

NORTH METRO TELECOMMUNICATIONS COMMISSION MEETING

April 17, 2019
6:00 p.m.

**SPRING LAKE PARK CITY OFFICES
1301 81st Avenue NE
Spring Lake Park, Minnesota**

AGENDA

1. CALL TO ORDER/ROLL CALL
2. CONSENT AGENDA **pp. 1-11**
 - 2.1. Approval of the minutes of the regular meeting, March 20, 2019
 - 2.2. Approval of March financial reports and bill list
3. CITIZENS TO BE HEARD
4. 2018 AUDIT PRESENTATION **pp. 12-47**
5. NORTH METRO TV REPORT **pp. 48--55**
 - 5.1. Monthly update
6. REPORT OF EXECUTIVE COMMITTEE **pp. 56-58**
 - 5.1. OTT Channel Timeline
 - 5.2. Building Security System
7. REPORT OF OPERATIONS COMMITTEE **pp. 59-60**
8. REPORT OF LEGAL COUNSEL
 - 7.1. Monthly Report
9. REPORT OF COMCAST
10. REPORT OF CENTURYLINK
11. NEW BUSINESS
12. OLD BUSINESS
13. REPORT OF DIRECTORS
14. COMMUNICATIONS **pp. 61-71**
15. ADJOURN

NORTH METRO TELECOMMUNICATIONS COMMISSION

UNAPPROVED MINUTES

Commission Meeting – March 20, 2019

CALL TO ORDER

Chair D. Swanson called the regular meeting of the North Metro Telecommunications Commission to order at 6:00 p.m. at the Spring Lake Park city offices.

ROLL CALL

Directors Present: Dick Swanson; Blaine, Cindy Hansen; Spring Lake Park, Mike Schweigert; Circle Pines, Matt Montain; Centerville, Dale Stoesz; Lino Lakes

Directors Absent: Brian Kirkham; Ham Lake, Mike Murphy; Lexington

Others Present: Heidi Arnson; Executive Director, Mike Bradley; Legal Counsel

Comcast Rep:

CenturyLink Rep:

CONSENT AGENDA

- **Minutes, Bill List, Financial Reports**

The December 20, 2018 minutes, and the December, January and February bill lists and financial reports were approved as presented. **Motion for approval made by C. Hansen. Second, D. Stoesz. Motion passed unanimously.**

CITIZENS TO BE HEARD

None present.

REPORT OF NORTH METRO TV

H. Arnson reviewed the North Metro TV report as presented in the packet. A summary was also given of activities for the months of February and March. Topics included:

- The live streaming servers for Cities are up and running. North Metro TV staff have been working with City staff to make sure they are aware of the service and that they have a link for city residents.

- The traveling lecture series continues to be popular. Instructor, Eric Houston, has been taking his multi-media presentations on topics such as James Bond or Early Film Treasures to locations throughout the North Metro. Classes are regularly taught at various senior centers and senior living facilities, through City Park & Rec departments, and at the Library and History Center.
- The City of Lexington is ready to move forward with their HD upgrade.

REPORT OF EXECUTIVE COMMITTEE/OPERATIONS COMMITTEE

D. Stoesz reported on the following items:

- NMTV staff is working on providing the local channels as an OTT service.
- The Closed Captioning Study is complete. The Commission is exempt from closed captioning according to FCC rules, but may not be according to ADA guidelines. The report includes various options for providing closed captioning on live programming and on prerecorded programming. Legal Counsel will draw up an implementation plan and money will be budgeted for closed captioning in 2020.
- A memo outlining the division of the 2018 franchise fees being returned to Cities was reviewed.

MOTION: To approve disbursement of the 2018 franchise fees, retained by the Member Cities, as presented in the disbursement materials. **Motion made by D. Stoesz. Second, C. Hansen. Motion passed unanimously.**

- Recommendations were made for members of the 2019 Executive Committee. Dick Swanson, Cindy Hansen, Mike Murphy and Dale Stoesz indicated a desire to serve on the committee. No other members of the Commission indicated interest in being on the Committee. It was recommended that Dale Stoesz serve as Chair, Dick Swanson serve as Vice Chair, Cindy Hansen serve as Secretary, and Mike Murphy serve as Treasurer.

MOTION: To approve the Executive Committee as recommended. **Motion for approval made by: D. Stoesz. Second: M. Montain. Motion approved.**

- Every year, as an administrative matter, the Commission has to decide whether or not to waive the statutory tort liability limits for insurance purposes. This decision determines the amount an individual would be able to recover on any claim to which the statutory tort limits apply. In the past, the Commission has opted to NOT WAIVE the monetary limits on municipal tort liability. The Executive Committee recommends that the Commission NOT Waive the monetary limits.

MOTION: To NOT WAIVE the monetary limits on municipal tort liability. **Motion made by D. Stoesz. Second, M. Schweigert. Motion passed.**

REPORT OF LEGAL COUNSEL

M. Bradley reported on the following items:

- The NCTA has filed an ex parte letter with the FCC regarding the franchise fee Further Notice of Proposed Rulemaking. It is important that Cities respond to this letter. The Commission approved joining with other Cities to have Legal Counsel draft an ex parte letter in response.
- The FCC's Small Cell Order has been appealed and a request for reconsideration has been made.
- The Eschoo Bill would void the FCC's Small Cell Wireless rule.
- HR1220 would require all communications providers to clearly delineate all fees charged to subscribers.
- A brief history of the franchising relationship with CenturyLink was given, for the benefit of new Commissioners.
- In the matter of the closed captioning study, it may be possible to partner with other commissions for a better rate.

REPORT OF COMCAST

No report was presented.

REPORT OF CENTURYLINK

No report was presented.

NEW BUSINESS

No new business was presented.

OLD BUSINESS

No old business was presented.

REPORT OF DIRECTORS

There was no report of Directors.

ADJOURN

The meeting was adjourned at 6:35 p.m. **The motion to adjourn was made by M. Montain. Second, D. Stoesz. Motion approved.**

The next meeting of the NMTC will be held on **Wednesday, April 17, 2019 at 6:00 p.m.** at the city offices of Spring Lake Park.

Cindy Hansen; Secretary, NMTC

**NORTH METRO TELECOMMUNICATION
BILL LIST**

MARCH 2019

Date	Check #	Payee	Amount
MARCH	COMBINED	PAYROLL	56,714.18
MARCH	COMBINED	IRS/US PAYABLE	18,763.16
MARCH	COMBINED	MN REVENUE PAYABLE	3,394.15
MARCH	COMBINED	PERA PAYABLE	10,877.74
MARCH	COMBINED	PEACHTREE	62.90
MARCH	COMBINED	DISCOVERY BENEFITS	962.50
13457	3/5/19	Richard D. Larson	353.50
13458	3/5/19	Rick Larson	37.50
13459	3/5/19	Aid Electric Corporation	4,052.58
13460	3/5/19	ECM Publications	350.00
13461	3/5/19	Bradley Law, LLC	1,511.25
13462	3/5/19	Z Systems	15,256.84
13463	3/12/19	Grass Hopper Lawn & Snow	1,650.00
13464	3/12/19	Public Employees Retirement	1,679.72
13465	3/14/19	Z Systems	21,555.91
13466	3/21/19	Adam C. Roloff	500.00
13467	3/21/19	Anoka County Records & Taxation	388.83
13468	3/22/19	Grass Valley USA, LLC	8,801.39
13469	3/25/19	Matt Montain	135.00
13470	3/25/19	Mike Schweigert	135.00
13471	3/25/19	Brian Kirkham	135.00
13472	3/25/19	Dale K. Stoesz	135.00
13473	3/25/19	Cynthia A. Hansen	135.00
13474	3/25/19	Corporate Mechanical	613.86
13475	3/29/19	B Harris, Inc.	1,380.00
EPAY-01	3/2/19	POPP TELECOM	210.45
EPAY-02	3/3/19	Comcast	285.92
EPAY-03	3/3/19	T-Mobile	102.16
EPAY-04	3/4/19	Principal Financial Group	431.99
EPAY-05	3/4/19	Speedway	29.16
EPAY-05a	3/25/19	Speedway	125.75
EPAY-06	3/7/19	Holiday Station Stores	229.23
EPAY-07	3/11/19	U.S. Bank Card Service	1,846.18
EPAY-08	3/12/19	AT&T Wireless	427.62
EPAY-09	3/14/19	Republic Services	187.38
EPAY-10	3/15/19	Comcast Business 100M/100M	762.13
EPAY-11	3/15/19	CenterPoint Energy	633.00
EPAY-12	3/25/19	Federal Express	65.89
EPAY-13	3/29/19	HealthPartners	10,876.91
EPAY-14	3/29/19	City of Blaine-utilities	63.62
EPAY-15	3/29/19	Connexus Energy	1,826.51
EPAY-P01	3/25/19	Richard R. Swanson	135.00
EFILE	3/1/19	Authorize.Net	25.90
EFILE	3/4/19	Chase Visa Card Services	6,616.19
EFILE	3/1/19	Virtual Merchant Credit Card	31.84
SQUARE TEST	3/21/19	SQUARE CREDIT CARDS	0.03
FEBRUARY SALES TAX	3/15/19	MN Dept. of Revenue	111.00
			174,604.87

North Metro Telecommunications Commission

Balance Sheet

March 31, 2019

ASSETS

Current Assets

Cash - Checking Account	\$ 2,167,947.26
Petty Cash	150.00
A/R - NMTC	168,868.06
Prepaid Insurance - NMTC	14,543.48

Total Current Assets 2,351,508.80

Property and Equipment

Office Equipment - NMTC	1,285,000.85
Accum Deprec - NMTC	(2,021,800.79)
Bond Equipment 2016	1,985,000.00
Building-Polk/125	1,503,204.17
Land-Polk/125	225,700.00

Total Property and Equipment 2,977,104.23

Other Assets

Deferred Out Related/Pension	163,031.00
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Total Other Assets 163,031.00

Total Assets \$ 5,491,644.03

LIABILITIES AND CAPITAL

Current Liabilities

A/P - NMTC	\$ 1,260.00
Accrued Payroll Taxes & W/H's	449.54
PERA - CORRECTIONS	310.09
Garnished Wages	86.40
Garnished Wages	(86.40)
PERA PAYABLE - PRIOR	(3,371.42)
Accrued Vacation	96,876.47
Accrued Wages	35,898.80
Franchise Fee App	991,433.01
Due to City of Blaine	762,119.00
Due to City of Centerville	47,261.00
Due to City of Circle Pines	67,778.00
Due to City of Ham Lake	197,534.00
Due to City of Lexington	25,328.00
Due to City of Lino Lakes	233,475.00
Due to City of Spring Lake Par	81,504.00
Deferred In Related/Pension	132,827.00

Total Current Liabilities 2,670,682.49

Long-Term Liabilities

Net Pension Liability	632,009.00
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Total Long-Term Liabilities 632,009.00

Total Liabilities 3,302,691.49

Capital

Net Equity	249,500.04
Net Equity - Media Ctr	(206,243.34)
Net Equity - NMTC	2,517,656.37
Net Income	(371,960.53)

Total Capital 2,188,952.54

Total Liabilities & Capital \$ 5,491,644.03

North Metro Telecommunications Comm

Cash Receipts Journal

For the Period From Mar 1, 2019 to Mar 31, 2019

Date	Transaction Ref	Line Description	Debit Amnt	Credit Amnt
3/4/19	FEBRUARY PAYPAL	FEBRUARY PAYPAL PAYPAL	19.12	19.12
3/14/19	TAPE DUBS-CASH	TAPE DUBS-CASH Miscellaneous receipts	248.00	248.00
3/14/19	TAPE DUBS-CHECKS	TAPE DUBS-CHECKS Miscellaneous receipts	721.63	721.63
3/14/19	REFUND	LEAGUE OF MN REFUND- League of MN Cities	188.00	188.00
3/20/19	SQUARE-TEST	SQUARE TEST SALES Credit Card Sales	0.03	0.03
3/25/19	MAR CC SALES-SQUARE	MARCH CREDIT CARD SALES-SQUARE MARCH CREDIT CARD SALES-SQUARE-FEES Credit Card Sales	0.50 9.50	10.00
3/26/19	MAR CC SALES-AUTH	MARCH CREDIT CARD SALES-AUTHORIZE.NET MARCH CREDIT CARD SALES-AUTHORIZE.NET-FEES Credit Card Sales	1.16 38.84	40.00
3/27/19	MAR CC SALES-AUTH	MARCH CC SALES Credit Card Sales	80.00	80.00
3/28/19	MAR CC SALES-SQUARE	MARCH CREDIT CARD SALES-SQUARE MARCH CREDIT CARD SALES-SQUARE-FEES Credit Card Sales	1.38 33.62	35.00
3/29/19	MAR CC SALES-VM	CREDIT CARD SALES - VIRTUAL MERCHANT Credit Card Sales	381.00	381.00
3/31/19	INTEREST	INTEREST-COMMISSION CHECKING INTEREST - COMMISSION	4,127.48	4,127.48
			<u>5,850.26</u>	<u>5,850.26</u>

North Metro Telecommunications Comm

Check Register

For the Period From Mar 1, 2019 to Mar 31, 2019

Filter Criteria includes: 1) Accounts Payable only. Report order is by Date.

