Financial Statements
For the Year Ended December 31, 2019

DAKOTA COMMUNICATIONS CENTER

DCC 911

DAKOTA COMMUNICATIONS CENTER

Table of Contents

I. INTRODUCTORY SECTION

DAKOTA COMMUNICATIONS CENTER
APPOINTED OFFICIALS
DECEMBER 31, 2019

Appointed by	Appointed Official	Board Position	Position with Appointer	Term Expires
City of Apple Valley	John Bergman	Member	City Council Member	January 2020
City of Burnsville	Cara Schulz	Member	City Council Member	January 2020
Dakota County	MaryLiz Holberg	Member	County Commissioner	January 2020
City of Eagan	Gary Hansen	Member	City Council Member	January 2020
City of Farmington	Joshua Hoyt	Member	City Council Member	January 2021
City of Hastings	Joe Balsanek	Member	City Council Member	January 2021
City of Inver Grove Heights	George Tourville	Chair	City Mayor	January 2021
City of Lakeville	Michelle Volk	Member	City Council Member	January 2020
City of Mendota Heights	Ultan Duggan	Member	City Council Member	January 2021
City of Rosemount	Jeff Weisensel	Vice Chair	City Council Member	January 2021
City of South Saint Paul	Lori Hansen	Member	City Council Member	January 2021
City of West Saint Paul	Dick Vitelli	Member	City Council Member	January 2021

DAKOTA COMMUNICATIONS CENTER DCC 911

April 10, 2020

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.

Major Initiatives

The following are major initiatives that were funded in 2019:

1) Emergency Fire Dispatch - The addition of Fire Protocols to the existing Medical Protocol program was accomplished in 2019. The addition of fire protocols has been a desire of the fire operations group for over 6 years. The implementation of the protocols required training of all dispatchers in their use which resulted in additional overtime during the last half of the year.

2) Dispatch Floor Remodel and Workstation replacement - The Dakota Communications Center dispatch workstations have been in nearly constant use since they were installed in 2007. Replacement in 2019 was necessary due to increasing repair costs and a lack of spare parts. The Center took advantage of this change to remodel the layout to improve communication and to prepare for a central location of a future video/data wall.

3) Continuity of Operations Initiatives - The Dakota Communications Center is a purpose built 911 structure with significant reinforcement. It is impossible to build to withstand all that nature can muster so redundant systems are needed. Aging laptops that run Computer Aided Dispatch when the dispatch floor must be abandoned were replaced and readied for use in 2019. The Dakota Communications Center also worked with CenturyLink to install an abandonment device that allows the Center to reroute phone calls should the dispatchers need to abandon the building

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, 2019 and 2018 is as follows:

	2019	2018	Change
Revenues			
JPA membership support, net	$ 9,081,272	$ 8,763,263	$ 318,009
Intergovernmental grants	598,345	601,708	(3,363)
Other income	21,365	22,151	(786)
Sale of assets	4,200	1,572	2,628
Investment income	173,981	44,197	129,784
Total revenues	9,879,163	9,432,891	446,272
Expenditures			
Personnel	6,437,062	6,131,718	305,344
Commodities	18,278	15,326	2,952
Other charges and services	2,590,717	2,532,372	58,345
Capital outlay	543,340	649,463	(106,123)
Debt service	-	267,765	(267,765)
Total expenditures	9,589,397	9,596,644	(7,247)
Net	$ 289,766	$ (163,753)	$ 453,519

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

ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Dakota Communication 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 Communication Center (the Organization), Rosemount, Minnesota, as of and for the year ended December 31, 2019, 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, 2019, 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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Edina, MN 55436
952.835.9090 | Fax 952.835.3261

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 37, the Schedules of Employer's Share of the Net Pension Liability and the Schedules of Employer's Contributions, the related note disclosures, the Schedule of Changes in Net Pension Liability, and the Schedule of Changes in the City's OPEB Liability and Related Ratios, starting on page 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other 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
April 13, 2020

People + Process. Going Beyond the Numbers

MANAGEMENT'S DISCUSSION AND ANALYSIS

DAKOTA COMMUNICATIONS CENTER

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2019. The letter of transmittal is presented on pages 2-4 of this report.

