

**Miami Valley Communications Council
Montgomery County, Ohio**

Basic Financial Statements

December 31, 2008

(with Independent Auditors' Report)



Mary Taylor, CPA

Auditor of State

Members of the Council
Miami Valley Communications Council
1195 East Alex Bell Road
Centerville, Ohio 45459

We have reviewed the *Independent Auditors' Report* of the Miami Valley Communications Council, Montgomery County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2008 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Miami Valley Communications Council is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 25, 2009

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TABLE OF CONTENTS

Independent Auditors' Report..... 1-2

Management's Discussion and Analysis 3-8

Basic Financial Statements

 Government-Wide Financial Statements

 Statement of Net Assets 9

 Statement of Activities 10

 Fund Financial Statements

 Balance Sheet – Governmental Funds 11

 Reconciliation of Total Governmental Fund Balances
 To Net Assets of Governmental Activities 12

 Statement of Revenues, Expenditures, and Changes In Fund
 Balances – Governmental Funds 13

 Reconciliation of the Statement of Revenues, Expenditures,
 And Changes in Fund Balances of Governmental Funds To
 The Statement of Activities 14

 Statement of Revenues, Expenditures, and Changes In Fund
 Balances Budget and Actual – General Fund 15

 Statement of Assets and Liabilities – Agency Fund 16

 Notes to the Basic Financial Statements 17-26

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*..... 27-28

Schedule of Audit Findings and Responses..... 29

Summary Schedule of Prior Audit Findings..... 30

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregated remaining fund information of the Miami Valley Communications Council, (the Council), as of and for the year ended December 31, 2008, which collectively comprise the Council's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Council's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 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 the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregated remaining fund information of the Miami Valley Communications Council, as of December 31, 2008, and the respective changes in financial position thereof and the budgetary comparison of the General Fund 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 May 29, 2009 on our consideration of the Council'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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The Management's Discussion and Analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Clark, Schufer, Hachett & Co.

Springfield, Ohio
May 29, 2009

The discussion and analysis of the Miami Valley Communications Council (the Council) financial performance provides an overall review of the financial activities for the year ended December 31, 2008. The intent of this discussion and analysis is to look at the Council'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 Council'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 2008 are as follows:

- Total net assets decreased \$57,413 in 2008, which represents a 1.97% decrease from 2007, as a result of a decrease in franchise fees and an increase in personnel costs.
- Total assets decreased \$49,778 which represents a 1.6% decrease from the prior year. The decrease is primarily due to decreases in accounts receivable and capital assets for the year which was partially offset by an increase in the cash and cash equivalents reported at year-end.
- The change in net assets reported for 2008 was (\$57,413) compared to the \$144,158 change in net assets reported for 2007.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Council's basic financial statements. The Council's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the Council's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Council's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Council is improving or deteriorating.

The statement of activities presents information showing how the Council's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected revenues and earned but unused vacation leave).

The government-wide financial statements can be found on pages 9-10 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Council, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Council can be divided into two categories: governmental funds and fiduciary funds. The Council has no proprietary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Council maintains two (2) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general and building improvement funds, both of which are considered to be major funds.

The Council adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 11-15 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Council's own programs.

The basic fiduciary fund financial statement can be found on page 16 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17-26 of this report.

Government-wide Financial Analysis
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 the Council's net assets, however, in evaluating the overall position and financial viability of the Council, non-financial information such as the condition of the 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 the Council's statement of net assets for 2008 compared with 2007.

TABLE 1
NET ASSETS

	<u>2008</u>	<u>2007</u>
ASSETS		
Current and other assets	\$ 2,237,000	\$ 2,208,414
Property and equipment, net	<u>897,929</u>	<u>976,293</u>
Total assets	<u>3,134,929</u>	<u>3,184,707</u>
LIABILITIES		
Current liabilities	227,998	230,448
Long-term liabilities	<u>50,127</u>	<u>40,042</u>
Total liabilities	<u>278,125</u>	<u>270,490</u>
NET ASSETS		
Invested in capital assets	897,929	976,293
Unrestricted	<u>1,958,875</u>	<u>1,937,924</u>
Total net assets	<u>\$ 2,856,804</u>	<u>\$ 2,914,217</u>

Total net assets of the Council decreased by \$57,413 or 1.97%. The decrease in total net assets from 2007 is due in part to a decrease in franchise fees. The \$49,778 decrease in total assets is attributable to a decrease in accounts receivables and capital assets reported at year-end. The decrease in these two accounts was partially offset by an increase in the amount of cash and cash equivalent reported at year-end compared with one year prior. Total liabilities reported at December 31, 2008 increased by \$7,635 from the amount reported at December 31, 2007.