Check #	Date	Payee	Amount
PEACH	3/1/19	Peachtree/Sage Software	20.40
EFILE	3/1/19	MN Dept. of Revenue	1,118.39
EFILE	3/1/19	Public Employees Retirement	3,522.05
EFILE	3/1/19	IRS/US BANK	5,998.10
EFILE	3/1/19	Discovery Benefits	22.50
EFILE	3/1/19	Authorize.Net	25.90
EFILE	3/1/19	Virtual Merchant Credit Card	31.84
EPAY-01	3/2/19	POPP TELECOM	210.45
EPAY-02	3/3/19	Comcast	285.92
EPAY-03	3/3/19	T-Mobile	102.16
EFILE	3/4/19	Chase Visa Card Services	6,616.19
EPAY-04	3/4/19	Principal Financial Group	431.99
EPAY-05	3/4/19	Speedway	29.16
13462	3/5/19	Z Systems	15,256.84
13457	3/5/19	Richard D. Larson	353.50
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EPAY-07	3/11/19	U.S. Bank Card Service	1,846.18
EPAY-08	3/12/19	AT&T Wireless	427.62
13463	3/12/19	Grass Hopper Lawn & Snow	1,650.00
13464	3/12/19	Public Employees Retirement	1,679.72
EFILE	3/13/19	Discovery Benefits	470.00
EPAY-09	3/14/19	Republic Services	187.38
13465	3/14/19	Z Systems	21,555.91
PEACH	3/15/19	Peachtree/Sage Software	20.40
EFILE	3/15/19	MN Dept. of Revenue	1,117.61

North Metro Telecommunications Comm

Check Register

For the Period From Mar 1, 2019 to Mar 31, 2019

Filter Criteria includes: 1) Accounts Payable only. Report order is by Date.

Check #	Date	Payee	Amount
EFILE	3/15/19	Public Employees Retirement	3,519.86
EFILE	3/15/19	IRS/US BANK	5,993.98
EPAY-11	3/15/19	CenterPoint Energy	633.00
FEBRUARY SALES TAX	3/15/19	MN Dept. of Revenue	111.00
EPAY-10	3/15/19	Comcast Business 100M/100M	762.13
13466	3/21/19	Adam C. Roloff	500.00
13467	3/21/19	Anoka County Records & Taxation	388.83
SQUARE TEST	3/21/19	SQUARE CREDIT CARDS	0.03
13468	3/22/19	Grass Valley USA, LLC	8,801.39
PEACH	3/24/19	Peachtree/Sage Software	1.70
EPAY-P01	3/25/19	Richard R. Swanson	135.00
13469	3/25/19	Matt Montain	135.00
13470	3/25/19	Mike Schweigert	135.00
13471	3/25/19	Brian Kirkham	135.00
13472	3/25/19	Dale K. Stoesz	135.00
13473	3/25/19	Cynthia A. Hansen	135.00
13474	3/25/19	Corporate Mechanical	613.86
EPAY-12	3/25/19	Federal Express	65.89
EPAY-05a	3/25/19	Speedway	125.75
EFILE	3/27/19	Discovery Benefits	470.00
PEACH	3/29/19	Peachtree/Sage Software	20.40
EFILE	3/29/19	MN Dept. of Revenue	1,108.26
EFILE	3/29/19	Public Employees Retirement	3,493.69
EFILE	3/29/19	IRS/US BANK	5,944.40
13475	3/29/19	B Harris, Inc.	1,380.00
EPAY-13	3/29/19	HealthPartners	10,876.91
EPAY-14	3/29/19	City of Blaine-utilities	63.62
EPAY-15	3/29/19	Connexus Energy	1,826.51
EFILE	3/31/19	Public Employees Retirement	342.14

North Metro Telecommunications Comm

Check Register

For the Period From Mar 1, 2019 to Mar 31, 2019

Filter Criteria includes: 1) Accounts Payable only. Report order is by Date.

Check #	Date	Payee	Amount
EFILE	3/31/19	MN Dept. of Revenue	49.89
EFILE	3/31/19	IRS/US BANK	784.60
EFILE	3/31/19	IRS/US BANK	42.08
Total			<u>117,890.69</u>

North Metro Telecommunications Comm

General Journal

For the Period From Mar 1, 2019 to Mar 31, 2019

Date	Reference	Trans Description	Debit Amt	Credit Amt
3/1/19	ACCRUED VAC/SIC/COMP	ACCRUED VAC/SICK/COMP ACCRUED VAC/SICK/COMP	99,118.81	99,118.81
3/1/19	ACCRUED WAGES	ACCRUED WAGES ACCRUED WAGES	9,907.20	9,907.20
3/28/19	ACCRUED VAC/SIC/COMP	ACCRUED VAC/COMP/SICK ACCRUED VAC/COMP/SICK	96,876.47	96,876.47
3/30/19	ACCRUED DEPRECIATION	ACCRUED DEPRECIATION ACCRUED DEPRECIATION	12,900.00	12,900.00
3/30/19	ACCRUED WAGES	ACCRUED WAGES ACCRUED WAGES	12,384.00	12,384.00
	Total		231,186.48	231,186.48

**NORTH METRO
TELECOMMUNICATIONS COMMISSION
ANNUAL FINANCIAL REPORTS
December 31, 2018 and 2017**

TENTATIVE & PRELIMINARY

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
North Metro Telecommunications Commission
Blaine, Minnesota

We have audited the accompanying statements of net position of North Metro Telecommunications Commission as of and for the years ended December 31, 2018 and 2017, and the related statements of revenues, expenses, and changes in net position; and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements.

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

RENTATIVE & PRELIMINARY

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 entity'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 entity'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Metro Telecommunications Commission, as of December 31, 2018 and 2017, and the changes in its financial position, and its cash flows for the years then ended in accordance 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 management's discussion and analysis on pages 3 through 6 and the budgetary comparison information, schedule of employer's PERA contributions and schedule of employer's share of PERA net pension liability on pages 21 through 25 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2019 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of North Metro Telecommunications Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Metro Telecommunications Commission's internal control over financial reporting and compliance.

March 22, 2019

RELEVANT & PRELIMINARY

**NORTH METRO TELECOMMUNICATIONS COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2018 and 2017
(Required Supplementary Information)

The management of the North Metro Telecommunications Commission (NMTC) offers readers of our financial statements the following narrative overview and analysis of our financial activities for the years ended December 31, 2018 and 2017.

Basic Financial Statements

Our basic financial statements are prepared using proprietary fund (enterprise fund) accounting that uses the same basis of accounting as private-sector business enterprises. NMTC is operated under one enterprise fund. Under this method of accounting, an economic resources measurement focus and an accrual basis of accounting is used.

Revenue is recorded when earned and expenses are recorded when incurred. The basic financial statements include statements of net position, statements of revenues, expenses and changes in net position, and statements of cash flows. These are followed by notes to the financial statements. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. In addition to the basic financial statements, this report also contains required supplementary information pertaining to the budgetary comparison and the retirement plan of NMTC.

The statements of net position present information on NMTC's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of NMTC is improving or deteriorating.

The statements of revenues, expenses, and change in net position reports the operating revenues and expenses and non-operating revenues and expenses of NMTC for the fiscal year with the difference – the net income or loss – being combined with any capital grants to determine the change in net position for the year. That change, combined with the net position at the end of the previous year, totals to the net position at the end of the current year.

The statements of cash flows report cash and investment activities for the fiscal year resulting from operating activities, capital and related financing activities, non-capital and related financing activities and investing activities. The net result of these activities added to the beginning of the year cash and investments balance total to the cash and investments balance at the end of the current year.

The information contained in the basic financial statements is used as the basis for the discussion presented on the following pages, surrounding NMTC's activities for the years ended December 31, 2018 and 2017.

**NORTH METRO TELECOMMUNICATIONS COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2018 and 2017
(Required Supplementary Information)

Financial Highlights

- NMTC ended 2018 with a net position balance of \$2,742,733, of which \$1,690,746 represented the net investment in capital assets, and \$1,051,987 was unrestricted. The net position balance at the end of the year was \$45,459 higher than the net position balance at the beginning of the year.
- As a result of operations, \$400,000 and \$410,509 of franchise fees were returned to NMTC member cities for the years ended December 31, 2018 and 2017, respectively.

The following is a condensed comparative summary of the Commission's net position:

Net Position	2018	2017	2016
Assets			
Cash and investments	\$ 2,501,664	\$ 2,473,394	\$ 2,363,101
Capital Assets, net	<u>2,915,746</u>	<u>3,170,604</u>	<u>1,644,151</u>
Total Assets	<u>5,628,198</u>	<u>5,827,410</u>	<u>4,217,535</u>
Deferred Outflows			
Deferred outflows related to pensions	<u>94,521</u>	<u>163,031</u>	<u>347,614</u>
Liabilities			
Current Liabilities	1,257,687	1,303,331	1,241,027
Noncurrent Liabilities	<u>1,573,664</u>	<u>1,857,009</u>	<u>2,243,188</u>
Total Liabilities	<u>2,831,351</u>	<u>3,160,340</u>	<u>3,484,215</u>
Deferred Inflows			
Deferred inflows related to pensions	<u>148,635</u>	<u>132,827</u>	<u>85,894</u>
Net Position			
Net investment in capital assets	1,690,746	1,755,604	1,653,052
Unrestricted	<u>1,051,987</u>	<u>941,670</u>	<u>950,889</u>
Total Net Position	<u>\$ 2,742,733</u>	<u>\$ 2,697,274</u>	<u>\$ 2,603,941</u>

PRELIMINARY

**NORTH METRO TELECOMMUNICATIONS COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2018 and 2017
(Required Supplementary Information)

The following is a condensed comparative summary of the Commission's changes in net position:

Changes in Net Position	2018	2017	2016
Program Revenues			
Operating revenue	\$ 2,121,180	\$ 2,021,472	\$ 1,952,989
General Revenues			
Unrestricted investment earnings	38,665	15,440	3,340
Miscellaneous	27,837	27,875	36,723
Total General Revenues	66,502	43,315	40,063
Total Revenues	2,187,682	2,064,787	1,993,052
Expenses			
Operations	1,597,558	1,597,681	1,517,613
Non-capitalized equipment	47,538	18,487	15,216
Depreciation and amortization	457,912	312,436	374,144
Interest expense	39,215	42,850	75,195
Total Expenses	2,142,223	1,971,454	1,982,168
Change in Net Position	45,459	93,333	10,884
Net Position, Beginning	2,697,274	2,603,941	2,593,057
Net Position, Ending	\$ 2,742,733	\$ 2,697,274	\$ 2,603,941

Revenue

The major source of operating revenue for NMTC includes a 5% franchise fee paid on gross revenue, earned within the boundaries of the seven members of NMTC, and a PEG fee paid by cable subscribers monthly, as established in the franchise agreements.

**NORTH METRO TELECOMMUNICATIONS COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2018 and 2017
(Required Supplementary Information)

Expenses

Wages, benefits, franchise fee reimbursements, and depreciation make up the largest portion of expenses. Due to the significant investments NMTC has in capital assets, depreciation continues to be a large operating expense. Unlike the other expenses listed, depreciation is not a cash expense. NMTC has and continues to pursue ways to reduce costs without affecting service.

Capital Assets

NMTC's capital assets as of December 31, 2018 and 2017, amounted to \$2,915,746 and \$3,170,604, respectively (net of accumulated depreciation). This investment in capital assets includes land, a building, office and studio equipment, and vehicles.

NMTC primarily acquires its assets with the proceeds from franchise fees and PEG fees. Building construction and new equipment purchases are all a part of NMTC's capital investment plan. Currently there are no commitments for any major purchases.

Debt

During 2016, the Commission began HD equipment and studio upgrades. The equipment was purchased by a member city through issuance of a general obligation bond and is being leased under a capital lease agreement by the Commission for \$1 per year for a period of 10 years. At the end of the lease term, the Commission will assume ownership of the equipment. The remaining member cities agreed to reimburse the member city for their proportionate share of the bonds issued. The Commission has agreed to repay each of the member cities for their share of the bond, plus interest at 2%. As of December 31, 2018 and 2017, the Commission owed \$1,225,000 and \$1,415,000, respectively, to the member cities.

Budgetary Analysis

During 2018 and 2017, franchise fee and PEG fee revenue exceeded budgeted amounts by approximately \$143,000 and \$136,000, respectively, which contributed to the increases in net position of \$45,459 and \$93,333, respectively.

Requests for Information

This financial report is intended to provide an overview of the finances of NMTC for those with an interest in this organization. Questions concerning any information within this report may be directed to the Executive Director of NMTC.