Financial Highlights

- The Organization's assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources at the close of the most recent fiscal year by $286,412 (net position). The Organization's total net position increased $169,504 during the fiscal year ended December 31, 2019.
- Government-wide revenues totaled $9,887,663 and were $169,504 more than expenses of $9,718,159.
- As of December 31, 2019, the Organization's governmental funds reported combined ending fund balances of $3,555,600. Of the total fund balance, $1,916,227 consists of the following: non-spendable for prepaid items ($116,038), assigned for future capital acquisitions ($1,348,336) and assigned for compensated absences ($451,853); the remaining $1,639,373 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, 2019, were $5,521,606 comprised of cash and investments (67.4 percent); due from other governmental units, interest receivable and prepaid items (3.4 percent); and capital assets (29.2 percent).

Deferred outflows of resources for deferred pension resources was $400,864.

Total liabilities as of December 31, 2019, amounted to $4,666,000. Of this amount, $451,853 (9.7 percent) is for non-current liabilities due within one year. The non-current liabilities that are due in more than one year amounted to $3,860,306 (82.7 percent). Accounts payable, wages payable, deposits payable and interest payable represent 7.6 percent.

Deferred inflows of resources for deferred pension resources was $970,058.

As of the end of the current fiscal year, the Board's net investment in capital assets was $1,612,265 and the unrestricted net position was ($1,325,753) (deficit).

The Organization's assets and deferred outflows of resources exceeded the liabilities and deferred inflows of resources at the close of the most recent fiscal year by $286,412 (net position).

Organization as a Whole

Government-Wide Financial Statements

A condensed version of the Statement of Net Position at December 31, 2019 and 2018 follows:

NET POSITION

	2019	2018
Assets		
Current and other assets	$3,909,441	$3,744,551
Capital assets	1,612,165	1,661,038
Total assets	5,521,606	5,405,589
Deferred outflows of resources	400,864	711,757
Liabilities		
Other liabilities	353,841	478,717
Non-current liablities	4,312,159	4,371,099
Total liabilities	4,666,000	4,849,816
Deferred inflows of resources	970,058	1,150,622
Net position		
Investment in capital assets	1,612,165	1,661,038
Unrestricted	(1,325,753)	(1,544,130)
Total net position	$ 286,412	$ 116,908

Additions to Net Position

Support payments from the JPA Membership are the main source of revenues and amounted to $9,081,272 for 2019 compared to $8,763,263 in 2018.

Intergovernmental grants amounted to $598,345 for 2019 which is a decrease of $3,363 from 2018. Investment earnings for 2019 of $95,303 and the net change in fair value of investments amounted to $78,678 which is an increase of $129,784 compared to 2018; the increase is primarily the result of market conditions.

Deductions from Net Position

Deductions from net position are primarily for personnel. Personnel ($6,516,951) accounted for 67.1 percent of the total deductions. Other charges and services ($2,590,717) accounted for 26.7 percent of the total deductions.

A condensed version of the statement of activities for the year ended December 31, 2019 and 2018 follows:

CHANGES IN NET POSITION

	2019	2018
Revenues		
Program revenues		
Charges for services	$ 9,102,637	$ 8,785,414
Operating grants and contributions	598,345	601,708
General revenues		
Investment earnings	173,981	44,197
Sale of assets	4,200	1,572
Other revenues	8,500	28,638
Total revenues	9,887,663	9,461,529
Expenses		
Public safety	9,718,159	8,847,228
Interest on long-term debt	-	357
Total expenses	9,718,159	8,847,585
Increase in net position	169,504	613,944
Net position January 1,	116,908	(497,036)
Net position December 31,	$ 286,412	$ 116,908

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 $3,555,600. Of this combined ending fund balance, $1,639,373 or 46.1 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 ($1,348,336), (b) assigned for compensated absences ($451,853) and (c) non-spendable prepaid items ($116,038).

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 $1,639,373.

The Capital Projects fund has an assigned fund balance of $1,348,336. This fund balance is assigned for future capital acquisition.

General Fund Budgetary Highlights

- The Board of Directors adopted the 2019 budget in 2018. Two amendments were made in 2019 to the originally adopted budget for the Capital Projects fund.
- Total Revenues exceeded budget expectations by $117,924 due in part to better than anticipated interest income and the positive change in fair value of investments.
- The 2019 budget appropriations were spent below the adopted budget.
- 2019 Personnel costs are approximately 5.0 percent under budget estimates for the year. This was due to employment vacancies which also reduces related benefit costs.
- Commodities were $3,282 (15.2 percent) under budget appropriations.
- Contractual expenditures were $116,192 (4.3 percent) under budget appropriations as a result of lower facility maintenance payments to Dakota County; lower LOGIS cost from what was anticipated; and various maintenance agreements that were anticipated but were not needed due to delays in implementing new systems. Schools and conferences were also lower due to delays in training on those new systems.

