rates included a 2.5% inflation assumption. The UAAL is being amortized on a level dollar basis over a closed period. The remaining amortization periods at January 1, 2013 for the various amortization layers are 30 years.

NOTE 9 - NET INVESTMENT IN CAPITAL ASSETS

Net investment in capital assets is computed as follows:

	Governmental
Capital assets, net of depreciation	$ 1,710,128
Less applicable: Bonds payable	(1,190,000)
Unamortized bond premium	(2,171)
	$ 517,957

NOTE 10 - 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.

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NOTE 10 – LEASE COMMITMENT (continued)

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

Year	Amount
2014	$ 725,100
2015	725,100
2016	725,100
2017	725,100
2018	725,100
2019-2022	2,658,700
	$ 6,284,200

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.

NOTE 11 – SUBSEQUENT EVENTS

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 will begin the process of replacing the Public Safety Application Suite currently used by the consortium and the Organization. The LOGIS project will be funded by assessments to benefiting members of which the Organization's share of the cost is $1,535,935. The Organization's assessments obligations will be paid to LOGIS as shown below. The financial activity related to this project has not been recorded in the Organization's financial statement for the year ended December 31, 2013.

Year	Principal	Interest	Total Principal & Interest
2014	$ 507,187	$ -	$ 507,187
2015	$ 250,976	$ 12,709	$ 263,685
2016	$ 255,072	$ 8,613	$ 263,685
2017	$ 259,235	$ 4,450	$ 263,685
2018	$ 263,466	$ 220	$ 263,686
	$ 1,535,935	$ 25,993	$ 1,561,928

III. SUPPLEMENTARY INFORMATION

DAKOTA COMMUNICATIONS CENTER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GENERAL FUND - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budget As Originally Adopted	Final Budget	Actual	Variance With Final Budget
REVENUES				
JPA membership support	$ 7,043,755	$ 7,043,755	$ 7,043,756	$ 1
JPA membership support-rebated	-	-	(289,295)	(289,295)
Mass notification system fees	19,000	19,000	23,651	4,651
Enhanced E-911	581,696	581,696	581,696	-
Miscellaneous income	18,900	18,900	24,414	5,514
Interest income	9,000	9,000	8,803	(197)
Total revenues	7,672,351	7,672,351	7,393,025	(279,326)
EXPENDITURES				
Personnel				
Salaries	4,135,458	4,135,458	4,046,515	88,943
PERA	299,821	299,821	289,279	10,542
FICA	316,363	316,363	298,000	18,363
Benefits	639,315	639,315	585,086	54,229
Total personnel	5,390,957	5,390,957	5,218,880	172,077
Commodities				
Operating supplies	12,275	12,275	10,565	1,710
Clothing	4,790	4,790	2,760	2,030
Computer supplies	8,000	8,000	4,611	3,389
Total commodities	25,065	25,065	17,936	7,129

(continued)

DAKOTA COMMUNICATIONS CENTER

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GENERAL FUND - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budget As Originally Adopted	Final Budget	Actual	Variance With Final Budget
Contractual services				
Professional services	$ 138,680	$ 138,680	$ 153,480	$ (14,800)
Use of personal auto	5,253	5,253	4,730	523
Print public information	4,650	4,650	786	3,864
Insurance	65,580	65,580	56,965	8,615
Telephone	67,086	67,086	42,521	24,565
Postage	1,000	1,000	413	587
Contract equipment repair/other	332,536	332,536	305,642	26,894
Contract building repair	379,354	379,354	347,802	31,552
Contract data processing	624,388	624,388	631,381	(6,993)
Rents	7,349	7,349	6,237	1,112
Building rent	725,100	725,100	719,500	5,600
Schools and conferences	26,037	26,037	22,852	3,185
Business meetings and expense	750	750	121	629
Dues and subscriptions	1,597	1,597	1,668	(71)
Miscellaneous	5,000	5,000	3,582	1,418
Total contractual	2,384,360	2,384,360	2,297,680	86,680
Total expenditures	7,800,382	7,800,382	7,534,496	265,886
Deficiency of revenues under expenditures	$ (128,031)	$ (128,031)	(141,471)	$ (13,440)
Fund balances, beginning of year			1,704,011	
Fund balances, end of year			$ 1,562,540	

DAKOTA COMMUNICATIONS CENTER
OTHER POST-EMPLOYMENT BENEFITS PLAN – SCHEDULE OF FUNDING PROGRESS
DECEMBER 31, 2013

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%

IV. 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, 2013, and the related notes to the financial statements, and have issued our report thereon dated April 1, 2014.

The *Minnesota Legal Compliance Audit Guide for 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, public indebtedness, claims and disbursements, and miscellaneous provisions. Our audit considered all of the listed categories.

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 Political Subdivisions*. However, our audit was not directed primarily toward procedures, other matters may have come to our attention regarding the Organization's noncompliance with the above referenced provisions. 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
April 1, 2014

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