NORTH METRO TELECOMMUNICATIONS COMMISSION
STATEMENTS OF NET POSITION
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash and investments	\$ 2,501,664	\$ 2,473,394
Accounts receivable	198,976	168,868
Prepaid expenses	<u>11,812</u>	<u>14,544</u>
TOTAL CURRENT ASSETS	<u>2,712,452</u>	<u>2,656,806</u>
CAPITAL ASSETS		
Land	225,700	225,700
Building	1,443,850	1,443,850
Building improvements	128,949	59,354
Office and studio equipment	3,000,071	2,975,426
Vehicles	294,574	294,574
Less: accumulated depreciation	<u>(2,177,398)</u>	<u>(1,828,300)</u>
TOTAL CAPITAL ASSETS, NET	<u>2,915,746</u>	<u>3,170,604</u>
TOTAL ASSETS	<u>5,628,198</u>	<u>5,827,410</u>
DEFERRED OUTFLOWS		
Deferred outflows related to pensions	<u>94,521</u>	<u>163,031</u>
LIABILITIES		
CURRENT LIABILITIES		
Current portion of long-term debt	195,000	190,000
Accounts payable and accrued expenses	127,202	121,898
Deferred franchise fee revenue	<u>935,485</u>	<u>991,433</u>
TOTAL CURRENT LIABILITIES	1,257,687	1,303,331
NONCURRENT LIABILITIES		
Long-term debt, net of current portion	1,030,000	1,225,000
Net pension liability	<u>543,664</u>	<u>632,009</u>
TOTAL LIABILITIES	<u>2,831,351</u>	<u>3,160,340</u>
DEFERRED INFLOWS		
Deferred inflows related to pensions	<u>148,635</u>	<u>132,827</u>
NET POSITION		
Net investment in capital assets	1,690,746	1,755,604
Unrestricted	<u>1,051,987</u>	<u>941,670</u>
TOTAL NET POSITION	<u>\$ 2,742,733</u>	<u>\$ 2,697,274</u>

See accompanying notes
to basic financial statements

NORTH METRO TELECOMMUNICATIONS COMMISSION
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
Cable operating franchise fees	\$ 1,323,907	\$ 1,257,390
PEG fees	<u>797,273</u>	<u>764,082</u>
TOTAL OPERATING REVENUES	<u>2,121,180</u>	<u>2,021,472</u>
OPERATING EXPENSES		
Franchise fee reimbursements, city members	400,000	410,509
Personnel	715,718	688,677
Employee benefits	254,524	289,665
Office	111,617	101,649
Legal fees	39,433	14,397
Other administrative costs	46,676	52,532
Vehicle	4,194	7,640
Production	25,396	32,612
Depreciation	457,912	312,436
Studio equipment expense	<u>47,538</u>	<u>18,487</u>
TOTAL OPERATING EXPENSES	<u>2,103,008</u>	<u>1,928,604</u>
OPERATING INCOME	<u>18,172</u>	<u>92,868</u>
NON-OPERATING REVENUES (EXPENSES)		
Investment income	38,665	15,440
Other income	27,837	27,875
Interest expense	<u>(39,215)</u>	<u>(42,850)</u>
TOTAL NON-OPERATING REVENUE (EXPENSES)	<u>27,287</u>	<u>465</u>
CHANGE IN NET POSITION	45,459	93,333
NET POSITION, BEGINNING	<u>2,697,274</u>	<u>2,603,941</u>
NET POSITION, ENDING	<u><u>\$ 2,742,733</u></u>	<u><u>\$ 2,697,274</u></u>

See accompanying notes
to basic financial statements

NORTH METRO TELECOMMUNICATIONS COMMISSION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from operations	\$ 2,035,124	\$ 2,116,759
Payments to suppliers and vendors	(671,578)	(638,342)
Payments to employees	(964,815)	(952,621)
Other non-operating receipts	23,687	27,646
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>422,418</u>	<u>553,442</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(203,598)	(230,739)
Interest expense	(39,215)	(42,850)
Payments on long-term debt	(190,000)	(185,000)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(432,813)</u>	<u>(458,589)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	38,665	15,440
NET CHANGE IN CASH AND INVESTMENTS	28,270	110,293
CASH AND INVESTMENTS, BEGINNING	<u>2,473,394</u>	<u>2,363,101</u>
CASH AND INVESTMENTS, ENDING	<u><u>\$ 2,501,664</u></u>	<u><u>\$ 2,473,394</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 18,172	\$ 92,868
Adjustments:		
Depreciation	457,912	312,436
Loss on disposal of capital assets	544	751
Pension expense	24,766	59,857
Other non-operating receipts	23,687	27,646
Net change in assets, liabilities, and deferred outflows of resources:		
Accounts receivable	(30,108)	28,138
Prepaid expenses	2,732	(1,267)
Accounts payable and accrued expenses	5,304	(9,845)
Deferred franchise fee revenue	(55,948)	67,149
Deferred outflows - contributions after the measurement date	(24,643)	(24,291)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 422,418</u></u>	<u><u>\$ 553,442</u></u>

See accompanying notes to
basic financial statements

**NORTH METRO TELECOMMUNICATIONS COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities:

The general purpose of the Commission is to award, administer and enforce a cable communications franchise in member municipalities located in the North Central region of the Twin Cities area in Minnesota. The Commission also administers and operates the cable television access functions of the franchise.

The Commission, being established by the joint powers agreement, is considered a governmental entity and as such is exempt from state and federal income taxes.

Measurement Focus, Basis of Accounting and Basis of Presentation:

The Commission has adopted Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, which establishes the financial reporting standards for all state and local government entities.

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting and reflect transactions on behalf of the Commission, the reporting entity. The Commission accounts for its operations as an enterprise fund. Operating revenue and expenses result from administering and enforcing the cable communications franchise and operating the cable television access function. All other revenue and expenses are reported as non-operating revenue and expenses.

Cash and Investments:

For the purpose of the statements of cash flows, the Commission considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Investments are reported at fair market value and consist of the Minnesota Municipal Money Market Fund (4M). The 4M Fund is a 2a7 external investment pool that is unrated and is exempt from risk disclosure reporting requirements under GASB 40.

The Commission has reported all investment income as non-operating revenue in the Statement of Revenues, Expenses, and Changes in Net Position.

Accounts Receivable:

Bad debts are recorded on the allowance method based on historical experience and management's evaluation of outstanding accounts receivable. At December 31, 2018 and 2017, management considered all outstanding amounts to be fully collectible. Accordingly, there was no allowance for doubtful accounts.

**NORTH METRO TELECOMMUNICATIONS COMMISSION
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Capital Assets:

Capital assets, which include property and equipment, are reported in the statements of net position. Capital assets are defined by the Commission as assets with an initial cost of more than \$500 and an estimated useful life in excess of two years. Capital assets are recorded at historical cost when purchased. Donated assets are recorded at their estimated fair market value on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciation of exhaustible assets is provided on the straight-line basis over the following useful lives:

	<u>Years</u>
Building	39
Building improvements	5-39
Office and studio equipment	5-10
Vehicles	5

Revenues:

Commission revenue consists primarily of franchise fees and governmental access fees (PEG fees). Franchise fees are assessed to the cable operators during the year and are recognized as revenue in the following year. PEG fees are based on a negotiated contract with the cable operators and are recognized as revenue in the year concurrent with the contract.

Compensated Absences:

Vested or accumulated vacation and sick leave is accrued for all eligible employees based on their past service and amounted to \$92,589 and \$96,673, as of December 31, 2018 and 2017, respectively.

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.

**NORTH METRO TELECOMMUNICATIONS COMMISSION
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Deferred Outflows of Resources:

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 Commission has only one item that qualifies for reporting in this category. Accordingly, the one item, deferred outflows related to pensions, 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.

Deferred Inflows of Resources:

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 Commission has only one item that qualifies for reporting in this category. Accordingly, the one item, deferred inflows related to pensions, is reported only in the statements of net position and results from actuarial calculations.

Net Position:

In the government-wide financial statements, net position is classified in the following categories:

Net Investment in Capital Assets- This amount consists of capital assets, net of accumulated depreciation and reduced by outstanding debt attributed to the acquisition, construction, or improvement of assets.

Restricted Net Position- This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. At December 31, 2018 and 2017, there was no restricted net position.

Unrestricted- This amount includes all other net position.

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

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in these financial statements. Actual results could differ from those estimates.

**NORTH METRO TELECOMMUNICATIONS COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 2. DEPOSITS AND INVESTMENTS

Deposits:

In accordance with applicable Minnesota Statutes, the Commission maintains deposits at authorized depository banks, all of which are members of the Federal Reserve System.

Minnesota Statutes require that all deposits be protected by insurance, surety bonds, or collateral. The market value of the collateral pledged must equal 110% of the deposits not covered by insurance or bonds.

Authorized collateral includes the legal investments described below, as well as certain first mortgages, and certain other state or local government obligations. Minnesota statutes require that securities pledged as collateral be held in safekeeping by the Commission or in a financial institution other than that furnishing the collateral.

At December 31, 2018 and 2017, the Commission had no deposits.

Investments:

At December 31, 2018 and 2017, investments included the following:

Description	2018	2017
External investment pool - 4M Fund	\$ 2,501,514	\$ 2,473,244

NOTE 3. FRANCHISE FEE REIMBURSEMENTS

Included within franchise fee reimbursements for the years ended December 31, 2018 and 2017 are the following amounts paid by the Commission to its city members that represent refunded franchise fees:

	2018	2017
City of Blaine	\$ 219,587	\$ 224,235
City of Centerville	13,941	14,129
City of Circle Pines	18,491	19,202
City of Ham Lake	54,830	56,831
City of Lexington	7,004	7,151
City of Lino Lakes	64,047	66,218
City of Spring Lake Park	22,100	22,743
	<u>\$ 400,000</u>	<u>\$ 410,509</u>

TENTATIVE & PROVISIONAL

NORTH METRO TELECOMMUNICATIONS COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 4. CAPITAL ASSETS

A summary of changes in capital assets is as follows:

Description	December 31, 2017	Increases	Decreases	December 31, 2018
Land	\$ 225,700	\$ -	\$ -	\$ 225,700
Building	1,443,850	-	-	1,443,850
Building improvements	59,354	69,595	-	128,949
Office and studio equipment	2,975,426	134,003	(109,358)	3,000,071
Vehicles	294,574	-	-	294,574
Total depreciable assets	4,773,204	203,598	(109,358)	4,867,444
Building and improvements	(532,850)	(41,169)	-	(574,019)
Office and studio equipment	(1,186,855)	(364,171)	108,814	(1,442,212)
Vehicles	(108,595)	(52,572)	-	(161,167)
Total accumulated depreciation	(1,828,300)	(457,912)	108,814	(2,177,398)
Capital assets, net	\$ 3,170,604	\$ (254,314)	\$ (544)	\$ 2,915,746

Description	December 31, 2016	Increases	Decreases	December 31, 2017
Land	\$ 225,700	\$ -	\$ -	\$ 225,700
Building	1,443,850	-	-	1,443,850
Building improvements	59,354	-	-	59,354
Office and studio equipment	2,987,878	230,739	(243,191)	2,975,426
Vehicles	301,542	-	(6,968)	294,574
Total depreciable assets	4,792,624	230,739	(250,159)	4,773,204
Building and improvements	(491,978)	(40,872)	-	(532,850)
Office and studio equipment	(1,208,683)	(220,612)	242,440	(1,186,855)
Vehicles	(64,611)	(50,952)	6,968	(108,595)
Total accumulated depreciation	(1,765,272)	(312,436)	249,408	(1,828,300)
Capital assets, net	\$ 3,253,052	\$ (81,697)	\$ (751)	\$ 3,170,604

Depreciation expense charged to operations for the years ended December 31, 2018 and 2017 was \$457,912 and \$312,436, respectively.

TENTATIVE & PRELIMINARY
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NORTH METRO TELECOMMUNICATIONS COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 5. LONG-TERM DEBT

During 2016, the Commission began HD equipment and studio upgrades. The equipment was purchased by a member city through issuance of a general obligation bond and is being leased under a capital lease agreement by the Commission for \$1 per year for a period of 10 years. At the end of the lease term, the Commission will assume ownership of the equipment. The remaining member cities have agreed to reimburse the member city for their proportionate share of the bonds issued. The Commission has agreed to repay each of the member cities for their share of the bond, plus interest at 2%. Principal is payable in annual installments on February 1st through 2024. Interest is due semi-annually on February 1st and August 1st.

Future principal payments as of December 31, 2018 are as follows:

Year Ending December 31,	Amount
2019	\$ 195,000
2020	200,000
2021	200,000
2022	205,000
2023	210,000
Thereafter	215,000
	<u>\$ 1,225,000</u>

A summary roll-forward of long-term debt is as follows:

December 31, 2017	Additions	Payments	December 31, 2018
<u>\$ 1,415,000</u>	<u>\$ -</u>	<u>\$ 190,000</u>	<u>\$ 1,225,000</u>
December 31, 2016	Additions	Payments	December 31, 2017
<u>\$ 1,600,000</u>	<u>\$ -</u>	<u>\$ 185,000</u>	<u>\$ 1,415,000</u>

**NORTH METRO TELECOMMUNICATIONS COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 6. DEFINED BENEFIT PENSION PLANS - STATEWIDE

Plan Description:

The Commission participates in the following cost-sharing multiple-employer defined benefit pension plan 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

All full-time and certain part-time employees of the Commission are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

Benefits Provided:

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state 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.