Capital Asset and Debt Administration

Capital Assets. The Organization's investment in capital assets for its governmental activities as of December 31, 2019 amounted to $1,612,165 net of accumulated depreciation. This investment in capital assets consists of furniture and communication equipment.

Debt Administration. At the end of the current fiscal year, the Organization did not have any outstanding debt.

Economic Factors and Next Year's Budget

- The adopted 2020 General fund budget is $9.5 million for operations. Revenues include $8.9 million from JPA Members, $581,696 from the State of Minnesota Enhanced 911 tariff fees, $18,000 from MTNS partnership, $18,000 from miscellaneous grants and $5,000 in insurance rebates. Investment earnings are projected to be $17,000.

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, 2019

	Governmental Activities
ASSETS	
Cash and investments	$ 3,722,436
Interest receivable	21,984
Due from other governmental units	48,983
Prepaid items	116,038
Non depreciable asset	54,400
Capital assets, net of accumulated depreciation	1,557,765
Total assets	5,521,606
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension resources	381,722
Deferred OPEB resources	19,142
	400,864
LIABILITIES	
Wages payable	158,610
Accounts payable	89,092
Deposits payable	106,139
Non-current liabilities	
Due within one year	451,853
Due in more than one year	3,860,306
Total Liabilities	4,666,000
DEFERRED INFLOWS OF RESOURCES	
Deferred pension resources	959,535
Deferred OPEB resources	10,523
	970,058
NET POSITION	
Investment in capital assets	1,612,165
Unrestricted	(1,325,753)
Total net position	$ 286,412

DAKOTA COMMUNICATIONS CENTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

		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	$ 9,718,159	$ 9,102,637	$ 598,345	$ (17,177)
General revenues:				
Investment income				173,981
Sale of assets				4,200
Other revenues				8,500
Total general revenues				186,681
Change in net position				169,504
Net position - beginning				116,908
Net position - ending				$ 286,412

DAKOTA COMMUNICATIONS CENTER
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	General Fund	Capital Projects Fund	Total Governmental Funds
ASSETS			
Cash and investments	$ 2,311,907	$ 1,410,529	$ 3,722,436
Interest receivable	13,576	8,408	21,984
Due from other governmental units	48,983	-	48,983
Prepaid items	116,038	-	116,038
Total assets	$ 2,490,504	$ 1,418,937	$ 3,909,441
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Wages payable	$ 158,610	$ -	$ 158,610
Accounts payable	22,823	66,269	89,092
Deposits payable	101,807	4,332	106,139
Total liabilities	283,240	70,601	353,841
FUND BALANCES			
Non-spendable for prepaid items	116,038	-	116,038
Assigned for future capital acquisitions	-	1,348,336	1,348,336
Assigned for compensated absences	451,853	-	451,853
Unassigned	1,639,373	-	1,639,373
Total fund balances	2,207,264	1,348,336	3,555,600
Total liabilities and fund balances	$ 2,490,504	$ 1,418,937	$ 3,909,441

DAKOTA COMMUNICATIONS CENTER
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2019

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

Total fund balances - governmental funds		$ 3,555,600
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Non depreciable asset	54,400	
Furniture and equipment	4,619,708	
Less accumulated depreciation	(3,061,943)	1,612,165
2. Long term liabilities are not payable with current financial resources and therefore are not reported in the governmental funds.		
Pension liability		(3,654,521)
3. Accrued compensated absences are not payable with current financial resources and therefore are not reported in the governmental funds.		(451,853)
4. Other post employment benefits are not payable with current financial resources and therefore are not reported in the governmental funds.		(205,785)
5. Governmental funds do not report long-term amounts related to pensions.		
Deferred outflows of OPEB resources		19,142
Deferred outflows of pension resources		381,722
Deferred inflows of OPEB resources		(10,523)
Deferred inflows of pension resources		(959,535)
Net position of governmental activities		$ 286,412

