MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2004

Auditor of State
Betty Montgomery

MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY

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Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Miami Valley Communications Council
Montgomery County
1195 East Alex Bell Road
Centerville, Ohio 45459

To the Members of Council:

We have audited the accompanying basic financial statements of the Miami Valley Communications Council, Montgomery County, (the Council), as of and for the year ended December 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements base on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principals used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Council, as of December 31, 2004, and the changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended December 31, 2004, the Council implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2005, on our consideration of the Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards.* You should read it in conjunction with this report in assessing the results of our audit.

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The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management, regarding the methods of measuring and presenting the required supplemental information. However, we did not audit the information and express no opinion on it.

Betty Montgomery

Betty Montgomery
Auditor of State of Ohio

October 6, 2005

MIAMI VALLEY COMMUNICATIONS
MONTGOMERY COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED 31, 2004

The discussion and analysis of the Miami Valley Communications Council (MVCC) financial performance provides an overall review of the financial activities for the year ended December 31, 2004. The intent of this discussion and analysis is to look at MVCC's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of MVCC's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in its Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,* issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented and is presented in the MD&A.

Financial Highlights

Key financial highlights for 2004 are as follows:

- Total net assets increased $9,293 during 2004, which represents a .34% increase from 2003, as a result of increases in revenues from Time Warner Cable.

- Total assets increased $34,249 which represents a 1.21% increase from the prior year. The increase is primarily due to increases in property and equipment held by the MVCC.

- The operating loss reported for 2004 in the amount of $5,012 was $24,963 less than the operating loss reported for 2003 or a 16.72% decrease.

Using this Financial Report

This financial report contains the basic financial statements of MVCC, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a statement of net asset, statement of revenues, expenses, and changes in net assets, and a statement of cash flows. As MVCC reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity-wide and the fund presentations information is the same.

Statement of Net Assets

The statement of net assets answers the question, "How did we do financially during the year?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term liabilities, using the accrual basis of accounting and the economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

This statement reports MVCC's net asset, however, in evaluating the overall position and financial viability of MVCC, non-financial information such as the condition of the MVCC building and potential changes in the laws governing franchise fees in the state of Ohio will also need to be evaluated.

Table 1 provides a summary of MVCC's net assets for 2004 compared with 2003.

**TABLE 1
NET ASSETS**

	2004	2003
ASSETS		
Current and other assets	$1,649,168	$1,745,641
Property and equipment, net	1,219,437	1,088,715
Total assets	2,868,605	2,834,356
LIABILITIES		
Current Liabilities	118,427	93,471
Total liabilities	118,427	93,471
NET ASSETS		
Invested in capital assets	1,219,437	1,088,715
Unrestricted	1,530,741	1,652,170
Total Net Assets	$2,750,178	$2,740,885

Total net assets of MVCC increased by $9,293 or .34%. The increase in total net assets from 2003 is due in part to increases in revenues from Time Warner Cable. The $34,249 increase in total assets is attributable to property and equipment purchased during 2004 by MVCC. Total liabilities reported at December 31, 2004 increased by $24,956 from the amount reported at December 31, 2003, primarily due to accounts payable and accrued liabilities not paid at December 31, 2004.

As noted in Table 1 above, reported unrestricted net assets at December 31, 2004 increased from the amount reported at December 31, 2003. Unrestricted net assets decreased by $121,429 during 2004 due to increase capital assets acquisitions. An increase of $64,693 in franchise fee funds from Time Warner Cable received in 2004 accounts for a majority of the increase in total assets. The increase of $130,722 in net assets invested in property and equipment results from recognizing current year acquisitions (net deductions) of $289,619 less current year depreciation (net deductions) of $158,897.

Table 2 shows the change in net assets for the year ended December 31, 2004, as well as revenue and expense comparisons to 2003.