General Employees Plan Benefits

General Employees Plan 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% of average salary for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% of 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.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. If the General Employees Plan is at least 90% funded for two consecutive years, benefit recipients are given a 2.5% increase. If the plan has not exceeded 90% funded, or have fallen below 80%, benefit recipients are given a 1% increase. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30, will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30, will receive a pro rata increase.

FINANCIAL LIBRARY

**NORTH METRO TELECOMMUNICATIONS COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 6. DEFINED BENEFIT PENSION PLANS – STATEWIDE (continued)

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% of their annual covered salary in fiscal years 2018 and 2017 and the Commission was required to contribute 7.50% for Coordinated Plan members. The Commission's contributions to the General Employees Fund for the years ended December 31, 2018 and 2017 were \$49,294 and \$47,357, respectively. The Commission's contributions were equal to the required contributions as set by state statute.

Pension Costs:

General Employees Fund Pension Costs

At December 31, 2018 and 2017, the Commission reported a liability of \$543,664 and \$632,009, respectively, for its proportionate share of the General Employees Fund's net pension liability. The Commission's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million and \$6 million to the fund in 2018 and 2017, respectively. 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 Commission totaled \$17,795 and \$7,940 as of December 31, 2018 and 2017, respectively. The net pension liability was measured as of June 30, 2018 and 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportionate share of the net pension liability was based on the Commission's contributions received by PERA during the measurement period for employer payroll paid dates from July 1 through June 30 each year, relative to the total employer contributions received from all of PERA's participating employers.

At June 30, 2018, the Commission's proportionate share was 0.0098% which was a decrease of 0.0001% from its proportionate share measured as of June 30, 2017.

For the years ended December 31, 2018 and 2017, the Commission recognized pension expense of \$31,529 and \$25,924, respectively, for its proportionate share of the General Employees Plan's pension expense. In addition, the Commission recognized an additional \$4,150 and \$229, respectively, as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million and \$6 million, respectively, to the General Employees Fund in 2018 and 2017.

The total pension expense recognized by the Commission for the years ended December 31, 2018 and 2017, was \$49,411 and \$82,924, respectively.

**NORTH METRO TELECOMMUNICATIONS COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 6. DEFINED BENEFIT PENSION PLANS – STATEWIDE (continued)

At December 31, 2018 and 2017, the Commission reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>2018</u>		<u>2017</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 14,530	\$ 16,504	\$ 20,829	\$ 41,804
Changes in actuarial assumptions	54,052	61,512	108,107	63,359
Net collective difference between projected and actual investment earnings	-	53,653	7,212	-
Changes in proportion	1,296	16,966	2,592	27,664
Contributions to PERA subsequent to the measurement date	<u>24,643</u>	<u>-</u>	<u>24,291</u>	<u>-</u>
Total	<u>\$ 94,521</u>	<u>\$ 148,635</u>	<u>\$ 163,031</u>	<u>\$ 132,827</u>

\$24,643 reported as deferred outflows of resources related to pensions resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to GERP pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 14,902
2020	(36,331)
2021	(45,981)
2022	(11,347)

Actuarial Assumptions:

The total pension liability in the June 30, 2018 and 2017 actuarial valuations were determined using the following actuarial assumptions:

	<u>2018</u>	<u>2017</u>
Inflation	2.50% per year	2.50% per year
Active Member Payroll Growth	3.25% per year	3.25% per year
Investment Rate of Return	7.50%	7.50%

**NORTH METRO TELECOMMUNICATIONS COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 6. DEFINED BENEFIT PENSION PLANS – STATEWIDE (continued)

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 males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be: 1.25% per year for the General Employees Plan.

Actuarial assumptions used in the June 30, 2018 and 2017 valuations were based on the results of actuarial experience studies. The most recent six-year experience study in the General Employees Plan was completed in 2015. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2018:

General Employees Fund:

- The morality projection scale was changed from MP-2015 to MP-2017.
- The assumed post-retirement benefit increase was changed from 1.0 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

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:

	Target Allocation	Long-term Expected Real Rate of Return
Domestic stocks	36%	5.10%
International stocks	17%	5.30%
Bonds (Fixed income)	20%	0.75%
Alternative assets (Private markets)	25%	5.90%
Cash	2%	0.00%
Total	100%	

Discount Rate:

The discount rate used to measure the total pension liability in 2018 and 2017 was 7.50%. 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.

**NORTH METRO TELECOMMUNICATIONS COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 6. DEFINED BENEFIT PENSION PLANS – STATEWIDE (continued)

Pension Liability Sensitivity:

The following presents the Commission'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 Commission'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:

	<u>1% Lower Discount Rate (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Higher Discount Rate (8.5%)</u>
Sensitivity of Net Pension Liability at Current Single Discount Rate	\$ 883,523	\$ 543,664	\$ 263,120

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 7. RISK MANAGEMENT

The Commission 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 for which the Commission carries insurance. There were no significant reductions in insurance from the previous year or settlements in excess of insurance.

NORTH METRO TELECOMMUNICATIONS COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Franchise fees	\$ 1,220,000	\$ 1,220,000	\$ 1,323,907	\$ 103,907
PEG fees	758,000	758,000	797,273	39,273
Interest	3,200	3,200	38,665	35,465
Other	20,000	20,000	23,687	3,687
Transfer from reserves	100,000	180,000	-	(180,000)
TOTAL REVENUES	2,101,200	2,181,200	2,183,532	2,332
EXPENDITURES				
Franchise fee reimbursements	400,000	400,000	400,000	-
Personnel	725,180	725,180	715,718	9,462
Employee benefits	263,473	263,473	254,401	9,072
Office	102,100	114,100	150,832	(36,732)
Legal fees	65,000	65,000	39,433	25,567
Other administrative costs	101,800	101,800	46,676	55,124
Vehicle	5,000	5,000	4,194	806
Production	29,500	29,500	25,396	4,104
Capital expenditures	409,147	477,147	441,136	36,011
TOTAL EXPENDITURES	2,101,200	2,181,200	2,077,786	103,414
REVENUES OVER EXPENDITURES	\$ -	\$ -	105,746	\$ 105,746
Plus effect of capital assets purchased			203,598	
Plus effect of debt service			190,000	
Less effect of depreciation			(457,912)	
Plus effect of net pension liability			4,027	
CHANGE IN NET POSITION (GAAP BASIS)			\$ 45,459	

See accompanying notes to
required supplementary information

NORTH METRO TELECOMMUNICATIONS COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Franchise fees	\$ 1,140,000	\$ 1,140,000	\$ 1,257,390	\$ 117,390
PEG fees	745,000	745,000	764,082	19,082
Interest	300	300	15,440	15,140
Other	20,000	20,000	27,646	7,646
Transfer from reserves	-	-	-	-
TOTAL REVENUES	1,905,300	1,905,300	2,064,558	159,258
EXPENDITURES				
Franchise fee reimbursements	345,000	345,000	410,509	(65,509.00)
Personnel	731,494	731,494	688,677	42,817
Employee benefits	259,970	259,970	254,099	5,871
Office	99,000	99,000	144,499	(45,499)
Legal fees	35,000	35,000	14,397	20,603
Other administrative costs	59,500	59,500	52,532	6,968
Vehicle	7,500	7,500	7,640	(140)
Production	28,000	28,000	32,612	(4,612)
Capital expenditures	339,836	339,836	434,226	(94,390)
TOTAL EXPENDITURES	1,905,300	1,905,300	2,039,191	(133,891)
REVENUES OVER EXPENDITURES	\$ -	\$ -	25,367	\$ 25,367
Plus effect of capital assets purchased			230,739	
Plus effect of debt service			185,000	
Less effect of depreciation			(312,436)	
Less effect of net pension liability			(35,337)	
CHANGE IN NET POSITION (GAAP BASIS)			\$ 93,333	

See accompanying notes to
required supplementary information

**NORTH METRO TELECOMMUNICATIONS COMMISSION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

BUDGETARY INFORMATION

The Board of Commissioners adopts an annual legal budget for the Commission's enterprise funds. The budget for the funds is prepared on the modified accrual basis and includes capital outlays and debt service as expenditures. Additionally, the funds do not include depreciation and amortization as a budgetary expenditure. The reconciliation of the modified accrual basis (budgetary basis) to GAAP basis is found at the bottom of the schedules. Budgetary level of control is exercised at the overall budget level. During the year ended December 31, 2018 the Commission approved a budget adjustment for unexpected building capital and building maintenance expenditures. The Commission did not approve any specific budget adjustments for the year ended December 31, 2017.

NORTH METRO TELECOMMUNICATIONS COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S PERA CONTRIBUTIONS
For the Year Ended December 31, 2018

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered- Employee Payroll (d)	Contributions as a Percentage of Covered- Employee Payroll (b/d)
December 31, 2018	\$ 49,294	\$ 49,294	\$ -	\$ 657,253	7.50%
December 31, 2017	\$ 47,357	\$ 47,357	\$ -	\$ 631,427	7.50%
December 31, 2016	\$ 48,989	\$ 48,989	\$ -	\$ 653,187	7.50%
December 31, 2015	\$ 45,452	\$ 45,452	\$ -	\$ 606,027	7.50%

* Schedule is to be provided prospectively beginning with the employer's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

NORTH METRO TELECOMMUNICATIONS COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER'S SHARE OF PERA NET PENSION LIABILITY
For the Year Ended December 31, 2018

SUPPLEMENTARY

Measurement Date	Fiscal Year Ending	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with NMTC (a)	Employer's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with NMTC (a)	Employer's Covered-Employee Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll (a/b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll (a/b)	Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2018	December 31, 2018	0.0098%	\$ 543,664	\$ 17,795	\$ 561,459	\$ 652,560	83.3%	83.3%	79.5%
June 30, 2017	December 31, 2017	0.0099%	\$ 632,009	\$ 7,940	\$ 639,949	\$ 637,427	99.2%	99.2%	75.9%
June 30, 2016	December 31, 2016	0.0102%	\$ 828,188	\$ 10,782	\$ 838,970	\$ 629,160	131.6%	131.6%	68.9%
June 30, 2015	December 31, 2015	0.0101%	\$ 523,434	\$ -	\$ 523,434	\$ 592,187	88.4%	88.4%	78.2%

* Schedule is to be provided prospectively beginning with the employer's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Commissioners
North Metro Telecommunications Commission
Blaine, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of North Metro Telecommunications Commission (the Commission), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise North Metro Telecommunications Commission's basic financial statements and have issued our report thereon dated March 22, 2019.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies and listed as items 2018-1 and 2018-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

North Metro Telecommunications Commission's Response to the Findings

North Metro Telecommunications Commission's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

March 22, 2019

NORTH METRO TELECOMMUNICATIONS COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended December 31, 2018

2018-1 Lack of Segregation of Duties

Condition: North Metro Telecommunications Commission does not have adequate internal accounting controls in certain areas because of a lack of segregation of duties.

Criteria: Internal controls should provide a good system of internal accounting controls that contemplate an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Cause: This condition is common to organizations of this size due to the limited number of office personnel.

Effect: The lack of segregation of duties may not provide an effective system of internal accounting control necessary to prevent and detect errors and irregularities.

Recommendation: Management should provide close supervision and review of accounting policies and procedures and financial information. The Board of Commissioners should monitor the activities of the Commission by receiving interim financial statements and provide oversight to the financial reporting process. Any modifications of internal controls in this area should be reviewed from a cost-benefit perspective.

Management Response: Management will continue to implement segregation of duties to the extent possible. Management and the Board of Commissioners will continue to provide oversight to the financial reporting process.

2018-2 Financial Reporting Process

Condition: Like many similarly sized organizations, North Metro Telecommunications Commission has requested assistance from us, the auditors, with drafting financial statements and the related notes.

Criteria: Internal controls should provide a good system of internal accounting controls that includes the preparation of the financial statements and footnotes.

Effect: This control deficiency increases the possibility that errors and irregularities in the presentation of the financial statements and footnotes may not be detected on a timely basis.

Recommendation: The outsourcing of these services is not unusual to organizations of this size and is a result of management's cost-benefit decision to rely on our accounting expertise rather than incurring this internal resource cost. Management and the Board of Commissioners should continue to monitor the activities of the Commission by reviewing the financial statements and related notes and providing oversight to the financial reporting process.

Management Response: Management is aware of the situation, but a cost-benefit analysis of the issue does not currently support the allocation of additional employees or resources at this time. Certain other safeguards are currently maintained (management oversight and review of draft financial statements) which provide satisfactory mitigation of the issue.

INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

To the Board of Commissioners
North Metro Telecommunications Commission
Blaine, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of North Metro Telecommunications Commission as of and for the year ended December 31, 2018, and the related notes to the financial statements, and have issued our report thereon dated March 22, 2019.

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

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

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.