DAKOTA COMMUNICATIONS CENTER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	General Fund	Capital Projects Fund	Total Governmental Funds
REVENUES			
JPA membership support	$ 8,686,572	$ 394,700	$ 9,081,272
Intergovernmental grants	598,345	-	598,345
Other income	21,365	-	21,365
Investment income	141,773	32,208	173,981
Total revenues	9,448,055	426,908	9,874,963
EXPENDITURES			
Current			
Public safety			
Personnel	6,437,062	-	6,437,062
Commodities	18,278	-	18,278
Other charges and services	2,590,717	-	2,590,717
Capital outlay	-	543,340	543,340
Total expenditures - public safety	9,046,057	543,340	9,589,397
EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENDITURES	401,998	(116,432)	285,566
OTHER FINANCING SOURCES			
Sale of assets	-	4,200	4,200
NET CHANGE IN FUND BALANCES	401,998	(112,232)	289,766
FUND BALANCES, BEGINNING OF YEAR	1,805,266	1,460,568	3,265,834
FUND BALANCES, END OF YEAR	$ 2,207,264	$ 1,348,336	$ 3,555,600

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, 2019

Amounts reported for governmental activities in the statement of net position are different because:		
Net change in fund balances - total governmental funds		$ 289,766
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	481,778	
Depreciation expense	(464,627)	17,151
2. In the government-wide statement of activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sales increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets disposed of.		(66,024)
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	(30,602)	
Net OPEB obligation increase	(11,130)	(41,732)
5. Long-term pension activity is not reported in governmental funds.		
Pension revenue		8,500
Pension expense		(38,157)
Change in net position of governmental activities		$ 169,504

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.

(continued on next page)

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.

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 amended in 2019 for the Capital Projects fund for projects that were carried over from the preceding year.

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. 75, *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. USE OF ESTIMATES

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

N. 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. Investment in capital assets - Consists of capital assets, net of accumulated depreciation.

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 "investment in capital assets".

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.

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.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 14 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.

NOTE 2 - DEPOSITS AND INVESTMENTS

Cash and investments for the Organization as of December 31, 2019 consisted of the following:

Deposits	$ (2,123)
Investments	3,686,058
Market value adjustment	38,501
	$ 3,722,436

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, 2019, the carrying amount the Organization's deposits were ($2,123) while the balances on the bank records was zero and covered by federal depository insurance.

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NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Credit Risk - Investments

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

Custodial Credit Risk – Investments

For investments, custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, (typically a broker-dealer) the Organization will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

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

Minnesota Statutes authorize the Organization to invest in the following:

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

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

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

4) 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.

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NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

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, 2019, the Organization's investment portfolio includes the following securities of single issuers exceeding 5 percent:

Minnesota Municipal Money Market	9.2%
JP Morgan Chase	6.7%
Meta Bank Sioux Falls	6.7%
Citibank NA	5.6%
Morgan Stanley Bank	5.5%
Morgan Stanley Pvt Bank	5.5%
State Bank of India NY	5.5%
Wells Fargo Bank NA Sioux Falls	5.4%
CIT Bank UT	5.4%
BMW Bank	5.3%

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 below and are valued using quoted market prices (Level 1 inputs.)

Types of Investments	Credit Quality/ Ratings	Segmented Time Distribution	12/31/2019	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	$ 341,058	$ -	$ -	$ -
Non-pooled investments at fair value						
Brokered Certificates of Deposit	N/A	less than 6 months	750,901	-	750,901	-
Brokered Certificates of Deposit	N/A	6 months to 1 year	548,904	-	548,904	-
Brokered Certificates of Deposit	N/A	1 to 3 years	1,413,838	-	1,413,838	-
Brokered Certificates of Deposit	N/A	more than 3 years	669,858	-	669,858	-
Total investments			$ 3,724,559	$ -	$ 3,383,501	$ -

The Organization has the following recurring fair value measurements as of December 31, 2019:

- Brokered certificates of deposit of $3,383,501 are valued using quoted market prices (Level 2 inputs).

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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, 2019, are as follows:

Governmental activities:	Balance January 1	Additions	Deletions	Balance December 31
Capital assets, not being depreciated:				
Construction in progress	$ -	$ 54,400	$ -	$ 54,400
Capital assets, being depreciated:				
Furniture and equipment	4,550,658	427,378	(358,328)	4,619,708
Less accumulated depreciation	2,889,620	464,627	(292,304)	3,061,943
Total capital assets, being depreciated, net	1,661,038	(37,249)	(66,024)	1,557,765
Total capital assets, net	$ 1,661,038	$ 17,151	$ (66,024)	$ 1,612,165

Depreciation expense was charged to the governmental functions as follows:

Public safety	$ 464,627

NOTE 4 - DEFINED BENEFIT PENSION PLANS – STATEWIDE

A. 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 Plan (GERP)

All full-time and certain part-time employees of the Organization are covered by the General Employees Retirement Plan (GERP). GERP members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

B. 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. 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.

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

GERF Benefits

GERP 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 Plan members. Members hired prior to July 1, 1989 receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for average salary for all years 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.