As noted in Table 1 above, reported unrestricted net assets at December 31, 2008 increased from amounts reported at December 31, 2007. Unrestricted net assets increased by \$20,951 during 2008.

The decrease of \$78,364 in net assets invested in capital assets results from recognizing current year acquisitions of \$117,075 less current year depreciation of \$193,888, as well as the recognition of a \$1,551 loss associated with the disposal of capital assets.

Table 2 shows the change in net assets for the year ended December 31, 2008, as well as revenue and expense comparisons to 2007.

**TABLE 2
STATEMENT OF ACTIVITIES**

	<u>2008</u>	<u>2007</u>
Cable operations expense:		
Personnel	\$ 737,447	\$ 693,252
Fringe benefits	195,878	205,504
Other purchased services	279,820	294,536
Materials and supplies	31,122	31,220
Depreciation	193,888	201,183
Other expenses	185,951	184,300
Loss on disposal of assets	1,550	6,319
Total expenses	<u>1,625,656</u>	<u>1,616,314</u>
 Program revenues:		
Charges for services	<u>55,365</u>	<u>-</u>
General revenues:		
Franchise fees - net of rebates	1,379,732	1,529,631
Other operating revenues	92,308	144,672
Interest income	40,838	86,169
Total general revenues	<u>1,512,878</u>	<u>1,760,472</u>
Total revenues	<u>1,568,243</u>	<u>1,760,472</u>
 Change in net assets	(57,413)	144,158
Net assets, beginning of year	<u>2,914,217</u>	<u>2,770,059</u>
Net assets, end of year	<u>\$ 2,856,804</u>	<u>\$ 2,914,217</u>

The decrease in franchise fee payments noted for calendar year 2008 is the result of Senate Bill 117 redefining gross revenues. In 2007, the State of Ohio enacted SB117 that altered the way municipalities may regulate video service providers within their boundaries. The new law effective on September 23, 2007 changed the revenues subjected to the video service fee or what was termed in the past as the franchise fee of the municipality. Under the provisions of SB117, the five percent video service fee of the eight Council member cities applies only to the following gross revenues;

- Recurring monthly charges;
- Event-based charges including pay-per-view and video-on-demand;
- Rental of set-top boxes and other video equipment;
- Service charges related to the provision of video services including activation, installation and repair;
- Administrative charges including charges for service order and service termination.

SB117 excluded from the video service fee charges for services other than video service including revenue received from telecommunications services, information service and from internet advertising and electronic publishing. In addition, SB117 stipulated that municipalities could not require video service providers fund the provision of facilities or equipment. By changing the definition of revenue subject to the five percent video service fee, the Council will experience a decrease in revenues. In the 2008 Fiscal Year, revenue from the video service fee decreased by \$178,104 or 9.4%. In addition, the Council lost due to capital improvement funding for the replacement of vehicles and video and audio equipment, (under the new state law).

Depreciation expense decreased due to fewer purchases of new equipment in 2008. Salaries increased due to pay raises in 2008 and a small increase in staff personnel.

Financial Analysis of the Government's Funds

As noted earlier, the Council uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

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

As of the end of the current year, the Council's governmental funds reported combined ending unreserved fund balances of \$2,009,002, an increase of \$31,036 in comparison with the prior year. The entire fund balance is available for spending at the Council's discretion.

Building Improvement Fund

The building improvement fund has a total fund balance of \$167,290. The building improvement fund increased by \$8,632 from the prior year.

General Fund Budget Information

The Council's budget is prepared in accordance with Ohio law and is based on the cash basis of accounting, utilizing cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

Differences between the budget (only one budget amount was adopted for the year) and the actual results were relatively minor.

Capital Assets

At December 31, 2008 the property and equipment of the Council of \$3,039,492 offset by \$2,141,563 in accumulated depreciation results in net property and equipment of \$897,929. The \$78,364 decrease in total net property and equipment is due to current year depreciation expense of \$193,888 combined with the \$117,075 of equipment acquired during 2008 and undepreciated retirements of \$1,551.