March 22, 2019

**NORTH METRO
TELECOMMUNICATIONS COMMISSION
MANAGEMENT LETTER
December 31, 2018**

TENTATIVE & PRELIMINARY

MANAGEMENT LETTER

To the Management and Board of Directors
North Metro Telecommunications Commission
Blaine, Minnesota

In planning and performing our audit of the financial statements of North Metro Telecommunications Commission as of and for the year ended December 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered North Metro Telecommunications Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we considered to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies presented in the attachment to this letter to be significant deficiencies in internal control.

This letter does not affect our report dated March 22, 2019 on the financial statements of North Metro Telecommunications Commission. We will review the status of these comments during our next audit engagement. Our comments, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized in the attachment to this letter.

We sincerely appreciate the opportunity to provide services to the Commission and hope you find the information included in this correspondence useful and informative. If you have any questions or wish to discuss any of the items further, please let us know.

This communication is intended solely for the information and use of management, the Commissioners, and others within the Commission, and is not intended to be and should not be used by anyone other than these specified parties.

March 22, 2019

INITIATIVE & PRELIMINARY

I. Internal Control Deficiencies

Segregation of Duties: Our consideration of internal control disclosed that North Metro Telecommunications Commission has an inherent deficiency associated with the size of its accounting function that we consider to be a significant deficiency.

The size of the Commission is such that optimum internal control achieved through adequate segregation of incompatible duties among accounting personnel is not feasible. Although the Commission has implemented policies and procedures to mitigate for the lack of segregation of duties, the Organization does not meet the criteria (as pronounced by the American Institute of Certified Public Accountants) for segregation of duties in its accounting function. As such, management and the Board of Commissioners should maintain sufficient oversight to avoid errors and irregularities. This situation is common to organizations of this size and any changes should be reviewed from a cost-benefit perspective.

Financial Reporting Process: Our consideration of internal control disclosed that North Metro Telecommunications Commission has a significant deficiency associated with the financial reporting process.

Management is responsible for establishing and maintaining internal controls and for the fair presentation of the financial statements and disclosures, in conformity with U.S. generally accepted accounting principles (GAAP). Like many similarly sized organizations, management has requested assistance from us, the auditors, with drafting financial statements and related notes. The outsourcing of these services is not unusual in organizations of this size and is a result of management's cost-benefit decision to rely on our accounting expertise rather than incurring this internal resource cost. This increases the possibility that errors and irregularities may not be detected on a timely basis.

Management Response:

Management is aware of these situations, but a cost-benefit analysis of the issues does not currently support the allocation of additional employees or resources at this time. Certain other safeguards are currently maintained (management oversight and review of draft financial statements) which provide satisfactory mitigation of the issues.

The Commission's response to the significant deficiencies identified in our audit has not been subjected to the audit procedures applied in our audit of the financial statements and, accordingly, we express no opinion on it.

II. Required Communications

REVIEW & PRELIMINARY

We have audited the financial statements of North Metro Telecommunications Commission for the year ended December 31, 2018, and have issued our report thereon dated March 22, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 14, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Principles

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Commission are described in Note 1 to the financial statements. We noted no new accounting policies and the application of existing policies was not changed during the year. We noted no transactions entered into by the Commission during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

- Management's estimate of its pension liability is based on several factors, but not limited to, anticipated investment return rate, retirement age for active employees, life expectancy, salary increases, and form of annuity payment upon retirement. The allocation of the pension liability is based on the Commission's proportionate share of employer contributions to the pension plans.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole. The financial statement disclosures are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. We proposed audit adjustments to adjust the Commission's financial statements from the modified accrual basis of accounting to the full accrual basis of accounting based on information provided by management.

INTERIM & PRELIMINARY

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 22, 2019.

Management Consultations with Other Independent Accountants

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

Other Audit Issues or Findings

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

Other Matters

We applied certain limited procedures to the management's discussion and analysis and budgetary comparison information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

TENTATIVE & PRELIMINARY

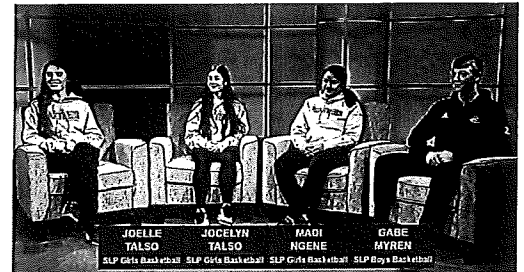
North Metro TV

March 2019 Update

Program Production

In March, a total of 100 **new programs** were produced utilizing the North Metro facilities, funds, and services. This constitutes **63:15:00 hours of new programming**.

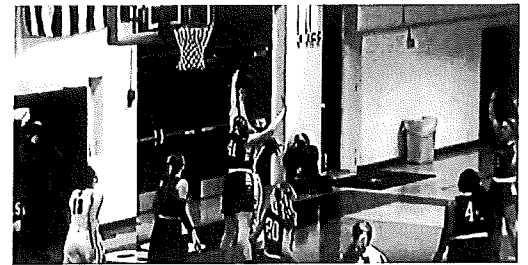
- 33 programs were produced by the public
- 44 programs were produced by NMTV staff
- 23 programs were produced by City staff



Van Shoots

The HD truck was used for **25:30:00** hours of production. Events produced live and recorded for additional playbacks include:

- Girls Basketball: 5AAAA Semi-Final: Roseville vs. Centennial
- Girls Basketball: 5AAAA Final: Spring Lake Park vs. Centennial
- Girls Basketball: State Quarter Final: Maple Grove vs. Centennial
- Boys Basketball: 7AAAA Final: Blaine vs. Cambridge-Isanti



Workshops

Workshop	Instructor	Organization	Students
Screenwriting Workshop, Week 1	Eric Houston	General Public	7
Editing Demo - Marvel Studios	Eric Houston	Video Club	11
Screenwriting Workshop, Week 2	Eric Houston	General Public	7
Lecture Series - James Bond: 50 Years of 007	Eric Houston	Crest View Senior Living	7
Screenwriting Workshop, Week 3	Eric Houston	General Public	7
Lecture Series - This is Orson Welles	Eric Houston	Centennial Continuing Education	6
Camera	Eric Houston	General Public	1
Screenwriting Workshop, Week 4	Eric Houston	General Public	6
8 Workshops			52 Students

Home Movie Transfers

Home movie transfers have become one of our most popular services. Residents can transfer their family videos themselves for free, or pay NMTV to do it. NMTV can also transfer film, slides, and photos for a fee.

Month	Hours Transferred	Tapes	Film Reels	DVDs	Photos/ Slides	Fees Paid
January	226	64	47	2	702	\$1,305.00
February	302.75	71	91	2	1,277	\$914.00
March	248.75	128	26	38	700	\$906.00
TOTAL:	777.50	263	164	42	2,679	\$3,125.00

Public Usage Stats

For statistical purposes, the public access department documents total numbers of unique individuals and total hours of usage of the facility by the general public, every month. These numbers include regular users, class participants, individuals transferring videos, people who attend events, and any other public usage of the facility. The numbers do not take into account the many members of the public who work with any other NMTV department, such as news, sports, municipal, or educational.

Month	Unique Individuals	Total Usage Hours
January	144	677.5
February	94	606.5
March	76	572.75
TOTAL PUBLIC USAGE:		1,856.75

Production Highlights

NMTV News Highlights

Each week Danika Peterson and Rusty Ray create a news program that highlights events, people, issues, and information important to citizens of our Member Cities. Some March highlights include:

- Spring Lake Park Building Inspector Retires After 35 Years
- Vaping Concerns Prompt Anoka Hennepin Schools to Hold Seminar
- Anoka County Board at Stalemate Over Next Administrator
- Golden Lake Mileage Club
- Streaming for All City Meetings On NMTV
- Blaine Changes How Leaders Can Classify Dangerous Dogs
- Chominix Receives 250K for Upgrades
- Highway 65 Study Seeks Input from North Metro Community
- SBM Firefighters Lead Push for North Metro Training Facility
- Lino Lakes Guns and Hoses Charity Hockey Game



In addition to daily playbacks of North Metro TV News on the cable systems, there are 548 local stories archived for viewers on the NMTV YouTube page. The page can be accessed through the northmetrotv.com website.

Sports Den Winter Finale

The hour long Sports Den Winter Finale went out live on Monday, March 25th. Once again, the studio was filled with student athletes from Blaine, Centennial, and Spring Lake Park High Schools. The programming event included highlights from the hockey, wrestling, gymnastics and basketball seasons and interviews. Groups of student athletes were brought onto the set and asked questions about the past season and their future goals. The students all received a dvd copy of the program to thank them for

attending and for being a fan of Sports Den. Replays of the program are playing on the NMTV channels, and it is available On Demand, and on the NMTV Youtube page. Individual interviews and highlights are also posted on Youtube.



New Screenwriting Workshop

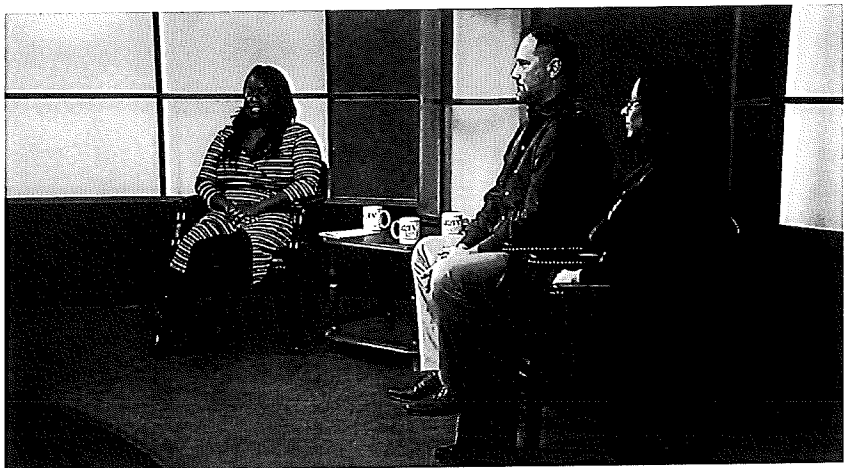
Instructor, Eric Houston, began teaching an eight week course on television screenwriting in March. The newly developed workshop is intended to offer something new and challenging to public access producers. Students start by reading an actual screenplay, learning proper formatting, and learning storytelling mechanics. Then, as a team, the students develop a storyline for an original episode of Gilligan's Island. By the end of the workshop series, students will have worked together to create thier own, orginal screenplay. Three of the students have never taken a class with NMTV before, and there is sufficient interest in the class to continue offering it.

Exterior Security System

After several parking lot vandalism events, it was decided that security cameras should be installed around the NMTV facility. Parts of the parking lot are hidden from street view, and it is necessary to park the old production truck in the lot, which has garnered interest from nefarious characters. Ten cameras, covering the entire exterior of the building have been installed. Motion triggers recording, which is stored for three weeks, before the hard-drive begins recording over itself. The system can have additional cameras added, if necessary.

Get Connected With Anoka County

Municipal Coordinator, Trevor Scholl, is testing a new program for the city channels. It is called Get Connected With Anoka County. The intent of the program is to provide a forum for Cities to keep their residents and businesses informed about events happening in their City. The first episode highlights Lino Lakes.



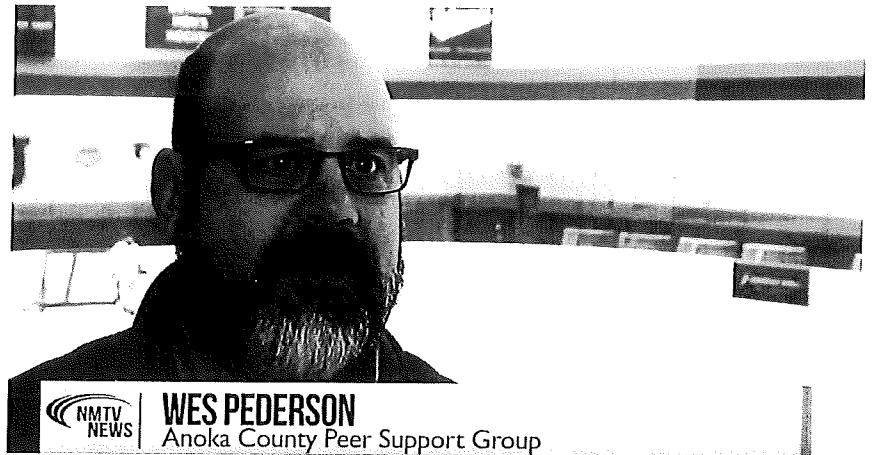
Miscellaneous Productions

Special Events Coordinator, T.J. Tronson, recorded a Blaine High School Special Education Play in March. Because of copyright issues we are unable to play most performances on the channel, but schools request that we tape their plays and then make the DVD available for parents for purchase. T.J. also recorded the St. Timothy's Church presentation of Overcoming Hatred. The church requested coverage of the presentation and it seemed like it would make great programming for the channel. Finally, T.J. is gearing up for his annual coverage of Arrive Alive. Shooting begins the first week of April, with the main event taking place on April 23rd and 24th.

City Productions

Municipal Producer, Trevor Scholl, has started several major projects that will take some time to complete, including an in-depth piece with the Blaine Police Department regarding training and a new Lino Lakes crime prevention series. He has also initiated a new program called Get Connected With Anoka County. Projects completed include the Guns and Hoses charity event a piece on the Highway 65 project.