Annuities, disability benefits and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

C. *Contributions*

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

General Employees Fund contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2019 and the Organization was required to contribute 7.50 percent for Coordinated Plan members. The Organization's contributions to the General Employees Fund for the year ending December 31, 2019, 2018 and 2017 were $366,447, $347,710 and $333,684, respectively. The Organization's contributions were equal to the required contributions for each year as set by state statute.

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

D. Pension Costs

General Employees Fund pension costs

At December 31, 2019, the Organization reported a liability of $3,654,521 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 $16 million to the fund in 2019. 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 $113,495. The net pension liability was measured as of June 30, 2019, 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, 2018 through June 30, 2019 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the Organization's proportion was 0.0661 percent which was a 0.0014 percent decrease from its proportion measured as of June 30, 2018.

Organization's proportionate share of the net pension liability	$ 3,654,521
State of Minnesota's proportionate share of the net pension liability associated with the Oganization	113,495
Total	$ 3,768,016

Post-retirement benefit increases were changed from 1.0 percent per year with a provision to increase to 2.5 percent upon attainment of a 90 percent funding ratio to 50 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent, beginning January 1, 2019.

For the year ended December 31, 2019, the Organization recognized pension expense of $406,479 for its proportionate share of GERP's pension expense. In addition, the Organization recognized an additional $8,500 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

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

At December 31, 2019, the Organization reported its proportionate share of General Employees Plan's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 139,483	$ 4,667
Changes in actuarial assumptions	15,845	323,647
Difference between projected and actual investment earnings	-	414,530
Changes in proportion	32,011	216,691
Contributions paid to PERA subsequent to the measurement date	194,383	-
Total	$ 381,722	$ 959,535

The $194,383 reported as deferred outflow of resources related to pensions resulting from the Organization's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount
2020	$ (264,341)
2021	(415,266)
2022	(98,478)
2023	5,889

E. *Actuarial Assumptions*

The total pension liability in the June 30, 2019, actuarial valuation was determined using an individual entry-age normal actuarial cost method and 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 after retirement for retirees are assumed to be 1.25 percent per year for General Employees Plan.

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

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2019:

General Employees Fund

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from $31.0 million to $21.0 million per year. The State's special funding contribution was changed prospectively, requiring $16.0 million due per year through 2031.

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 Equity	35.50%	5.10%
Private Markets	25.00%	5.30%
Fixed Income	20.00%	0.75%
International Equity	17.50%	5.90%
Cash Equivalents	2.00%	0.00%
Total	100.00%	

F. Discount Rate

The discount rate used to measure the total pension liability in 2019 was 7.50 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 General Employees Fund 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.

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

G. 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:

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
General Employees Fund	$ 6,007,836	$ 3,654,521	$ 1,711,392

H. 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 - COMPENSATED ABSENCES

The vested or accumulated liability for accrued personal time off for governmental funds (including applicable salary-related payments) as of December 31, 2019 was $451,853. This amount is included in the non-current liabilities of the government-wide statement of net position as follows:

Due within one year	$ 451,853

NOTE 6 - LONG-TERM DEBT

The accrued liability for compensated absences is recorded as a liability in the Governmental Fund. Unused personal time off is recorded as a liability in these financial statements. The General fund has typically been used to liquidate the compensated absences payable obligation.

During the year ended December 31, 2019 the following changes occurred in non-current liabilities:

	Balance January 1	Additions	Deletions	Balance December 31	Due Within One Year
Governmental activities:					
Accrued compensated absences	421,251	511,857	(481,255)	451,853	451,853
Pension payable	3,744,623	261,183	(351,285)	3,654,521	-
Net OPEB obligation	205,225	15,208	(14,648)	205,785	-
Total governmental activities	$ 4,634,564	$ 788,248	$ (847,188)	$ 4,312,159	$ 451,853

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NOTE 7 - 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 8 - OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

A. Plan Description

The Organization operates a single-employer retiree benefit plan ("the Plan") to certain eligible employees. 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:

<u>Post-Employment Insurance Benefits</u> - 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

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NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)

Organization's younger and statistically healthier active employees.
At December 31, 2018, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	5
Active Plan Members	57
Total Plan Members	62

B. Funding Policy

Contribution requirements are also negotiated between the Organization and union representatives. The Organization contributes a predetermined portion of the cost of current-year premiums for eligible retired plan members and their spouses based on the employment contract in effect at the time of retirement. For the year ended December 31, 2019, Organization's average contribution rate was 0.0344 percent of covered-employee payroll. For the year 2019, Organization contributed $14,648 to the Plan.