See Note B 6 of the notes to the basic financial statements for more detailed information on the Council's property and equipment.

Contacting the Council

This financial report is designed to provide a general overview of the finances of Miami Valley Communications Council and to show the Council'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
Statement of Net Assets
December 31, 2008

Assets

Cash and cash equivalents	\$	1,796,934
Accounts receivable:		
Time Warner Cable Western Ohio		425,860
Other		4,824
Prepaid expenses		9,382
Capital assets:		
Nondepreciable		123,170
Depreciable, net of accumulated depreciation		<u>774,759</u>
		<u>3,134,929</u>

Liabilities

Accounts payable		6,567
Accrued wages and benefits		50,287
Due to other governments		171,144
Long term liabilities:		
Due within one year		12,532
Due in more than one year		<u>37,595</u>
		<u>278,125</u>

Net Assets

Invested in capital assets		897,929
Unrestricted		<u>1,958,875</u>
	\$	<u><u>2,856,804</u></u>

Miami Valley Communications Council
Statement of Activities
Year Ended December 31, 2008

	<u>Expenses</u>	<u>Program Revenues</u> <u>Charges for Service</u>	<u>Net (Expense Revenue and Changes in Net Assets)</u> <u>Governmental Activities</u>
Operating expenses			
Personnel	\$ (737,447)	964	(736,483)
Fringe benefits	(195,878)	-	(195,878)
Supplies	(31,122)	831	(30,291)
Maintenance	(48,171)	407	(47,764)
Contractual	(198,970)	45,833	(153,137)
Depreciation	(193,888)	-	(193,888)
Utilities	(22,037)	-	(22,037)
Telephone	(9,156)	607	(8,549)
Training and seminars	(1,486)	100	(1,386)
All other expenses	(185,951)	6,623	(179,328)
Loss on disposal of assets	(1,550)	-	(1,550)
	<u>(1,625,656)</u>	<u>55,365</u>	<u>(1,570,291)</u>
General revenues			
Franchise fees - net of rebates			1,379,732
Interest income			40,838
Other income			92,308
			<u>1,512,878</u>
Changes in net assets			(57,413)
Net assets at January 1, 2008			<u>2,914,217</u>
Net assets at December 31, 2008			\$ <u><u>2,856,804</u></u>

See accompanying notes to financial statements.

Miami Valley Communications Council
Balance Sheet - Governmental Funds
December 31, 2008

	<u>General Fund</u>	<u>Building Improvement Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 1,629,644	167,290	1,796,934
Accounts receivable			
Time Warner Cable Western Ohio	425,860	-	425,860
Other	4,824	-	4,824
Prepaid expenses	<u>9,382</u>	<u>-</u>	<u>9,382</u>
	<u>\$ 2,069,710</u>	<u>167,290</u>	<u>2,237,000</u>
Liabilities			
Accounts payable	\$ 6,567	-	6,567
Accrued wages and benefits	50,287	-	50,287
Due to other governments	<u>171,144</u>	<u>-</u>	<u>171,144</u>
	<u>227,998</u>	<u>-</u>	<u>227,998</u>
Fund balance			
Unreserved, designated for:			
Gov-Tech	186,228	-	186,228
Contingency reserve	600,000	-	600,000
Unreserved, undesignated reported in:			
General fund	1,055,484	-	1,055,484
Capital project fund	<u>-</u>	<u>167,290</u>	<u>167,290</u>
	<u>1,841,712</u>	<u>167,290</u>	<u>2,009,002</u>
	<u>\$ 2,069,710</u>	<u>167,290</u>	<u>2,237,000</u>

See accompanying notes to financial statements.

Miami Valley Communications Council
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2008

Total governmental fund balance	\$ 2,009,002
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	897,929
Long term liabilities, compensated absences	<u>(50,127)</u>
Net assets of governmental activities	\$ <u>2,856,804</u>

See accompanying notes to financial statements.

