MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2006

Mary Taylor, CPA
Auditor of State

MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY

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Mary Taylor, CPA
Auditor of State

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 financial statements of the business-type activities of Miami Valley Communications Council, Montgomery County, (the Council), as of and for the year ended December 31, 2006, 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 based 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 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 principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 respective financial position of the business-type activities of Miami Valley Communications Council, Montgomery County, as of December 31, 2006, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2007, 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 *Government 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 accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 21, 2007

MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
(UNAUDITED)

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, 2006. 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 the 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 2006 are as follows:

- Total net assets decreased $12,662 during 2006, which represents a .44% decrease from 2005, as a result of rebating franchise fees to member cities.

- Total assets increased $184,059, which represents a 6.10% increase from the prior year. The increase is primarily due to increases in cash and cash equivalents held by the MVCC.

- The operating loss reported for 2006 in the amount of $147,619 was $232,908 less than the $85,289 operating income reported for 2005.

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 2006 compared with 2005.

Table 1
Net Assets

	2006	2005
Assets:		
Current and other assets	$2,056,658	$1,869,971
Property and equipment, net	1,145,611	1,148,239
Total Assets	3,202,269	3,018,210
Liabilities:		
Current liabilities	340,830	144,109
Total Liabilities	340,830	144,109
Net Assets:		
Invested in capital assets	1,145,611	1,148,239
Unrestricted	1,715,828	1,725,862
Total Net Assets	$2,861,439	$2,874,101

Total net assets of MVCC decreased by $12,662 or .44%. The decrease in total net assets from 2005 is due in part to increases in depreciation expense. The $184,059 increase in total assets is attributable to cash and cash equivalents held by the MVCC during 2006. Total liabilities reported at December 31, 2006 increased by $196,721 from the amount reported at December 31, 2005, primarily due to accounts payable and accrued liabilities not paid at December 31, 2006.

As noted in Table 1 above, reported unrestricted net assets at December 31, 2006 decreased from the amount reported at December 31, 2005. Unrestricted net assets decreased by $10,034 during 2006. A decrease of $325,914 in franchise fee funds from Time Warner Cable received during 2006 accounts for a majority of the decrease in total assets. The decrease of $2,628 in net assets invested in property and equipment results from recognizing current year acquisitions of $221,039 less current year depreciation of $223,667.

Table 2 shows the change in net assets for the year ended December 31, 2006, as well as revenue and expense comparisons to 2005.

Table 2
Change In Net Assets

	2006	2005
Operating Revenues:		
Franchise fee payments	$1,367,203	$1,693,117
Other operating revenues	133,332	197,470
Non-Operating Revenues:		
Interest earnings	73,290	40,291
Total revenues	1,573,825	1,930,878
Operating Expenses:		
Salaries	711,039	752,654
Fringe benefits	225,286	229,329
Other purchased services	397,152	521,119
Material and supplies	34,645	38,390
Depreciation	223,667	212,175
Other expenses	56,365	51,631
Non-Operating Expenses:		1,657
Total expenses	1,648,154	1,806,955
	(74,329)	123,923
Capital contribution	61,667	
Change in net assets	(12,662)	
Net assets beginning of year	2,874,101	2,750,178
Net assets, end of year	$2,861,439	$2,874,101

The decrease in franchise payments noted for calendar year 2006 is the result of rebating franchise fees to member cities.

Other purchased services decreased as the MVCC started a new multi-jurisdictional alert system during 2005. Depreciation expense increased due to the purchase of new equipment during 2006. Salaries decrease as two staff positions were unfilled in 2006.

Property and Equipment

At December 31, 2006 the property and equipment of MVCC of $3,183,601 off-set by $2,037,990 in accumulated depreciation results in net property and equipment of $1,145,611. The $2,628 decrease in total net property and equipment is due largely to current year depreciation expense of $223,667 and less the $221,039 of equipment acquired during 2006. 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, 2006

Assets:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	$1,608,840
Receivables:	
Accounts	434,604
Prepaid Items	13,214
Total current assets	2,056,658
Noncurrent Assets:	
Depreciable capital assets, net	1,022,441
Non-depreciable capital assets	123,170
Total noncurrent assets	1,145,611
Total Assets	3,202,269
Liabilities:	
Current Liabilities:	
Accounts Payable	264,455
Accrued Salaries Payable	13,824
Accrued Pension Payable	12,680
Accrued Worker's Compensation Payable	9,333
Accrued Compensated Absences Payable	40,538
Total Liabilities	340,830
Net Assets:	
Invested in capital assets	1,145,611
unrestricted	1,715,828
Total net assets	$2,861,439

See accompanying notes to the financial statements.

MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2006

Operating Revenues:	
Franchise Fees	$1,367,203
Assessments	44,001
Training and Tuition	46,233
Other operating revenue	43,098
Total operating revenues	1,500,535
Operating Expenses:	
Personnel Services	711,039
Fringe Benefits	225,286
Supplies	34,645
Maintenance	39,105
Contractual Service	314,180
Depreciation	223,667
Utilities	19,545
Telephone	13,095
Training and Seminars	11,227
Other Operating Expenses	56,365
Total Operating expenses	1,648,154
Operating Loss	(147,619)
Non-Operating Revenues:	
Interest	73,284
Gain on disposal of assets	6
Total non-operating revenues	73,290
Loss before Capital Contributions	(74,329)
Capital contributions	61,667
Change in net assets	(12,662)
Net assets, beginning of year	2,874,101
Net assets, end of year	$2,861,439

See accompanying notes to the financial statements.

MIAMI VALLEY COMMUNICATIONS COUNCIL
MONTGOMERY COUNTY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006

Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Time Warner Cable	$1,674,951
Other Cash Receipts	132,568
Cash Payments to Cities for Franchise Fees Rebate	(167,036)
Cash Payments to Employees for Services and benefits	(926,850)
Cash Payments for Goods and Services	(476,432)
Net Cash Provided by Operating Activities	237,201
Cash Flows from Capital and Related Financing Activities	
Cash received from Time-Warner for Capital Purposes	16,667
Proceeds from sale of equipment	6
Payments for Capital Acquisitions	(176,039)
Net Cash Used from Capital and Related Financing Activities	(159,366)
Cash Flows from Investing Activities	
Interest on Investments	73,216
Net Increase in Cash and Cash Equivalents	151,051
Cash and Cash Equivalents Beginning of Year	1,457,789
Cash and Cash Equivalents End of Year	$1,608,840
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating Loss	($147,619)
Adjustments:	
Depreciation	223,667
(Increase) in Assets:	
Accounts Receivable	(33,878)
Prepaid Expenses	(1,690)
Increase in Liabilities:	
Accounts Payable	181,768
Accrued Liabilities	14,953
Net Cash Provided by Operating Activities	$237,201

See accompanying notes to the basic financial statements.

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 Council does not have any component units.

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 fund of the Council is classified as business-type funds. Business-type 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 business-type fund:

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 business-type 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 business-type fund. 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 2006, 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, 2006, 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

Capital assets utilized in the proprietary funds are capitalized in the respective fund. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital 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 capital 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 capital assets are depreciated over the remaining useful lives of the related capital 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 was scheduled to expire in 2006, however, it received a one year extension and will expire in 2007. These fee receipts are reported as franchise fees in the Miami Valley Communications Council Fund. The franchise fee revenues net of rebates was $1,367,203 for calendar year 2006.

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. At December 31, 2006, the Council had zero net assets that were restricted by enabling legislation.

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 the 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 2006, the Council has implemented *GASB Statement No. 42*, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", *GASB Statement No. 46*, "Net Assets Restricted by Enabling Legislation" and *GASB Statement No. 47*, "Accounting for Termination Benefits".

GASB Statement No. 42 amends GASB Statement No. 34 and establishes accounting and financial reporting standards for impairment of capital assets and accounting requirements for insurance recoveries.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

3. CHANGE IN ACCOUNTING PRINCIPLES (Continued)

GASB Statement No. 47 establishes accounting and financial reporting standards for termination benefits. This statement clarifies and establishes reporting requirements for those benefits provided by employers to employees as an incentive or settlement for voluntary early termination or as a consequence of the involuntary early termination of services.

The implementation of these GASB Statements have no effect on the fund balances or net assets of the Council as previously reported at December 31, 2005.

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.

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;

4. DEPOSITS AND INVESTMENTS (Continued)

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.

A. Deposits

At December 31, 2006, the carrying amount of all Council deposits was $1,192,058. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosure", as of December 31, 2006, $970,667 of the Council's bank balance of $1,196,178 was exposed to custodial risk as discussed below, while $225,511 was covered by Federal Deposit Insurance Corporation.

At year end, the Council had $100 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

Custodial credit risk is the risk that, in the event of bank failure, the Council's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Council. The Council has no deposit policy for custodial risk beyond the requirements of State statute.

B. Investments:

As of December 31, 2006, the Council had the following investment:

Investment Type	Carrying and Fair Value	Investment Maturities (in Years) Less than 1
STAR Ohio	$416,682	$416,682

4. DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk: As a means of limiting its exposure to fair value losses caused by rising interest rates, the Council's investment policy requires that operating funds be invested primarily in short-term investments maturing within one year from the date of purchase and that the Council's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Credit Risk: Standard & Poor's has assigned Star Ohio an AAAm Money market rating.

Concentration of Credit Risk: The Council places no limit on the amount it may invest in any one issuer. The Council's investment in STAR Ohio represents 100% of the Council's total investments.