C. Actuarial Methods and Assumptions

The Organization's total OPEB liability of $205,785 was measured as of December 31, 2019, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of January 1, 2018. The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	4.09%	
Expected Long-Term Investment Return	3.44%	net of investment expenses
Payroll Growth Rate	3.50%	
Medical Trend Rate	8.00%	in 2019 grading to 5% over 10 years

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2015 General Improvement Scale.

The actuarial assumptions used in the December 31, 2019 valuation were based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information as well as for consistency with the other economic assumptions.

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NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)

D. Changes in the Total OPEB Liability

	Total OPEB Liability (A)
Balances at December 31, 2018	$ 205,225
Changes for the year:	
Service cost	19,460
Interest	7,477
Changes in assumptions or other inputs	(11,729)
Benefit payments	(14,648)
Net changes	560
Balances at December 31, 2019	$ 205,785

E. Sensitivity of the Total OPEB Liability

The following presents the total OPEB liability of the Organization, as well as what the Organization's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.40 percent) or 1-percentage-point higher (4.40 percent) than the current discount rate:

1 Percent Decrease (2.40%)	Current (3.40%)	1 Percent Increase (4.40%)
$ 188,735	$ 205,785	$ 224,030

The following presents the total OPEB liability of the Organization, as well as what the Organization's total OPEB liability would be if it were calculated using a Healthcare Cost Trent Rates that is 1-percentage point lower (5.75 percent decreasing to 4.00 percent) or 1-percentage-point higher (7.75 percent increasing to 6.00 percent) than the current cost trend rate:

1 Percent Decrease (5.75%)	Current (6.75%)	1 Percent Increase (7.75%)
$ 176,345	$ 205,785	$ 241,851

(continued on next page)

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)

F. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2019, Organization recognized OPEB expense of $11,130. At December 31, 2019, Organization reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	$ 4,494	$ 10,523
Contributions to OPEB subsequent to the measurement date	14,648	-
Total	$ 19,142	$ 10,523

Deferred outflows of resources totaling $14,648 related to pensions resulting from the Organization's contributions to OPEB subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	
2020	$ (625)
2021	(625)
2022	(625)
2023	(625)
2024	(625)
Thereafter	(2,904)

NOTE 9 - INVESTMENT IN CAPITAL ASSETS

Investment in capital assets is computed as follows:

	Governmental
Capital assets, net of depreciation	$ 1,612,165

(continued on next page)

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.

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

Year	Amount
2020	$ 725,100
2021	725,100
2022	483,410
	$ 1,933,610

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

Recent events related to the COVID-19 virus has had minimal impact on the Organization's operations. The Organization is an essential function which provides county wide dispatching services to the community. Due to the nature of the operations, employees are required to report to work. If conditions were to arise and a significant number of employees were to become infected, the operations could be significantly impacted. The Organization has developed a contingency plan partnering with surrounding communications centers which would continue coverage in the event there is a shortage of employees to carry out the Organization's core functions.

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, 2019

	Budget As Originally Adopted	Final Budget	Actual	Variance With Final Budget
REVENUES				
JPA membership support	$ 8,686,572	$ 8,686,572	$ 8,686,572	$ -
Mass notification system fees	18,000	18,000	18,000	-
Enhanced E-911	581,696	581,696	581,696	-
Traffic safety grants	21,113	21,113	16,649	(4,464)
Other income	5,000	5,000	3,365	(1,635)
Investment income	17,750	17,750	141,773	124,023
Total revenues	9,330,131	9,330,131	9,448,055	117,924
EXPENDITURES				
Personnel				
Salaries	5,174,996	5,174,996	4,978,662	196,334
PERA	388,125	388,125	368,321	19,804
FICA	395,887	395,887	366,589	29,298
Benefits	819,232	819,232	723,490	95,742
Total personnel	6,778,240	6,778,240	6,437,062	341,178
Commodities				
Operating supplies	12,287	12,287	9,962	2,325
Clothing	3,348	3,348	3,935	(587)
Computer supplies	5,925	5,925	4,381	1,544
Total commodities	21,560	21,560	18,278	3,282