Miami Valley Communications Council
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2008

	General Fund	Building Improvement Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Revenues			
Franchise fees - net of rebates	\$ 1,379,732	-	1,379,732
Training income	55,365	-	55,365
Interest income	25,486	15,352	40,838
Other income	92,308	-	92,308
	<u>1,552,891</u>	<u>15,352</u>	<u>1,568,243</u>
Expenditures			
Personnel	737,447	-	737,447
Fringe benefits	185,792	-	185,792
Supplies	31,122	-	31,122
Maintenance	48,171	-	48,171
Contractual	198,970	-	198,970
Utilities	22,037	-	22,037
Telephone	9,156	-	9,156
Training	1,486	-	1,486
All other expenses	185,951	-	185,951
Capital outlay	110,355	6,720	117,075
	<u>1,530,487</u>	<u>6,720</u>	<u>1,537,207</u>
Change in fund balance	22,404	8,632	31,036
Fund balances at January 1, 2008 - restated	<u>1,819,308</u>	<u>158,658</u>	<u>1,977,966</u>
Fund balances at December 31, 2008	\$ <u><u>1,841,712</u></u>	<u><u>167,290</u></u>	<u><u>2,009,002</u></u>

See accompanying notes to financial statements.

Miami Valley Communications Council
 Reconciliation of the Statement of Revenues, Expenditures and Changes in
 Fund Balances of Governmental Funds to the Statement of Activities
 Year Ended December 31, 2008

Net change in fund balances - total governmental funds \$ 31,036

Amount reported for governmental activities in the
 statement of activities are different because:

Governmental funds report capital outlays as expenditures.
 However, in the statement of activities, the cost of those
 assets is allocated over their estimated useful lives as
 depreciation expense. This is the amount by which
 depreciation outlay exceeded capital outlay in the
 current period.

Capital asset additions	\$	117,075	
Loss on disposal of capital assets		(1,551)	
Current year depreciation		<u>(193,888)</u>	
			(78,364)

Some expenses reported in the statement of activities, such
 as compensated absences payable and other accounts
 payable, do not require the use of current financial
 resources and therefore are not reported as expenditures in
 governmental funds. (10,085)

Changes in net assets of governmental activities \$ (57,413)

Miami Valley Communications Council
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
Year Ended December 31, 2008

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance Over/(Under)</u>
Revenues			
Franchise fees - net of rebates	\$ 1,383,658	1,379,732	(3,926)
Training income	58,400	55,365	(3,035)
Interest income	74,000	25,486	(48,514)
Other income	<u>118,905</u>	<u>92,308</u>	<u>(26,597)</u>
	1,634,963	1,552,891	(82,072)
Expenditures			
Personnel	750,198	737,447	(12,751)
Fringe benefits	234,802	185,792	(49,010)
Supplies	30,880	31,122	242
Maintenance	79,400	48,171	(31,229)
Contractual	256,780	198,970	(57,810)
Utilities	21,725	22,037	312
Telephone	9,440	9,156	(284)
Training	1,575	1,486	(89)
All other expenses	272,840	185,951	(86,889)
Capital outlay	<u>113,000</u>	<u>110,355</u>	<u>(2,645)</u>
	<u>1,770,640</u>	<u>1,530,487</u>	<u>(240,153)</u>
Change in fund balance	(135,677)	22,404	158,081
Fund balances at January 1, 2008 - restated	<u>1,819,308</u>	<u>1,819,308</u>	<u>-</u>
Fund balances at December 31, 2008	\$ <u><u>1,683,631</u></u>	<u><u>1,841,712</u></u>	<u><u>158,081</u></u>

See accompanying notes to financial statements.

Miami Valley Communications Council
Statement of Assets and Liabilities
Agency Fund
December 31, 2008

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	\$ <u>39,164</u>
Liabilities	
Due to Tactical Crime Suppression Unit	\$ <u>39,164</u>

See accompanying notes to financial statements.

NOTE A – REPORTING ENTITY AND BASIS OF PRESENTATION

1. 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 City of Springboro (expansion member).

In 1975, the first six members shown above awarded identical franchises to Time Warner (formerly Media One) 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 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.

2. 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 unit government consists of all funds, departments, boards, and agencies that are not legally separated from the Council.

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; or (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 (4) 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 included in its reporting entity.

The financial statements of the Council have been prepared in conformity with General Accepted Accounting Principles (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 principles. The Council also applies Financial Accounting Standards Board (FASB) statements and interpretations, issued on or before November 30, 1989, to its government-wide statements, provided they do not conflict with or contradict GASB pronouncements. The more significant of the Council's accounting policies are described below.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. 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 governmental fund type.