TABLE 2
CHANGE IN NET ASSETS

	2004	2003
Operating revenues:		
Franchise fee payments	$1,551,748	$1,487,055
Other operating revenues	187,059	151,165
Non-operating revenues:		
Interest earnings	16,065	14,953
Total revenues	1,754,872	1,653,173
Operating expenses:		
Salaries	764,400	689,387
Fringe benefits	218,069	185,481
Other purchased services	486,716	509,713
Material and supplies	31,341	31,099
Depreciation	186,332	169,610
Other expenses	56,961	82,905
Non-operating expenses	1,760	1,435
Total expenses	1,745,579	1,669,630
Change in net assets	9,293	(16,457)
Net assets, beginning of year	2,740,885	2,757,342
Net assets, end of year	$ 2,750,178	$ 2,740,885

The increase in franchise payments noted for calendar year 2004 is the result of an annual rate increase of cable rates and new cable services offered by Time Warner Cable. Most of the higher salary and benefit expenses reported for calendar year 2004 results from a 3% COLA and re-classification of a management position.

Property and Equipment

At December 31, 2004 the property and equipment of MVCC of $3,017,015 off-set by $1,797,578 in accumulated depreciation results in net property and equipment of $1,219,437. The $130,722 increase in total net property and equipment results from recognizing current year acquisitions (net deductions) of $289,619 less current year depreciation (net deductions) of $158,897. See Note 5 of the notes to the basic financial statements for more detailed information on MVCC property and equipment.

Contacting MVCC

This financial report is designed to provide a general overview of the finances of Miami Valley Communications Council and to show MVCC's accountability for monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional information should be directed to: Miami Valley Communications Council, Attn: Executive Director, 1195 E. Alex Bell Road, Centerville, Ohio 45459, (937) 438-8887

MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY

STATEMENT OF NET ASSETS
DECEMBER 31, 2004

ASSETS	
Current Assets	
Equity in Pooled Cash and Cash Equivalents	$1,250,528
Receivables:	
Accounts	386,709
Prepaid Items	11,931
Total current assets	1,649,168
Noncurrent Assets	
Depreciable capital assets, net	1,096,267
Non-depreciable capital assets	123,170
Total noncurrent assets	1,219,437
Total Assets	2,868,605
LIABILITIES	
Current Liabilities	
Accounts Payable	54,337
Accrued Salaries Payable	14,160
Accrued Pension Payable	7,963
Accrued Worker's Compensation Payable	8,722
Accrued Compensated Absences Payable	33,245
Total Liabilities	118,427
NET ASSETS	
Invested in capital assets	1,219,437
Unrestricted	1,530,741
Total Net Assets	$2,750,178

See accompanying notes to the financial statements.

MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY

STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
DECEMBER 31, 2004

OPERATING REVENUES	
Franchise Fees	$1,551,748
State grant revenue	18,329
Assessments	38,407
Training and Tuition	57,770
Other operating revenue	72,553
Total operating revenues	1,738,807
OPERATING EXPENSES	
Personnel Services	764,400
Fringe Benefits	218,069
Supplies	31,341
Maintenance	42,930
Contractual Service	387,241
Depreciation	186,332
Utilities	18,188
Telephone	9,786
Training and Seminars	28,571
Other Operating Expenses	56,961
Total Operating expenses	1,743,819
Operating (loss)	(5,012)
NONOPERATING REVENUES (EXPENSES)	
Loss on disposal of assets	(1,760)
Interest	16,065
Total nonoperating revenues (expenses)	14,305
Changes in net assets	9,293
Net assets, beginning of year	2,740,885
Net assets, end of year	$2,750,178

See accompanying notes to the financial statements.

MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY

STATEMENT OF CASH FLOWS
DECEMBER 31, 2004

Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Time Warner Cable	$1,541,457
Other Cash Receipts	187,059
Cash Payments to Employees for Services and benefits	(972,338)
Cash Payments for Goods and Services	(555,731)
Net Cash Provided by (Used in) Operating Activities	200,447
Cash Flows from Capital and Related Financing Activities	
Payments for Capital Acquisitions	(318,814)
Cash Flows from Investing Activities	
Interest on Investments	16,065
Net Increase (Decrease) in Cash and Cash Equivalents	(102,302)
Cash and Cash Equivalents Beginning of Year	1,352,830
Cash and Cash Equivalents End of Year	1,250,528
Reconciliation of Operating Gain (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating Gain (Loss)	(5,012)
Adjustments:	
Depreciation	186,332
(Increase) Decrease in Assets	
Accounts Receivable	(10,291)
Prepaid expense	4,462
Increase (Decrease) in Liabilities:	
Accounts Payable	14,825
Accrued liabilities	10,131
Net Cash Provided by (Used in) Operating Activities	$200,447

See accompanying notes to the basic financial statements.