(continued)

DAKOTA COMMUNICATIONS CENTER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GENERAL FUND - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budget As Originally Adopted	Final Budget	Actual	Variance With Final Budget
Contractual services				
Professional services	$ 144,277	$ 144,277	$ 143,430	$ 847
Use of personal auto	4,378	4,378	1,536	2,842
Print public information	3,365	3,365	3,395	(30)
Insurance	31,284	31,284	31,031	253
Telephone	41,807	41,807	40,457	1,350
Postage	450	450	774	(324)
Contract equipment repair/other	322,172	322,172	284,568	37,604
Contract building repair	401,248	401,248	374,066	27,182
Contract data processing	962,143	962,143	950,303	11,840
Rents	4,290	4,290	4,445	(155)
Building rent	715,500	715,500	715,500	-
Schools and conferences	73,940	73,940	39,293	34,647
Business meetings and expense	350	350	141	209
Dues and subscriptions	1,705	1,705	1,778	(73)
Total contractual	2,706,909	2,706,909	2,590,717	116,192
Total expenditures	9,506,709	9,506,709	9,046,057	460,652
Net change in fund balances	$ (176,578)	$ (176,578)	401,998	$ 578,576
Fund balances, beginning of year			1,805,266	
Fund balances, end of year			$ 2,207,264	

DAKOTA COMMUNICATIONS CENTER
SCHEDULE OF EMPLOYER'S SHARE OF PUBLIC EMPLOYEES RETIREMENT ASSOCIATION NET PENSION LIABILITY – GENERAL EMPLOYEES RETIREMENT PLAN
FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2019	0.6610%	$ 3,654,521	$ 113,495	$ 3,768,016	$ 4,677,210	80.6%	80.2%
June 30, 2018	0.0675%	3,744,623	122,805	3,867,428	4,540,111	85.2%	79.5%
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 PLAN
FOR THE YEAR ENDED DECEMBER 31, 2019

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
December 31, 2019	$ 366,447	$ 366,447	$ -	$ 4,885,966	7.50%
December 31, 2018	347,710	347,710	-	4,636,131	7.50%
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.

DAKOTA COMMUNICATIONS CENTER
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018
Total OPEB liability		
Service Cost	$ 19,460	$ 17,762
Interest	7,477	7,526
Change in assumptions	(11,729)	5,656
Benefit payments	(14,648)	(14,114)
Net change in total OPEB liability	560	16,830
Total OPEB liability - beginning	222,055	205,225
Total OPEB liability - ending	$ 222,615	$ 222,055
Covered payroll	$ 4,300,000	$ 4,100,000
Organization's total OPEB liability as a percentage of covered employee payroll	4.8%	5.0%

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

BUDGETS AND BUDGETARY ACCOUNTING

The Dakota Communications Board has full authority over the financial affairs of the Organization. The Board adopts an annual budget for the Organization. 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. All budgeting appropriations lapse at year-end.

The legal level of budgetary control is at the fund level for the General fund and the Capital Projects fund.

Any changes in the budget must be approved by a majority vote of the Board. The Board amended the budget during the year for the Capital Projects fund for projects that were carried over from the preceding year.

CHANGES IN ACTUARIAL ASSUMPTIONS

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The morality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

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

2019 - The employer supplemental contribution was changed prospectively, decreasing from $31.0 million to $21.0 million per year. The state's special funding contribution was changed prospectively, requiring $16.0 million due per year through 2031.

CHANGES IN PLAN PROVISIONS (continued)

2018 - The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Contribution stabilizer provisions were repealed. Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 - The State's contribution for the Minneapolis Employees Retirement Fund equals $16,000,000 in 2017 and 2018, and $6,000,000 thereafter. The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from $21,000,000 to $31,000,000 in calendar years 2019 to 2031. The state's contribution changed from $16,000,000 to $6,000,000 in calendar years 2019 to 2031.

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 Communication 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 Communication Center (the Organization), Rosemount, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated April 13, 2020.

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 contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, and miscellaneous provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minnesota Statute § 6.65, insofar as they relate to accounting matters. 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, insofar as they relate to accounting matters.

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

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
April 13, 2020

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