Governmental Funds

General Fund – The General Fund is the general operating fund of the Council and is used to account for all financial resources except those required to be accounted for in another fund.

Building Improvement Fund – The Building Improvement Fund is used to account for financial resources to be used for the acquisition or construction of major building improvements.

Fiduciary Funds – Fiduciary Funds are used to account for assets held by the Council in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The Council's only fiduciary fund is an agency fund used to account for the financial resources of the Tactical Crime Suppression Unit.

2. Basis of Presentation

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Council as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statements are prepared using the economic resources measurement focus. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the Council. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the

operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the Council.

Fund Financial Statements

Fund financial statements report detailed information about the Council. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in current financial resources.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using either modified accrual for governmental funds or accrual basis for fiduciary funds.

Revenues, Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recognized in the accounting period when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period of the Council is sixty days after year-end.

Non-exchange transactions, in which the Council receives value without directly giving equal value in return, include franchise fees for use of public right of ways.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: franchise fees and investment earnings.

Deferred Revenue

The Council reports deferred revenue, if any, on its statement of net assets and governmental fund balance sheet. Deferred revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the statement of net assets and governmental funds balance sheet and revenue is recognized.

Expenditures/Expenses

On the accrual basis of accounting, expenses are recorded at the time they are incurred. The measurement focus of governmental fund accounting is on flow of current financial resources. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation and sick leave, which are reported as fund liabilities in the

period in which they will be liquidated with current financial resources rather than in the period earned by employees.

3. Budgetary Process

The budgetary process is prescribed by provisions of the 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.

The Council did not amend the budget during 2008, therefore one budget column will be presented on the budgetary statements.

4. 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.

The Council's investment activities are limited to certificates of deposits, savings or deposit accounts and STAR Ohio. Investments are stated at cost which approximates market value. Investment earnings are reported in the fund which has made the investment.

5. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2008, 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.

6. Property and Equipment and Depreciation

Capital assets are reported in the government-wide statement of net assets but are not reported in the fund financial statements. 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 has established a capitalization threshold of \$1,000 per unit cost. The Council does not possess 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 is computed using the straight-line method over an established useful life of five years for furniture, equipment and vehicles and forty years for buildings. Improvements to capital assets are depreciated over the remaining useful lives of the related capital assets.

Miami Valley Communications Council
Montgomery County, Ohio
Notes to Basic Financial Statements
December 31, 2008

	<u>Balance</u> <u>January 1</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>December 31</u>
Capital assets being depreciated				
Building and improvements	\$ 924,986	\$ 7,820	\$ -	\$ 932,806
Vehicles	111,204	-	-	111,204
Furniture and equipment	<u>1,772,357</u>	<u>109,255</u>	<u>(9,300)</u>	<u>1,872,312</u>
Total capital assets being depreciated	2,808,547	117,075	(9,300)	2,916,322
Less accumulated depreciation				
Building and improvements	(448,141)	(24,382)	-	(472,523)
Vehicles	(76,106)	(12,186)	-	(88,292)
Furniture and equipment	<u>(1,431,177)</u>	<u>(157,320)</u>	<u>7,749</u>	<u>(1,580,748)</u>
Total accumulated depreciation	<u>(1,955,424)</u>	<u>(193,888)</u>	<u>7,749</u>	<u>(2,141,563)</u>
Total capital assets being depreciated, net	853,123	(76,813)	(1,551)	774,759
Land not being depreciated	<u>123,170</u>	<u>-</u>	<u>-</u>	<u>123,170</u>
Total net capital assets	<u>\$ 976,293</u>	<u>\$ (76,813)</u>	<u>\$ (1,551)</u>	<u>\$ 897,929</u>

7. 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.

Employees may accumulate up to 2080 hours of sick leave. Upon retirement, an employee will be compensated for one-third of their accrued sick leave in excess of 400 hours at the current rate of pay. At the present time, the Council does not anticipate making any severance payments to current employees.

The entire compensated absences liability is reported on the entity-wide financial statements. For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due upon the occurrence of employee resignations and retirements. The noncurrent portion of the liability is not reported.