- Guns N Hoses Charity Hockey Game
- Golden Lake Mileage Club
- Highway 65 Study
- Get Connected With Anoka County
- Took pictures for Circle Pines website
- Reformatted Blaine videos



New and ongoing projects include:

- Lino Lakes crime prevention skits
- Blaine Police Department training series
- Spring Mayor's Minutes
- Animal Humane Society walk for animals
- Additional episodes of Get Connected with Anoka County
- Ham Lake Senior Center activities
- Chomonix Golf Course Issues

Trevor touches base with contacts on a regular basis and also encourages Cities to contact him whenever they have an idea for a new show.

Production equipment consulting for cities and schools

Blaine

- 3.4.19: Ben Hayle requested that the program feed in the chambers looks washed out. Checked and learned that the signal for the monitor is being looped through the blu-ray player. Will rewire the program feed to the chamber.
- 3.5.19: Went to Blaine to fix program signal. Used HDMI output 2, reformatted output signal for Crestron, and set up HD program feed.

Centerville

- 3.18.19: Organized all the Makito X transmission gear.

Circle Pines

- No assistance requested.

Ham Lake

- No assistance requested.

Lexington

- 3.18.19: Organized all the Makito X and Brightsign transmission gear.
- 3/21/19: Scheduled a walk-through for pre-install of HD equipment.
- 3.25.19: Walk through completed. Went smoothly. Will install April 1st.
- 3.25.19: Contacted Jim Ellison at Roseville IT for IP address for Makito X.
- 3.27.19: Installed Makito X and Brightsign transmission systems. Contacted Roseville IT to coordinate protocol needed to open it up. Audio and Video has been tested. Transmission good to go.

Lino Lakes

- No assistance requested.

Spring Lake Park

- 3.18.19: Replacement part arrived. Scheduled time for install. After install, system still did not work. Called Alpha Video. They will meet Matt at City Hall to troubleshoot.

All Cities

- 3.4.19: Discovered Alpha Video only licensed 10 routes to pass through our router, causing one streaming channel to fail. Ordered license upgrade.
- 3.6.19: Emailed Z Systems for regarding remaining transmission gear needs. Need all remaining Makito X encoders & decoders along with Frame Syncs and AJA conversion

- boxes in order to install remaining systems, with a Makito X transport system to the NMTV head-end.
- 3.6.19: Live stream router was installed and updated. Signal now reaching Tightrope. Tightrope will provide the links for website additions.
- 3.13.19: Live streams go live on website. Note they are not SSL secure. Emailed Bizzyweb.
- 3.15.19: Bizzyweb emails that live stream systems are fully operational.
- 3.18.19: Installed Makito X decoder in master control. Last one needed to get all cities off the Inet.

City Channel 16 Playback Stats

City	Number of Times Programs Played	Hours Programmed on Channel
Blaine	193	307:23:02
Centerville	49	43:44:22
Circle Pines	188	134:52:31
Ham Lake	87	65:27:00
Lexington	109	60:13:53
Lino Lakes	84	53:48:10
Spring Lake Park	113	75:08:45
Totals:	823 Program Playbacks	740:37:43 Hours of Video Programming on Channels

Programs Produced by the Public

Title	Producer	Runtime
Chit Chat: Dr. Artika Tyner	Sharon Carlson	00:30:09
Off Constantly	D.W. Bauer	00:22:51
A Fresh New Day	Anita Wardlaw	00:46:17
Every Movie Ever (4 episodes)	Joe Scholz, Rick Bostrom, Ben Daniels/Ryan Friundschuh, Gavin Van Trease/Brett Wong/Seraiah Brooks/Eric Houston	01:43:40
The Super 8 Show	Eric Houston	00:23:30
Bad Movie Bros (2 episodes)	Eric Houston	01:15:37
Cornerstone Church (2 episodes)	Rick Bostrom	00:59:20
Christ Lutheran Church (4 episodes)	Jacob Nessman	04:20:59
The Power of Love (4 episodes)	Rick Larson	02:00:00
LovePower (4 episodes)	Rick Larson	04:00:00
Rice Creek Watershed District Meeting (2 episodes)	Theresa Stasica	00:45:25
Oak Park Moments (7 episodes)	Dave Turnidge	04:39:05
33 New Programs		21:46:55 New Hours

Programs Produced by NMTV Staff

Title	Producer	Runtime
Anoka County Board Meeting (3/12/19)	T.J. Tronson	00:06:01
Anoka County Board Meeting (3/26/19)	T.J. Tronson	01:43:59
North Metro Cable Commission Meeting	T.J. Tronson	00:33:23
Ken Engel - Overcoming Hatred: Church of St. Timothy: Presentation 1	T.J. Tronson	00:44:01
Sheriff Stuart - Overcoming Hatred: Church of St. Timothy: Presentation 2	T.J. Tronson	00:22:52
NMTV News (3 episodes)	Danika Peterson/Rusty Ray	00:47:00
On Tap	Danika Peterson/Rusty Ray/Trevor Scholl	00:23:47
Guns N Hoses Hockey Game	Trevor Scholl	00:55:59
Highway 65 Study	Trevor Scholl	00:02:30
Golden Lake Mileage Club	Trevor Scholl	00:02:31
Get Connected: Lino Lakes Spring 2019	Trevor Scholl	00:08:12
Girls Basketball: 5AAAA SF: Roseville/Centennial	Kenton Kipp/J. Millington	01:30:22
Boys Basketball: 5AAAA QF: Roseville/Spring Lake Park	Kenton Kipp/J. Millington	01:38:24
Girls Basketball: 5AAAA Final: Spring Lake Park/Centennial	Kenton Kipp/J. Millington	01:31:59
Boys Basketball: 7AAAA SF: Coon Rapids/Blaine	Kenton Kipp/J. Millington	01:21:56
Girls Basketball: State QF: Maple Grove/Centennial	Kenton Kipp/J. Millington	01:35:19
Boys Basketball: 7AAAA Final: Blaine/Cambridge-Isanti	Kenton Kipp/J. Millington	01:37:21
Sports Den (3 episodes)	Kenton Kipp/J. Millington	01:25:06
Sports Den Winter Finale	Kenton Kipp/J. Millington	00:59:30
Game Highlights (21 episodes)	Kenton Kipp/J. Millington	00:51:30
44 New Programs		18:21:42 New Hours

Programs Produced by City Staff

Title	Producer	Runtime
MN House of Representatives Field Hearing (3/1/19)	Blaine Staff	04:03:00
Blaine City Council Meeting (3/7/19)	Blaine Staff	03:47:42
Blaine City Council Meeting (3/21/19)	Blaine Staff	00:51:07
Centerville City Council Meeting (3/13/19)	Centerville Staff	00:52:07
Centerville City Council Meeting (3/27/19)	Centerville Staff	01:57:36
Circle Pines Park Board Meeting (3/5/19)	Circle Pines Staff	00:20:39
Circle Pines City Council Meeting (3/12/19)	Circle Pines Staff	00:42:19
Circle Pines Planning Commission Meeting (3/18/19)	Circle Pines Staff	00:51:45
Circle Pines Utility Commission Meeting (3/20/19)	Circle Pines Staff	00:24:14
Circle Pines City Council Meeting (3/26/19)	Circle Pines Staff	00:54:34
Ham Lake City Council Meeting (3/4/19)	Ham Lake Staff	00:52:00
Ham Lake Planning Commission Meeting (3/11/19)	Ham Lake Staff	00:11:50
Ham Lake City Council Meeting (3/18/19)	Ham Lake Staff	00:49:01
Ham Lake Park & Tree Meeting (3/20/19)	Ham Lake Staff	00:11:00
Ham Lake Charter Commission Meeting	Ham Lake Staff	00:18:05

(3/26/19)		
Lexington City Council Meeting (3/7/19)	Lexington Staff	00:36:35
Lexington City Council Meeting (3/21/19)	Lexington Staff	00:25:38
Lino Lakes City Council Meeting (3/11/19)	Lino Lakes Staff	00:27:28
Lino Lakes Planning & Zoning Meeting (3/13/19)	Lino Lakes Staff	00:22:50
Lino Lakes City Council Meeting (3/25/19)	Lino Lakes Staff	00:59:46
Lino Lakes Environmental Board Meeting (3/27/19)	Lino Lakes Staff	00:57:37
Spring Lake Park City Council Meeting (3/4/19)	Spring Lake Park Staff	00:55:28
Spring Lake Park City Council Meeting (3/18/19)	Spring Lake Park Staff	00:31:48
23 New Programs		23:04:09 New Hours

If you have any questions or comments regarding this monthly report please contact
Heidi Arnson at 763.231.2801 or harnson@northmetrotv.com.

NORTH METRO TV

Production Statistics 2019

Programming Statistics	J	F	M	A	M	J	JU	A	S	O	N	D	19 Total	19 Average
Cablecast Programs	2675.00	2340.00	2636.00										7651.00	637.58
Cablecast Hours	2070.00	1797.00	2015.25										5882.25	490.19
Programs Produced - Public	34.00	27.00	24.00										85.00	7.08
Program Hours Produced - Public	20.50	18.50	16.50										55.50	4.63
Prog. Produced - Affiliated Public	8.00	6.00	9.00										23.00	1.92
Prog. Hours Produced - Affil. Public	6.75	5.00	5.50										17.25	1.44
Programs Produced - City Staff	21.00	23.00	23.00										67.00	5.58
Prog. Hours Produced - City Staff	20.00	19.00	23.00										62.00	5.17
Programs Produced - NMTV Staff	50.00	63.00	44.00										157.00	13.08
Prog. Hours Produced - NMTV Staff	21.00	35.75	18.25										75.00	6.25
Total Public Programs Produced	42.00	33.00	33.00										108.00	9.00
Total Staff Programs Produced	71.00	86.00	67.00										224.00	18.67
Total Internal Programs Produced	113.00	119.00	100.00										332.00	27.67
% Staff Produced Programs	62.83%	72.27%	67.00%										67.47%	67.47%
% Public Produced Programs	37.17%	27.73%	33.00%										32.53%	32.53%
External Programs Submitted	19.00	13.00	21.00										53.00	4.42
External Program Hours	14.25	10.50	13.25										38.00	3.17
Total New Programs	132.00	132.00	121.00										385.00	32.08
Equipment Usage Statistics														
Facility Hours Available	176.00	149.00	196.00										521.00	43.42
Public Field Equipment Uses	7.00	5.00	8.00										20.00	1.67
Studio A	38.00	38.00	46.50										122.50	10.21
% of Available Time	21.59%	25.50%	23.72%										23.51%	23.51%
Studio B	29.75	27.50	4.00										61.25	5.10
% of Available Time	16.90%	18.46%	2.04%										11.76%	11.76%
Public MAC A Edit Suite	71.50	213.00	180.00										464.50	38.71
% of Available Time	40.63%	142.95%	91.84%										89.16%	17.40%
Public MAC B Edit Suite	77.25	52.75	76.25										206.25	17.19
% of Available Time	43.89%	35.40%	38.90%										39.59%	39.59%
Public MAC C Edit Suite	83.75	80.00	138.00										301.75	25.15
% of Available Time	47.59%	53.69%	70.41%										57.92%	57.92%
Production Van Statistics														
Production Hours	41.75	66.50	25.50										133.75	11.15
Number of Van Shoots	7.00	10.00	4.00										21.00	1.75
Average Hours Per Shoot	5.96	6.65	6.38										6.37	0.93
Number of New Volunteers	1.00	8.00	0.00										9.00	0.75
Volunteer Hours	21.00	39.00	30.00										90.00	7.50
Public Access Statistics														
Number of Workshops	8.00	6.00	8.00										22.00	1.83
Number of Students	85.00	63.00	52.00										200.00	16.67
PAP Volunteer Hours	199.75	104.00	92.50										396.25	33.02
Total Public Facility Usage Hours	677.50	606.50	572.75										1856.75	154.73

EXECUTIVE COMMITTEE MINUTES

Meeting of March 6, 2019

Executive Cmte. Present: Dick Swanson; Blaine, Mike Murphy; Lexington, Cindy Hansen; Spring Lake Park, Dale Stoesz; Lino Lakes

Absent:

Others Present: Heidi Arnson; Executive Director, Rose Valex; Administrative Asst., Greg Emmerich; CPA

CALL TO ORDER

The Chair called the meeting to order at 6:00 p.m.

APPROVAL OF MINUTES

A motion to approve the March 6, 2019 Executive Committee meeting minutes was made by M. Murphy. Second, D. Swanson. Motion approved.

EXECUTIVE DIRECTOR / OPERATIONS COMMITTEE REPORT

- G. Emmerich, a CPA with Harrington Langer & Associates, presented the 2018 audit. No abnormalities were identified and the Commission is in a good financial position.