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1. REPORTING ENTITY AND BASIS OF PRESENTATION

A. Description of the Entity

The Miami Valley Communications Council (the Council) is a consortium of municipalities providing a Communications system for the southern suburbs of Dayton, Ohio. This consortium consists of the following municipalities: City of Oakwood, City of Moraine, City of Kettering, City of West Carrollton, City of Miamisburg, City of Centerville, City of Germantown (expansion member), and Village of Springboro (expansion member).

During 1975, the first six members shown above awarded identical franchises to Continental Communications of the Miami Valley, and shortly thereafter the Council was formally established to administer those franchises. The Council is funded by franchise fees which the Communications companies pay to the cities for the privilege of using the public rights-of-way. Under the terms of the franchise agreements, channel capacity is to be set aside on the Communications system for community use. Managing of the Community Access Facility is a large part of the Council's responsibility for franchise administration.

The Council is also the fiscal agent for the Tactical Crime Suppression Unit. The Tactical Crime Suppression Unit is a consortium of the municipalities' police departments organized as a cooperative effort to deal more effectively with the present and projected crime levels in the municipalities.

B. Reporting Entity

The reporting entity is comprised of the primary unit government, component units, and other organizations that are included to insure that the financial statements of the Council are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separated from the Council. For Miami Valley Communications Council, this includes general operations and the Tactical Crime Suppression Unit.

Component units are legally separated organizations for which the Council is financially accountable. The Council is financially accountable for an organization if the Council appoints a voting majority of the organization's governing board and (1) the Council is able to significantly influence the program or services performed or provided by the organization; or (2) the Council is legally entitled to or can otherwise access the organization's resources; (3) the Council is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or the Council is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Council to approve the budget, issue debt, or levy taxes for the organization.

The financial statements of the Miami Valley Communications Council have been prepared in conformity with General Accepted Accounting Principals (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principals. The Council also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the Council's accounting policies are described below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation - Fund Accounting

The Council uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Council functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

For financial statement presentation purposes, the funds of the Council are classified in the proprietary fund type. Proprietary funds are used to account for the Council's activities which are similar to those found in the private sector. The following is the Council's proprietary fund type:

Enterprise Funds - Enterprise funds are used to account for Council activities that are financed and operated in a manner similar to private business enterprise where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriated for capital maintenance, public policy, management control, accountability, or other purposes.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The proprietary fund is accounted for on a flow of economic resources measurement focus. With measurement focus, all assets and all liabilities associated with operation of the fund is included on the statement of net assets. The difference between total assets and liabilities are defined as net assets. The statement of revenues, expenses, and changes in net assets present increases (i.e. revenues) and decreases (i.e. expenses) in total net assets.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

Non-exchange transactions, in which the Council receives value without directly giving equal value in return, include Franchise Fees.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Miami Valley Communications Council By-Laws and entails the preparation of budgetary documents within an established timetable. The budget shall not include expenditures in excess of current revenues and available resources. The budget must be approved by the Council and may be amended during the year only with the approval of the Council. The Council is not required to certify the budget, to the Montgomery County Budget Commission or other regulatory agencies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents

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

There are no restrictions on the Council's investment activities.

During fiscal year 2004, investments were limited to certificates of deposits and STAR Ohio. Investments are stated at cost which approximates market value. Investment earnings are reported in the fund which has made the investment.

For purpose of the statement of cash flows and for presentation on the balance sheet, investments with an original maturity of three months or less at the time they are purchased by the Council are considered to be cash equivalents.

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which the services are consumed.

F. Capital assets and Depreciation

Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their market values as of the date received. The Council does not have any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of fixed assets is also not capitalized.

Depreciation of buildings, furniture and equipment, and vehicles in the enterprise funds is computed using the straight-line method over an estimated useful life of five years for furniture, equipment and vehicles and forty years for buildings. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

G. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributed to services already rendered and it is probable that the Council will compensate the employees for the benefits through paid time off or some other means. The Council records a liability for accumulated unused vacation time when earned for all employees. The entire amount of the liability is reported in the fund from which the employee is paid.