	<u>Balance</u> <u>1/1/2008</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>12/31/2008</u>	<u>Due within</u> <u>One Year</u>
Compensated Absences	<u>\$ 40,042</u>	<u>\$ 10,085</u>	<u>\$ -</u>	<u>\$ 50,127</u>	<u>\$ 12,532</u>

8. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made out of it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

9. Advertising

The Council's policy is to expense advertising costs as incurred.

10. Use of Estimates

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

NOTE C – CHANGE IN FUND CLASSIFICATIONS

The Council reclassified the Gov-Tech activity back into the general fund for 2008 as there is no requirement this activity must be accounted for in a separate fund. The Gov-Tech fund balance was \$188,381 at December 31, 2007. The General Fund balance was restated to \$1,819,308 at January 1, 2008 from the \$1,630,927 previously reported.

NOTE D – RELATED PARTY TRANSACTIONS

The Council provides substantial funding as well as administrative and clerical services to Tactical Crime Suppression Unit (TCSU). The Gov-Tech activity also provides funding to TCSU in the form of dues.

NOTE E – DEPOSITS AND INVESTMENTS

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.

1. Deposits

At year-end, the carrying amount of the Council's deposits was \$1,076,254 and the bank balance was \$1,083,026. Of the bank balance, \$267,413 was covered by federal depository insurance and \$815,613 was covered by pooled collateral held in the pledging banks' trust departments in the Council's name.

Although the securities serving as collateral were held by the pledging financial institutions' trust departments 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.

2. Investments

Investments made by governmental entities are categorized to give an indication of the level of the risk assumed by the entity 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. 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, 2008, was \$759,844.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2008.

	Cash and cash equivalents/deposits	Investments
Financial statements	\$ 1,836,098	\$ -
Investments		
Star Ohio	<u>(759,844)</u>	<u>759,844</u>
Note disclosure	\$ <u>1,076,254</u>	\$ <u>759,844</u>
 Cash and Investments per Statement of Net Assets		
Government Activities		\$ 1,796,934
Agency Funds		<u>39,164</u>
		<u>\$ 1,836,098</u>

Interest rate risk: The Investment Policy of the Council limits the purchase of securities to those with a stated final maturity of no more than one (1) year from the date of purchase.

Credit risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating. The Investment Policy of the Council limits investments to STAR Ohio.

Concentration of credit risk: One hundred percent is invested in STAR Ohio. There is no provision in the Council's Investment Policy which addresses concentration of credit risk.

NOTE F – DESIGNATION OF FUND BALANCE

The Governing Council has designated certain funds within the General Fund to be used for specified purposes:

Gov-Tech activity is a group of the member city managers who explore the use of new technology and investigates potential joint projects for the member cities. To fund this activity, the Governing Council has designated ten (10) percent of the annual cable franchise fees revenue be allocated towards this activity. Unspent resources of the Gov-Tech activity carry forward to the next year to provide funding for future initiatives, however, if the Governing Council deems the accumulated resources to be excessive, a portion may be returned to the Council's undesignated general fund balance.

The Contingency Reserve was initially funded with a designation of \$420,000 by the Governing Council. The purpose of this reserve was to provide a source of funding should the Council experience any significant decrease in its revenue sources. In 1997, the Governing Council approved a limit for the Contingency Reserve at an amount not to exceed \$600,000 and that any cash in excess of that limit be used for future building improvements. As such, all interest earned on the Contingency Reserve funds during 2008 (\$15,352) were allocated to the Building Improvement Fund.

NOTE G – PENSION PLAN

The Council participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is 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 the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar 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. OPERS 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, including post-employment health care coverage. Authority to establish and amend benefits is provided by Chapter 145 of the ORC. OPERS issues a stand alone financial report that may be obtained by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling 614-222-5601 or 800-222-7377.

The ORC provides statutory authority for member and employer contributions. For 2008, member and employer contribution rates were consistent across all three plans. The 2008 member contribution rates were 10.00%. The 2008 employer contribution rate for local government employer units was 14.00% of covered payroll.

The Council's contributions for pension obligations to the Traditional, Combined and Member- Directed Plans for the years ended December 31, 2008, 2007 and 2006 were \$99,258, \$95,679 and \$97,116, respectively; 100% has been contributed for 2008, 2007 and 2006.