MOTION: To recommend approval of the 2018 audit as presented. **Motion made by D. Swanson. Second, C. Hansen. Motion approved.**

- Work is being done to provide OTT services for all NMTV streaming channels. Viewers will be able to stream local channels, and watch video on demand, via Roku and Apple TV by late June. Staff needs to create a web interface, verify security, and complete a Tightrope System software upgrade before launching the channels. The upgrade is scheduled for late May/early June.
- The kick-off franchise renewal meeting with Comcast has been rescheduled for mid-April.
- The building exterior/parking lot video security system upgrade is finished.

OLD BUSINESS

There was no old business.

NEW BUSINESS

- H. Arnson will be on vacation from April 4th through the 10th.

ADJOURN

Motion to adjourn made by M. Murphy. Second, C. Hansen. Motion approved. The meeting was adjourned at 6:32 p.m.

NORTH METRO TV

TO: OPERATIONS COMMITTEE AND CABLE COMMISSION
FROM: HEIDI ARNSON
SUBJECT: OTT TIMELINE
DATE: 3/28/2019

As you know, one of North Metro TV's goals for 2019 is to provide Over The Top (OTT) access for all of our community channels. Tightrope Media Systems, the solution we utilize for all of our channel and program management, offers a service called Cablecast Screenweave, a collection of intuitive apps that extends programming to OTT player appliances. (Apple TV and Roku) Cablecast Screenweave is an add-on for the Cablecast Reflect cloud-based streaming service that each of your city channels now utilizes.

There are some development steps that must be taken before we can "throw the switch" on the OTT channels. They are as follows:

- Update the web interface for each NMTV channel, creating a "public" page within the Tightrope software.
- Verify security settings
- Tightrope System software upgrade. (end of May/beginning of June)
- Launch OTT channels (end of June)

Once the channels are launched, viewers can search the VOD library for shows of interest, and switch easily to the channel's live feed.....all in HD video. At that point, community programming will be available to viewers on any device they choose to utilize....phone, tablet, computer, or TV utilizing an Apple TV or Roku device....plus, of course, good ol' cable TV.

**NORTH METRO TELECOMMUNICATIONS COMMISSION
UNAPPROVED OPERATIONS COMMITTEE MEETING NOTES**

Tuesday, April 2, 2019

CALL TO ORDER

The meeting began at 10:30 a.m.

MEMBERS PRESENT

B. Petracek, D. Buchholtz, J. Karlson, D. Krueger, P. Antonen

MEMBERS ABSENT

C. Arneson, M. Statz

OTHERS PRESENT

H. Arnson

APPROVAL OF MEETING NOTES

The meeting notes of March 5, 2019 were approved by consensus.

EXECUTIVE DIRECTOR REPORT

- Work is being done to provide OTT services for all NMTV streaming channels. Tighrope Media Systems, the solution that is utilized for all of the NMTV channel and program management, offers a service called Cablecast Screenweave, a collection of intuitive apps that extends programming to OTT player appliances, such as Roku and Apple TV. Cablecast Screenweave is an add-on for the Cablecast Reflect cloud-based streaming service. Once the web interface is created, security verified, and a Tighrope System software upgrade is complete around the end of May, the channels will be launched. The goal is to have them functional by the end of June.
- A request has been made for NMTV staff to produce some informational videos for the Anoka County Regional Economic Development group's website. The production of the promos would take staff time away from other municipal productions. The group felt that as long as any businesses that were highlighted in the promos were located in the seven member cities, it could be an acceptable use of staff time. The promos could also be played on the city channels. Motion made by P. Antonen. Second, D. Buchholtz.

OLD BUSINESS

- The building exterior security system upgrade is nearly finished.

NEW BUSINESS

- J. Karlson inquired as to whether any permits had been requested for 5G small cell antenna placement within the member cities. Discussion included deadlines for adopting aesthetics standards and a meeting Lino Lakes will be having with Mike Bradley to go over the small cell model ordinance.
- The permitted use of franchise fees returned to cities was revisited.
- Heidi Arnson will be on vacation from April 4th through the 10th.

ADJOURNMENT

The meeting was adjourned at 11:24 a.m.

POTs and PANs

Pretty Advanced New Stuff from CCG Consulting

March 27, 2019

Reality Pricing Coming for Online Video

1 Comment

(https://potsandpansbyccg.com/?attachment_id=7407#main) I've been a cord cutter for many years and over the last few years, I've tried the various vMVPDs that offer channel line-ups that somewhat mimic traditional cable TV. I've tried Sling TV, DirecTV Now and Playstation Vue. In every case I've always scratched my head wondering how these products could offer prices that are lower than the wholesale price of the content from programmers. There are only two possibilities – either these companies have been setting low prices to gain market share or they had been able to negotiate far better deals for content than the rest of the industry.



Of course, the answer is that they've been subsidizing these products. And Wall Street is now pressuring these companies to end the subsidies and become profitable.

There is probably no better example of this than AT&T's DirecTV Now service. When DirecTV Now launched it carried a price tag of \$35 per month for about a hundred channels of programming. The low price was clearly set as a reaction to a similarly low price from Sling TV which was the first big successful vMVPD.

Both companies offered line-ups including the channels that most households watch. This included the high-price programming from ESPN and numerous other quality networks. The initial pricing was crazy – a similar package on traditional cable was priced at \$60 – \$70.

The low pricing has worked for DirecTV Now. They are getting close to surpassing the Sling TV in subscribers. AT&T has featured DirecTV Now in its advertising and has been shuttling customers from the satellite-based DirecTV to the online product.

But AT&T company just got realistic with the product. They have collapsed from four options down to two options now priced at \$50 and \$70 per month. The company got ready for this shift by eliminating special promotional prices in the fourth quarter of last year. They had roughly half a million customers who were paying even less than their published low prices. When AT&T raised the rates they immediately lost over half of those promotional customers.

Not only are prices rising, but the company has significantly trimmed the channel counts. The new \$50 package will have only about 40 channels while the \$70 package will have 50 channels. It's worth noting that both packages now include HBO, which is the flagship AT&T product. HBO is by far the most expensive programming in the industry and AT&T has now reconfigured DirecTV Now to be HBO plus other premium channels.

The new prices are realistic and also include a profit margin. It will be interesting to see how the DirecTV Now customer base reacts to such a drastic change. I'm sure many of them will flee to cheaper alternatives. But the company may also attract customers that subscribe directly to HBO to upgrade.

The big question is if there will be cheaper alternatives? The online industry has been around long enough that it is now out of its infancy and investors are starting to expect profits from any company in this space. The new realistic pricing by AT&T is likely to drive the other online programmers to also get more realistic.

These price increases have ramifications for cord-cutting. It's been easy to justify cutting the cord when you could ditch a \$70 per month traditional cable product for a \$35 online one that has the channels you most watch. But there is less allure from going online when the alternative choice is just as expensive as the traditional one. There is always going to be some savings from jumping online – if nothing else customers can escape the exorbitant fees for renting a settop box.

It's clear that AT&T is counting on HBO as the allure for its online offering. That product is available in a number of places on the web for a monthly rate of \$15, so including that in the \$50 and \$70 product still distinguishes DirecTV Now from the other vMVPD providers.

What is clear by this move is that we are approaching the time when companies are willing to eat huge losses to gain online market share. That market share is worthless if customers leave in droves when there is a rate increase. These big companies don't seem to have fully grasped that there is zero customer loyalty online. Viewers don't really care who the underlying company is that is carrying their favorite programming – it's the content they care about. The big cable companies have to break their long history of making decisions like near-monopolies.

Posted by [CCGConsulting](#) in [The Industry](#)

Tagged: [AT&T](#), [DirecTV Now](#), [HBO](#), [PlayStation Vue](#), [Sling TV](#)

One thought on “Reality Pricing Coming for Online Video”

1. Douglas Orr *says*:

March 27, 2019 at 9:19 am

Back to that “failing business model” thing. ☺

It seems likely that all of the players are looking to get back to the cable glory days of extracting \$150/month from a nation of tv addicts. And, I can't fault anyone for wanting to run a profitable business.

I think the main problems with this line of pursuit are (a) young people don't have the same

relationship with tv that \geq 50 year-olds do, and (b) we are swimming in a sea of content.

I have a small apartment building with a number of thirty-somethings and I was surprised to see that nobody had a cable package... all had internet-only cable.

It's just an anecdote but looking at what's happened with music, I don't think at&t or anyone is going to be able to put the genie back in the bottle...

At&t, Spotify is coming for you...

Reply

[Blog at WordPress.com.](#)


Pay-TV at a 'Crossroads' Threatening Faster Sub Losses – Analyst



News Analysis
Jeff

Baumgartner,
Senior Editor,
Light Reading

3/18/2019

 Comment (0)

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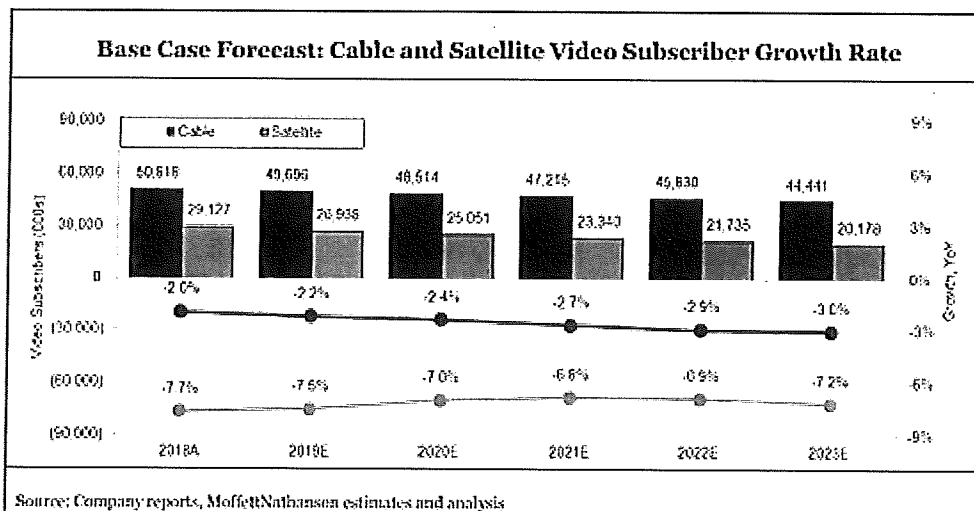


If larger US cable operators follow the path of some of their smaller counterparts and play down or retreat from pay-TV, overall subscriber video sub losses could soon accelerate from moderate to torrential levels, Craig Moffett, a top industry analyst at MoffettNathanson, predicts in a revised forecast of the domestic pay-TV market.

That broadband-focused/video-indifferent strategy, illustrated well currently by Cable One, does not represent Moffett's status quo, "base case" scenario for the US video market, but warns that the possible emergence of a more blasé attitude toward pay-TV among larger MSOs has become increasingly plausible.

"If larger MSOs follow their smaller peers in concluding that video is no longer worth defending, then subscriber declines would almost certainly accelerate, perhaps radically so," Moffett wrote. "And that, in turn, would force programmers to be even more aggressive in licensing their content to OTT services, sealing the deal. The industry as we know it today could, or would, simply unravel." (See Pay-TV Model Must Be 'Blown Up'.)

To help illustrate how the various video strategies have recently impacted customer bases, Moffett noted that annual video losses at Comcast and Charter Communications are at a "relatively gentle" 1.7% and 1.4%, respectively, compared to the 10.3% video sub loss rate at Cable One.

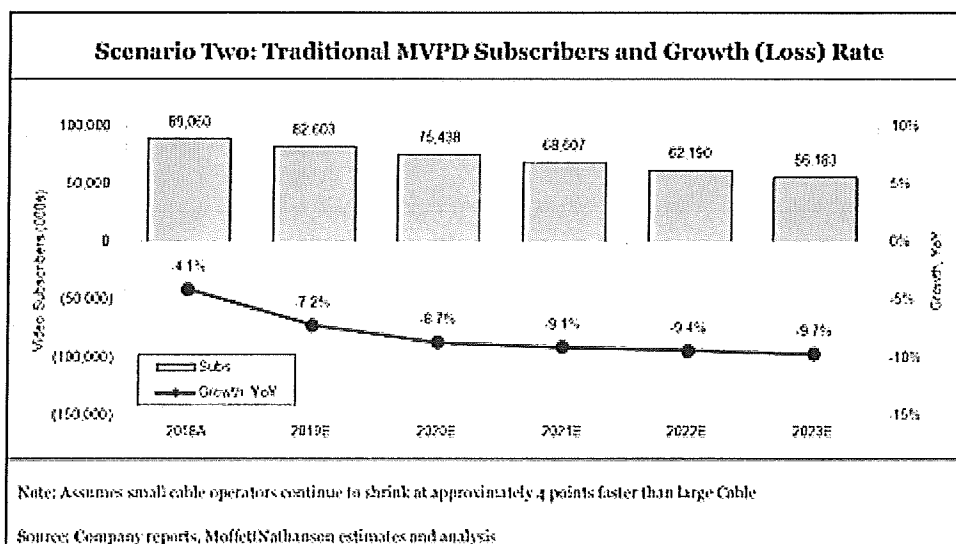


Under his current "Scenario One" base case, Moffett expects losses among traditional US pay-TV distributors to decline by about 4.5% this year, then stabilize to the 3% to 4% range thereafter.