Sick leave benefits are not subject to payout by the Council and therefore are not included as a liability on the balance sheet.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Franchise Fees

The Council receives 5% of the gross revenues of Communications companies operating within the member of the Council's jurisdiction based on an agreement entered into by the Council and the Communications companies. This agreement expires in 2006. These fee receipts are reported as franchise fees in the Miami Valley Communications Council Fund. Franchise fee revenue totaled $1,551,748 for the period January 1, 2004 through December 31, 2004.

I. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation less any outstanding capital related debt. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Council applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

J. Operating and non-operating revenues and expenses

Operating revenues are those revenues that are generated directly by the Council's primary mission. For the Council, operating revenues include franchise fee payments received from Time-Warner. Operating expenses are necessary costs incurred to support the Council's primary mission, including depreciation.

Non-operating revenues and expenses are those that are not generated directly by the Council's primary mission. Interest revenue and loss on disposal of assets comprise the non-operating revenues and expenses of the Council.

3. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2004, the Council has implemented GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", and GASB Statement No. 38, "Certain Financial Statement Note Disclosures".

GASB 34 created new basic financial statements for reporting on the Council's financial activities and requires the inclusion of the Management Discussion and Analysis section which provides a narrative introduction and overview of the financial statements to enhance the user's ability to interpret the information within the statements.

4. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the Council into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Council Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

4. DEPOSITS AND INVESTMENTS (Continued)

Inactive deposits are public deposits that the Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Inactive monies are permitted to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

The Council may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;

2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and

3. Obligations of the Council.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Council, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Finance Director or, qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

4. DEPOSITS AND INVESTMENTS (Continued)

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3 “Deposits with Financial Institutions, (including Repurchase Agreements) Investments and Reverse Repurchase Agreements”.

Protection of the Council’s deposits is provided by the Federal Deposits Insurance Corporation (FDIC) or by a single collateral pool established by the financial institution to secure the repayment for all public monies deposited with the institution.

A. Deposits

At year-end, the carrying amount of the Council’s deposits was $832,176 and the bank balance was $839,929. Of the bank balance, $255,345 was covered by federal depository insurance and $584,584 was covered by pooled collateral held in the pledging bank’s trust department in the Council’s name.

Although the securities serving as collateral were held by the pledging financial institution’s trust department in the Council’s name, and all state statutory requirements for the deposits of money had been followed, noncompliance with federal requirements would potentially subject the Council to a successful claim by the Federal Deposit Insurance Corporation.

B. Investments:

The Council investments are categorized below to give an indication of the level of the risk assumed by the Council at fiscal year end.

Category 1 includes investments that are insured or registered for which the securities are held by the Council or its agent in the Council’s name.

Category 2 includes uninsured or unregistered investments which are held by the counterparty’s trust department or agent in the Council’s name.

Category 3 includes uninsured or unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Council’s name.

The Council’s investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified since they are not evidenced by securities that exist in physical or book entry form. As of June 30, 2003, Standard and Poor has assigned an AAA money market rating, its highest rating, to STAR Ohio.

The Council’s investments at year end were limited to STAR Ohio. The carrying value and the market value of these investments at December 31, 2004, was $418,352.

The classification of cash and cash equivalents on the combined financial statements is based on the criteria set forth in GASB Statement No. 9. Reconciliation between the classification of cash and investments on the combined financial statements and the classification per GASB Statement 3 is as follows:

	Cash and Cash Equivalent/Deposits	Investments
GASB Statement 9	$1,250,528	
Investments:		
STAR Ohio	(418,352)	418,352
GASB Statement 3	$ 832,176	$418,352

5. CAPITAL ASSETS

A summary of the Councils capital assets at December 31, 2004, follows:

	Balance 12/31/03	Additions	Deductions	Balance 12/31/04
Capital Assets, being depreciated				
Building and improvements	$ 909,170			$ 909,170
Vehicles	68,613	27,475		96,088
Furniture and equipment	1,626,443	291,339	$29,195	1,888,587
Total capital assets being depreciated	2,604,226	318,814	29,195	2,893,845
Less accumulated depreciated				
Building and improvements	(323,662)	(30,296)		(353,958)
Vehicles	(62,973)	(6,615)		(69,588)
Furniture and equipment	(1,252,046)	(149,421)	(27,435)	(1,374,032)
Total accumulated depreciated	(1,638,681)	(186,332)	(27,435)	(1,797,578)
Capital Assets, net	965,545	132,482	1,760	1,096,267
Land, not being depreciated	123,170			123,170
Total Capital assets	$1,088,715	$132,483	$ 1,760	$1,219,437

6. RISK MANAGEMENT

The Council is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; error and omission; injuries to employees; and natural disasters. The Council maintains comprehensive insurance coverage with private carriers for real property, building contents, and vehicle. Vehicle policies include liability coverage for bodily injury and property damage. Settlement claims have not exceeded this commercial coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from last year.

7. DEFINED BENEFIT PENSION PLANS

The Council contributes to the Public Employees Retirement System of Ohio (OPERS), a cost-sharing multiple employer public employee retirement system administered by the public employees' retirement Board. OPER'S provides basic retirement benefits, disability benefits, and survivor benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised code.

OPER'S administers three separate pension plans as described below:

- The Traditional Pension Plan —a cost sharing, multiple-employer defined benefit pension plan.
- The Member-Directed Plan —a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
- The Combined Plan —a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, employer contributions are invested by OPERS to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member- Directed Plan.

7. DEFINED BENEFIT PENSION PLANS (Continued)

OPER'S provides retirement, disability, survivor and death benefits and annual cost-of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPER issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-6701 or 800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2004, member and employer contribution rates were consistent across all three plans. Separate divisions for law enforcement and public safety exist only within the Traditional Pension Plan. The 2004 member contribution rates were 9.55% for members in classifications other than law enforcement and public safety. The 2004 employer contribution rate for local government employer units was 13.55% of covered payroll.

The Council's required contributions to OPERS for the years ended December 31, 2004, 2003, and 2002, were $97,453, $92,580, and $87,894, respectively. The full amount has been contributed for 2003 and 2002. For 2004, 92 percent has been contributed, with the remainder being reported as a fund liability.

8. POST EMPLOYMENT BENEFITS

The Ohio Public employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4 percent of covered payroll was the portion that was used to fund health care.

A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.00 percent annually plus an additional factor ranging from 1 to 6 percent for the next eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

8. POST EMPLOYMENT BENEFITS (Continued)

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were $28,768. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were $10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were $26.9 billion and $16.4 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

9. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Council maintains two enterprise funds to account for its general operations and the Tactical Crime Suppression Unit. The table below reflects the more significant financial data relating to the enterprise funds of the Council as of and for the fiscal year ended December 31, 2004.

	Miami Valley Enterprise Council	Total Crime Suppression Unit	Total Funds
Operating Revenue	$1,668,730	$ 70,077	$1,738,807
Operating Expenses Less Depreciation	1,355,914	201,573	1,557,487
Depreciation Expense	176,198	10,134	186,332
Operating Income (Loss)	136,618	(141,630)	(5,012)
Interest Income	16,014	51	16,065
Changes in Net Assets	14,872	(5,579)	9,293
Fixed Assets Additions	292,548	26,266	318,814
Net Working Capital	1,551,588	(20,847)	1,530,741
Total Assets	2,825,185	43,420	2,868,605
Total Net Assets	1,716,057	34,121	2,750,178

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Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Miami Valley Communications Council
Montgomery County
1195 East Alex Bell Road
Centerville, Ohio 45459

To the Members of Council:

We have audited the basic financial statements of the Miami Valley Communications Council, Montgomery County, (the Council), as of and for the year ended December 31, 2004, and have issued our report thereon dated October 6, 2005 wherein we noted the Council implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.* We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Council's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Council's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to the Council's management in a separate letter dated October 6, 2005.

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This report is intended for the information and use of the audit committee, management, and the Members of Council, it is not intended to be and should not be used by anyone other than these specified parties.

Betty Montgomery

Betty Montgomery
Auditor of State

October 6, 2005

Auditor of State
Betty Montgomery

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MIAMI VALLEY COMMUNICATIONS COUNCIL

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 10, 2005