C. Reconciliation of Cash and Investment to the Statement of Net Assets:

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of December 31, 2006:

Cash and Investments per footnote	
Carrying amount of deposits	$1,192,158
Investments	416,682
Total	$1,608,840
Cash and Investments per Statement of Net Assets	$1,608,840

5. CAPTIAL ASSETS

A summary of the Councils capital assets at December 31, 2006, follows:

	Balance 12/31/05	Additions	Deductions	Balance 12/31/06
Capital Assets, being depreciated				
Building and improvements	$ 918,450	$ 6,536		$ 924,986
Vehicles	77,746	16,280		94,026
Furniture and equipment	1,885,550	198,223	$42,354	2,041,419
Total capital assets being depreciated	2,881,746	221,039	42,354	3,060,431
Less accumulated depreciated				
Building and improvements	(384,718)	(31,545)		(416,263)
Vehicles	(58,513)	(7,123)		(65,636)
Furniture and equipment	(1,413,446)	(184,999)	(42,354)	(1,556,091)
Total accumulated depreciated	(1,856,677)	(223,667)	(42,354)	(2,037,990)
Capital Assets, net	1,025,069	(2,628)		1,022,441
Land, not being depreciated	123,170			123,170
Total Capital assets	$1,148,239	($ 2,628)	$ 0	$1,145,611

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 Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple employer public employee retirement system administered by the Ohio Public employees' retirement Board. OPERS 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.

OPERS issues a publicly available financial report that includes financial statements and required supplementary information for OPERS. That report may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus Ohio 43215.

Plan members are required to contribute 9.2 percent of their annual covered salary to fund pension obligations and the Council is required to contribute 13.7 percent. Contributions are authorized by state statute. The contribution rates are determined actuarially.

The Council's required contributions to OPERS for the years ended December 31, 2006, 2005, and 2004, were $97,116, $93,923, and $97,453, respectively. The full amount has been contributed for 2005 and 2004. For 2006, 87 percent has been contributed, with the remainder being reported as a fund liability.

8. POST EMPLOYMENT BENEFITS

The Ohio Public Employees Retirement System of Ohio (OPERS) provides post retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care coverage for disability is available. The health care coverage provided by the retirement system is considered Other Post Employment Benefit (OPEB) as described in GASB Statement No.12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. For local employer units the rate was 13.7 percent of covered payroll; 4.5 percent was the portion that was used to fund health care.

Summary of Assumptions:

Actuarial Review - The assumptions and calculations below were based on the System's latest Actuarial Review performed as of December 31, 2005.

Funding Method - An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfounded actuarial accrued liability.

Assets Valuation Method - All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25 percentage of unrealized market appreciation or depreciation on investment assets.

8. POST EMPLOYMENT BENEFITS (Continued)

Investment Return - The investment assumption rate for 2005 was 6.5 percent.

Active Employee Total Payroll - An annual increase of 4 percent compounded annually is the base portion of individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above 4 percent base increase, were assumed to range from .50 percent to 6.3 percent.

Health Care - Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50% to 6% for the next 9 years. In subsequent years (10 and beyond) health care cost were assumed to increase at 4% (the projected wage inflation rate).

OPEBs are advance-funded on an actuarially determined basis. The number of active contributing participating was 369,214. The rates stated in the first paragraph of the postemployment benefits section are actuarially determined contribution requirements for OPERS. The portion of the Council's contributions made for the year 2006 that were used to fund post employment benefits was $31,902. The actuarial value of the Retirement System's net assets available for OPEB at December 31, 2005 was $11.1 billion. The actuarial accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost, were $31.3 billion and $20.2 billion, respectively.

During December 2001, the Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of Health Care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad 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. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

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, 2006.

	Miami Valley Enterprise Council	Tactical Crime Suppression Unit	Total Funds
Operating Revenue	$1,452,119	$ 48,416	$1,500,535
Operating Expenses Less Depreciation	1,227,248	197,239	1,424,487
Depreciation Expense	206,489	17,178	223,667
Operating Income (Loss)	18,381	(166,000)	(147,619)
Interest Income	73,244	40	73,284
Changes in Net Assets	(27,702)	15,040	(12,662)
Capital Assets Additions	139,639	81,400	221,039
Net Working Capital	1,713,608	2,220	1,715,828
Total Assets	3,079,071	123,198	3,202,269
Total Net Assets	2,770,060	91,379	2,861,439

Mary Taylor, CPA
Auditor of State

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 business-type activities of Miami Valley Communications Council, Montgomery County, (the Council) as of and for the year ended December 31, 2006, and have issued our report thereon dated August 21, 2007. 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Council's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Council's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Council's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Council's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Council's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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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*.

We intend this report solely for the information and use of management and the members of the Communications Council. We intend it for no one other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 21, 2007

Mary Taylor, CPA
Auditor of State

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 29, 2007

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