But if more, larger MSOs and telco TV providers slide over to the position taken by Cable One (a "Scenario Two" that includes dropping programming, raising video pricing and encouraging customers to take OTT-TV services) that subscriber slide "becomes a tsunami," Moffett said. (See [Cable One 'Happy' to See Broadband Subs Go With OTT-TV](#) and [Cable One Gets Credit for Putting Pipes Ahead of Programming](#).)

In the current base case scenario, Moffett sees US cable pay-TV declining by 3% in 2023 (versus an expected 2.2% dip in 2019), with satellite TV falling 7.2% in 2023, similar to the predicted -7.5% expected for this year. Under that model, total traditional MVPD subscriptions could fall by 17 million homes over the next five years -- dropping the total from 89 million in 2018 to 72 million in 2023.

In the other scenario, where even large cable operators willfully abandon video subs and stop making "save" offers, losses would of course accelerate -- from an expected -7.2% in 2019, to -9.7% in 2023.



Also, if more cable ops and telcos took that path, revenues would fall, but only modestly. Fueled by more broadband customers, overall MSO margins would rise and capital intensity would drop (set-top purchase requirements, for example, would fall to near zero), and free cash flow would also spike higher, the analyst explained. For satellite operators without a broadband service backfill, this would have an opposite, disastrous effect.

Who's most likely to follow the Cable One path?

Moffett also took a shot at predicting which of the large telcos and MSOs might follow Cable One into Scenario Two. He sees Verizon Fios as the most likely (notably, Verizon has already begun to focus on connectivity and less so on content), followed by Cox Communications and then Charter

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Communications. Comcast, which owns NBCU, "has the greatest incentive to defend the status quo and will likely hold out the longest," Moffett wrote.

In Scenario Two, Moffett sees Charter losing more than 5 million video subs over the next five years, with Dish's base plummeting to just 5 million total (it ended 2018 with 9.9 million satellite TV subs) by 2023. Comcast, he predicted, would lose about 6.8 million video subs by 2023 (falling to 15.18 million), but the broader financial impact would be diluted due to Comcast's NBCU and Sky businesses.

And if Altice USA, which has already begun to pursue OTT-TV partnerships, enters the Scenario Two picture, it could lose 1.2 million subs, and end 2023 with about 2.32 million, Moffett predicted. (See [Altice USA Expects to Bring 'Major' OTT-TV Player to Set-Top Platform](#).)


Scenario Two would also result in faster growth for virtual MVPDs. Under an assumption that 80% of incremental traditional pay-TV sub losses convert to an OTT-TV provider, Moffett forecasts that virtual MVPDs would represent more than 30 million of about 87 million total video subs in 2023. That compares to the estimated 7.55 million subs virtual MVPDs had at the end of 2018.

Should Scenario Two take hold, Moffett sees total MVPD sub growth (including virtual MVPDs) declining 2.1% by 2023, and dipping by 9.7% (excluding virtual MVPDs) by that same time.

"It is getting to be a bit less clear which of the two paths we are on," Moffett wrote. "There is a growing sense of unease among industry participants that Scenario Two, once unthinkable, is becoming more, well... thinkable. It is time to start thinking more seriously about Scenario Two."

— Jeff Baumgartner, Senior Editor, [Light Reading](#)

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Tech Policy

Verizon said it turned on 5G wireless in two cities. Here's what it is, and who can access it.

By Tony Romm
April 3

Verizon said Wednesday it had turned on its ultrafast 5G wireless network in parts of Chicago and Minneapolis, though it will be available only to certain subscribers who pay a fee and own a compatible smartphone.

The move makes Verizon the first wireless carrier in the United States to flip the switch on speedy, smartphone-ready 5G service in select urban areas, the company said in a statement, though other U.S. carriers including AT&T, Sprint and T-Mobile have pledged to do the same in the coming months.

What is it?

The service Verizon is offering — 5G, the fifth generation of wireless data networks — could provide consumers internet speeds that are up to 100 times faster than 4G networks, according to an industry trade association. Through the placement of small boxes that serve as conduits for invisible, data-transmitting radio waves, 5G networks could power a wide range of consumer devices, from smartphones that can stream Netflix videos more quickly to enabling the arrival of self-driving cars.

The promise of faster speeds and more reliable connections has generated a full-on race between AT&T, Verizon, Sprint and T-Mobile, the country's four largest carriers, to see who can offer service first (and capture new consumers and their cash in the process). The U.S. government also has taken notice, with lawmakers and the Trump administration looking to supercharge research, investment and development in the telecom sector, believing that better wireless networks will grant the country a more competitive business edge — particularly against China, which is racing to deploy 5G as well.

Who can get it?

Not everyone, at least not yet.

With Verizon, only customers in select areas in Chicago and Minneapolis can take advantage of the company's new 5G service. Even then, it requires specific hardware: Customers must have a particular phone — the moto 3 — and a special 5G attachment for it, and then they must pay for unlimited data from Verizon along with a \$10 monthly fee.

The early limitations on Verizon's 5G network reflect the nascent nature of the technology. Many popular smartphones, especially Apple's most recent iPhone, aren't equipped with the right chips to connect to those networks. Samsung, meanwhile, has yet to announce when a 5G version of its latest Galaxy smartphone is going


What is 5G, and who can get it? - The Washington Post
https://www.washingtonpost.com/technology/2019/04/03/verizon-s...
to be available in the United States. And many experts don't expect the first, real wave of 5G-capable smartphones to hit the market until 2020.

Meanwhile, the carriers have deployed only limited 5G offerings. In December, AT&T said it had turned on 5G service in parts of 12 cities for only select customers and businesses that also purchased a special mobile hot spot from the company. It's also targeting 21 cities with mobile 5G this year. But the company later took heat, from its competitors as well as customers, for a decision to rebrand its existing wireless service as "5GE."

Earlier this year, Sprint said it would test 5G wireless service in Atlanta, Chicago, Dallas and Kansas City in May, with other cities slated before the end of June. Sprint at the time declined to share details about the plans it would offer consumers or how much it would cost, though it does currently offer an LG phone that is able to take advantage of 5G speeds. Adding to the uncertainty, Sprint is seeking the federal government's permission to buy T-Mobile, arguing that a combination of the two wireless giants would speed up deploying 5G.

In October, Verizon said that customers in four cities could use 5G — but only as a form of home Internet service.

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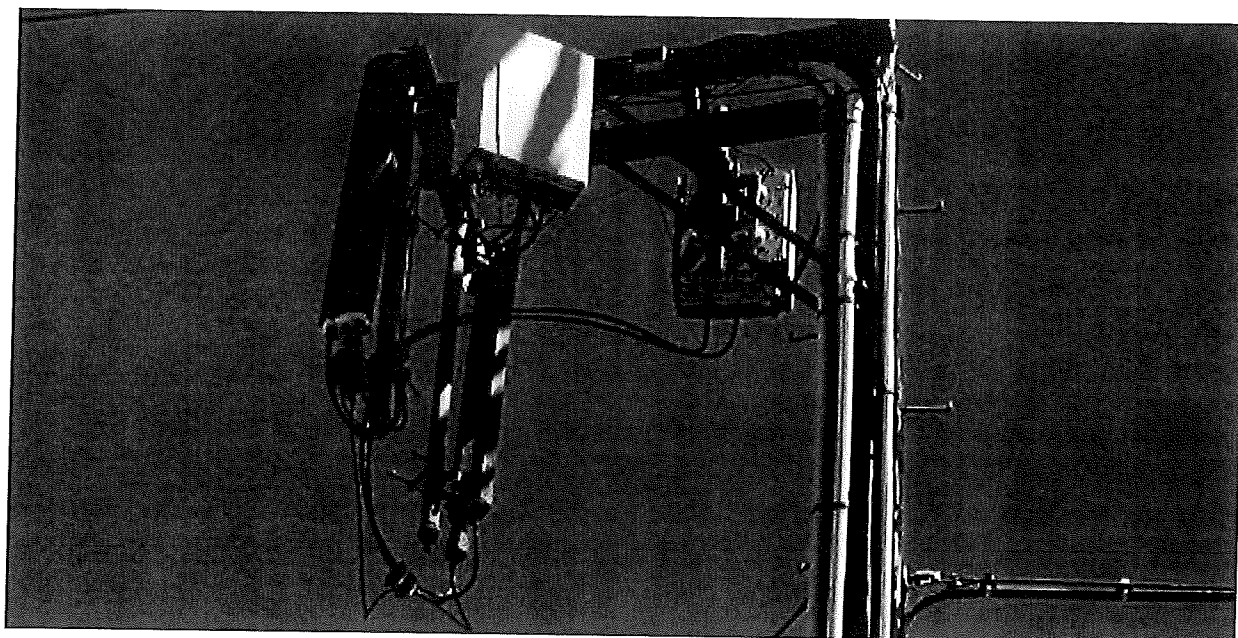
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Cities have broad authority over wireless facilities, California Supreme Court rules

04 April 2019, by Steve Blum • ab57, pole attachment, public policy, san francisco, small cells



In a landmark decision, the California Supreme Court gave cities a major victory today, ruling that the way San Francisco regulates the appearance of wireless facilities is legal, and isn't preempted by state law or California Public Utilities Commission regulations. Its interpretation goes beyond lower court decisions and adopts a narrower view of state-level restrictions on municipal control of telecommunications infrastructure. The unanimous opinion also opened the door to further regulation of cell sites and other telecoms facilities – wired or wireless – by drawing a line between specific limits the legislature put on local oversight of construction activities, and the general ability of cities to set standards for the appearance, placement and, potentially, other aspects of wireless equipment after it's built.

An earlier appellate court decision ruled that cities can set aesthetic standards for wireless facilities because 1. section 7901 of the California public utilities code says telecoms infrastructure can't "incommode the public use of the road or highway", and 2. the visual impact of ugly equipment falls within the dictionary definition of incommoding.

Today's California Supreme Court decision endorsed that finding...

Neither the plain language of [public utilities code] section 7901 nor the manner in which it has been interpreted by courts and the PUC supports plaintiffs' argument that the Legislature intended to preempt local regulation based on aesthetic considerations. The statute and the ordinance can operate in harmony. Section 7901 ensures that telephone companies are not required to obtain a local franchise, while the [San Francisco] Ordinance ensures that lines and equipment will not unreasonably incommode public road use.

But municipal authority goes beyond that, according to the Supreme Court. The ruling said that state law only restricts some of the broad discretion and power that cities have under the California constitution. Cities can't *effectively prohibit* telecoms companies from building infrastructure or regulate their operations, but...

The Legislature has not adopted a comprehensive regulatory scheme. Instead, it has taken the limited step of guaranteeing that telephone corporations need not secure a local franchise to operate in the state or to construct local lines and equipment. Moreover, the statute leaves room for additional local action and there are significant local interests relating to road use that may vary by jurisdiction.

Nor does the authority given to the CPUC override local control or responsibilities. The commission regulates "a utility's relations with its customers", the decision says, but municipalities "are forbidden from yielding to the PUC their police powers to protect the public from the adverse impacts of utilities operations"...

Consistent with these statutes, the PUC's default policy is one of deference to municipalities in matters concerning the design and location of wireless facilities. In a 1996 opinion adopting the general order governing wireless facility construction, the PUC states the general order "recognize[s] that primary authority regarding cell siting issues should continue to be deferred to local authorities... . The [PUC's] role continues to be that of the agency of last resort, intervening only when a utility contends that local actions impede statewide goals" The order itself "acknowledges that local citizens and local government are often in a better position than the [PUC] to measure local impact and to identify alternative sites. Accordingly, the [PUC] will generally defer to local governments to regulate the location and design of cell sites"

Finally, the Supreme Court said that public utilities code section 7901.1, which puts specific limits on local control of the public right of way, only applies while construction work is going on...

It is eminently reasonable that a local government may: (1) control the time, place, and manner of temporary access to public roads during construction of equipment facilities; and (2) regulate other, longer term impacts that might incommode public road use under section 7901. Thus, we hold that section 7901.1 only applies to temporary access during construction and installation of telephone lines and equipment. Because the City treats all entities similarly in that regard, there is no section 7901.1 violation.

In other words, the requirement that all telecoms companies be treated that same only applies while facilities are being installed. Cities are free to adopt wireless-specific ordinances that apply after construction work is completed.

Bottom line: California cities can set aesthetic standards for cell sites, and have more authority over wireless and wireline infrastructure than they or telecoms companies thought. It's a comprehensive defeat for T-Mobile, Crown Castle and Extenet, who sued the City and County of San Francisco. They'll even have to pay San Francisco legal costs.

Although the ruling opens the door to further local regulation of wireless facilities, including stricter aesthetic standards, the extent of that discretion wasn't defined, and there are still federal preemptions of state and local authority that could apply. But today's decision gives California cities a green light to test those limits.

My clients are mostly California cities, all of whom are directly affected by this case. I'm not a disinterested commentator. Take it for what it's worth.

California Supreme Court majority opinion, T-Mobile West v. City and County of San Francisco, 4 April 2019.

First District, California Court of Appeal, T-Mobile West v. City and County of San Francisco, 15 September 2016.

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