NOTE H - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug plan and Medicare Part B premium reimbursement, to qualifying members of both the Traditional and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

OPERS provides postretirement health care coverage to age and service retirees with 10 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. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy

State statute permits OPERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14.00% of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 7.00% of covered payroll was allocated to the health care plan.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, and the number of dependents. The Council's contributions for health care for the fiscal years ended December 31, 2008, 2007 and 2006 were \$49,629, \$37,994, and \$31,902, respectively; 100% has been contributed for fiscal years 2008, 2007 and 2006.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008 which allowed additional funds to be allocated to the health care plan.

NOTE I - REVENUES

Under the franchise agreement between Time Warner Cable and the eight (8) member cities the Council receives 5% of gross revenues from cable providers in our membership cities. The Ohio SB117 superseded prior franchise agreements and redefined the definition of "gross revenues". The SB117 definition removed some services previously considered "gross revenues" and did away with monetary contributions by cable providers for vehicle and capital equipment replacement.

NOTE J – 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.

**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**

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Miami Valley Communications Council, (the Council), as of and for the year ended December 31, 2008, which collectively comprise the Council's basic financial statements as listed in the table of contents and have issued our report thereon dated May 29, 2009. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 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 generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Council's financial statements that is more than inconsequential will not be prevented or detected by the Council's internal control. We consider the deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting. Significant deficiencies are described in the accompanying schedule of findings and responses as items 2008-001 and 2008-002.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Council's internal control.

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Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

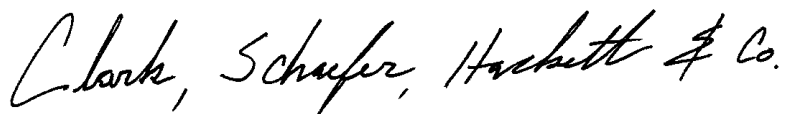
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free of 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*.

We noted a certain matter that we reported to management of the Council in a separate letter dated May 29, 2009.

The Council's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Council's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Council, management, and the Auditor of the State of Ohio and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Clark, Schaefer, Hackett & Co." The signature is written in black ink and is positioned above the typed name and date.

Springfield, Ohio
May 29, 2009

Finding Number 2008-001: Prior Certification of Expenditures

Policy number 20200 of the Council's "Accounting Policies and Procedures" states that all purchases (supplies, repairs and/or services) require approval of the expenditure prior to placing an order and purchases by the production staff must have signed approval from the Director of Cable Operations and/or the designate. The policy also states that a purchase order is required to be completed for any purchases over \$500, and all capital purchases.

Numerous expenditures tested for 2008 were initiated without obtaining the prior approval of the Executive Director. It was also noted that 11 of the 40 items selected for disbursement testing were processed without a purchase order. Procedures should be adopted by the Council that would assure that commitments are properly approved and follow the Council's purchase order policies and procedures requirements prior to the expenditure of Council funds.

Management response:

The Council is aware of the above issue and is currently reviewing the procedures to prevent this condition from occurring in the future.

Finding Number 2008-002: Segregation of Duties

The segregation of financial duties is important to adequately protect the Council's assets and ensure accurate financial reporting. Presently there is not an adequate number of personnel available to properly segregate duties to provide reasonable assurance that no one employee would have access to both physical assets and related accounting records, or to all phases of a transaction. Without proper segregation of duties, the risk increases that errors and fraud could occur and not be detected within a timely basis. Efficient segregation of duties in a small environment is often difficult; however, the Council should be aware of the risk associated with this lack of duty segregation and attempt to exercise as much oversight control in these areas as possible and feasible.

Management response:

The Council intends to institute the necessary reviews and monitoring controls needed when one individual performs all the duties within an accounting cycle.

Finding Number 2007-001: Required Notes to the Financial Statements

The Council did not present a complete set of note disclosures as required by standards; including disclosures related to the change from enterprise funds to governmental funds and the effects of that reclassification, changes in long-term liabilities, and required elements of defined contribution pension plan or postemployment benefits.

Status: Corrected for 2008

Finding Number 2007-002: Proper Posting of Assets and Liabilities

Audit adjustments were required to correct errors related to the post of receivables and payables associated with Gov-Tech, as well as with the manner in which compensated absences was reported.

Status: Corrected for 2008

Finding Number 2007-003: Classification of Program Revenue

The Council did not report charges for services revenue as program revenue on the statement of activities; instead this amount was reported as general revenues.

Status: Corrected for 2008



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
JULY 7, 2009**